

**PROMOTING
SUSTAINABLE
ECONOMIC
GROWTH**

2018 INTEGRATED REPORT



PROMOTING SUSTAINABLE ECONOMIC GROWTH

At ICO we aim to sustain and promote activities that contribute to the growth and distribution of national wealth.

We do this by promoting innovative, sustainable and international business projects that help our country grow and that directly contribute to achieving the 17 Sustainable Development Goals (SDGs). Sustainability is essential for economic development that respects the climate, the environment and people. Our path to sustainability is especially defined by SDG 8 (Decent Work and Economic Development). This SDG guides our activities and, through it, we contribute to many other SDGs that are also important to us and our shareholders.



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LETTER FROM THE PRESIDENT



ICO: WE PROMOTE SUSTAINABLE ECONOMIC GROWTH

As president of the Instituto de Crédito Oficial (Official Credit Institute, hereafter ICO), I am pleased to present the integrated report corresponding to the 2018 financial year. This report, which voluntarily responds to the requirements of Law 11/2018, of 28 December, and whose content has been audited by an external verifier, contains financial and non-financial data that allow our various shareholders to compare and evaluate this Institution's environmental, social and good governance conduct.

For ICO, it is crucial that the information that we provide through the 2018 Integrated Report meets the highest standards of transparency, clarity and integrity. With this objective in mind, we have followed the United Nations' Global Compact Progress Report Principles, to which ICO has renewed its commitment, and the Global Reporting Initiative (GRI) standards.

In 2018, we strengthened the ICO Group's commitment to fulfilling the 2030 Agenda's Sustainable Development Goals (SDGs). The SDGs are especially relevant in an institution such as ICO, whose main function is to promote economic activities that encourage sustainable economic growth and the generation of employment.

All areas of the ICO Group's activity have focused on this objective, which, thanks to the dedication and effort of the men and women who make up ICO's team of professionals, has allowed us to be pioneers and leaders in areas as important as subsidised rates or social impact funds; areas in which the public sector has a clear leadership responsibility.



OVER THE YEARS, ICO HAS FULFILLED ITS ROLE AS AN IMPORTANT PUBLIC BANK IN THE SPANISH ECONOMY



The 2018 financial year has been marked by the new economic and financial context in which we find ourselves, characterised by the consolidation of economic recovery and by lax financial conditions in the markets, with abundant liquidity and very low interest rates. This has resulted in ICO's activity evolving to levels more in line with its historical average.

Against this new backdrop, we consider it important to adopt a proactive attitude and to continue contributing to the growth of businesses, expanding their activities and investments both in Spain and abroad. For this reason, conscious of the important role that ICO plays and should continue to play in the Spanish economy, in 2018 we defined a **Strategic Reorientation** that constitutes our roadmap for the 2019-2021 period and which establishes the following strategic areas:

- Developing ICO as a public bank for promoting economic growth and business activity.
- Strengthening ICO as a financial instrument to support economic policy measures. Within this area, positioning ICO as a public accredited promotional bank before the European Union (EU) in the 2021-2027 Multiannual Financial Framework through the "InvestEU" programme will take priority.
- Positioning ICO as a public accredited promotional bank before the European Union (EU) within the 2021-2027 Multiannual Financial Framework through the "InvestEU" programme.
- Improving management and generating synergies in ICO's activities as a State Financial Agent, increasing the value contribution.
- Boosting sustainability, Corporate Social Responsibility and improving organisational management, these being the core pillars of ICO's activity in all areas.

These areas are based on action principles that intersect with the European Union's priorities, as established in the InvestEU Programme, that develop digitalisation and innovation, boost sustainability and the circular economy, and promote alternative funding sources to encourage the growth and competitiveness of SMEs. Moreover, particular attention will be paid to social investment projects and capabilities.

In addition, each strategic area includes specific action plans that shape ICO's activity. In the last quarter of 2018, initiatives that will produce results over the course of 2019 already began to be implemented.

These plans involve the entire ICO Group. Examples include: improvements made to ICO facilities, making these more competitive and more efficiently adaptable to the needs of all businesses, especially SMEs and self-employed people; the funding programme for medium-sized companies to boost their growth and international presence; the inaugural green bonds issue launched in April 2019, an operation that began to be developed at the end of 2018 and that, along with social bonds, has established ICO as a leader in this area; investment in sustainability and social impact funds; and the launch of a new website aimed at SMEs allowing them to align their activity with the SDGs.

With all these initiatives, ICO aims to promote inclusive economic growth and to move toward more sustainable development, in line with international public policies (Agenda 2030) and national policies (Agenda del Cambio - Change Agenda).

JOSÉ CARLOS GARCÍA DE QUEVEDO RUIZ
PRESIDENT



ABOUT US



The ICO Group is formed by the Instituto Crédito Oficial, Public Business Entity (ICO) and by AXIS Participaciones Empresariales (AXIS)

ICO

NATURE AND LEGAL FRAMEWORK

The Instituto de Crédito Oficial (ICO) is a public business entity, attached to the Ministry for Economy and Business through the State Secretariat for Economic Affairs and Business Support. It is legally a credit entity and is considered to be a State Financial Agency. It has its own corporate identity, assets and treasury, as well as management autonomy to fulfil its goals.

ICO's strategic direction and the development and monitoring of the results of its activities are the responsibility of the State Secretariat for Economic Affairs and Business Support.

ICO is not funded through the General State Budgets but rather on the capital markets and through loans. It has the Spanish State's guarantee for debts and obligations acquired by fundraising.

ICO's nature, legal framework, aims and functions are defined in its Statutes, approved by Royal Decree 706/1999. The original version of this provision has undergone changes, and the consolidated text includes amendments provided for in Law 40/2015, on the Public Sector's Legal Framework, of Royal Decree 1149/2015 and Royal Decree 390/2011.

CORPORATE NAME

INSTITUTO DE CRÉDITO OFICIAL, PUBLIC BUSINESS ENTITY (ICO)

Tax Code: Q-2876002-C

Registered office:

Paseo del Prado, 4. 28014 - MADRID

Website: www.ico.es

Social networks: Twitter @ICOGob

Contact in relation to this report:

rse@ico.es



VISION

These objectives are fulfilled by the Institute in its dual role of Specialised Credit Entity and State Financial Agency.

ICO aims to be a leading international body and a national institution of model transparency, solvency and credibility. It aims to be recognised as an ally in the growth of wealth and employment, especially by SMEs and Financial Institutions, and to be made up of a highly qualified, motivated, efficient and committed human team that performs its duties in an environment of trust and collaboration.



FUNCTIONS

ICO's functions are to:

1. Help alleviate the economic effects of serious economic crises, natural disasters or other similar events, in accordance with the instructions of the Council of Ministers or the Delegate Commission of the Government for Economic Affairs.
2. Act as an instrument for the implementation of certain economic policy measures in accordance with the fundamental lines established by the Council of Ministers, the Delegate Commission of the Government for Economic Affairs or the Ministry of Economy, Industry and Competitiveness, subject to the rules and decisions agreed upon by its General Board.

MISSION, VISION AND FUNCTIONS



MISSION

ICO's aims include sustaining and promoting economic activities that contribute to the growth and improvement of national wealth distribution and, especially, those activities that merit promotion due to their social, cultural, innovative or ecological importance.



AXIS

NATURE AND LEGAL FRAMEWORK

State public limited company as provided for in artº 2.2(c) of Law 47/2003, General Budget, in artº 166(c) of Law 33/2003, on Assets of Public Administrations, and in artº 111 of Law 10/2015 on the Public Sector's Legal Framework.

CORPORATE NAME

AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C., S.A., S.M.E.

Tax Code: A78290269

Registered office:

c/ Los Madrazo, 38 2ª planta. 28014 - MADRID

Website: www.axispart.com

Contact in relation to this report:

rse@ico.es

MISSION AND FUNCTIONS



MISSION

AXIS aims to help businesses grow whilst maintaining the financial balance of the funds we manage to ensure their continuity.



FUNCTIONS

AXIS's functions are to:

1. Serve as a catalyst for the creation of venture capital funds with a majority of private capital, with the ultimate aim of providing SMEs with funding other than banking.
2. Directly support companies in their expansion plans in order to contribute to the development of the business network, create jobs and revitalise the economy.
3. Mobilise the greatest possible amount of private sector resources through investments into co-investment schemes with other private venture capital funds.
4. Improve the quality and security of Spanish infrastructure as a key piece in the country's economic growth and modernisation.



MAIN FIGURES

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR.



BALANCE SHEET (million euros)	(31/12/2018)
Cash, central bank balances and other demand deposits	1,669
Financial assets at fair value with changes in another overall result	1,671
Financial assets at amortised cost	32,002
Other assets	895
TOTAL BALANCE	36,237
Financial liabilities at amortised cost	30,307
Net assets	5,262
Rest of liabilities	668

PROFIT AND LOSS ACCOUNT BY MARGINS (million euros)	(31/12/2018)
Financial interest margin	-97
Gross margin	55
Pre-tax profit of ongoing activities	113
Post-tax profit of ongoing activities	73

	2018	2017	2016	2015	2014
Total no. of employees	327	324	308	317	321
No. of employees with a fixed contract	317	304	295	299	305
No. of women	200	200	186	194	193
% of women in middle and senior management	44.4%	44.06%	43.63%	47.45%	49.20%
No. of employees with reduced hours due to reconciling family life	41	29	38	41	48
Average age of workforce	47.4 (ICO); 45.6 (AXIS)	47.21	47.24	46.74	45.7
No. of working days lost due to sick leave	3,375	2,030	3,216	3,700	3,312
Work accidents	6	13	7	7	6
Absenteeism rate	6% (ICO)	4.77%	6.68%	6.72%	6.30%
Investment in training (€)	280,227	191,567	199,718	213,669	230,522
No. of hours of training	15,143	14,173	15,164	15,045	18,958
No. of employees trained	303	323	266	291	310



STRATEGIC PARTNERSHIPS



17 ALIANZAS PARA LOGRAR LOS OBJETIVOS



To achieve its objectives, ICO collaborates with different institutions nationally and internationally. Collaboration is one of the fundamental values on which our activity is based.

ASPECT/ENTITY	FUNDING/DESCRIPTION
	<p>The relationship between the two institutions aims to facilitate the funding of investment projects implemented by Spanish companies, especially SMEs. So far, this cooperation has resulted in loan agreements. In the case of SMEs, the sum total of EIB funding joins an ICO disbursement of the same amount, which has created an important financial injection for the Spanish economy in recent years and complements other collaboration facilities. At present, new collaboration schemes with the EIB are emerging within the framework of the Investment Plan for Europe (Juncker Plan).</p>
	<p>ICO maintains close and regular collaboration with the EIF, as the European Union body that provides guarantees and venture capital to SMEs. This is primarily done through its wholly-owned venture capital subsidiary AXIS, with ICO also being a shareholder in the Fund since its creation in 1994.</p>



ASPECT/ENTITY	FUNDING/DESCRIPTION
	<p>Created to support economic and social development in Latin America and the Caribbean, the BID is the main source of multilateral funding in the region and ICO's collaboration with this agency focuses on finding communal methods to facilitate investment in Spanish companies in Latin America, as well as Latin American companies in Spain.</p>
	<p>Agreement to promote investment between the two countries through information exchange and the joint funding of investments of common interest.</p>
	<p>Collaboration agreement that provides for information exchange and cooperation in funding companies.</p>
	<p>Collaboration agreement that covers the main cooperation activities to be carried out, particularly information exchange, funding and support to Spanish and Moroccan SMEs and the co-funding of investment projects.</p>
	<p>Framework Partnership Agreement, which aims to standardise the steps banks should take when co-financing projects with the IFC.</p>
	<p>Collaboration agreement that includes cooperative actions such as information exchange, funding and support to Spanish and Argentinian SMEs, and co-financing investment projects.</p>
	<p>Aims to facilitate the funding, co-funding or guarantee of projects with common interest, both for SMEs and large projects involving Spanish or Mexican companies.</p>



ASPECT/ENTITY	STRATEGIC COOPERATION/ DESCRIPTION
 <p>CAF BANCO DE DESARROLLO DE AMÉRICA LATINA</p>	<p>ICO and CAF engage in strategic cooperation to promote financial and credit development, as well as to promote technical and economic cooperation between Andean countries and Spain.</p>
 <p>BANCOMEXT</p>	<p>ICO and Bancomext de Mexico engage in cooperative activities to promote financial and credit development between the two countries.</p>
 <p>STB BANK</p>	<p>Collaboration through an agreement with the aim of developing the capacity of Spanish and Tunisian companies to invest abroad, thus increasing economic integration between the two countries and achieving greater growth in their national economies.</p>
 <p>EXIM INDIA</p>	<p>Collaboration agreement that provides for the possibility of exchanging information on future investments, encouraging the creation of joint ventures as well as organising seminars to contribute to the aforementioned objectives.</p>
 <p>SEK</p>	<p>Collaboration agreement that aims to boost both Spanish and Swedish companies' investment abroad through exchanging information on investment projects.</p>
 <p>Banco Centroamericano d Integración Económica BCIE</p>	<p>Collaboration agreement to cooperate on joint initiatives regarding the funding of Spanish companies' operations in Central America and exports.</p>



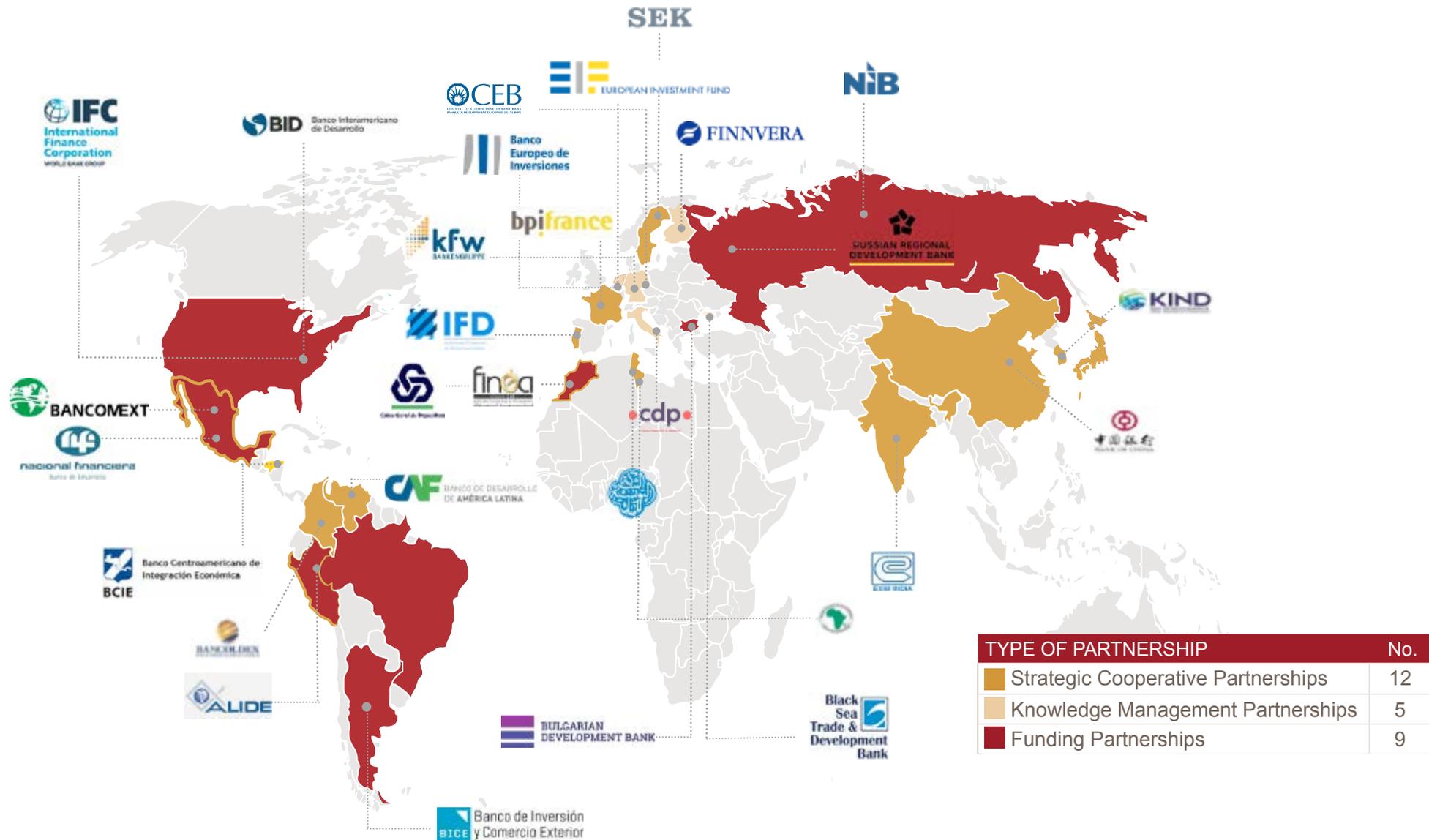
ASPECT/ENTITY	STRATEGIC COOPERATION/ DESCRIPTION
	<p>Collaboration agreement to provide funding to Spanish companies that develop projects in Morocco individually or jointly with Moroccan companies. The agreement aims to finance investment projects of common interest for companies from both countries.</p>
	<p>Collaboration agreement to establish technical and financial cooperation among the association's member institutions. The agreement establishes an institutional framework so that entities in ALIDE member countries jointly fund investment projects in Latin America and the Caribbean.</p>
	<p>Collaboration agreement through which both institutions will cooperate in the provision of joint support to Spanish and French SMEs in their investment projects.</p>
	<p>Collaboration agreement for providing financial support to Spanish and Portuguese SMEs that carry out investment projects of common interest for both countries.</p>
	<p>Convention to regulate ICO's participation in the EFSI's Advisory Hub (Juncker Plan).</p>
	<p>Convention for the ICO Group's commitment to the "EIF-NPI Equity Platform" (Juncker Plan).</p>



ASPECT/ENTITY	KNOWLEDGE MANAGEMENT
	<p>ICO and the KfW have a collaboration agreement to exchange staff in order to understand each other's working procedures, to improve institutional relationships in each specific area of activity and to expand experience in pursuit of a common benefit.</p>
	<p>Collaboration agreement for the temporary exchange of employees from the two institutions.</p>
	<p>Collaboration agreement for the temporary exchange of employees from the two institutions.</p>
	<p>Collaboration Agreement for the exchange of staff, in order to strengthen the Institute's relations with Finnvera, the public entity for Finnish development.</p>
	<p>Collaboration agreement that aims to establish a collaboration framework between the two institutions for the temporary exchange of employees.</p>

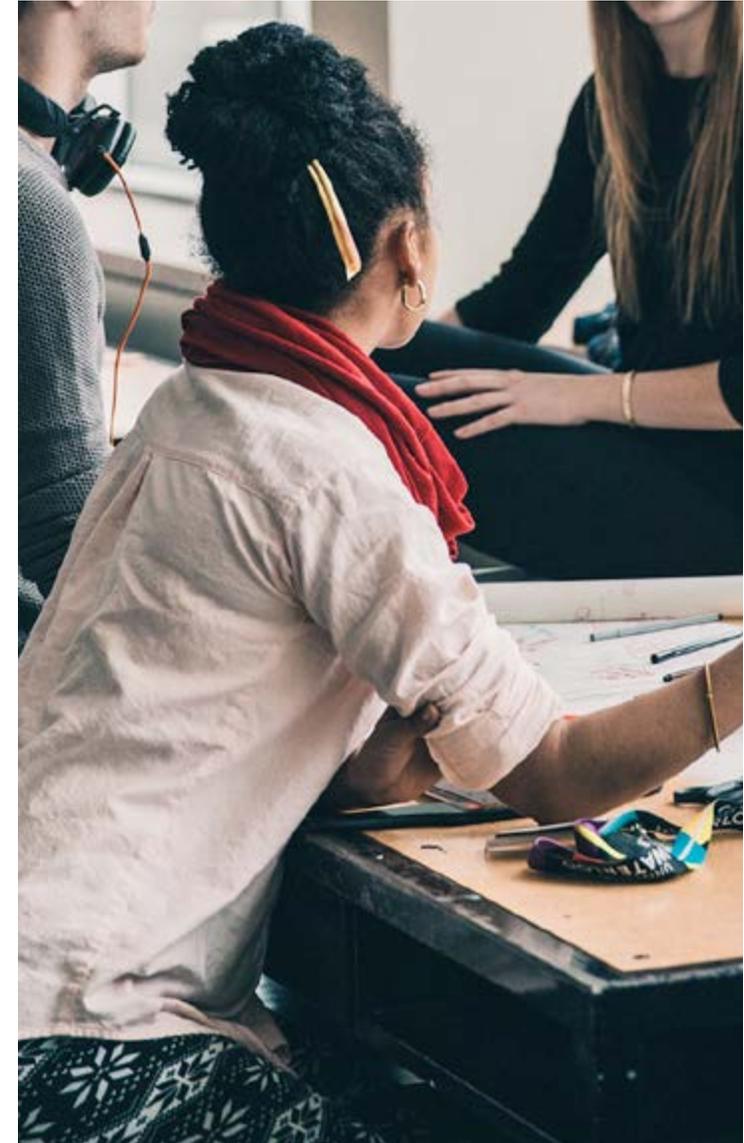


MAP OF ICO'S STRATEGIC PARTNERSHIPS





STAFF EXCHANGE



17 ALIANZAS PARA LOGRAR LOS OBJETIVOS

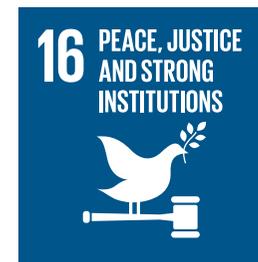
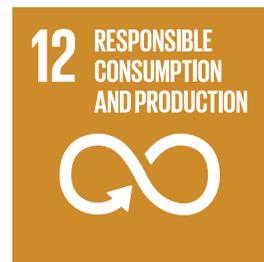
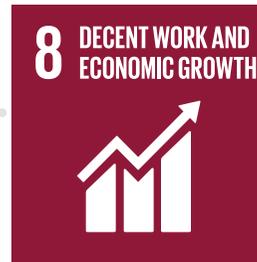


Our workforce is trained with the help of ICO's staff exchange programme with International Development agencies and entities. This exchange project forms part of the strategic aim of promoting the internationalisation of the Spanish economy. These exchanges are focused on generating synergies with counterpart banks by sharing knowledge and experiences in activities and operations to improve work techniques and methods. In addition, they aim to promote contact between institutions, thus creating a network of professionals that create business opportunities and synergies favouring initiatives to jointly achieve the 17 Sustainable Development Goals.



There are two types of staff exchange programmes: study tours (maximum of two weeks) and exchanges (maximum of three months).

In 2018, two study tours took place within the framework of the agreement signed between ICO and Cassa Depositi e Prestiti (CDP); one of an ICO employee hosted by the CDP and another of a CDP employee hosted by ICO.



OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

We believe that ICO’s mission (“*sustaining and promoting economic activities that contribute to the growth and improvement of national wealth distribution*”) perfectly aligns with the Sustainable Development Goals and these should therefore be reflected in the activities, products and services we develop, both internally and externally. Undoubtedly, SDG 8 (“Decent work and economic growth”) links our mission to the United Nations’ Sustainable Development Goals for the 2030 Agenda¹ and, from this, we develop our commitments to other objectives.

¹ <https://www.un.org/sustainabledevelopment/economic-growth/>





ICO AND SUSTAINABLE DEVELOPMENT

This infographic demonstrates how our indicators and activities are based on our company's main goal: to contribute as much as possible to SDG 8, on decent work and sustainable economic growth. By supporting projects and activities that promote SDG 8, we also boost other relevant SDGs that directly depend on it. All SDGs to which we contribute are connected and indicate the route offered by the ICO Group towards sustainability and social responsibility. In addition, each of the SDGs are connected to sustainability issues that define the reports' international framework, the Global Reporting Initiative (GRI).

8 DECENT WORK AND ECONOMIC GROWTH

- Economic performance
- Job creation and indirect economic impacts
- Fair and equal working conditions
- Products aimed at promoting sustainable economic growth

7 AFFORDABLE AND CLEAN ENERGY

- Investment in energy efficiency
- Reduction in CO₂ emissions
- Circular economy projects
- Financing renewable energy projects
- Energy transition

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Funding innovation and internationalisation projects

1 NO POVERTY

- Job creation and indirect economic impacts

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Anti-corruption
- Unfair competition
- Training and education
- Rights of indigenous peoples
- Evaluation of human rights
- Public policy



- Diversity and equal opportunities
- Non-discrimination
- Social products



- Environmental compliance
- Child labour
- Forced or compulsory labour
- Rights of indigenous peoples
- Evaluation of human rights
- Local communities
- Public policy
- Socio-economic compliance



- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluent and waste
- Environmental compliance



- Collaboration with other entities to promote sustainability
- Initiatives to promote international cooperation



- Responsible acquisition practices
- Fair competition
- Efficient and sustainable management of resources
- Sustainable management of emissions and waste
- Safety of clients and employees
- Transparency about our products
- Socio-economic and environmental compliance
- Development of products that generate social and environmental value
- Responsible management of suppliers

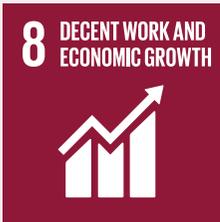


- Solvency ratio above 40%. Top 10 - 1
- Almost 1% of jobs created. Top 10 - 2
- The impact of direct financing is 0.2% of GDP. Top 10 - 3
- 48% of the social bond was shared between socially responsible investors. Top 10 - 4
- The ICO Group is a family-responsible company. Top 10 - 5
- Women represent 61% of the workforce. Top 10 - 6
- 96.9% of our workforce has an indefinite contract. Top 10 - 7
- The training budget increased by 46.3%. Top 10 - 8
- 92.8% of the paper used is recycled. Top 10 - 9
- 4.86 out of 5 rating for online and telephone services. Top 10 - 10



MOST RELEVANT SDGS AND ICO'S RELATED ACTIVITIES AND PRODUCTS

THE MOST IMPORTANT SDGS FOR THE ICO GROUP AND ITS SHAREHOLDERS



This SDG recognises the importance of sustainable economic growth and high levels of economic productivity in creating good-quality, well-paid jobs and achieving global prosperity. It aims to achieve decent work for all and simultaneously eradicate forced labour, human trafficking and child labour, whilst also promoting workers' rights and safe working environments.

This SDG forms the basis of our mission as a company as, through our funding projects, we support the innovation, internationalisation and sustainability of our production system.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- EQUALITY PLAN
- COLLECTIVE AGREEMENT
- ICO COMPANIES AND ENTREPRENEURS
- ICO SGR/SAECA GUARANTEE
- ICO COMMERCIAL CREDIT
- ICO IDAE ENERGY EFFICIENCY
- ICO INTERNATIONAL
- ICO EXPORTERS
- ICO INTERNATIONAL CHANNEL
- ICO-CAF INTERNATIONAL CHANNEL FUNDING FACILITY
- ICO-BCIE INTERNATIONAL CHANNEL FUNDING FACILITY (COMEX, PROSEP)
- ICO-BANBIF FACILITY
- ICO-SABADELL-MIAMI FACILITY
- CORPORATE FINANCING
- STRUCTURED FINANCING

- ICO RTVE CINEMA PRODUCTION
- AXIS-ICO SME FUND
- AXIS-ICO INFRASTRUCTURES FUND
- AXIS-ICO GLOBAL FUND
- FIEM
- CARI
- FONPRODE
- COOPERATION FUND FOR WATER AND SANITATION
- ECONOMIC POLICY FUNDING FACILITIES
- FONS MEDITERRÁNEA CAPITAL
- MARGUERITE FUND
- AXIS
- CERSA
- COFIDES
- FEI
- SOCIAL BOND ISSUE



THE MOST IMPORTANT SDGs FOR THE ICO GROUP AND ITS SHAREHOLDERS

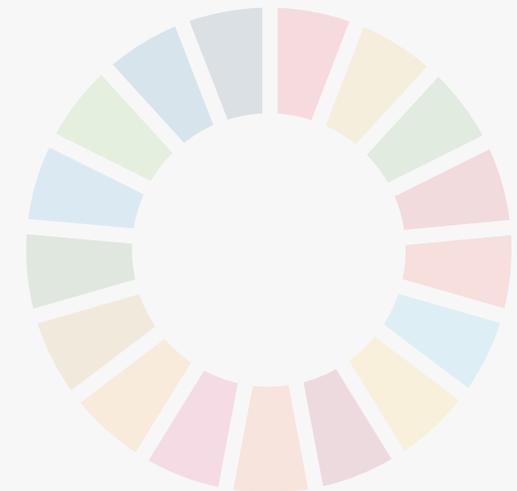


This SDG aims to end poverty in all its forms, including extreme poverty, over the next 15 years. Its end goal is to establish shared prosperity, a basic standard of living and social protection benefits for people around the world, including the poorest and most vulnerable.

We directly contribute to this SDG through the funding of various projects, especially for entrepreneurs and regarding cooperation for water distribution and sanitation, as well as through our social bonds.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- ICO-CAF INTERNATIONAL CHANNEL FUNDING FACILITY
- ICO-BCIE INTERNATIONAL CHANNEL FUNDING FACILITY
- ICO-BANBIF FACILITY
- ICO -SABADELL-MIAMI FACILITY
- AXIS-FOND-ICO INFRAESTRUCTURAS (AXIS-ICO INFRASTRUCTURES FUND)
- FONPRODE
- COOPERATION FUND FOR WATER AND SANITATION
- CORPORATE FUNDING PROJECTS
- STRUCTURED FUNDING PROJECTS
- SOCIAL BOND ISSUE





THE MOST IMPORTANT SDGs FOR THE ICO GROUP AND ITS SHAREHOLDERS

7 AFFORDABLE AND CLEAN ENERGY

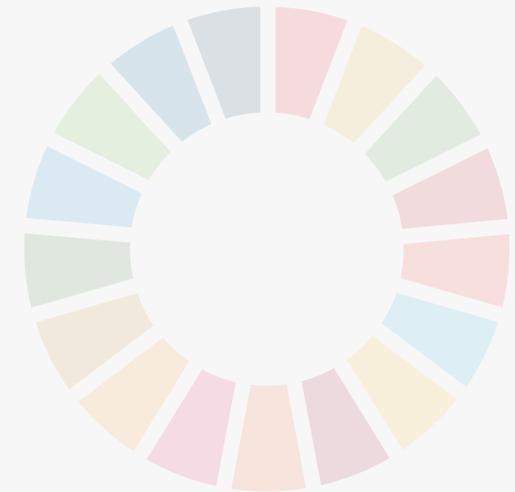


This SDG aims to ensure universal access to affordable, safe, sustainable and modern energy. Universal access to energy is essential. Working towards this goal is especially important as it directly affects the ability to achieve other sustainable development goals.

Through AXIS, ICO supports new economic and industrial initiatives that ensure universal access to modern energy services, improve energy efficiency and increase the use of renewable resources. In this way, it contributes to the improvement of infrastructure, promotes innovation, builds more sustainable and inclusive communities and improves resilience to environmental problems such as climate change.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- AXIS-ICO GLOBAL FUND. SC ENERGY EFFICIENCY I
- AXIS-ICO GLOBAL FUND. SC ENERGY EFFICIENCY II
- AXIS-ICO INFRASTRUCTURES FUND I
- AXIS-ICO INFRASTRUCTURES FUND II





THE MOST IMPORTANT SDGS FOR THE ICO GROUP AND ITS SHAREHOLDERS

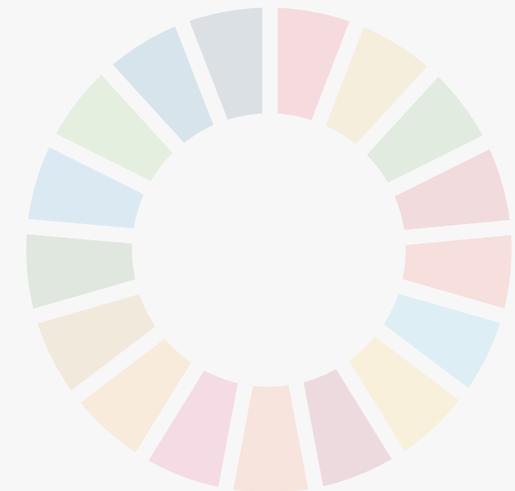


SDG 9 aims to build resilient and sustainable infrastructure that supports sustainable development and human well-being. It promotes inclusive and sustainable industrialisation as a central driving force in ending poverty and improving living standards for all people.

The ICO Group has different funding facilities that, apart from contributing to our companies' economic development, promote the construction and innovation of infrastructures that support the efficient use of resources.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- RESPONSIBLE CONSUMPTION OF RESOURCES
- ICO CRTVE CINEMA PRODUCTION
- AXIS-ICO INFRASTRUCTURES FUND
- MARGUERITE FUND
- THROUGH CORPORATE FUNDING PROJECTS
- THROUGH STRUCTURED FUNDING PROJECTS





THE MOST IMPORTANT SDGs FOR THE ICO GROUP AND ITS SHAREHOLDERS

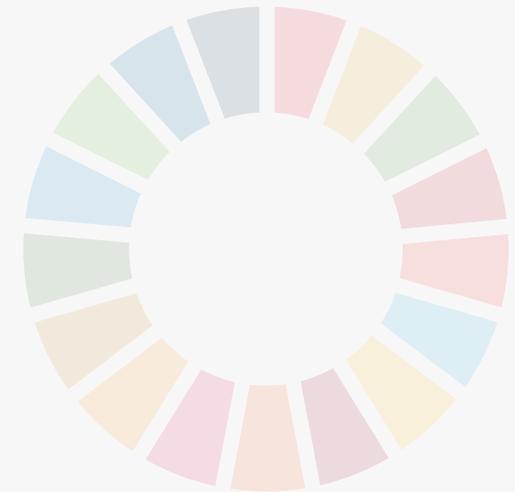


This SDG proposes the creation of peaceful and inclusive societies based on respect for human rights, protecting the most vulnerable, the rule of law and good governance at all levels. It also aims to produce transparent, effective and accountable institutions that promote non-discriminatory laws and policies, combat corruption, bribery and organised crime and prevent violence, terrorism and crime.

Through our procedures and good governance policy, we directly contribute to this SDG, which seeks to build strong, reliable and transparent institutions. In this way, the ICO Group generates confidence amongst its shareholders.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- ICO CRTVE CINEMA PRODUCTION
- SOCIAL BOND ISSUE
- INSTITUTIONAL TRANSPARENCY
- GOOD GOVERNANCE
- RELATIONS WITH SHAREHOLDERS





THE MOST IMPORTANT SDGS FOR THE ICO GROUP AND ITS SHAREHOLDERS

17 PARTNERSHIPS FOR THE GOALS



SDG 17 calls for a universal multilateral trading system that is rules-based, open, non-discriminatory and equitable within the WTO's framework, and for allowing less developed countries to access the market without taxes and fees.

Collaboration with different European and global entities ensures that the ICO Group is included in international funding networks for different projects. We are especially proud of this network of partnerships that the ICO Group has created, and it is something that we want to take care of and develop.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- COLLABORATING AGENTS
- FRAMEWORK CONTRACTS WITH SPANISH COMMERCIAL BANKING
- Network of European Financial Institutions for Small and Medium-Sized Enterprises (NEFI)
- European Long-Term Investors Association (ELTI)
- Long-Term Investors Club (LTIC)
- Collaboration with EIB, CEB, EIF, IDB, CAD, KFW, JBIC, BNDES, FINNVERA, BSTDB, BANCOMEXT, ENCOURAGEMENT BANK, SOCIÉTÉ TUNISIENNE DE BANQUE, Russian Bank for Development, Export Import Bank of India, Swedish Export Credit Corporation, Swedish Export Credit Corporation, Nacional Financiera, S.N.C. (NAFIN), Corporación Financiera de Desarrollo S.A. (COFIDE).





THE MOST IMPORTANT SDGS FOR THE ICO GROUP AND ITS SHAREHOLDERS

10 REDUCED INEQUALITIES

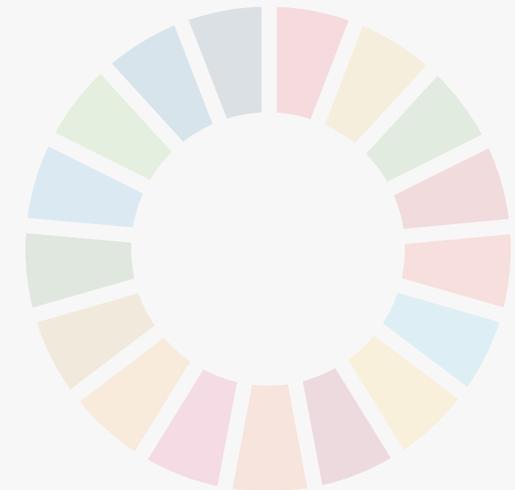


SDG 10 aims to increase the income of 40% of the population and reduce inequalities based on income, sex, age, disability, race, class, ethnicity, religion and opportunities by adopting appropriate policies and laws. It also aims to improve the regulation and monitoring of financial markets and institutions.

The ICO Group directly contributes to bringing the financial market closer to business projects through providing SMEs and entrepreneurs with access to funding for their projects.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- ICO-CAF INTERNATIONAL CHANNEL FUNDING FACILITY
- ICO-BCIE INTERNATIONAL CHANNEL FUNDING FACILITY
- ICO-BANBIF FACILITY
- ICO-SABADELL-MIAMI FACILITY
- FONPRODE
- THROUGH CORPORATE FUNDING PROJECTS
- THROUGH STRUCTURED FUNDING PROJECTS
- SOCIAL BOND ISSUE



THE MOST IMPORTANT SDGs FOR THE ICO GROUP AND ITS SHAREHOLDERS

11 SUSTAINABLE CITIES AND COMMUNITIES

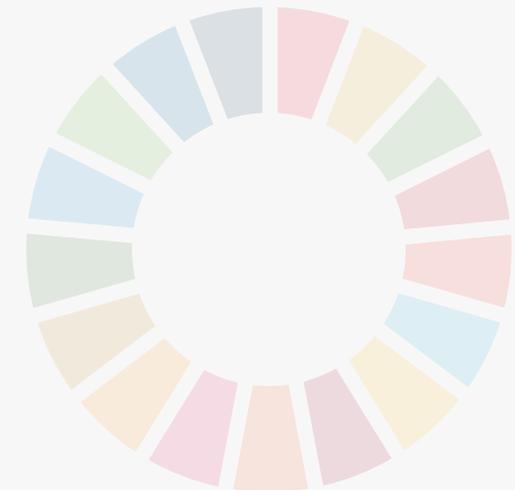


This SDG aims to renovate and plan cities and other human settlements in ways that offer opportunities for all, with access to basic services, energy, housing, transport and natural public spaces, while also improving the use of resources and reducing environmental impacts.

The ICO Group's funding of sustainable infrastructures directly contributes to this SDG, which creates cohesion and well distributed economic development. In addition, the ICO Group contributes to this SDG by funding those people affected by disasters, on the Government's express indication.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- ICO COMPANIES AND ENTREPRENEURS
- ICO IDAE ENERGY EFFICIENCY
- AXIS-ICO INFRASTRUCTURES FUND
- FONPRODE
- THROUGH CORPORATE FUNDING PROJECTS
- THROUGH STRUCTURED FUNDING PROJECTS





THE MOST IMPORTANT SDGs FOR THE ICO GROUP AND ITS SHAREHOLDERS

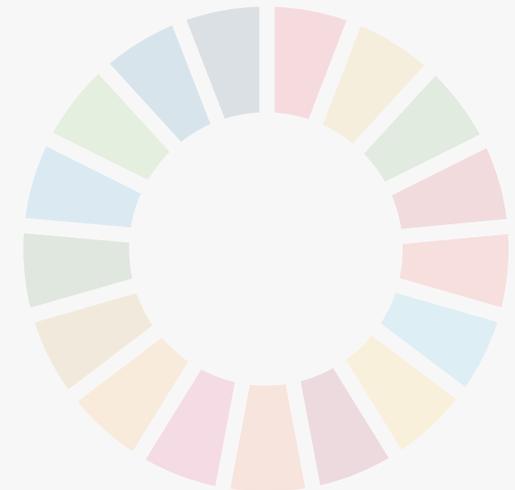


This SDG calls for action on all fronts. It calls for companies to adopt sustainable practices and sustainability reports, policy makers to promote sustainable purchasing practices and rationalise inefficient fossil fuel subsidies, consumers to be more environmentally conscious, and for researchers, scientists and others to develop new technologies and production and consumption methods.

At the ICO Group, we lead by example by responsibly consuming resources, such as energy or the paper that we use in our offices. In addition, we have funding facilities that increase the energy efficiency of business projects.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- RESPONSIBLE CONSUMPTION OF RESOURCES
- ICO IDAE ENERGY EFFICIENCY





THE MOST IMPORTANT SDGS FOR THE ICO GROUP AND ITS SHAREHOLDERS

13 CLIMATE ACTION

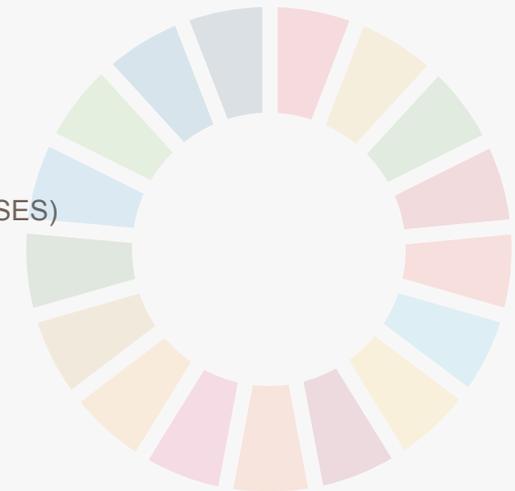


This SDG aims to implement the commitment to the United Nations Framework Convention on Climate Change and put the Green Climate Fund into operation. Its objective is to strengthen developing countries' adaptive capacity to climate-related threats and natural disasters through integrating measures for mitigating and adapting to climate change in strategies, policies and planning.

The ICO Group supports projects that encourage energy efficiency and emission control by businesses and entrepreneurs through different funds.

ICO ACTIVITY THAT DIRECTLY CONTRIBUTES

- RESPONSIBLE CONSUMPTION OF RESOURCES
- ICO COMPANIES AND ENTREPRENEURS
- ICO IDAE ENERGY EFFICIENCY
- AXIS-ICO INFRASTRUCTURES FUND
- FONDO DE CARBONO PARA LA EMPRESA ESPAÑOLA (FC2E - CARBON FUND FOR SPANISH BUSINESSES)
- FONDO DE CARBONO 2012 (2012 CARBON FUND)
- MARGUERITE FUND
- THROUGH CORPORATE FUNDING PROJECTS
- THROUGH STRUCTURED FUNDING PROJECTS





SOCIAL RESPONSIBILITY AT ICO

The ICO Group's most important shareholders identify the sustainability issues that are most relevant to us and our shareholders through dialogue. Thanks to this process, a materiality analysis, we can identify the aspects of sustainability and social responsibility that we should focus on.



Action Group for CSR in public companies, promoted and led by ICO. In 2018, we worked on the contribution of public companies to the sustainable development goals (SDGs).



DIALOGUE WITH SHAREHOLDERS

The identification of *shareholders* is based on the ICO Group's relationship with each group of potential shareholders. On the basis of this methodology, the ICO Group identifies the following groups:

GROUP	SUBGROUP	DESCRIPTION	OBJECTIVES
1-CLIENTS	FINANCIAL INSTITUTIONS	Financial institutions that act as mediators for the ICO Group's loans for SMEs and self-employed people.	Channel ICO Group funding through the offices of financial entities to allow SMEs and self-employed people to access ICO Group loans.
	SMES	Companies benefiting from the ICO Group's funding facilities.	Generate/maintain employment, particularly in those regions with a GDP below the national average; boost the internationalisation of Spanish business; fund investment projects generating wealth and employment and those that have positive environmental and social effects.
	SELF-EMPLOYED PEOPLE	Individual entrepreneurs who benefit from the ICO Group's funding facilities.	
	LARGE COMPANIES	Companies benefiting from the ICO Group's direct loans.	
	STATE FUND MANAGERS	Departments managing State funds for internationalisation.	Manage funds prepared by ministerial departments.



GROUP	SUBGROUP	DESCRIPTION	OBJECTIVES
2-INVESTORS	INVESTORS	Subscribers to bonds issued by the ICO Group to fund its activity.	Capture the financial resources needed to carry out the ICO Group's activity. Development of SRI bonds. Platforms for dialogue.
3-PEOPLE	ACTIVE EMPLOYEES	Staff with a fixed or temporary contract.	Facilitate the activity and professional development of ICO Group employees with equality, non-discrimination, conciliation and training policies.
	INTERNS	Graduates who are registered to the Fundación SEPI training programme who undertake an internship in the ICO Group.	Support the practical training of recent graduates to facilitate their access to the world of work.
	OTHERS	Staff who are on work leave due to retirement, leave of absence or any other reason.	Facilitate relations with the ICO Group in terms of labour rights once the labour contract is finalised.
4-SUPPLIERS	SUPPLIERS	Companies supplying goods and services for the ICO Group	Contracts under public procurement principles, including CSR clauses. Evaluation of suppliers' CSR performance. Minimise deadlines for the payment of invoices.



GROUP	SUBGROUP	DESCRIPTION	OBJECTIVES
5-AGENCIES AND ENTITIES ACTIVE IN ECONOMIC AND FINANCIAL MARKETS	MULTILATERAL BODIES	International supranational entity, made up of a group of countries or Member States, formed to achieve common goals that benefit the community or regions where it acts.	Find cooperation frameworks for the development of joint programmes and projects.
	ICO GROUP'S COUNTERPART ENTITIES	Entities of EU member states and other countries with similar functions to the Institute.	Collaborative agreements and agreements for the exchange of good practices and expertise that generate shared value.
	REGULATORS AND SUPERVISORS	Agencies and entities that issue standards and monitor activity.	Regulatory compliance and transparency.
	LEAD OR INSURANCE ENTITIES IN FINANCIAL MARKETS	Financial institutions that invest the bonds issued by the ICO Group for its funding.	Regulatory compliance and transparency.
6-MEDIA	SPECIALISED MEDIA	Economic information media.	Publicise the ICO Group's activity, as well as events in which the Institute participates.
	GENERAL MEDIA	General information media.	



GROUP	SUBGROUP	DESCRIPTION	OBJECTIVES
7-ANALYSTS	FINANCIAL	Economic and financial rating agencies.	Provide information with maximum transparency to facilitate review work.
	SPECIALISED IN CSR	Specialised agencies in the ASG qualification criteria.	
8-MINISTRY OF THE ECONOMY, INDUSTRY AND COMPETITIVENESS	STATE SECRETARY OF THE ECONOMY AND BUSINESS SUPPORT	Ministerial department that the ICO Group depends on.	Respond to requests for information from the Ministry on the ICO Group's activity and answer parliamentary questions. Review and realisation of possible observations, where applicable, of preliminary and draft regulations and regulations that affect the ICO Group.
	SPECIALISED IN CSR	Organisations specialised in CSR that are partnered with the ICO Group (Red Española del Pacto Mundial, Forética, Spainsif).	Improve the internal development and implementation of the CSR; keep abreast of national and international trends of social responsibility; promote initiatives for the development of CSR in SMEs.
9-SOCIAL ORGANISATIONS	NON-PROFIT ORGANISATIONS AND FOUNDATIONS	Organisations and Foundations with which the ICO Group collaborates to develop the corporate voluntary work plan and the PYMES SOLIDARIAS project.	Encourage the ICO Group's employees and their relatives to support the social integration of groups at risk of exclusion by participating in non-profit foundations' and associations' activities through corporate volunteering.



STRATEGIC AREAS OF SUSTAINABILITY



The working group on the definition of shareholders also identifies each group's material aspect. Although this has always been done from the working group's internal point of view, the information collected over many years of experience and relations with shareholders is also taken into consideration. In this way, an indirect external perspective of what our shareholders think is taken into account. On the basis of this methodology, the strategic areas of sustainability are:



Area 1. Corporate Reputation

The ICO Group believes that its Corporate Reputation is one of its greatest assets. It credits the Group's actions and way of doing things with special attention paid to its shareholders. The ICO Group's mission and the nature of its activity require ethical and responsible action to ensure the achievement of its aims and, therefore, growth and sustainable development in its areas of influence.

This Corporate Reputation has built up the trust of investors, national and international banking, multilateral development agencies and society in general and, along with the other material aspects, is one of the pillars that allows the ICO Group to successfully carry out its activity. For the ICO Group, Corporate Reputation is vital to continue being a leader that aims to create a more sustainable business network, void of corruption and poor management practices, in order retain the trust of its partners and to fund projects that will create value for society as a whole. In addition, this requires proper accountability and information that is adapted to shareholders.



ICO SUBMITS ITS INTEGRATED REPORT TO BE VERIFIED BY INDEPENDENT EXPERTS

In this area, the following aspects are identified (amongst others):

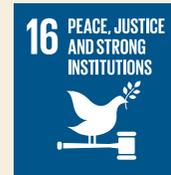
- ✓ Ethical and responsible management
- ✓ Corporate image
- ✓ Transparency and communication.

Information on this material aspect can be found in the sections on "Corporate Governance. Good governance principles" (pages 126 to 128), "Communication" (pages 144 to 146), "Risks and opportunities" (pages 46 to 50), in GRI standards 102-16 to 102-39 (Annex 1, "Table of contents", pages 102 to 103), 102-45 to 103-3 (Annex 1, "Table of contents" pages 127 and 128), and in "Aims of preparing this Report" (pages 6 and 7).



Area 2. Sources of Funding and financial balance

Solvency and liquidity are key concepts that the ICO Group deals with on the financial markets, and are the basis from which we get the resources to invest in sustainable development projects. Despite having the explicit, irrevocable, unconditional and direct guarantee of the Spanish State, applicable to all debts and obligations contracted with third parties, the Institute has always operated by generating its own resources and enough solvency to meet all its obligations. This strategic area is linked to the next SDG:





ICO OPERATES WITH ITS OWN RESOURCES AND FINANCIAL SOLVENCY

This is a major concern in the management of activity that, under the principle of prudence, always operates taking into account its aim of liquidity and solvency. The ICO Group is funded by domestic and international markets; this is another one of the pillars that supports its activity. To facilitate this acquisition of funds, the ICO Group must also warrant a balance sheet with the correct financial balance.

Information on this material aspect can be found in the "Economic Performance" section (pages 52-103), and in GRI Indicators 201- 1 and 201 - 4 (annex 1, Technical Standards, GRI 201 "Economic Performance" page 52).

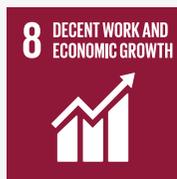


Area 3. To help develop its role as State Financial Agency

One of the ICO Group's key activities is funding people affected by natural disasters, ecological disasters and other situations of general interest, on the express indication of the Government. For this reason, the ICO Group works to maintain its effectiveness as a State Financial Agency on a daily basis. Its extensive experience as a public bank and both its national and international partnerships allow ICO to properly manage various funding instruments as a State Financial Agency to promote exportation and support the development and sustainability of the Spanish economy.

ICO FUNDS THOSE AFFECTED BY NATURAL DISASTERS AND OTHER SITUATIONS OF GENERAL INTEREST

Information on this material aspect can be found in the sections on "General information about the ICO Group. Business model. Products" (pages 20-29) and "Economic performance" (pages 52-103).



Area 4. Sustainable growth, environment and society

ICO particularly identifies with this strategic area, which affects its operations, the products it develops and the mission that guides its activity.

The design of the mediation and direct funding facilities intends to contribute to the economy by creating synergies of activity that allow the country to develop sustainably. The ICO Group aims to generate long-term growth in strategic sectors, whose development, in line with its mission and the SDG and COP21 guidelines, has a positive impact on our economy, society and the environment. This strategic area is linked to the following SDGs:



ICO AIMS TO AID THE SPANISH ECONOMY'S SUSTAINABLE DEVELOPMENT, ALIGNING ITSELF WITH THE SDGS

The ICO Group also seeks to positively influence the development of its immediate and disadvantaged environment. This is done through the Group's annual volunteering plan involving a significant number of employees, relatives and friends, and through the Mutual Collaboration Protocols formalised with non-profit agencies.

Information on this area can be found in the "Environmental Management" section (pages 148-150) and in the GRI 300 "Environmental" standards (Pages 149-150).



Area 5. Partnerships

The ICO Group is aware that operating with only one internal structure of 308 people, who work in a single location and manage a balance of **36,237 million** euros, would make it impossible to achieve the ICO Group's goals and to develop its multiple business facilities without a national or international commercial network to support it. The ICO Group therefore relies on the commercial network of Spanish banks to advertise its funding facilities and support for the internationalisation of Spanish companies and development. ICO also has multiple international partnerships, formed through collaboration agreements and memoranda of understanding with development banks, European counterparts, multilateral bodies, and other non-governmental organisations, associations, etc. **Partners that the ICO Group uses to support its activity to promote economic, social and environmental development within the framework of its activity and the fulfilment of its aims.**

This strategic area is linked to the following SDGs:





ICO WORKS CLOSELY WITH NATIONAL AND INTERNATIONAL PARTNERS TO PROMOTE SUSTAINABLE GROWTH

Information on this material aspect can be found in the “Partnerships” section (pages 51 to 54), Annex 1, “Table of contents. Material aspects” (Page 122), and in GRI standards 102 - 12 and 102 - 13 (Annex 1, “Table of contents”, page 124).



Area 6. Human capital

The ICO Group’s most important asset is its human and intellectual capital; the people who keep the organisation working on a daily basis and make overcoming our challenges possible. Training schemes, equality policies and reconciliation measures, coupled with the implementation of the **EFR management model**, which certifies the ICO Group as a family-responsible company, are some of its salient identifying traits, and are unique within the scope of Public Administration. This strategic area is linked to the following SDGs:



· **PROFESSIONALISM AND TRAINING** To respond to the main shareholders’ requirements, our organisation’s professionals must maintain a high level of knowledge and commitment. For the ICO Group, continuous training is a strategic factor in achieving and maintaining the appropriate level of professionalism to be able to respond to its assigned tasks.

Information on this material aspect can be found in the "Industrial relations" section (pages 108-120) and in the GRI 404 Indicators (Annex 1, page 134).

· **EQUALITY AND CONCILIATION.** For the ICO Group, equality among all employees is fundamental in its relations with the workforce. Respect for employees’ human rights and labour rights and the right to collective bargaining where, among other things, measures are agreed on to facilitate a positive work-life balance, are ongoing aims for the organisation.

· **PROFESSIONAL DEVELOPMENT**
· **HEALTH AND SAFETY AT WORK**

Information on this material aspect can be found in the "Industrial Relations" section (pages 108-120), and in GRI Indicators 405 and 406 (annex 1, page 134).

DUE TO THE TECHNICAL NATURE OF OUR WORK, WE ENCOURAGE THE TRAINING OF OUR WORKFORCE, AND WE ALSO SUPPORT A POSITIVE WORK-LIFE BALANCE



TABLE OF MATERIAL ASPECTS BY SHAREHOLDER



GROUP/SUBGROUP	CORPORATE REPUTATION	SOURCES OF FUNDING AND FINANCIAL BALANCE	SUPPORTING DEVELOPMENT AS A FINANCIAL AGENCY	PRODUCTS FOR SUSTAINABLE GROWTH, THE ENVIRONMENT AND SOCIETY	HUMAN CAPITAL	PARTNERSHIPS
1-CLIENTS						
ACTIVE EMPLOYEES	●			●	●	●
SMES				●		
SELF-EMPLOYED PEOPLE				●		
LARGE COMPANIES	●			●	●	
MINISTRIES AND PUBLIC ADMINISTRATION, ICO GROUP AS A STATE FUND MANAGER	●		●		●	●
2-INVESTORS						
INVESTORS	●	●		●	●	



GROUP/SUBGROUP	CORPORATE REPUTATION	SOURCES OF FUNDING AND FINANCIAL BALANCE	SUPPORTING DEVELOPMENT AS A FINANCIAL AGENCY	PRODUCTS FOR SUSTAINABLE GROWTH, THE ENVIRONMENT AND SOCIETY	HUMAN CAPITAL	PARTNERSHIPS
3-PEOPLE						
ACTIVE EMPLOYEES	●		●	●	●	●
INTERNS	●				●	●
OTHERS (RETIRED AND LEAVE OF ABSENCE)					●	
4-SUPPLIERS						
SUPPLIERS	●				●	
5-AGENCIES AND ENTITIES ACTIVE IN ECONOMIC AND FINANCIAL MARKETS						
MULTILATERAL AGENCIES	●	●	●	●	●	●
ICO COUNTERPARTS	●	●	●	●	●	●
REGULATORS AND SUPERVISORS	●	●	●	●		



GROUP/SUBGROUP	CORPORATE REPUTATION	SOURCES OF FUNDING AND FINANCIAL BALANC	SUPPORTING DEVEL-OPMENT AS A FINANCIAL AGENCY	PRODUCTS FOR SUSTAINABLE GROWTH, THE EN-VIRONMENT AND SOCIETY	HUMAN CAPITAL	PARTNERSHIPS
LEAD OR INSURANCE ENTITIES IN THE FINANCIAL MARKETS	●	●			●	
6. MEDIA						
SPECIALISED MEDIA	●					
GENERAL MEDIA	●					
7. ANALYSTS						
FINANCIAL	●	●		●		
SPECIALISED IN CSR	●	●	●	●	●	
8. MINISTRY OF THE ECONOMY, INDUSTRY AND COMPETITIVENESS						
STATE SECRETARIAT FOR ECO-NOMIC AFFAIRS AND BUSINESS SUPPORT	●	●	●	●	●	
9. SOCIAL ORGANISATIONS						
SPECIALISED IN CSR	●				●	●
NON-PROFIT ORGANISATIONS AND FOUNDATIONS	●				●	●



OUR ECONOMIC SUSTAINABILITY



BALANCE SHEET AT 31.12.2018

(DATA - MILLION EUROS / %)	2018	2017	2016	2015	2014
Total assets balance	36,237	42,186	48,851	62,173	83,999
Mediation loans balance	10,451	14,042	18,117	26,819	39,136
Direct loans balance for customers	9,818	10,935	13,848	17,654	23.3901
Third party resources	29,543	35,003	41,168	54,243	75,348
Net assets	5,262	5,280	5,674	5,320	4,896
Interest margin	-97	-69	26	99	579
Gross margin	55	16	-69	86	551
Profit before tax	113	146	448	59	105
Net profit	73	102	315	42	74
Formalised mediation amount	3,221	4,570	4,953	9,671	21,469
Funds managed on behalf of third parties	193,472	180,086	163,437	141,016	104,463
Solvency Ratio (%)	40.7	32.9	29.4	32.8	23.9
Coverage Ratio (%)	154	121	114	134	141
NPL ratio (%)	6.3	9.0	10.5	8.8	7.0





(DATA - MILLION EUROS / %)	2018	2017	2016	2015	2014
Mediation activity impact on GDP (%)	0.7	1.5	1.6	-	-
Mediation activity impact on GFCF (%)	0.6	1.4	1	-	-
Mediation activity impact on volume of exports (%)	0.5	0.8	1	-	-
Mediation activity impact on full-time equivalent employment (%)	0.8	1.8	2	-	-
ICO Group weight in stock of loans to companies (%)	5.2	6	7	9.2	11.5
Transactions to self-employed people and micro-enterprises (%)	66.3	66.5	68.5	66.1	62.1
Micro-loans (up to 25,000 euros) (%)	54	53	54	54	51
Wage spending (thousand €)	12,435	14,354	14,364	14,490	13,743
Average wage (thousand €)	47	44	47	46	43
Suppliers spending (million €)	14.24	13.59	13	14	12
Contribution to the ICO Group Foundation (thousand €)	2,820	2,700	2,700	2,600	2,800



RISKS AND OPPORTUNITIES

RISKS



GENERAL ASPECTS

As a credit institution, the ICO Group is exposed to financial risks (credit, liquidity and market) and operational risk. Another two kinds of risk are considered to be “other risks”: reputational risk and strategic and business risk, which are connected to the organisation’s social responsibility.

The identification, management and control of risks are a priority for ICO. These are done primarily according to the Risk Policy Manual approved by the General Board on 21 December 2005, whose last version was approved in December 2016, with some aspects revised in 2017. The Manual compiles different methodologies, applicable regulations, procedures and an organisational structure.

of the organisation. It has clearly defined objectives to avoid taking risks or inappropriate positions due to a lack of appropriate organisation, procedures or control systems. In this way, we guarantee the appropriate separation between the units generating risks and those that undertake control and monitoring.

Selection of appropriate methodologies for measuring risks: the ICO Group has appropriate methodologies for measuring risk to adequately capture the different risk factors to which it is exposed. As we are conscious of the benefits derived from the integration of advanced identification, measurement and risk control methodologies, we plan to continue updating and enhancing our risk management systems.

Evaluation, analysis and monitoring of assumed risks: the identification, quantification, control and continuous monitoring of risks allows an adequate relationship to be established between the profitability of transactions carried out and the assumed risks.

Risk management is based on the following principles:

Active participation and monitoring of the ICO Group’s governing bodies: the Board takes part in adopting general business strategies and is concerned with defining risk assumption and management policies, ensuring the existence of appropriate risk management policies, controls and monitoring systems and ensuring that the lines of authority are clearly defined.

General internal control environment: manifests itself in a risk management culture that, strengthened by the Board itself, is communicated to all levels

THE RISK POLICY MANUAL, APPROVED IN 2005, IS SUPPLEMENTED BY THE RISK MANAGEMENT MAP, WHICH IDENTIFIES THE INSTITUTE’S RISKS, IMPROVEMENT PLANS AND CONTROLS NEEDED FOR ADEQUATE MANAGEMENT

DESCRIPTION OF THE RISKS

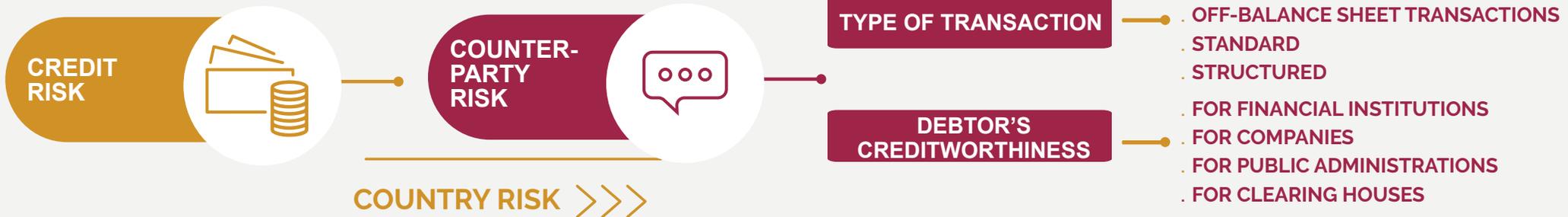
CREDIT RISK AND CONCENTRATION

In its mediation model, the ICO Group has continued to use a credit risk and concentration management model that is adapted to the Framework for the restructuring and resolution of credit institutions, established by Directive 2014/59/EU of 15/4/14, Regulation 806/2014, of 15/7/15 and Law 11/2015, of 18/6/15.

Although the ICO Group is excluded from its scope, in accordance with the 17th Additional Provision of Law 11/2015, it has an indirect impact through terminations of credit institutions.

Therefore, in 2016 a model was established that excludes the ICO Group's mediation facilities from possible internal recapitalisation of collaborating financial agencies.

For management purposes, the Institute identifies the following subcategories of credit risk and concentration:



**LIQUIDITY RISK****1**

Liquidity risk is defined as the Institute's capacity to meet its payment obligations (funding liquidity) and its funding plan as agreed.

**MARKET RISK****2**

For the ICO Group, market risk is an insignificant risk as it arises from positions maintained in the trading book; the ICO Group holds practically no positions.

**INTEREST RATE RISK (INCLUDING FOREIGN EXCHANGE RISK)****3**

The balance sheet interest risk refers to the impact that adverse variations of risk factors (interest and exchange rates) have on the agency's own profit and loss account and resources.

**OPERATIONAL RISK**

Those risks arising from the Agency's activity but that do not have a financial component.

4**MONEY LAUNDRING**

The ICO Group has approved various documents regulating activity in this area. In addition, there are collegiate monitoring bodies that aim to ensure compliance with internal standards, amongst other things.

**INFORMATION SECURITY**

ICO has approved various internal documents regulating the control, monitoring and management of security systems in this area. In addition, there are operational units and collegiate bodies that are in charge of controlling information security.

**BUSINESS CONTINUITY**

The ICO Group has a business continuity management system to recover activity in the shortest amount of time possible should any kind of disaster situation occur at its facilities or in its area of activity. In addition, there is a collegiate body to control and monitor the system. It aims to update and improve existing measures and prevent or minimise risks in the event of any of the identified situations.

STRATEGIC AND BUSINESS RISK

5

The management of this risk category relies on correct financial and commercial administration (including the adequate processing of the aforementioned risks). To do this, existing strategic alternatives to the agency's position are assessed, which are then translated to the ICO Group's guidelines and objectives, maintaining risk limits within the limits established by the management bodies.



REPUTATIONAL RISK

6

The ICO Group has been increasingly aware of this risk over the past two years. The internal measures introduced to reduce potential reputation/image problems are based on strict compliance with transaction approval instructions, careful attention to "customer knowledge" processes and monitoring of these, and adherence to internal behaviour policies in terms of relationships with financial institutions, companies and/or suppliers. The policy relating to this risk is based on two fundamental goals:

- To comply with regulations related to those in operation: data protection, transparency, protection of client assets, preventing money laundering, etc.
- To provide a quality service that produces a low number of client complaints. The ICO Group has introduced a "Communication Management in reputational risk situations" procedure, which aims to detect and analyse possible reputational risk scenarios for the ICO Group that arise from managing external communication, and to establish guidelines and protocols to mitigate that risk.





SOVEREIGN RISK

7

Sovereign risk is understood to mean risk that arises from the agency's sovereign debt investments.



PARTICIPATION RISK

8

Participation risk includes the management of uncertainties caused by holdings that the ICO Group has in other entities or companies. Given its nature, the Institute takes and maintains shares in certain financial associations. When it comes to non-financial corporations, participation arises from a judicial resolution and its transfer is procured by applying opportunity criteria.



FUNDING COST RISK

9

Funding cost risk management carried out by the ICO Group is closely related to its liquidity management. At all times, the aim is to achieve stability in funding sources while minimising the cost and negative impacts that the Entity can have on the possible variations of this.



OPPORTUNITIES

The ICO Group operates on a constantly evolving economic, financial, regulatory and institutional stage, both nationally and internationally. This environment requires strategic analysis of what the ICO Group's value contribution, positioning and activity model should be at every moment. This is based on identifying those areas where there are gaps in the market and in which the ICO Group would have a key role complementing private initiative. As a result, the ICO Group must identify and promote new activities that support recovery and growth, with a particular emphasis on the internationalisation of the economy, innovation, the funding of long-term investments in infrastructure and other public goods with social synergies, improving the environment and promoting alternative funding for companies.

Among the opportunities and challenges presented by its activity in the field of CSR, the ICO Group highlights the Sustainable Development Goals (SDGs), the Paris agreements (following the COP21 Climate Summit), the new paradigms of the circular economy and relevant aspects of the 2020 European Strategy that clearly align with its mission. The ICO Group wants to play a present and active role in fulfilling these goals as this also presents opportunities to create synergies for sustainable development and to improve internal policies. Finally, new management possibilities have been identified, arising from the change in statutes to allow independent members onto the General Board.

THE ICO GROUP IN THE SPANISH ECONOMIC CONTEXT

We are redirecting our strategy to promote the growth of companies and the expansion of their activities and investments, both in Spain and abroad. For this reason, we have adopted the United Nation's SDG 8 as our guiding principle.

In this way, we directly contribute to the Sustainable Development goals established in Goal 8:



8.2: Achieve higher levels of economic productivity through diversification, technological modernisation and innovation, including through a focus on high-added value sectors and labour-intensive sectors.

8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services





A- EXECUTIVE SUMMARY OF ECONOMIC PERFORMANCE

THE SPANISH ECONOMY CONTINUED TO GROW AT A FASTER PACE THAN THE EUROPEAN AVERAGE

In 2018, the Spanish economy continued to show remarkable dynamism, with a growth rate that has been slowing in recent years as we approached the maturity of the cycle. Thus, the growth in volume of Gross Domestic Product (GDP) for 2018 compared to 2017 was **2.6%**, four tenths lower than that observed in 2017. This is in line with the gradual slowdown in global growth but remains above the European average. Domestic demand maintained its contribution to growth compared to the previous year, helped by the positive behaviour of both household consumption and investment, factors that benefited, in turn, from the boost to employment and better financial conditions. Meanwhile, the foreign sector saw a decline in development due to weaker external demand.

In the eurozone, activity slowed to a larger extent during 2018, especially at the end of the year, registering an average annual growth of **1.8%**, less than the **2.5%** recorded the previous year. This is also explained by the weakening of the international environment and the loss of dynamism in exports towards the rest of the world, against a backdrop of greater uncertainty caused by protectionist measures and “Brexit” negotiations.

THE ECB MAINTAINS INTEREST RATES AT LOW LEVELS AND ENDS ITS ASSET PURCHASE PROGRAMME

The economic climate in the eurozone led the European Central Bank (ECB) to prolong its expansive monetary policy in 2018. Thus, this financial year saw no decision on applicable interest rates, which remained at **0%** for main refinancing operations, **0.25%** for the marginal lending facility and **-0.4%** for the deposit facility. The purchase of assets continued, albeit at a slower pace. From January 2018, the monthly amount spent fell from **60,000 million** euros to **30,000 million**, with continued reinvestment of maturities. From September 2018, the monthly rate of net asset purchases decreased to **15,000 million** euros until December 2018. In the same month, the ECB’s Governing Council confirmed the end of net purchases within the framework of the asset purchase programme at the end of the year, although it indicated that it plans to continue reinvesting maturities in full even when there are increases in official interest rates, which will remain at current levels until at least summer 2019.

INTEREST RATES FOR NEW LOANS TO SMES IN SPAIN HIT HISTORIC LOWS THE DIFFERENTIAL BETWEEN SPAIN AND GERMANY REMAINS BENEFICIAL TO SPANISH COMPANIES

The ECB's aforementioned expansive monetary policy continued to be reflected in low interest rates on family and company bank loans. In particular, interest rates required from smaller-scale operations in Spain (less than one million euros, an approximation to SME loans) maintained a downward trend throughout the year and reached new historic lows at the close of 2018 (**1.9%** in December). In reality, in relation to Germany, the differential in these operations' interest rates was advantageous for Spanish companies throughout the year, closing the year at 12 basic points. For smaller loans of up to **250,000 euros**, there was also a downward trend in interest rates, ending the year at **2.1%**, **23** basic points lower than their equivalent in Germany.

In addition to these reduced interest rates, the volume of new lending operations increased in Spain in 2018; those under one million grew by **5.3%** while those under **250,000 euros** grew by **4.2%** both compared to 2017. Despite this increased volume of new operations, outstanding bank loans to companies continued to decline due to the fact that maturities and balance sheet outflows were still greater than the new flow of credit.

THE NPL RATIO HAS CONTINUED TO DECLINE AND IS AT ITS LOWEST SINCE 2010

Spanish credit institutions' NPL ratio continued to fall in 2018. In December, it was **5.8%**, its lowest level since December 2010, whilst in 2017 it ended at **7.8%**. This downward trend is due to the fact that the decline of doubtful receivables was more pronounced than the aggregated decline of total loans to families and businesses.

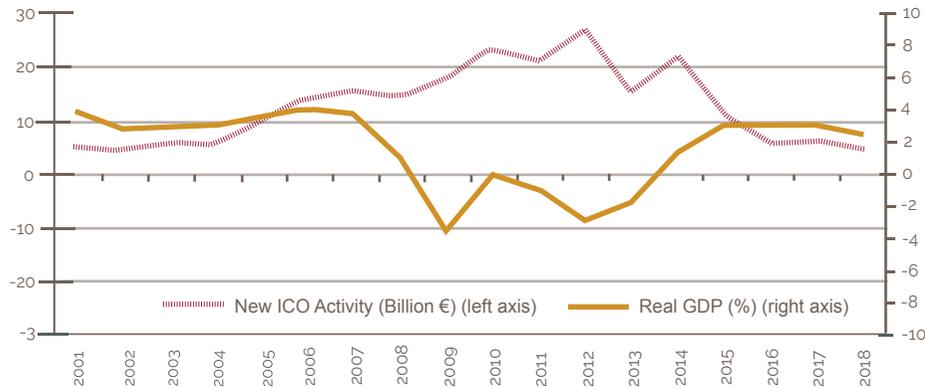
ICO IS REDIRECTING ITS STRATEGY TO PROMOTE THE GROWTH OF COMPANIES AND THE EXPANSION OF THEIR ACTIVITIES AND INVESTMENTS, BOTH IN SPAIN AND ABROAD

With the consolidation of the growth in Spain's economic activity and the extraordinary liquidity conditions in the financial markets, arising from the ECB's monetary policy, our activity has evolved to levels that are more in line with the historical average.

The following graph shows our group's countercyclical nature, expressed through the inverse correlation between variation in GDP and our annual lending activity. Between 2007 and 2014, the economic downturn was accompanied by notable increases in our lending activity, in order to alleviate the shortage of credit in the private financial sector.



ICO LOANS (FORMALISED AMOUNT) VS REAL GDP (%)



Source: ICO and INE

The new economic and financial context in which we find ourselves is characterised by the consolidation of economic recovery and by lax financial conditions on the markets, with ample liquidity and interest rates that are still low. In light of this, the Institute should continue contributing to economic growth, business activity and job creation in Spain. **The ICO Group has to complement its countercyclical role by being proactive in promoting the growth of companies and the expansion of their activities and investments, both in Spain and abroad.**

New short-, medium- and long-term challenges arise that require a strategic reorientation of ICO's activity, in order for us to continue performing our three main roles as effectively as possible:

- As a Public Bank that promotes economic growth and business activity to contribute to job creation.
- As a financial instrument of economic policy.
- As a State Financial Agency.

The European Union's policies and standards in international markets constitute important frames of reference for the ICO Group's activity in financing companies. The European Commission has set out a number of priorities in line with its proposed 2021-2027 Multi-year Financial Framework, ranging from boosting the single market, innovation and the digital economy, to protecting and using natural resources and the environment more efficiently.

As our group's financing aims to reach all companies and sectors, these priorities will be incorporated into our strategy without limitation. This redirection is therefore aligned with **cross-cutting action principles** connected to the European Union's priorities, resulting in the development of digitalisation and innovation, boosting sustainability and **the circular economy**. It will also encourage **social investment and talent**: investment in businesses and initiatives that have a social impact, health infrastructure, affordable housing, investment in training and culture.

All this activity will be carried out as a supplement to our group's long-standing general support for businesses, particularly SMEs. It will facilitate their access to financing and to financial and capital markets by providing alternative funding sources to promote their growth and competitiveness.



In addition, we will continue to add value with the development of longer-term financing and support for the national and international expansion of our corporate network in order to encourage more sustainable and balanced growth. All this is done to ensure sustainable finances, trends and criteria that should be included at the heart of organisations and business activities.

With this in mind, the 2019-2021 Redirection of the ICO Group's Strategy bases its roadmap for the coming years around the following strategic focal points:

- **Developing ICO as a public bank** for the promotion of economic growth and business activity, boosting the financing of companies to favour their growth, activities and investments both in Spain and abroad, and encouraging alternative financing to bank credit through ICO's subsidiary, Axis Participaciones Empresariales Sociedad Gestora de Entidades de Inversión Colectiva, S.A. S.M.E. (hereafter referred to as AXIS).
- **Strengthening the ICO Group as a financial instrument of economic policy**, contributing, on the one hand, to the implementation of different ministerial departments' initiatives, constructing public-private participation schemes with territorial Public Administrations and their dependent entities and, on the other, establishing ourselves as a public bank for promotion accredited by the European Union (EU) in the 2021-2027 Multi-year Financial Framework through the "*InvestEU*" programme. This accreditation will enable us to manage investments and funds for projects in Spain and for

investments of Spanish interest in other EU member states.

- **Improving the management and generation of synergies in our activities as a State Financial Agent**, increasing the value contribution.
- **Boosting sustainability, Corporate Social Responsibility** and improving organisational management, as the core pillars of all the ICO Group's activity in all areas.

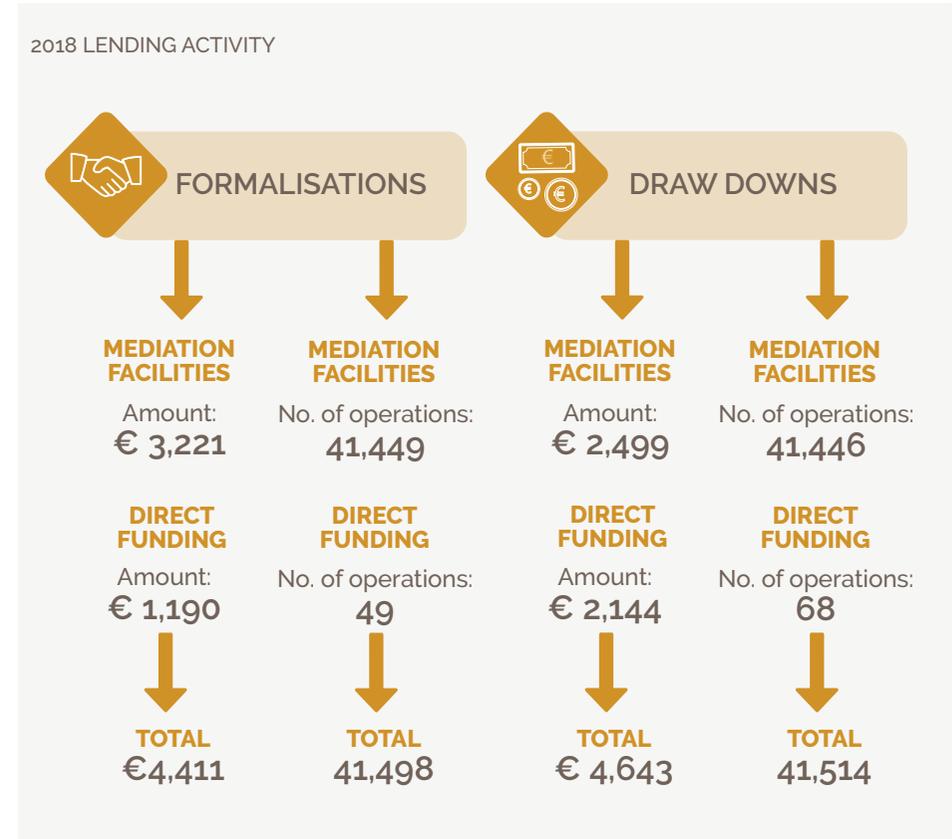


ICO'S ACTIVITY AS A POINT OF REFERENCE FOR FINANCING BUSINESSES AND SELF-EMPLOYED PEOPLE

In this new phase of standardising private credit, the ICO Group continues to provide added value to the financing of companies, SMEs and self-employed people, either through the mediation fund distribution mechanism, in collaboration with credit institutions operating in Spain, or through direct financing programmes. In 2018, we formalised financing or guarantee operations amounting to **4,411 million euros** using both methods of fund distribution. Of this amount, **3,221 million euros** were channelled through **41,449** operations distributed through mediation loans, while we formalised **1,190 million euros** worth of operations through direct financing activity in 2018.

The total volume of amounts drawn down was **4,643 million euros: 2,499** through mediation loans and **2,144 million euros** through direct financing.

The following table summarises ICO's lending activity in 2018:



ICO FACILITIES. A CONSOLIDATED PRODUCT ON THE MARKET SINCE 1993

In 1993, ICO's first mediation loan, "Línea ICO Pyme 93" (ICO SME Facility 93), was launched in collaboration with financial entities. This arose from the need to strengthen long-term private investment in SMEs at the European level. The loan was implemented through an agreement with **43** financial institutions and, during that financial year, it enabled **3,250** instalment loans of **5** and **7** years to be formalised, amounting to **370 million** euros.

Since then, the ICO facilities have become a well-established product on the market thanks to their high capacity in terms of volume and the high capillarity of their distribution, which have made us a reference entity for financing Spanish companies. Since 1993, ICO mediation loans have reached a total volume of **180,000 million** euros and **3,150,000 operations** that have made it possible to finance, amongst other things, investment plans and the international activity of over **1.6 million** self-employed people, businesses and individuals.

THE ICO GROUP'S DIRECT FUNDING ACTIVITY

The ICO Group complements its mediation loans by offering financial solutions through direct financing. We provide financing, collaborate in the structuring of transactions and assume the credit risk, while complementing the private initiative and encouraging the development of large, long-term investment projects both in Spain and abroad.

In this field of direct financing, resources are channelled from the European Investment Bank and the Investment Plan for Europe, known as the "*Juncker Plan*", and we develop public-private collaboration models with Autonomous Communities, local bodies and private entities dependent on these.

In 2018, we formalised **1,190 million** euros through direct operations, mostly aimed at promoting the internationalisation of Spanish companies. The volume of funds drawn down was **2,144 million** euros.

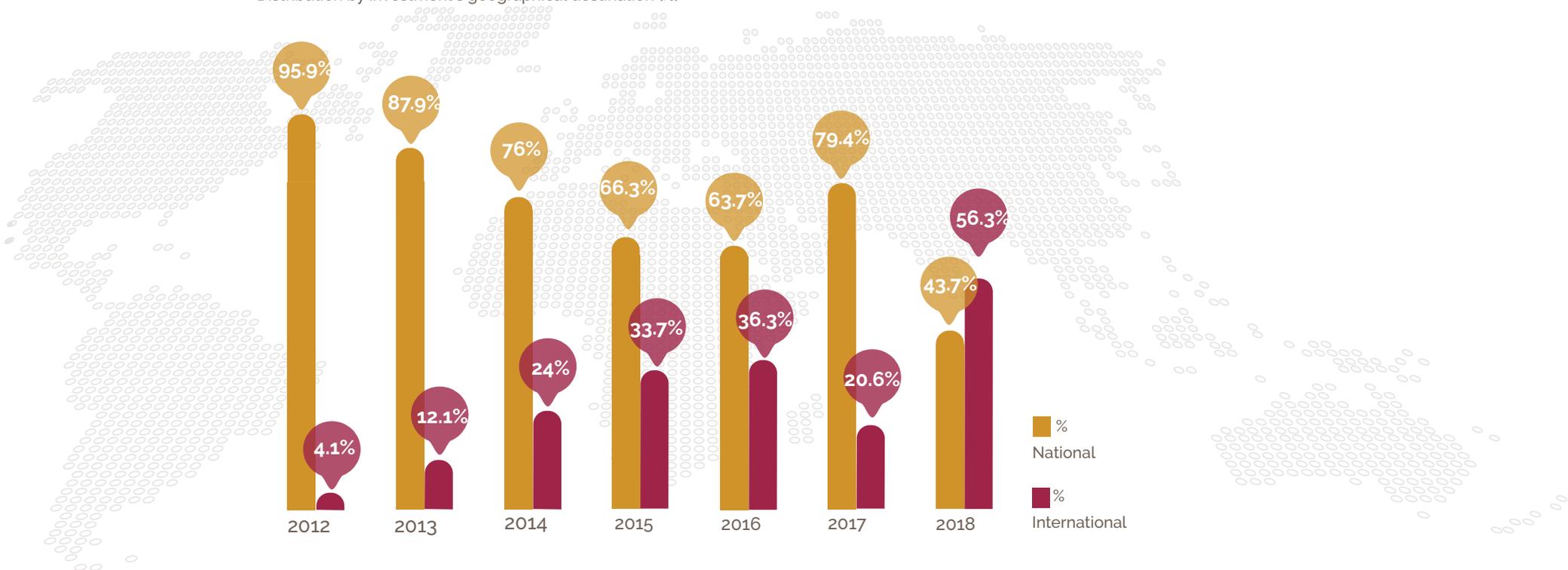


THE INTERNATIONALISATION OF COMPANIES AS AN ICO GROUP OBJECTIVE

One of the ICO Group's action plans as a public bank for promoting economic growth and entrepreneurial activity is to support Spanish companies in their entry into the foreign market and to provide financial instruments for their international expansion. In 2018, the volume of loans and guarantees formalised by the Institute to promote the internationalisation of Spanish business amounted to **2,485 million euros**, representing over **56%** of the total loans formalised in that financial year. The amount of draw downs amounted to **1,740 million euros**.

ICO FINANCING ACTIVITY 2012-2018.

Distribution by investment's geographical destination (%)





The above chart shows the evolution of ICO financing activity intended for internationalisation. Regarding ICO facilities, between 2012 and 2018 nearly **170,000** operations were validated for an amount of over **14,300 million** euros, representing **25%** of the total for that period.

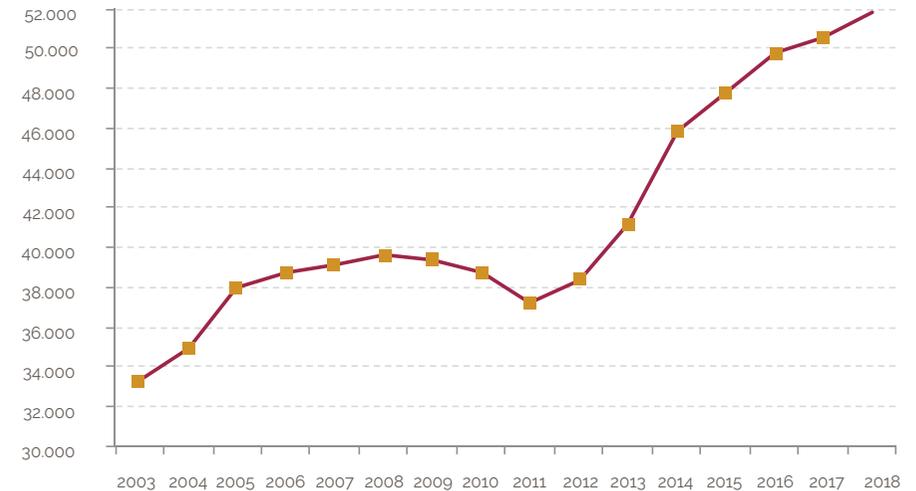
Similarly, the volume of direct funding loans destined for internationalisation activities in this period reached **2,700 million** euros, **38%** of the total funding volume for this period.

There are around **204,000** total export companies in Spain, although only **51,768** regularly export, meaning they have exported in a sustained manner within the last four years. As can be seen in the following table, the ICO Group's support for the export sector and for the trade openness that has characterised Spanish companies in the last few years is reflected in the considerable increase in the number of Spanish companies that regularly export, as well as in the number of destination countries and the variety of products exported.

REGULARLY EXPORTING SPANISH COMPANIES.

(Last 4 consecutive years)

51,768



Source: ICEX



FUNDING GRANTED BY THE ICO GROUP HAS A SIGNIFICANT IMPACT ON ECONOMIC ACTIVITY

Our credit activity, carried out through the ICO facilities and direct financing, significantly contributes to the Spanish economy. As has been shown above, in the current phase of economic growth and the expansionary credit cycle we focus on financing activities in which we have a greater value contribution, aiding those sectors that support economic growth.

The ICO Group's estimate of the joint impact of mediation loans and direct financing on the economy in 2018 is, in terms of GDP, **10,723 million** euros, equivalent to **0.9%** of the GDP.

OVER 186,300 JOBS WERE CREATED OR MAINTAINED, REPRESENTING 1% OF THE TOTAL VOLUME OF FULL-TIME EQUIVALENT EMPLOYMENT

THE ICO GROUP CONTINUES TO COLLABORATE WITH EUROPEAN INSTITUTIONS TO PROVIDE SUPPORT FOR SPANISH COMPANIES' INVESTMENTS

In 2018, the ICO Group continued to cooperate closely with the European Investment Bank (EIB). Participating in European initiatives that allow funds to be channelled to Spanish companies is a priority for us; these maximise the Group's contribution to the Investment Plan for Europe and other instruments. Likewise, the ICO Group's staff, along with the EIB and European Community managers and experts, have carried out the continuous task of communicating and publicly promoting the "*Investment Plan for Europe*" to entrepreneurs and institutions throughout Spain.

In 2018, the ICO Group also initiated accreditation process procedures as an "*Implementing Partner*" of the European Commission for the management of the new Invest EU fund, which will unify the current instruments in the context of the new 2021-2027 Multi-year Financial Framework.



THE ICO GROUP PROMOTES NON-BANK FINANCING SOURCES THROUGH AXIS

The wide variety of instruments that the ICO Group provides for Spanish businesses includes the diversification of financing sources other than banks through the promotion of risk capital. We carry out this work through our subsidiary Axis Participaciones - Empresariales Sociedad Gestora de Entidades de Inversión Colectiva, S.A. S.M.E.

AXIS is one of the most active operators in the sector in Spain. It manages **2,650 million** euros through different venture capital funds: ICO Global Fund, ICO SME Fund, ICO Infrastructures Fund I and ICO Infrastructures Fund II, in which the ICO Group is the sole shareholder.

The activity carried out by ICO Global Fund is especially noteworthy. ICO Global Fund was the first public venture capital fund of funds created in Spain. Since it was created in 2013, it has approved investments in **72** private funds amounting to **1,568 million** euros. This volume has an important multiplier effect and will involve a minimum investment of **6,082 million** euros in Spanish companies. At 31 December 2018, the funds that ICO Global Fund has participated in have invested in **454** Spanish companies, with a total of over **130,950 employees**, from a variety of sectors and at different stages of growth.

SMES ACCOUNT FOR 86% OF THE COMPANIES BENEFITTING FROM OUR ICO GLOBAL FUND



ICO Global Fund reactivated the venture capital sector in Spain at one of the lowest points of the economic cycle and it was a key part of the boost to its development. Since it was launched, it has become an important player in mobilising funds, contributing **11.5%** of the total venture capital funds collected in Spain.

ICO Global Fund has also had a significant impact on the Spanish economy. Since it was launched, its estimated impact in terms of GDP has been equivalent to **0.5%** of the annual GDP (**5,403 million** euros), while, in terms of investment, it represented **0.5%** of total gross fixed capital formation made in Spain in 2017 (**1,137 million** euros). The impact of the ICO Global Fund on exports, estimated to be **842 million** euros, represented **0.2%** of the total volume of Spanish exports (assessments made on the basis of own methodology using National Accounts' Input-Output Tables, along with statistical and econometric techniques).

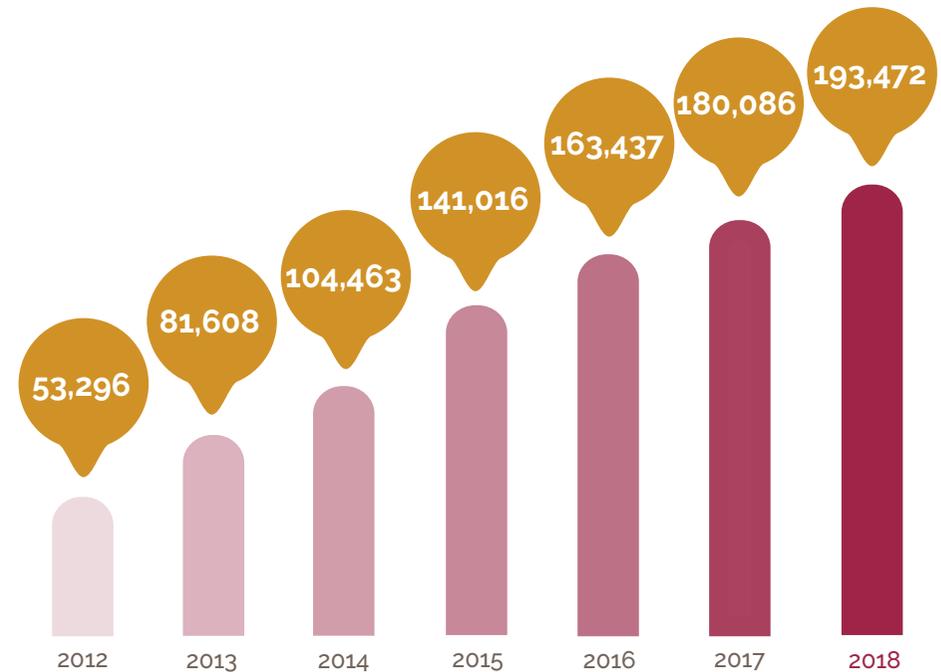


THE ICO GROUP AS A STATE FUND MANAGER

In addition to the activity financed by the ICO Group in its role as a promotion bank, the Group's work as a State Financial Agency remains very relevant. This includes managing public instruments created to provide financial support to Autonomous Communities and local bodies, the Fund for Financing Autonomous Communities (FFCCAA by its Spanish acronym) and Fund for Financing Local Entities (FFEELL), as well as managing instruments related to the external sector, such as the Fund for the Internationalisation of Business (FIEM), the Fund for the Promotion of Development (FONPRODE) or the System for Reciprocal Interest Adjustment (CARI). The ICO Group carries out this activity on behalf of the State and its balances are not included in the Group's financial statements.

FUNDS MANAGED ON BEHALF OF THE STATE.

Outstanding loan portfolio balance at the end of the financial year (million euros)



AT THE END OF 2018, THE OUTSTANDING LOAN PORTFOLIO BALANCE GRANTED WITH STATE FUNDS AND ADMINISTERED AND MANAGED BY THE ICO GROUP AMOUNTED TO 193,472 MILLION EUROS, REPRESENTING AN INCREASE OF 7.4% COMPARED TO THE CLOSE OF 2017

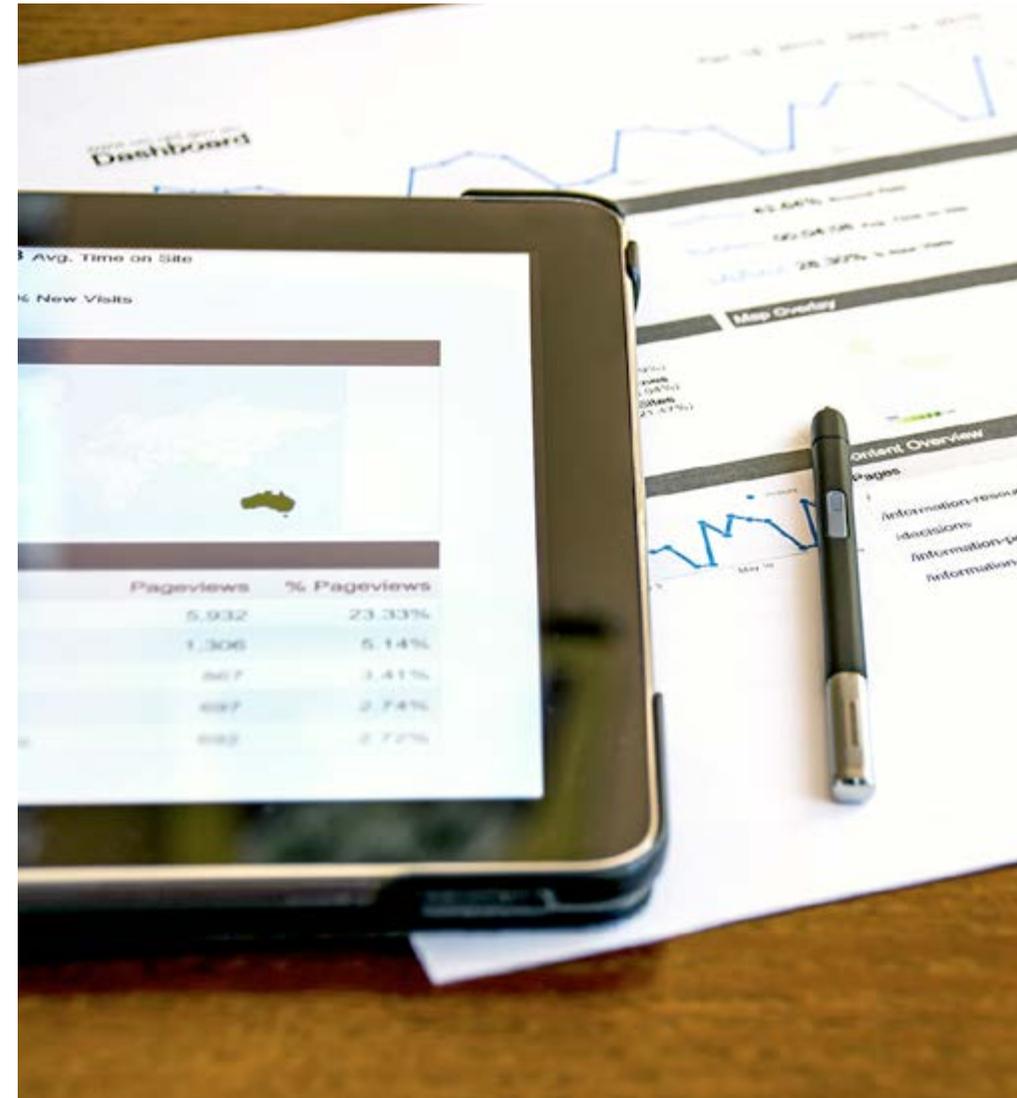


THE ICO GROUP STRENGTHENS ITS COMMITMENT TO DEVELOPING THE SOCIAL BOND MARKET, EXPANDING ITS PRESENCE.

In 2018, the ICO Group acquired a volume of **3,726 million** euros in the medium- and long-term in order to carry out its activity. Of this amount, **86%** comes from the securities issued in capital markets and the remaining **14%** from loans granted to the Institute by different multilateral organisations; in this case, the European Investment Bank.

In terms of financing the markets, the ICO Group consolidated its position as a reference entity in the social bond sector, which commits it to using collected resources to finance business projects located in Autonomous Communities with a lower GDP per capita than the Spanish average. Since 2015, we have carried out five issues of this type of bond, with an accumulated volume of over **2,500 million** euros. The last transaction of this kind was made in November 2018 and amounted to **500 million** euros.

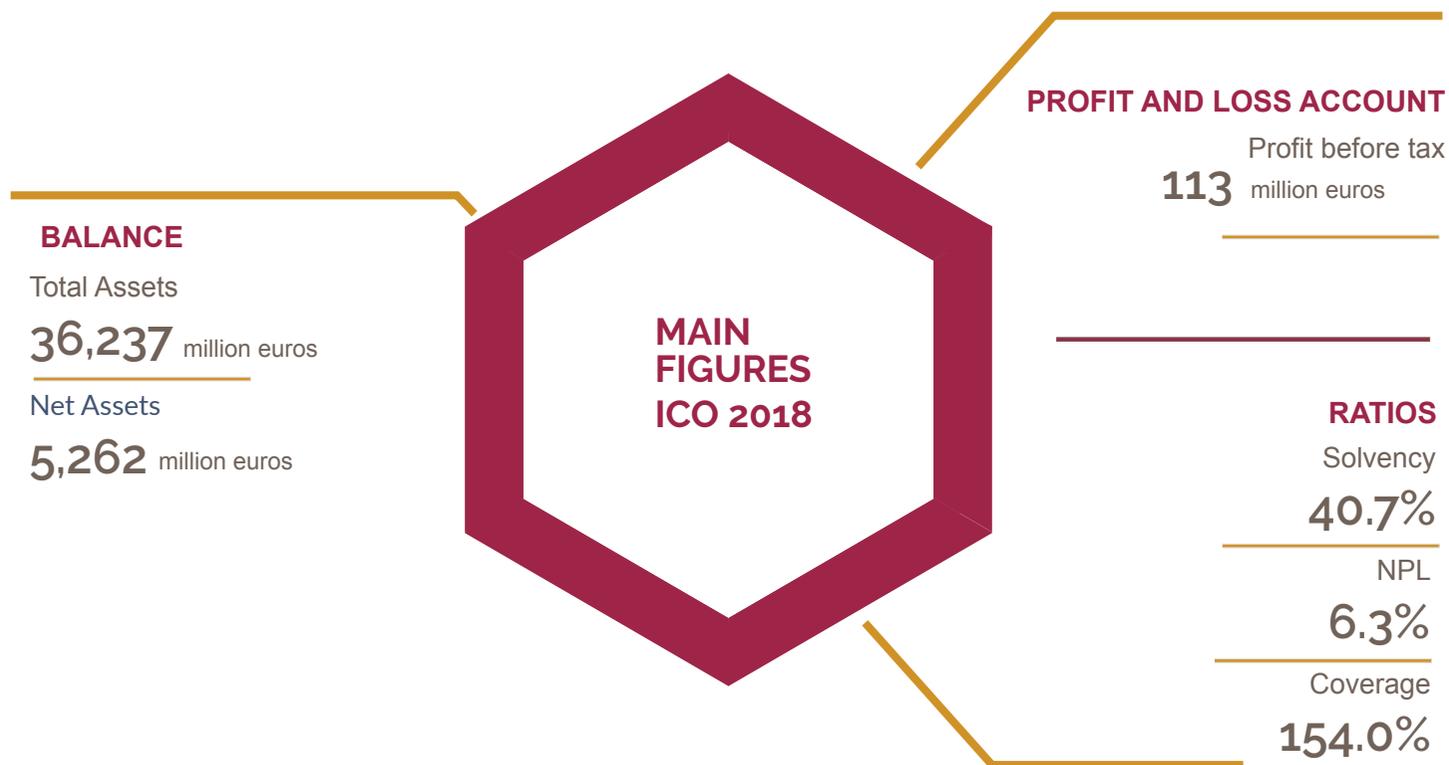
In recent years, the ICO Group has developed its work channelling resources from multilateral organisations, providing Spanish business with better conditions than those on the market in terms of price, time frame and availability. In 2018, the funds obtained from operations formalised with the EIB amounted to **534 million** euros.





MANAGEMENT INDICATORS REMAINED POSITIVE

The following shows the main figures and management indicators relating to ICO activity in 2018.



B- THE ICO GROUP'S LENDING ACTIVITY IN 2018

B1

FUNDING FACILITIES DISTRIBUTED THROUGH THE MEDIATION SYSTEM



In 2018, the ICO Group continued to develop different facilities with the collaboration of private financial institutions, which act as financial intermediaries to formalise financing or guarantee operations with self-employed people, companies and entities that make investments, exports or that need to cover their liquidity needs. Through these ICO facilities, we offer a wide range of products and distribute our funds through the commercial network of credit institutions with which we have signed agreements. The ICO Group establishes the main characteristics, recipients, purposes and financial conditions of the products while the entities are responsible for processing, monitoring and approving operations, and assuming the final recipient's credit risk.

IN 2018 THE ICO FACILITIES ENCOURAGED LONG-TERM PRODUCTIVE FINANCING AND A BOOST TO THE ACTIVITY OF SPANISH COMPANIES IN THIRD MARKETS.

In 2018, the ICO Group consolidated its new role within the financial system, providing added value to the corporate network and supporting businesses entering the foreign markets. The required adaptation of our activity to the new cycle does not prevent us from maintaining an important role. In 2018 the Institute formalised a volume of **3,221 million** euros through mediation loans, corresponding to **41,449** financing operations, accessed by over **27,000** self-employed people, companies and entities. The volume drawn down amounted to **2,499 million** euros.



The ICO Group offers a wide variety of financing facilities that are classified into two large strategic areas or pillars of activity: companies and entrepreneurs, and internationalisation. The catalogue offered covers a wide range of recipients, types of products and time frames.

MEDIATION ACTIVITY IN THE 2018 FINANCIAL YEAR
Distribution by areas of activity (million euros and no. of operations)

	FORMALISATIONS		DRAW DOWNS	
	Amount	No. of Operations	Amount	No. of Operations
Area of Companies and Entrepreneurs	1,460	29,873	1,460	29,873
International Area	1,761	11,576	1,039	11,573
TOTAL	3,221	41,449	2,499	41,446



STRATEGIC AREA OF COMPANIES AND ENTREPRENEURS

This area aims to provide Spanish self-employed people, companies and entities with funding for their business activities and investment projects. In 2018, over **26,200** self-employed people, companies and entities formalised and drew down **29,873** operations amounting to **1,460 million** euros, through the following loans:

MEDIATION LOANS FORMALISED AND DRAWN DOWN IN THE 2018 FINANCIAL YEAR

Distribution by facility (million euros and no. of operations).

	Amount	No. of operations
Area of Companies and Entrepreneurs	1,460	29,873
ICO Companies and Entrepreneurs Facility	1,388	28,071
ICO Commercial Credit Facility	65	1,730
ICO SGR/SAECA Guarantee Facility	7	70
Other Facilities	1	2

ICO COMPANIES AND ENTREPRENEURS FACILITY

Intended to fund up to 100% of investments in the national territory, as well as liquidity needs and financing home-owners' associations and individuals' projects to repair dwellings and buildings.

ICO COMMERCIAL CREDIT FACILITY

Provides liquidity to businesses through advance payment of invoices arising from their short-term commercial activity and financing the manufacturing stage of goods or services that can be sold in the national territory.

ICO SGR/SAECA GUARANTEE FACILITY

Intended to finance companies that are endorsed by a Mutual Guarantee Association (SGR) or the National Agricultural Capital Indemnity Company (SAECA). The ICO Group collaborates closely with the sector, simultaneously boosting different activities to increase awareness of the ICO's products and advantages for the SGR in financing the corporate network.



STRATEGIC AREA OF INTERNATIONALISATION

Since 2012, the Institute has been developing a product catalogue designed to facilitate the entry of Spanish companies into foreign markets, with the aim of covering all their financing requirements, as well as obtaining guarantees. In 2018, over **1,480** self-employed people, companies and entities formalised **11,576** operations within this area of activity, for a cumulative amount of **1,761 million** euros. In terms of volumes drawn down, the amount accumulated in the financial year amounted to **1,039 million** euros.

The following table shows the activity this financial year by ICO facility:

MEDIATION ACTIVITY IN THE 2018 FINANCIAL YEAR Distribution by facility (million euros and no. of operations).				
	FORMALISATIONS		DRAW DOWNS	
	Amount	No. of operations	Amount	No. of operations
International Area	1,761	11,576	1,039	11,573
ICO International Channel Facility	884	8	162	5
ICO Exporters Facility	820	11,305	820	11,305
ICO International Facility	57	263	57	263

ICO INTERNATIONAL CHANNEL FACILITY

Through this product, we collaborate with international financial institutions, acting as intermediaries, to formalise financing operations with Spanish companies. The support of local banks helps the internationalisation process, as these are more knowledgeable about the market and, therefore, have more opportunities to offer specific solutions for each country in terms of currencies, time frames and conditions. This financing facility, which is increasingly significant in our activity, increases the scope and effectiveness of the internationalisation of Spanish business. It expands the funds distribution channel to new counterparts operating in international markets, where Spanish companies have a more active commercial or investment presence.

In 2018, **8** operations were formalised with the same number of banks and international entities under this financing scheme, amounting to **884 million** euros. This will provide Spanish companies with access to financing for investment projects, liquidity needs and medium- and long-term exports throughout Latin America and the Caribbean. **162 million** euros were drawn down in 2018.

ICO EXPORTERS FACILITY

Aimed at providing liquidity to export companies through the advance payment of invoices arising from their short-term export activity, as well as covering their liquidity needs to cover the costs of manufacturing goods to be exported.

ICO INTERNATIONAL FACILITY

This facility funds Spanish companies so they can invest outside of the national territory, covering liquidity needs and promoting medium- and long-term export activity.

MEDIATION LOANS HAVE A HIGH DEGREE OF CAPILLARITY

By size of the company funded, **66.3%** of operations in 2018 were to microSMEs (with **1- 9** employees), a percentage that increases to **90.5%** if small businesses are also included (those with up to **49 workers**).

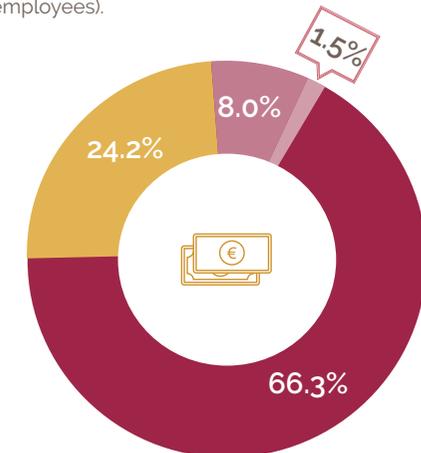
MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR

Distribution of operations by size of final receiving company (by number of employees).

	Credit Amount (Million euros)	%/Total Credit	No. Operations	%/Total Operations
Between 1 and 9 employees (microSMEs)	958	41.0%	27,482	66.3%
Between 10 and 49 employees (small company)	665	28.4%	10,032	24.2%
Between 50 and 249 employees (medium company)	411	17.6%	3,286	8.0%
250 employees and over (remaining companies)	303	13.0%	641	1.5%
TOTAL	2,337	100%	41,441	100%

Does not include draw downs from ICO's International Channel (162 million euros).

MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR Distribution of operations by size of final receiving company (by number of employees).



- Between 1 and 9 employees (microSMEs)
- Between 10 and 49 employees (small company)
- Between 50 and 249 employees (medium company)
- 250 employees and over (remaining companies)

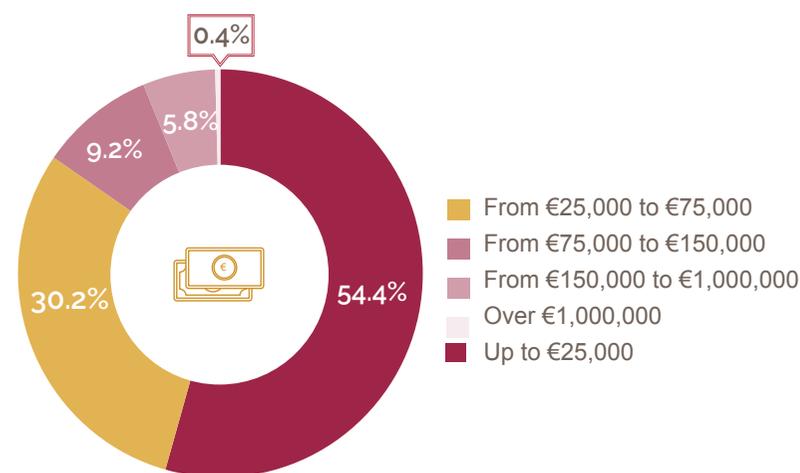


Regarding distribution by credit volume, **54.4%** of the operations were of an amount under or equal to **25,000 euros**, while **84.6%** did not exceed **75,000 euros**. The average mediation loan amount in 2018 was **56,387 euros**. As it is common for one borrower to formalise more than one operation, the average loan amount per client was **116.147 euros** in 2018.

MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR.				
Distribution of operations by credit volume.				
	Credit Amount (million euros)	%/Total Credit	No. Operations	%/Total Operations
Up to €25,000	292	12.5%	22,564	54.4%
From €25,000 to €75,000	538	23.0%	12,531	30.2%
From €75,000 to €150,000	398	17.0%	3,797	9.2%
From €150,000 to €1,000,000	782	33.5%	2,376	5.8%
Over €1,000,000	327	14.9%	173	0.4%
TOTAL	2,337	100%	41,441	100%

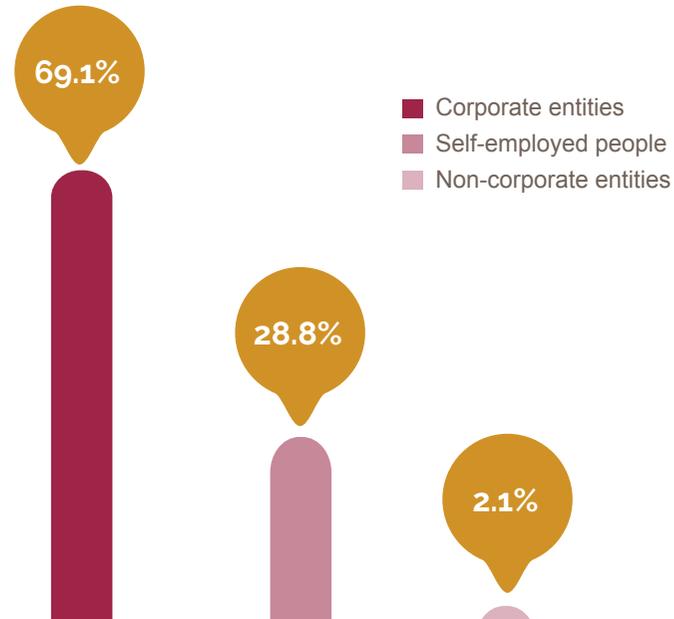
Does not include draw downs from ICO's International Channel (162 million euros).

MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR.
Distribution of operations by credit volume.



2018 MEDIATION LOANS.

Number of operations formalised by type of final recipient (%).



These indicators, relative to the size of the company and loan volumes, highlight the high degree of capillarity that characterises loan operations formalised through ICO mediation facilities; most of the financing is aimed at smaller operations granted to microSMEs and self-employed people.

By type of final recipient, **69.1%** of the operations in 2018 corresponded to legal persons (the overwhelming majority of which were limited liability companies), **28.8%** were formalised by self-employed people, while the remaining **2.1%** corresponded to entities without a corporate personality, such as home-owners' associations, civil societies or joint property entities.



In terms of contribution to economic development, 56.9% of the volume channelled through ICO Group's mediation products in 2018 went to self-employed people, companies and entities located in Autonomous Communities with a lower GDP per capita than the national average, while **24.3%** was destined for recipients located in Autonomous Communities with a higher unemployment rate than the average at the beginning of the year.

MEDIATION ACTIVITY IN THE 2018 FINANCIAL YEAR.

Contribution to regional development (million euros and %).

	Amount	%/Total
To regions with lower GDP per capita than average	1,330	56.9%
To regions with a higher unemployment rate than average	569	24.3%

Formalisations from the ICO International Channel Facility are not included because no breakdown for this exists.

THE ICO GROUP CONTINUES TO ENCOURAGE INVESTMENT IN FOREIGN MARKETS AND TO SUPPORT EXPORT ACTIVITY

Of the total amount that the ICO Group drew down through mediation loans in 2018, **42%** (**1,039 million** euros through over **11,500** operations) was intended to finance investments abroad and to promote Spanish business' export activity in nearly **140** different countries.

Our International Channel Facility significantly contributed to the ICO Group's mediation activity in 2018; **884 million** euros were formalised and over **162 million** euros were drawn down. This product was launched in 2016 and has the collaboration of international financial entities, supporting access to financing for Spanish companies in local markets and, consequently, contributing to their internationalisation.

THE ICO GROUP'S FINANCING ACTIVITY HAS ALSO CONTRIBUTED TO THE ECONOMIC DEVELOPMENT OF BUSINESSES LOCATED IN GEOGRAPHICAL AREAS WITH THE GREATEST DIFFICULTIES

Annexes I to IV detail the distribution of financing by Autonomous Community, country of destination of the investment made, owner's registered office and activity sectors towards which the ICO Group's activity was directed.



MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR

Distribution by recipient country of the investment (million euros).

	Amount	%/Total
FRANCE	164	9.3%
ITALY	105	5.9%
GERMANY	99	5.6%
PORTUGAL	70	4.0%
UNITED STATES	57	3.2%
UNITED KINGDOM	42	2.4%
NETHERLANDS	26	1.5%
BELGIUM	22	1.2%
MOROCCO	18	1.0%
PEOPLE'S REPUBLIC OF CHINA	17	1.0%
MEXICO	16	0.9%
SWITZERLAND	12	0.7%
POLAND	11	0.6%
SAUDI ARABIA	11	0.6%
ALGERIA	10	0.6%
AUSTRIA	10	0.6%
CUBA	10	0.5%
TURKEY	9	0.5%
CANADA	8	0.5%
DENMARK	7	0.4%
CHILE	7	0.4%
SWEDEN	7	0.4%
ISRAEL	7	0.4%
RUSSIAN FEDERATION	6	0.4%
COLOMBIA	6	0.4%
REST (*)	282	57.0%
TOTAL	1,039	100.0%

(*) Includes operations towards 112 countries as well as transactions drawn down through the ICO International Channel Facility (162 million euros). In 2018, the total formalised amount in the strategic area of internationalisation amounted to 1,761 million euros, of which 884 million euros correspond to ICO's International Channel.

Between 2012 and 2018, nearly **170,000** operations aimed at internationalisation were arranged for a cumulative amount of over **14,300 million** euros, representing **25%** of the total mediation volume formalised by the ICO Group in that period.

The aforementioned data show the growing importance that international activity has on the financing granted by our group, with the collaboration of financial institutions.





TRADE AND INDUSTRY ARE THE PREDOMINANT SECTORS IN THE ICO GROUP'S MEDIATION ACTIVITY

The volume of activity undertaken through ICO facilities in 2018 was distributed over a range of sectors, although nearly **60%** of the total volume for the financial year pertained to only four sectoral groupings. More specifically, amounts intended for self-employed people, companies and entities whose activity falls within the "manufacturing" sector amounted to **17.3%** of the total, while those in "wholesale trade" and "food" amounted to **16.4%** and **13.3%** respectively. Finally, "transport and storage" represented **10.3%** of the total.

MEDIATION LOANS DRAWN DOWN IN THE 2018 FINANCIAL YEAR

Distribution by activity sector (%/total amount formalised)

MANUFACTURING INDUSTRIES	17.3%
WHOLESALE TRADE	16.4%
FOOD	13.3%
TRANSPORT AND STORAGE	10.3%
CONSTRUCTION AND REAL ESTATE ACTIVITIES	8.4%
BUSINESS SERVICES	6.7%
RETAIL TRADE	5.9%
CHEMICAL AND PAPER	5.6%
HOSPITALITY	4.6%
INFORMATION AND COMMUNICATION TECHNOLOGIES	3.1%
TEXTILES AND FASHION	3.0%
HEALTH AND EDUCATION	2.5%
OTHER SERVICES	1.5%
ENERGY AND NATURAL RESOURCES	1.5%
TOTAL	100.0%

THE ICO GROUP CONSOLIDATES ITS CONTRIBUTION TO LONG-TERM PRODUCTIVE FINANCING

In 2018, mediation activity aimed at financing productive investment with terms equal to or greater than **4** years represented **57%** of the total amount granted by our group through the different mediation financing products with terms equal to or greater than **1** year.

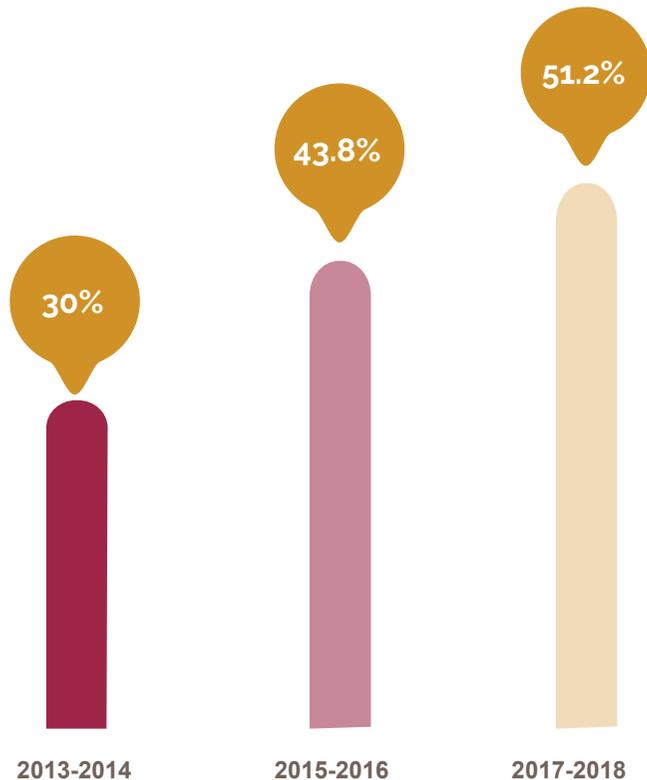
The following graph shows the evolution of this key factor in the specialisation carried out by our group over the past few years, thus showing our role as a driving force for the financing of long-term productive investments.

Does not include draw downs from the ICO International Channel (162 million euros).



MEDIATION LOANS.

Evolution of the financing for productive investment of a time frame equal to or greater than 4 years within the total mediation activity of time frames greater than or equal to one year (%)



IMPACT OF ICO FACILITIES ON THE SPANISH ECONOMY CONTRIBUTION TO ECONOMIC DEVELOPMENT

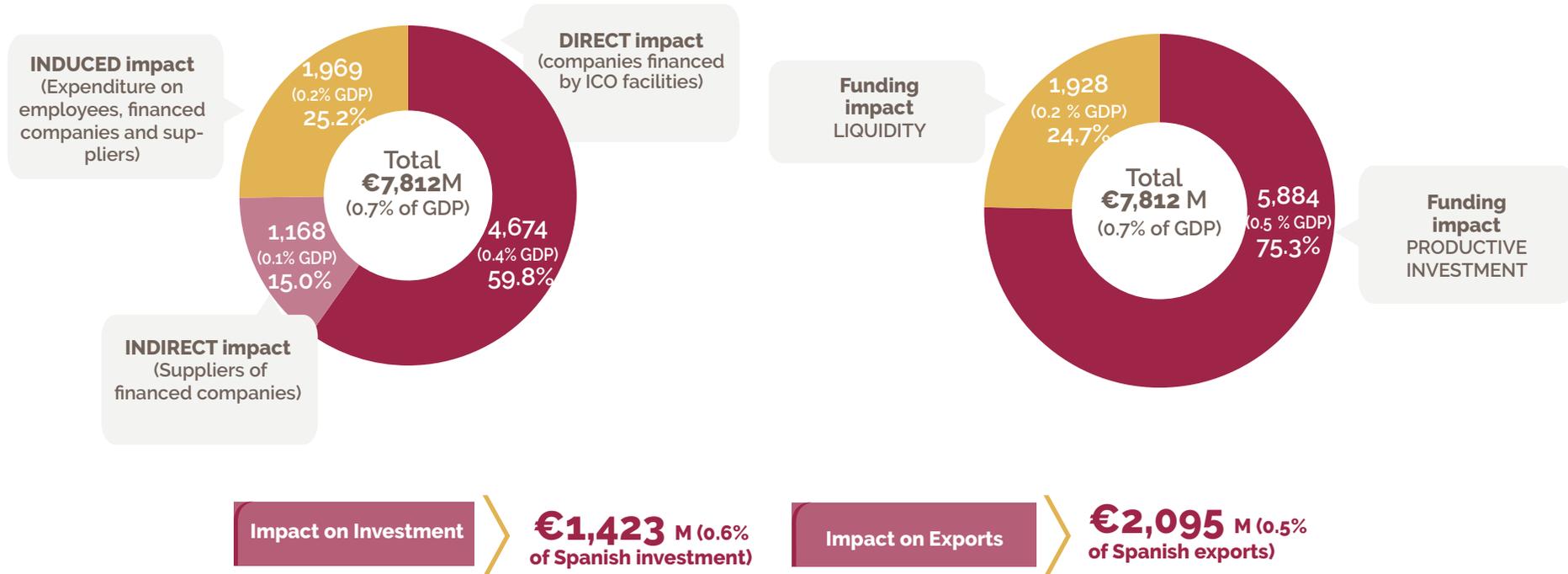
The ICO Group has developed an analysis to quantify the macroeconomic impact of our financing activity. This analysis, based on a methodology that uses the National Accounts' Input-Output Tables combined with statistical and econometric techniques, shows that our important role in the Spanish financial sector has a significant impact on the economy, significantly contributing to certain macroeconomic variables such as GDP, exports, investment or employment.

In 2018, financing distributed by the ICO Group through mediation facilities impacted economic activity by an estimated **7,812 million** euros, in terms of GDP, equivalent to **0.7%** of GDP. This financing activity led to **1,423 million** euros in investment, representing **0.6%** of the total gross fixed capital formation (GFCF) made in Spain in 2018.

In relation to exports, the impact of ICO financing, estimated to be **2,095 million** euros, represented **0.5%** of the total volume of Spanish exports.



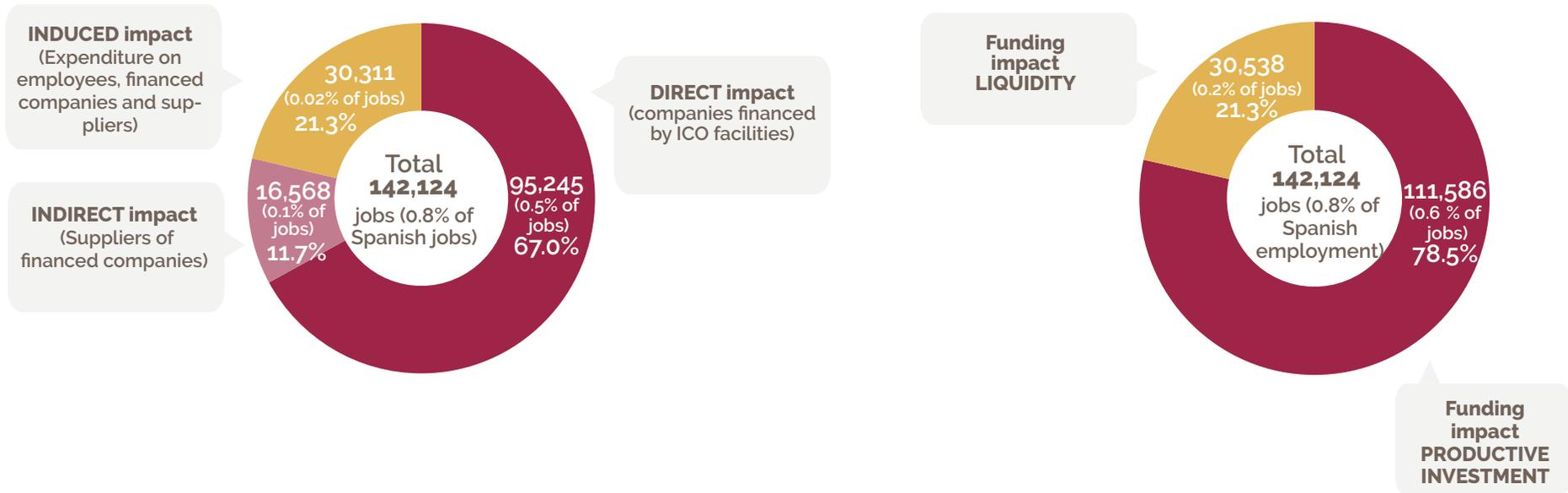
ICO MEDIATION LOANS 2018 Contribution to GDP: €7,812 million (0.7% of GDP).



For its part, our mediation loan activities' impact on jobs created and/or maintained in 2018 is estimated to be over **142,000** jobs, representing **0.8%** of the total volume of full-time equivalent employment.



ICO MEDIATION LOANS 2018 Contribution to Employment: 142,124 jobs maintained and/or created (0.8% of total employment in Spain)¹



¹ Full-time equivalent employment



B2

OPERATIONS DIRECTLY FORMALISED BY THE ICO GROUP

Although an important portion of the ICO Group's lending activity is distributed through the mediation system and is aimed at smaller companies, we also offer a range of direct financing solutions to promote large investment projects in Spain or projects that, promoted by Spanish companies, are implemented abroad.

DIRECT FINANCING ACTIVITY FOCUSES ON LONG-TERM PROJECTS FOR INFRASTRUCTURE AND THE INTERNATIONALISATION OF SPANISH BUSINESS

Since 2014, the upturn in the economic cycle has enabled the ICO Group to begin directly financing large investment projects again, an area in which we have extensive experience.

We focus our efforts on the long-term financing of infrastructure projects and activities for the internationalisation of Spanish business, paying special attention to those that have a carry-over effect on the internationalisation of SMEs that accompany major Spanish companies in their development.

In 2018, we formalised direct loan and guarantee operations for **1,190 million** euros, of which **724 million (60%)** was allocated to projects abroad. **2,144 million** euros were drawn down.

In recent years, the activity carried out by the ICO Group to promote the international expansion of Spanish business has significantly increased. Between 2012 and 2018, direct activity aimed at internationalisation represented **38%** of the ICO's total volume through these means.

DIRECT LOANS AND GUARANTEES IN THE 2018 FINANCIAL YEAR		
Geographical distribution by investment destination (million euros).		
	Amount formalised	Amount drawn down
National investment	466	1,443
International Investment	724	701
Total	1,190	2,144

Considering the amounts formalised, the financing of projects in the following sectors stand out: chemical and paper sector (**25.8%** of the total), energy and natural resources sector (**23.0%**) and transport and storage activities (**15.6%**).



DIRECT FINANCING ACTIVITY IN THE 2018 FINANCIAL YEAR

Distribution by activity sectors (million euros).

	FORMALISATIONS		DRAW DOWNS	
	Amount	%/Total	Amount	%/Total
CHEMICAL AND PAPER	307	25.8%	298	13.9%
ENERGY AND NATURAL RESOURCES (*)	274	23.0%	1,434	66.9%
TRANSPORT AND STORAGE	186	15.6%	111	5.2%
BUSINESS SERVICES	125	10.5%	125	5.8%
MANUFACTURING INDUSTRIES	100	8.4%	101	4.7%
INFORMATION AND COMMUNICATION TECHNOLOGIES	89	7.5%	5	0.2%
CONSTRUCTION AND REAL ESTATE ACTIVITIES	89	7.5%	47	2.2%
FOOD	20	1.7%	20	0.9%
HOSPITALITY	-	-	3	0.1%
TOTAL	1,190	100.0%	2,144	100.0%

NEW PROGRAMME FOR THE DIRECT FINANCING OF MEDIUM-SIZED BUSINESSES

Over the next few months, we will expand the scope of direct financing, financing medium-sized businesses to promote their expansion and growth, and not just financing big businesses. To do this, in 2018 we started working on a new programme for financing mid-capitalisation companies (with between **250** and **3,000** employees), adapting the product offer to their business needs to promote their expansion, growth and international presence.

IMPACT OF THE ICO GROUP'S DIRECT FINANCING ON THE SPANISH ECONOMY

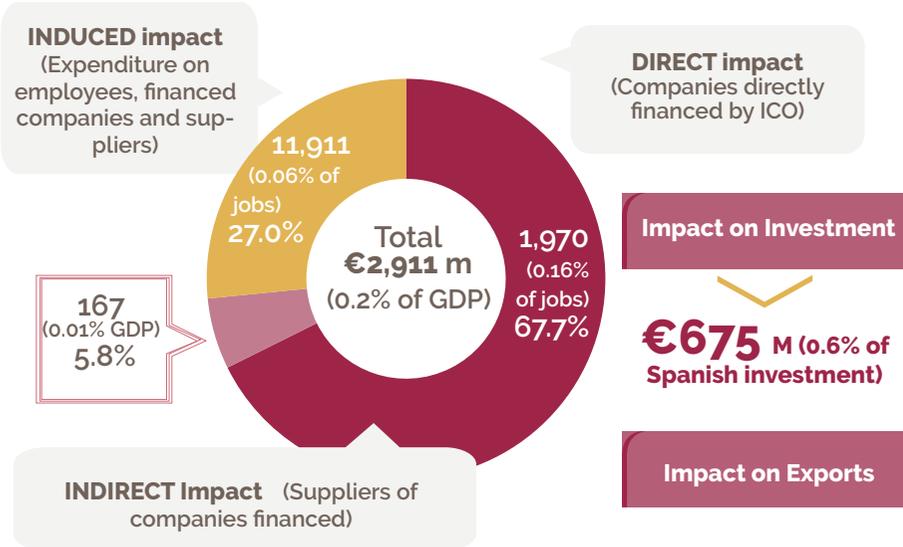
We have estimated the impact of our direct funding activity on certain macroeconomic variables in 2018 using the same methodological procedure that is used to determine the impact of mediation loan activity.

The impact of ICO's direct financing operations formalised in 2018 on economic activity is estimated to be **2,911 million** euros, equivalent to **0.2%** of GDP.

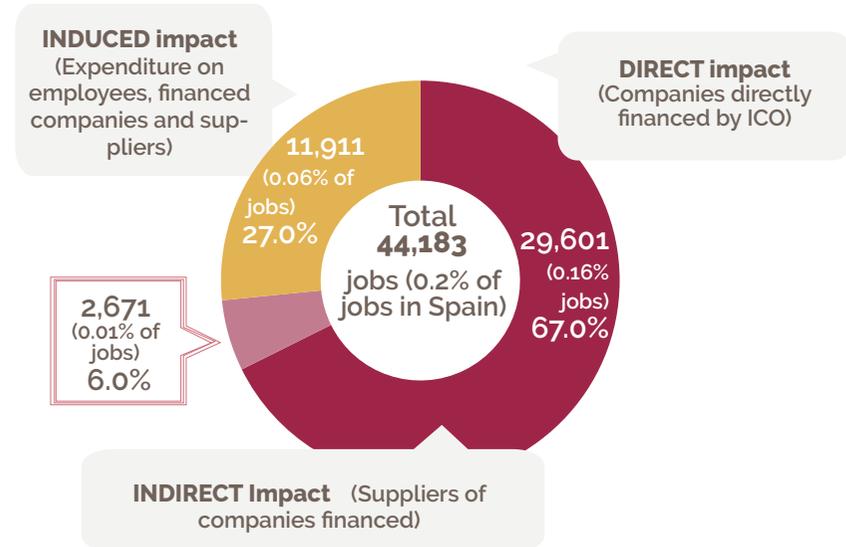
(*) Draw downs include a disbursement of 1,310 million euros corresponding to the liquidity facility for the Electric Deficit Amortisation Fund (FADE).



ICO DIRECT FINANCING 2018. Contribution to Employment: 44,183 jobs maintained and/or created (0.2% of total Spanish employment)¹



ICO DIRECT FINANCING 2018. Contribution to Employment: 44,183 jobs maintained and/or created (0.2% of total Spanish employment)¹



¹ Full-time equivalent employment

THE NUMBER OF JOBS CREATED AND/OR MAINTAINED AS A RESULT OF THESE DIRECT FINANCING OPERATIONS IS OVER 44,000, REPRESENTING 0.2% OF THE TOTAL VOLUME OF FULL-TIME EQUIVALENT JOBS.

Similarly, these direct financing operations have provided **675 million** euros in investment, representing **0.3%** of the total gross fixed capital formation (GFCF) made in Spain in 2018, and contributed to exports, by an estimated **280 million** euros, representing **0.1%** of the total volume of Spanish exports. Quantification, in terms of employment generated and/or maintained.



THE ICO GROUP COLLABORATES WITH EUROPEAN NATIONAL BANKS TO PROVIDE SUPPORT FOR SPANISH COMPANY INVESTMENTS

The Investment Plan for Europe, known as the “*Juncker Plan*”, is one of the European Commission’s priorities. At the core of the plan is the European Fund for Strategic Investments (EFSI), created to fund the projects of large businesses, medium-capitalisation companies and SMEs within strategic infrastructure sectors (digital and transport), research and innovation, education, development of renewable energy and resource efficiency.

The ICO Group has placed great emphasis on proposing new structures to the EIB Group to facilitate financing infrastructure and funding projects, both through its direct financing programmes and through venture capital funds. Since the programme started at the end of 2018, our total participation in financial products that have EFSI guarantees has reached **1,231 million** euros.

In the same period, total EFSI financing in Spain reached **8,087 million** euros, with an expected mobilised investment of **46,243 million** euros in a total of **110** projects.

Finally, in 2018, the ICO Group actively collaborated with the EIB and European Commission managers and experts on the intensive and continuous task of public communication aimed at entrepreneurs and institutions throughout Spain. We organised informative seminars in several Spanish provinces, with talks and presentations on how to obtain financing to develop different projects under the aforementioned plan.

THE ICO GROUP HAS SIGNED COLLABORATION AGREEMENTS WITH INTERNATIONAL INSTITUTIONS AND BODIES

To boost our international activity and complement our financing activity, in 2018 we signed collaboration agreements with counterpart institutions in other countries and multilateral bodies that cooperate to exchange information, financing and support to companies of each of the under-signed countries, as well as to co-finance investment projects of common interest.

In 2018, we signed collaboration agreements with the following institutions:

- Bank of China. The agreement includes the possibility of financing, co-financing or guaranteeing investment plans of common interest, mainly large infrastructure projects, as well as providing funding to Spanish companies in China.
- ICO-CEB (*Council of Europe Development Bank*) staff exchange agreement. This agreement will allow our two entities to share and promote the best practices that we are developing and enable experts from both institutions to gain in-depth knowledge of the financing activity and programmes implemented by each entity.



C- PARTICIPATION IN EQUITY, QUASI-EQUITY AND GUARANTEE FUNDS

One of the ICO Group's strategic pillars is to boost venture capital activity in order to diversify financing sources for companies. In 2018, we continued to promote alternative financing to bank financing for Spanish business, promoting the different funds in which we participate, whether these are managed by our wholly owned subsidiary AXIS, by ICO itself, or by other institutions or societies.

C1

FUNDS MANAGED BY AXIS

AXIS was established in 1986 and was the first venture capital management company registered in the National Securities Market Commission. Since it was created, it has promoted venture capital as an alternative to bank financing for Spanish companies, improving their capitalisation and boosting innovation, entrepreneurship and internationalisation.

For over **30** years, its main objective has been to maintain the financial equilibrium of the funds managed to ensure their continuity. AXIS is one of the most active operators in the venture capital field in Spain, managing **2,650 million** euros through different funds: ICO Global Fund, ICO SME Fund, ICO Infrastructures Fund I and ICO Infrastructures Fund II. The ICO Group is the sole shareholder of these funds.



ICO GLOBAL FUND

This was established in 2013 with the aim of developing and diversifying non-bank financing sources for Spanish companies, especially SMEs. It was the first Spanish public capital fund of funds and was created to respond to one of the main demands of the venture capital sector; greater involvement of the public sector in non-bank financing for businesses.

ICO Global Fund's objective is to encourage the creation of privately managed venture capital funds that invest in Spanish companies in different activity sectors and in all its stages: from technology transfer and seed capital, passing through the early stages, to development capital that promotes their expansion and internationalisation. The fund takes stakes in other venture capital entities authorised in Spain or who have residence in another OECD member state. In this way, the fund is a catalyst for the creation of new private venture capital funds, managed by private operators with a presence in Spain.

The venture capital funds that ICO Global Fund invests in must have mostly private capital. The volume of capital invested in each of the funds participated in depends on the stages in which it in-



vests and the size of the fund. Based on the principles of the private management of resources, ICO Global Fund seeks to strengthen non-banking financing, stimulate the capitalisation of companies and promote their internationalisation and growth.

ICO Global Fund was launched with an initial allocation of **1,200 million** euros. Given its positive evolution, the high number of competing candidates and its important contribution to revitalising the venture capital sector in Spain, its assets were increased to **1,500 million** euros in 2015. In May 2018, a decision was made to increase this again by **500 million** euros. Since the fund was created, its assets have grown to **2,000 million** euros, thus ensuring this instrument's continuity.

AXIS's fund selection process is expressed through its own public bidding principles: publicity, concurrency, equality and transparency. The selection is therefore done through public invitations to tender in which the funds concerned compete. By the end of 2018, ten invitations to tender had taken place and the eleventh had been launched, with a new *venture capital* category that is more focused on companies' digitisation and innovation.

ICO GLOBAL FUND MOBILISES OVER 6,000 MILLION EUROS TO INVEST IN COMPANIES IN SPAIN

In the ten invitations to tender that have already taken place, investments in **72** private funds of a total of **1,568 million** euros were approved. This volume has an important multiplier effect and will involve a minimum investment of **6,082 million** euros in Spanish companies. In other words, for every euro of public capital invested by ICO Global Fund, private funds have committed to investing a minimum of **3.9** euros.




ICO GLOBAL FUND (million euros)

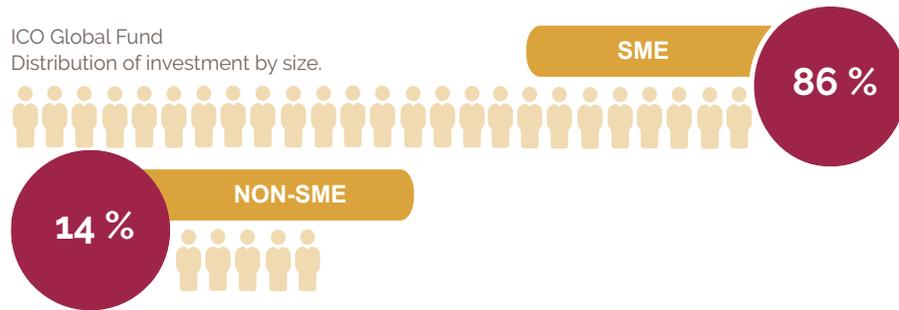
Invitations to tender	Target fund	Investment target volume in Spain	ICO Global Fund Agreement	Investment Multiplier in Spain
December 2013	685	660	189	3.5x
May 2014	3,785	665	248	2.7x
November 2014	4,125	668	194	3.4x
March 2015	756	573	124	4.6x
November 2015	671	606	121	5.0x
June 2016	668	272	71	3.8x
October 2016	727	659	157	4.2x
May 2017	1,041	625	161	3.9x
November 2017	7,594	818	159	5.1x
July 2018	1,287	535	145	3.7x
TOTAL	21,339	6,082	1,568	3.9x

At 31 December 2018, the distribution of the selected funds by categories was: **26** for expansion capital, **26** for venture capital, **17** for technology transfer and incubation and **3** for debt. Nearly **25%** of these funds are international, highlighting the importance of this instrument in attracting foreign capital to Spain.

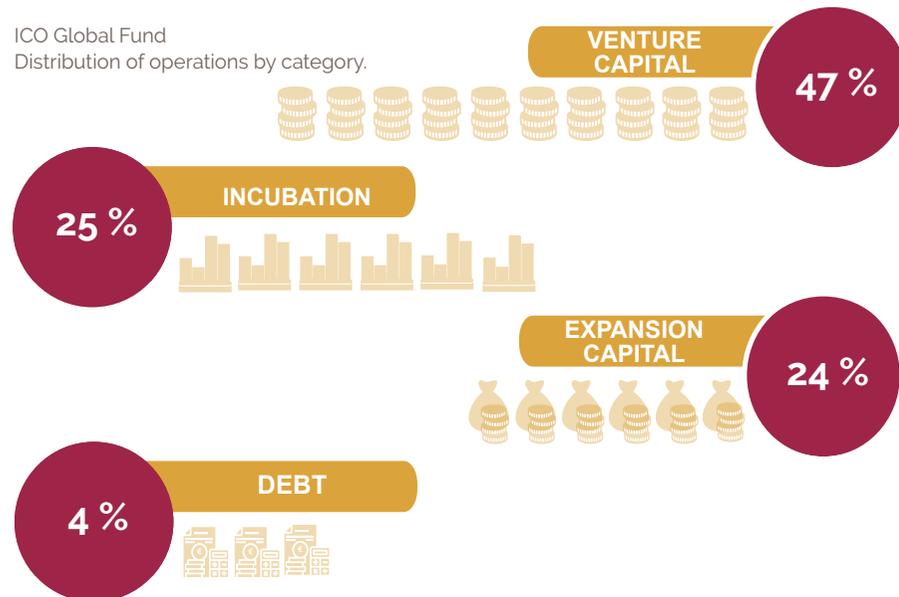
The funds that ICO Global Fund has participated in made investments in **454** Spanish companies, with a total of over **130,950** employees, from a variety of sectors and different stages of growth. **86%** of the recipient companies were SMEs. The distribution between the different categories of investment is presented in the graph below, with venture capital standing out with **47%** of the total amount invested.



ICO Global Fund
Distribution of investment by size.



ICO Global Fund
Distribution of operations by category.



ICO GLOBAL FUND HAS REVIVED VENTURE CAPITAL IN SPAIN

ICO Global Fund revived the sector at one of the lowest points of the economic cycle, becoming a key player in fund mobilisation since it was created. Between 2013 and 2017, ICO Global Fund contributed **11.5%** of the total funds collected in Spain.

Regarding investments made, ICO Global Fund's average share of all venture capital was over **14%** and the volume of investment accumulated by the funds participated in by ICO Global Fund was **9%** of the total invested in Spain.

IMPACT OF ICO GLOBAL FUND'S ACTIVITY ON THE SPANISH ECONOMY

As well as contributing to the revival of venture capital in Spain, ICO Global Fund's activity has also had a significant impact on the economy. To evaluate this macroeconomic impact, we have developed and implemented our own methodology based on the National Accounts' *Input-Output* analysis together with statistical and econometric techniques.

The analysis covers the fund's activities between 2013 and 2017 and was conducted on a total of **315** Spanish companies with shares held by

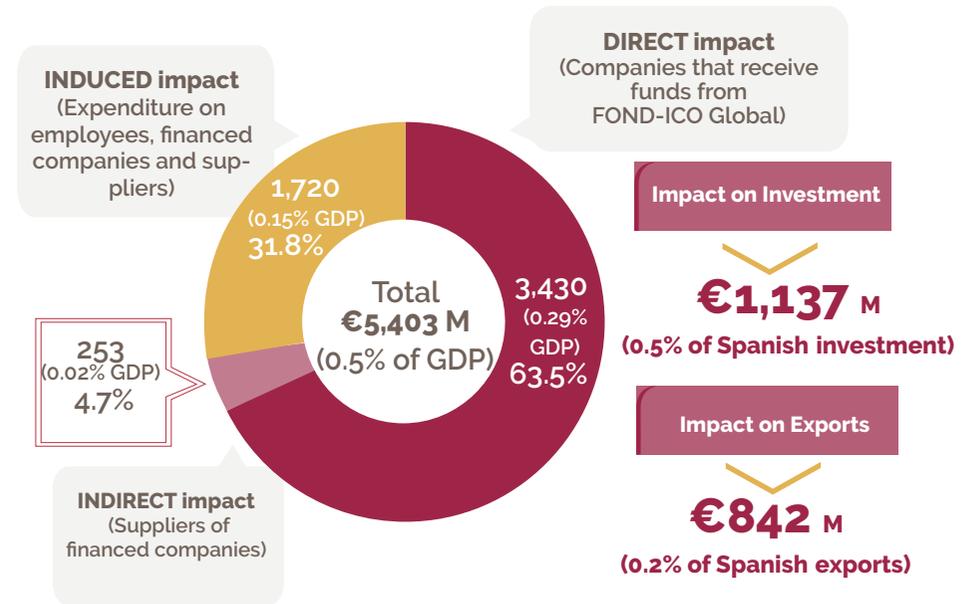


funds invested in by FOND-ICO Global. The volume of actual disbursements to the different funds was **423 million** euros over that period. The study concludes that the ICO Global Fund's activity has significantly impacted certain macroeconomic variables such as GDP, exports, investment and employment.

Estimated impact on economic activity in terms of GDP was **5,403 million**, equivalent to **0.5%** of Spain's GDP in 2017. Likewise, the ICO Global Fund's activity impacted investment by **1,137 million** euros, which represents **0.5%** of the total gross fixed capital formation (GFCF) made in Spain in 2017.

Regarding exports, the impact made by ICO Global Fund, estimated to be **842 million** euros, represented **0.2%** of the total volume of Spanish exports.

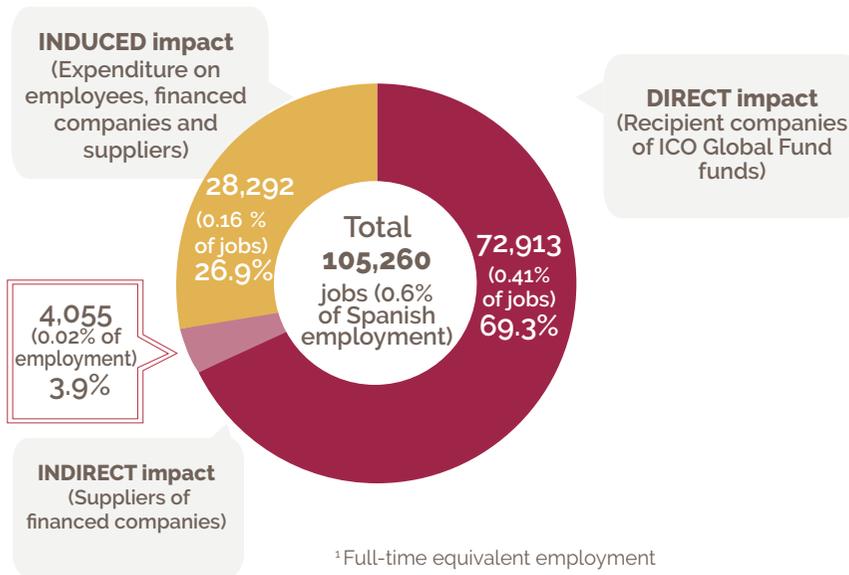
CONTRIBUTION TO GDP €5,403 M (0.5% OF GDP)



THE ESTIMATED NUMBER OF JOBS CREATED OR MAINTAINED BY FOND-ICO GLOBAL'S ACTIVITY EXCEEDS 105,000 JOBS, OR 0.6% OF THE TOTAL VOLUME OF FULL-TIME EQUIVALENT EMPLOYMENT



CONTRIBUTION TO EMPLOYMENT: 105,260 jobs maintained and/or created (0.6% of total employment in Spain)¹



ICO SME FUND, PEF

ICO SME Fund venture capital fund was created in 1993 and has maximum available resources of **250 million** euros and maturity in 2022. It is a generalist fund and is mainly aimed at companies that, having reached a certain degree of maturity, want to fund their expansion process, technological

development, growth and/or internationalisation and, to a lesser extent, at companies in primary stages that, having overcome the initial stages, require resources to advance their development.

Since its inception, ICO SME Fund has supported companies in their expansion plans to encourage the development of the corporate network, job creation, and revitalisation of the economy. In addition, it seeks to mobilise as many resources as possible from the private sector. This fund uses its resources in two different ways to be more effective. On the one hand, it uses direct investment to promote long-term growth of leading companies in their market segments, with financial approaches, without replacing the managing entrepreneur or team and mostly in joint ventures. On the other hand, it is indirectly present through the funds in which the ICO SME Fund participates, in order to achieve a greater degree of capillarity in the distribution of its resources.

Since it was created, the fund has participated via capital and participating loans in over **60** companies and over **20** funds for an amount exceeding **280 million** euros.

On the other hand, AXIS, through the ICO SME Fund, has also collaborated in the implementation of different European non-banking financing initiatives in Spain, such as the Isabel la Católica Fund, *EU Business Angels Fund Spain* or the NEOTEC Fund.

In order to cover ventures' initial stages, ICO SME Fund, along with the European Investment Fund (EIF) and the NEOTEC initiative, created the



Isabel La Católica Fund-European Angels Fund to support the *Business Angels'* investment. This is a pan-European project that aims to support entrepreneurs through the participation of professional investors or 'business angels' in the initial stages of their projects.

- The fund is managed by the EIF and was initially provided with **30 million** euros. At the end of 2018, this initiative had formalised investment commitments amounting to nearly **23 million** euros, reaching joint venture agreements with 14 'business angels' who have already invested in around **100** companies.
- Given the success of the first fund, a second fund (*EU Business Angels Fund Spain*) was developed with a target size of **40 million** euros. It was formalised in December 2018 with a contribution of **20 million** euros, with the rest contributed by the EIF.
- NEOTEC is a fund of funds created in 2006 and managed by the EIF. Its activity focuses on innovative, highly-technological companies in the initial stages of their development. Its investment commitment, of **183 million** euros, is provided through direct participation in **14** funds, of which **2** are in the form of joint venture.

Equally noteworthy within the ICO SME Fund framework is the 2018 launch of a new **50 million** euro initiative aimed at venture capital entities that invest in Sustainability and Social Impact Funds, an area in which the public sector has a clear leadership responsibility.

In addition, AXIS has joined the Forum Impacto platform, which aims to unite all impact investment agents with the aim of enabling Spain to join the *Global Steering Group on Impact Investment (GSG)*, an international organisation composed of **18** countries that promotes social impact investment.

The portfolio balance of ICO SME Fund investments at 31-12-2018 is:

ICO SME FUND, PEF	
Formalised investment portfolio. Balance at December 2018 (million euros)	
	AMOUNT
Capital investments (stocks and shares)	24.1
Participating loans	7.8
Investments in other venture capital entities	54.3
TOTAL	86.2



ICO INFRASTRUCTURES FUND I, FICC

ICO Infrastructures Fund I was created in 2011 with maximum available resources of **250 million** euros and expected maturity in 2034.

The fund aims to support the construction and co-management of infrastructure projects and it focuses its activity on public-private partnership schemes. To this end, it provides capital to projects, accompanied by minority equity or quasi-equity holdings to infrastructure management companies. It operates within a stable time frame of long-term commitment to investment and within market parameters in terms of required profitability.

Since its creation, ICO Infrastructures Fund I has committed a maximum of **85 million** euros that have contributed to a total investment of nearly **1,000 million** euros. By sector, **43%** of the investment was to transport projects, **40%** to social infrastructures and the remaining **17%** to energy.

ICO INFRASTRUCTURES FUND I IS A NON-BANKING FINANCING INSTRUMENT THAT PRIMARILY INVESTS IN GREENFIELD TRANSPORT, SOCIAL, ENERGY AND ENVIRONMENTAL INFRASTRUCTURE PROJECTS, BOTH IN SPAIN AND ABROAD.

31 December 2018, the portfolio balance of ICO Infrastructures Fund I investments is:

ICO INFRASTRUCTURES FUND I, PEF	
Formalised investment portfolio. Balance at December 2018 (million euros)	
	AMOUNT
Capital investments (stocks and shares)	5.4
Participating loans	15.4
TOTAL	20.8

ICO INFRASTRUCTURES FUND II

In December 2018, a new fund called the ICO Infrastructures Fund II was registered in the National Securities Market Commission amounting to 400 million euros, which aims to invest in sustainable infrastructure projects directly or through other investment funds. The fund's duration is 22 years, extendable for a period of 5 additional years by decision of the management company. Once it is enrolled, the fund will receive the portfolio of ICO Infrastructures Fund I investments that aren't expected to be sold or be depreciated. The fund will invest in transport, energy and environment, and social infrastructure. Amongst other things, it will fund motorways, roads, rail networks, ports, airports, energy distribution networks, sustainable generation or renewable energy, hospitals and educational and judicial services' infrastructure.

**C2****OTHER FUNDS IN WHICH THE ICO GROUP PARTICIPATES**

The ICO Group also participates in the following funds with varying contributions:

- **The European Investment Fund (EIF).** We have been partners with the EIF since it was founded in 1994 and we currently hold **0.7%** of the capital. The main shareholder is the EIB and its primary aim is to provide financing for infrastructure and provide guarantees for SMEs. In 1997, it began its venture capital operations.
- **Fons Mediterrània Capital.** This venture capital fund was created and designed by the ICO Group in 2008, along with the *Institut Català de Finances* (ICF Finance Institute) and the EIB, for a total of **62.5 million** euros. It has a generalist and diversified investment mission for investment in companies that implement projects in the Mediterranean area of Maghreb (Morocco, Tunisia and Algeria). The ICO Group's participation, which amounts to **15 million** euros (**24%**), is fully disbursed. It is currently in a divestment process.
- **Marguerite Fund.** This is a European capital fund designed by the ICO Group and other public entities: the European Invest-

ment Bank, the European Commission, the KfW Bankengruppe, Cassa Depositi e Prestiti, Caisse des Dépôts et Consignations and PKO Bank Polski, S.A. The fund aims to alleviate the lack of capital in the European infrastructure project market. On 12 November 2009, the ICO Group was instructed by the Government's Delegate Committee for Economic Affairs (CDGAE) to participate in this fund with a contribution of **100 million** euros belonging to the then Ministry of Economy and Finance. It is currently in a divestment period.

- **Marguerite Fund II.** This was created in 2017 to continue the Marguerite Fund I's activity. Renewable energy, transport and digital infrastructures were added to its investment objectives in order to obtain the support of the EFSI ("*Juncker Plan*"). The fund was created with a duration of **10** years and a contribution of **700 million** euros, which is distributed between the European Investment Bank, which provides 200 million euros, and the ICO Group and the financial institutions named below, which provide the remaining 500 million in equal parts: *Bank Gospodarstwa Krajowego (BGK)*, *Caisse des Dépôts Group (CDC)*, *Cassa Depositi e Prestiti (CDP)* and *Kreditanstalt für Wiederaufbau (KfW)*. The contribution is made through the reinvestment of the Marguerite Fund I's mature assets and a new monetary contribution, to



D
OPERATIONS MANAGED ON BEHALF OF THE STATE

reach the 100 million euros committed to by each participant. The Fund currently stands at **745 million** euros, having attracted the participation of private investors.

- **Enterprise Support Fund (AFS FUND).** The ICO Group has participated in this fund since 2018 with an investment of **10 million** euros. This Fund aims to provide non-banking financing to companies through commercial invoice discounts guaranteed by the Spanish Export Credit Agency (CESCE).
- **Carbon Fund for Spanish Business.** This was created in 2006 with the aim of achieving emission allowances for clean energy projects in emerging countries or economies in transition. The ICO Group's participation in the capital amounts to **32.7%**. It is currently in a divestment process.

As a State Financial Agency, we manage, in the name of and on behalf of the State, various public instruments created to provide financial support to Autonomous Communities and local bodies, to promote export and the internationalisation of Spanish business and to channel official aid to Spanish development. The Institute's role as the financial agent of these instruments is to formalise, manage and administer its activity, acting in the name of and on behalf of the State. The accounting record is done separately from that of the Group itself, so its balances are not part of the ICO Group's financial statements.

Improving the management of these funds and generating synergies associated with these actions, therefore increasing the value contribution, is one of ICO's strategic priorities.

In 2018, the Group continued to expand the volume of the loan portfolio that it administers on behalf of the State. At the close of 2018, the volume managed reached **193,472 million** euros, **7.4%** more than at the close of the previous year. Over the past six years, outstanding balances managed by the ICO Group on behalf of the State have increased almost fourfold.



LOAN PORTFOLIO MANAGED ON BEHALF OF THE STATE (million euros). Balances at 31 December.

	2018
Fund for Financing Autonomous Communities (FFC-CAA)	179,130
Fund for Financing Local Entities (FFEELL)	6,570
Fund for the Internationalisation of Business (FIEM)	4,461
Reciprocal Interest Adjustment Contract (CARI)	2,842
Fund for the Promotion of Development (FONPRODE)	434
Cooperation Fund for Water and Sanitation (FCAS)	35
TOTAL	193,472

FUND FOR FINANCING AUTONOMOUS COMMUNITIES (FFCCAA)

The Fund for Financing Autonomous Communities (FFCCAA) was created via Royal Decree-Law 17/2014, on measures to ensure the financial sustainability of Autonomous Communities and Local Entities, and aims to provide liquidity to these administrations. This fund succeeded the defunct Autonomous Liquidity Fund (FLA) and Financing Payment to Suppliers Fund (FFPP), assuming their assets.

The ICO Group was designated as the fund's financial manager. Our functions include formalising financial operations with Autonomous Communities and providing technical instrumentation, accounting, cashier, paying agent and monitoring services and all those financial services relating to operations authorised by the fund.

The amount formalised through the FFCCAA in 2018 amounted to **29,928 million** euros. The fund's outstanding balance at 31 December 2018 was **179,130 million** euros.

FUND FOR FINANCING LOCAL ENTITIES (FFEELL)

The aforementioned Royal Decree-Law 17/2014 also created the Fund for Financing Local Entities (FFEELL), in order to provide liquidity and ensure municipalities' financial sustainability by attending to their financial needs. The defunct FFPP's assets corresponding to local entities were transferred to this new fund. The ICO Group was also designated the fund's financial agent, with the same functions it has for the FFCCAA.

In 2018, operations of **506 million** euros were formalised, and the outstanding amount at the close of the financial year was **6,570 million** euros.



Through these two mechanisms, which aim to ensure Autonomous Communities' and local entities' financial sustainability, over **102,000 million** euros have been directly injected into the economy in the past six years. This was possible thanks to the payment of over **12.9 million** invoices, benefiting over **363,000** companies. It has also dealt with **123,000 million** euros worth of territorial administrations' financial debts.

FUND FOR THE INTERNATIONALISATION OF BUSINESS (FIEM)

The Fund for the Internationalisation of Business (FIEM) aims to support and promote the internationalisation of the Spanish economy, complementing the private market. The FIEM was created by Law 11/2010 of 28 June as an official support instrument for funding the internationalisation of Spanish business. It aims to promote Spanish companies' export operations and direct Spanish investment abroad. To accomplish this, the Fund provides projects with reimbursable funds, in concessional or market terms, linked to the acquisition of Spanish goods and services or the execution of Spanish investment projects or those that are in the national interest.

The fund is managed by the Secretary of State for Trade, reporting to the Ministry of Industry, Trade and Tourism, who is responsible for selecting projects to be funded, preparing profiles and feasibility studies that are accurate for their analysis, evaluating financing proposals and monitoring the execution and assessment of these.

For its part, the ICO Group acts as Financial Agent, formalising, in the name of and on behalf of the Spanish Government and on behalf of the State, the corresponding credit, loan or grant conventions linked to the FIEM. We also provide technical instrumentation, accounting, cashier, paying agent and control

services and generally all services of a financial nature relating to operations authorised under the FIEM.

In addition, the ICO Group advises the Ministry of Industry, Trade and Tourism on certain aspects relating to the fund's management in the following international forums: The Paris Club, Exports Credit Group with official help from the European Council and the OECD Participant Group.

In 2018, operations amounting to **106 million** euros were formalised under the FIEM.

FUND FOR THE INTERNATIONALISATION OF BUSINESS (FIEM).
Operations approved and formalised in the financial year (million euros)

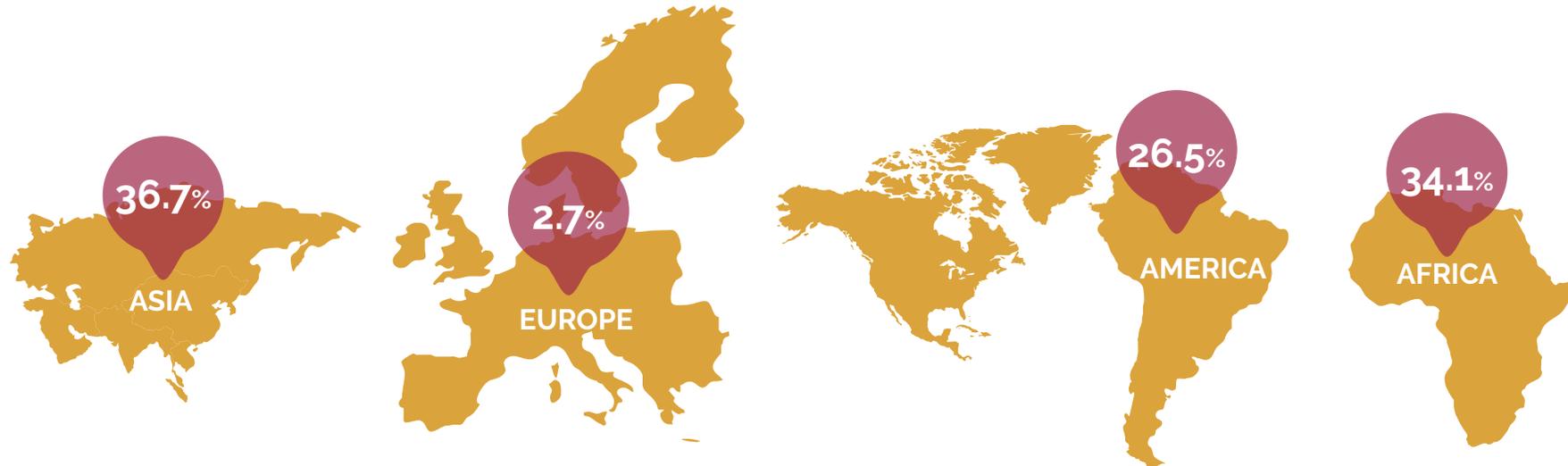
	2018
Loans approved	59
Loans formalised	106





The FIEM continues to consolidate itself as an important official instrument supporting Spanish companies' entry onto foreign markets. The outstanding loan portfolio balance at 31 December 2018 was **4,461 million** euros, geographically distributed as follows:

FUND FOR THE INTERNATIONALISATION OF BUSINESS (FIEM).
GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO BALANCE AT 31.12.2018



RECIPROCAL INTEREST ADJUSTMENT CONTRACT (CARI)

The CARI is a financial instrument that resembles an interest rate insurance and aims to promote Spanish exports, encouraging financial institutions to grant long-term fixed-interest loans.

Interest adjustment contracts ensure that the lenders apply a particular financial margin on the outstanding amount of each loan collected through the system, eliminating risks arising from the difference between the fixed rate of the loan and the cost conventionally attributed to the resources that

finance them. When the difference is negative, the State pays the entities the difference through the ICO Group. When the result is positive, it is the entities that should pay the ICO Group the calculated difference.

This financial instrument offers flexibility to allow banks and exporters to adapt to the construction period, the number of draw downs and repayment schedules. In addition, there is always a contribution regardless of the currency used and the volume of the operation, in addition to having CESCE coverage.



One of the necessary conditions to qualify for the system is that interest rates on operations, as established by lenders, are those indicated by Organisation for Economic Co-operation and Development (OECD) consensus.

CARI's activity has grown considerably in recent years. In 2018, operations were formalised amounting to **1,411 million** euros. CARI's outstanding loan portfolio balance at 31 December 2018 amounted to **2,842 million** euros, geographically distributed as follows:

RECIPROCAL INTEREST ADJUSTMENT CONTRACT (CARI). Geographical distribution of loan portfolio balance at 31.12.2018. (percentages of total).	
America	77%
Africa	13%
Europe	7%
Asia	3%
Total	100%

FUND FOR THE PROMOTION OF DEVELOPMENT (FONPRODE)

The Fund for the Promotion of Development (FONPRODE) is one of the Spanish Cooperation's main financial instruments, managed by the Ministry of Foreign Affairs, European Union and Cooperation through the Spanish Agency for International Development Cooperation (AECID), the body responsible for administering the fund.

FONPRODE's main objective is to eradicate poverty, reduce social inequalities and inequities between people and communities, promote gender equality, and defend human rights and sustainable development in impoverished countries. With FONPRODE, we make non-reimbursable transactions (donations, contributions and benefactions to multilateral agencies and international financial development institutions) and reimbursable transactions (reimbursable contributions to multilateral agencies, loans to local microfinance institutions and credit to States). Finally, the Fund may make capital contributions to investment funds.

In the name of and on behalf of the Spanish government and on behalf of the State, the ICO Group formalises the corresponding agreements to be signed with the beneficiaries. It also provides technical instrumentation, accounting, cashier, paying agent and control services, and, generally, all services of a financial nature relating to transactions authorised under FONPRODE. In 2018, operations amounting to **49 million** euros were formalised.



The loan portfolio at the end of 2018 had an outstanding balance of **434 million** euros. This was distributed by type of operation as follows:

FUND FOR THE PROMOTION OF DEVELOPMENT (FONPRODE).

Loan portfolio balance at 31.12.2018 (million euros and percentages).

	2018	%/TOTAL PORTFOLIO
Reimbursable contributions to Multilateral Bodies	326	75.2%
Micro-credit programmes	98	22.3%
Credits to States	11	2.5%
Total portfolio	434	100.0%

COOPERATION FUND FOR WATER AND SANITATION (FCAS)

Law 51/2007, of 26 December, on the General State Budget for 2008, created the Cooperation Fund for Water and Sanitation (FCAS) as to finance actions designed to enable citizens of Latin American countries to access water and sanitation, within the policy of international cooperation for development. The fund is managed by the Spanish Agency for International Development Cooperation (AECID), under the Ministry of Foreign Affairs, European Union and Cooperation.

The fund grants non-reimbursable aid and, where applicable, loans under a co-financing regime with beneficiary countries' national authorities, with supranational bodies or with private institutions. In the name of and on behalf of the Spanish government and on behalf of the State, we formalise the corresponding FCAS financing agreements and provide all financial services relating to the authorised operations.

Since its creation, disbursements amounting to over **516 million** euros have been made from the fund, corresponding wholly to non-reimbursable programmes.

E

ACQUISITION OF RESOURCES

The Group obtains its financing through debt issues in the capital markets and by obtaining bilateral loans. During 2018, we obtained medium- and long-term resources for **3,726 million euros**. Of this, **85.7% (3,192 million euros)** were acquired through bond issues and the remaining **14.3% (534 million euros)** were obtained through loans granted by the European Investment Bank (EIB).

We are one of the EIB Group's main partners in Europe, thus responding to the European Commission's communication of July 2015 regarding the necessary coordination and complementarity of national promotion banks with the EIB, which aims to create better financing conditions for SMEs, amongst other things.

In 2018, we acquired resources in capital markets for **3,192 million euros** through bond issues in public transactions, and private and structured placements. After the Public Treasury, we are the second most important Spanish

public entity for debt issues, and we have the guarantee of the Spanish State for debts and other obligations contracted by acquiring funds.

NEW SOCIAL BOND ISSUE

In 2018, we launched a new social bond issue that meant we remained a key player in this market, strengthening our commitment to the sector's development.

Through these kinds of issues, we commit ourselves to using acquired funds to finance projects of companies in Autonomous Communities with a lower GDP per capita than the Spanish average, with the aim of promoting inclusive economic growth and improving the distribution of income.



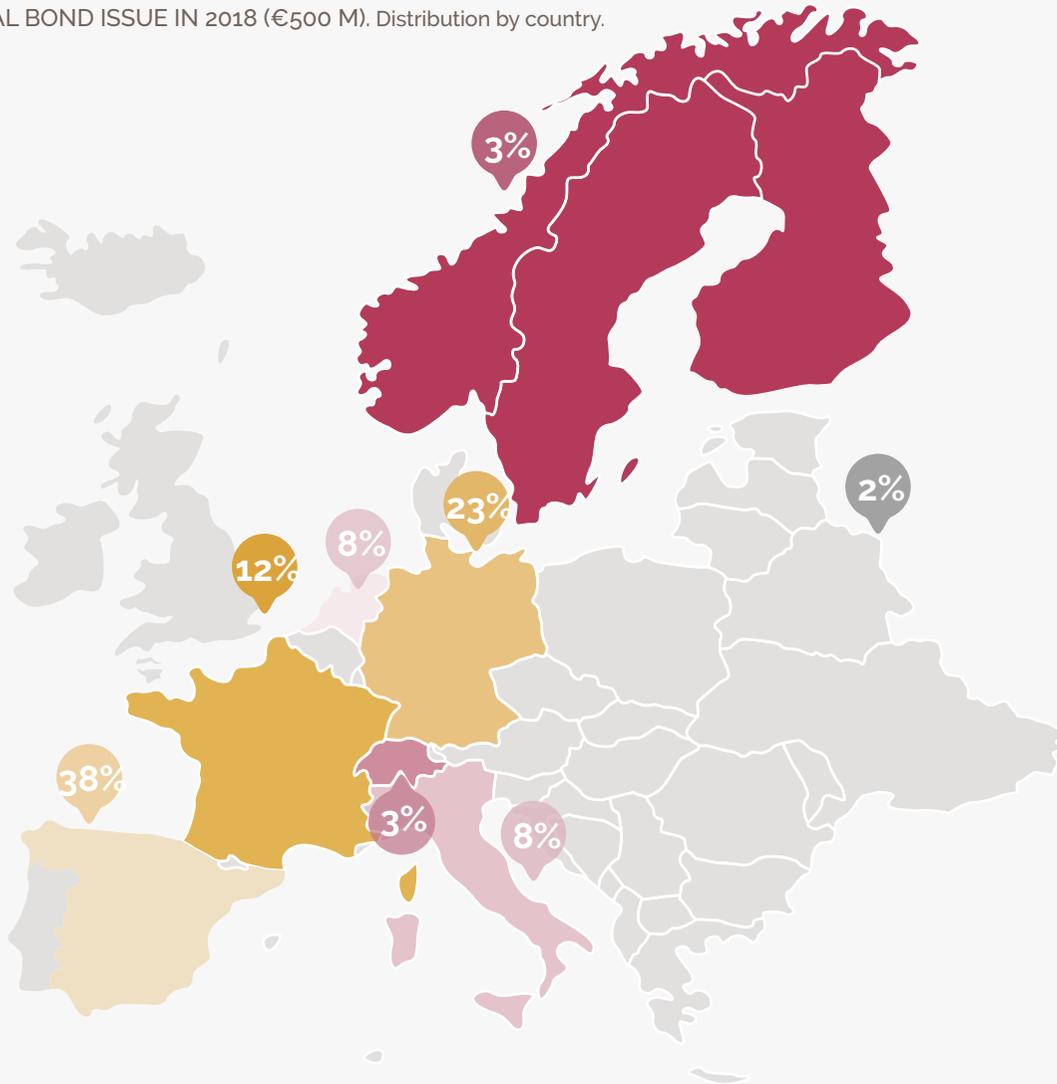
The issue made, amounting to **500 million euros**, was well received among investors, who began considering our social bonds as the reference point in the specialised market once again.

ACQUISITION OF RESOURCES IN 2018		
Distribution by method (million euros and % of total).		
	AMOUNT	%
Capital markets	3,192	85.7%
Bilateral loans	534	14.3%
Total	3,726	100%



In terms of geographical distribution, **62%** of the bonds were placed among foreign investors, notably including those from Germany, France and Austria.

SOCIAL BOND ISSUE IN 2018 (€500 M). Distribution by country.



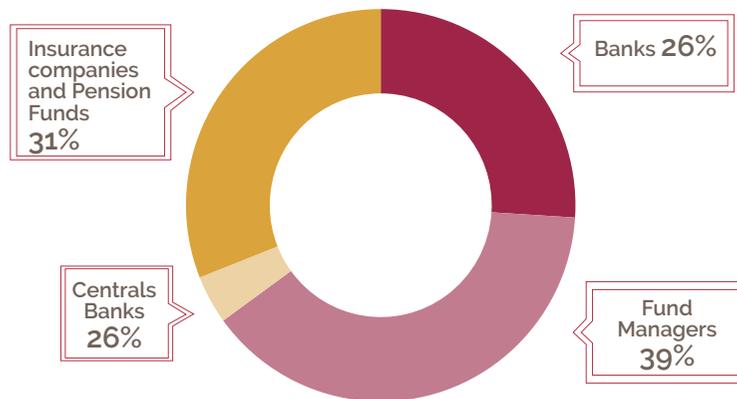
48% of social bond issues were shared between socially responsible accredited investors

- Nordic countries 3%
- Switzerland 3%
- Italy 8%
- Netherlands 8%
- France 12%
- Germany/Austria 23%
- Spain 38%
- Rest of Europe 2%



Regarding distribution by type of investor, fund managers acquired **39%** of the total volume of the issue, followed by insurers and pension funds (**31%**), and banks (**26%**). The rest of the security was distributed among central banks.

SOCIAL BOND ISSUE IN 2018 (€500 M). (0.5% of GDP)



In 2018, the ICO Group also informed investors of the impact of two issues made in 2017, one of **500 million** euros and another of **500 million** Swedish Krona. With these funds, we financed over **11,200** transactions to SMEs located in target regions, which was estimated to have created or maintained over **60,300** jobs.

THE ICO GROUP STRENGTHENS ITS COMMITMENT TO DEVELOPING THE SOCIAL BOND MARKET

The issue made in 2018, the fifth of this kind we have made, reaffirms our commitment to developing the social bond market. We actively work to publicise and promote this sector's growth, as exemplified by our annual ICO Sustainable Bond Forum. This forum, which takes place in Madrid, brings together issuers, investors, banks, agencies and other players in the sector with the aim of discussing the current situation and market prospects.

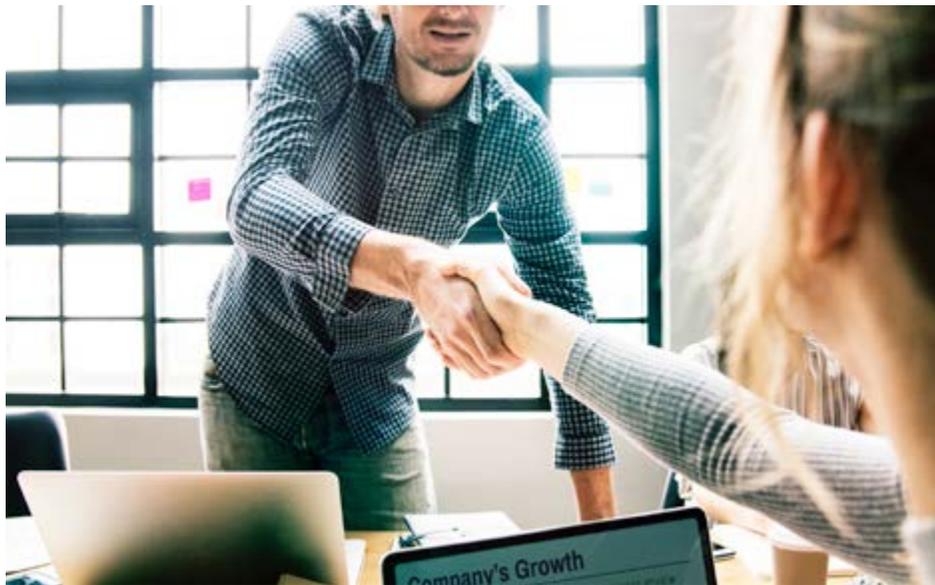
In addition, we were an active member of the working group that prepared the International Capital Market Association's (ICMA) *Social Bonds Principles* guide.

BILATERAL LOANS FORMALISED WITH MULTILATERAL AGENCIES. ACCESS TO FINANCING UNDER PREFERENTIAL CONDITIONS

In recent years, we have intensified the search for alternative sources to complement financing in capital markets, enabling loans to be obtained from international financial institutions and multilateral agencies. As a result of their preferential price conditions, time frame and availability, these operations enable the ICO Group to obtain funds more economically and, consequently, allow better financing conditions to be transferred to Spanish business.



In 2018, we obtained **534 million** euros from loans granted by the European Investment Bank. Most of the financing obtained from the EIB is final, and should therefore be used to finance the activity of certain economic purposes or sectors or, where applicable, be directed at companies that meet certain conditions in terms of number of employees, annual turnover or balance sheet size.



SHARES IN COMPANIES

At the close of 2018, we held shares in the following entities:

- **100%** of the capital of **Axis Participaciones Empresariales SGEIC, S.A. S.M.E. (AXIS)**", venture capital fund manager established in 1986.
- **24.3%** of the share capital of **Compañía Española de Reafianzamiento, S.A (CERSA)**. This is a State Commercial Association, attached to the Ministry of Industry, Trade and Tourism. Its ultimate goal is to make it easier for SMEs (especially start-up companies and smaller companies) and self-employed people in Spain to obtain all kinds of financing. CERSA provides support through its refinance coverage to the Mutual Guarantee System in Spain consisting of CERSA itself, **20** Guarantee Associations and the National Agricultural Capital Indemnity Company (SAECA).
- **20.3%** of the share capital of the **Compañía Española de Financiación del Desarrollo, COFIDES, S.A, S.M.E.** This is a State Commercial Association, attached to the Ministry of Industry, Trade and Tourism. It aims to finance medium- and long-term private and viable investment projects overseas where there is some kind of Spanish interest. This is



done to contribute, with profitability criteria, to both the development of recipient countries of investments, as well as the internationalisation of the economy and Spanish companies.

- **50%** of the share capital of **EFC2E Gestión, SL**. This entity is a limited liability company and is dedicated to managing the Carbon Fund for Spanish Business's (FC2E) assets. Its corporate objectives are: to manage assets, societies or communities that invest in projects with the capacity to generate emission allowances for greenhouse gases (GHG); to negotiate, contract and manage any instrument that enables the acquisition of GHG emission allowances; and to develop any instrumental activity intended to intervene and negotiate in the emission allowances market.

G

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR.

BALANCE SHEET (million euros) Individual basis.		31/12/2018
CASH, CENTRAL BANK BALANCES AND OTHER DEMAND DEPOSITS		1,669
FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN ANOTHER OVERALL RESULT		1,671
FINANCIAL ASSETS AT AMORTISED COST		32,002
OTHER ASSETS		895
TOTAL BALANCE		36,237
FINANCIAL LIABILITIES AT AMORTISED COST		30,307
NET ASSETS		5,262
REST OF LIABILITIES		668

PROFIT AND LOSS ACCOUNT BY MARGINS (million euros)		31/12/2018
FINANCIAL INTEREST MARGIN		-97
GROSS MARGIN		55
PRE-TAX PROFIT OF ONGOING ACTIVITIES		113
POST-TAX PROFIT OF ONGOING ACTIVITIES		73


H
DISTRIBUTION OF FUNDING BY TERRITORY AND SECTOR
ANNEX I. FINANCING OF INVESTMENTS IN SPAIN

Mediation and direct loans drawn down in the financial year. Distribution by Autonomous Community, according to investment's geographic location.

Million euros

2018	Total	Mediation Credits	Direct Credits
Andalucía	165	160	5
Aragón	79	79	-
Asturias	22	22	-
Baleares	22	22	-
Canarias	91	91	-
Cantabria	15	15	-
Castilla-La Mancha	66	66	-
Castilla-León	91	91	-
Cataluña	221	221	-
Ceuta	0	0	-
Comunidad Valenciana	178	178	-
Extremadura	18	18	-
Galicia	272	253	19
La Rioja	8	8	-
Madrid	167	167	-
Melilla	0	0	-
Navarra	11	11	-
País Vasco	22	22	1
Región de Murcia	35	35	-
National Level (*)	1,418	-	1418
TOTAL	2,903	1,460	1,443

(*) Loans with more than one Autonomous Community as the investment recipient.

ANNEX II FINANCING OF INVESTMENTS OUTSIDE OF SPAIN

Mediation and direct loans drawn down in the financial year.

Distribution by country, according to investment's geographic location.

Million euros

2018	Amount formalised	%s / total	Amount formalised
FRANCE	164	164	-
ITALY	105	105	-
GERMANY	99	99	-
PORTUGAL	84	70	14
UNITED STATES	162	57	105
UNITED KINGDOM	56	42	14
NETHERLANDS	26	26	-
BELGIUM	22	22	-
MOROCCO	18	18	-
PEOPLE'S REPUBLIC OF CHINA	19	17	2
MEXICO	75	16	59
SWITZERLAND	12	12	-
POLAND	11	11	-
SAUDI ARABIA	11	11	-
ALGERIA	10	10	-
AUSTRIA	10	10	-
CUBA	10	10	-
TURKEY	9	9	-
CANADA	8	8	-
DENMARK	7	7	-
CHILE	39	7	31
SWEDEN	7	7	-
ISRAEL	7	7	-
RUSSIAN FEDERATION	6	6	-
COLOMBIA	14	6	8
UNITED ARAB EMIRATES	219	5	214
PERU	87	4	83
DUBAI	82	0	82
REST (*)	362	273	89
TOTAL	1,740	1,039	701

(*) Loans in other countries or with more than one recipient country of the investment.



ANNEX III MEDIATION LOANS

Activity for the financial year. Distribution by sector.

Million euros

2018	Business and Entrepreneurs Area		Area of Internationalisation	
	Amount	% s/Total	Amount	%Total
Food	171	11.7%	141	16.1%
Wholesale trade	184	12.6%	198	22.6%
Retail trade	129	8.9%	7	0.8%
Energy and natural resources	32	2.2%	4	0.4%
Hospitality	99	6.8%	8	0.9%
Manufacturing industries	112	7.7%	293	33.4%
Other services	34	2.4%	1	0.1%
Chemical and paper	52	3.6%	79	9.0%
Construction and real estate activities	184	12.6%	12	1.4%
Health and education	57	3.9%	1	0.1%
Business services	129	8.9%	26	3.0%
Textiles and fashion	22	1.5%	49	5.6%
Information and communication technologies	58	4.0%	14	1.6%
Transport and storage	197	13.5%	44	5.0%
TOTAL	1,460	100	877	100

- Does not include "ICO International Channel" loans (162 million euros)

ANNEX IV MEDIATION LOANS

Activity for the 2018 financial year. Distribution by Autonomous Community, depending on the beneficiary's registered office.

Million euros

2018	Business and entrepreneurs area (1)	Area of Internationalisation (2)	Total	%/Total
Cataluña	219	234	453	19.4%
Galicia	257	40	297	12.7%
Andalucía	159	102	261	11.2%
Comunidad Valenciana	178	80	257	11.0%
Madrid	175	56	232	9.9%
Aragón	78	42	119	5.1%
Castilla la Mancha	62	51	113	4.8%
País Vasco	21	84	106	4.5%
Castilla y León	90	10	101	4.3%
Canarias	91	8	99	4.2%
Cantabria	16	61	77	3.3%
Región de Murcia	35	18	53	2.3%
Navarra	11	37	48	2.1%
Extremadura	17	27	43	1.9%
Asturias	22	7	29	1.2%
Baleares	21	4	25	1.1%
La Rioja	8	14	22	0.9%
Ceuta	-	-	-	-
Melilla	-	-	-	-
Other countries (3)	-	1	1	-
TOTAL	1,460	877	2,337	100%

(1) "Area of Companies and Entrepreneurs" includes ICO Companies and Entrepreneurs, ICO SGR/SAECA Guarantee and ICO Commercial Credit. (2) "Area of Internationalisation" includes ICO International and ICO Exporters. (3) Loans to companies residing abroad with mainly Spanish share capital. - Does not include "ICO International Channel" facility loans.



**THE ICO GROUP, A STRONG
AND TRANSPARENT
INSTITUTION**



ICO



GOVERNANCE STRUCTURE

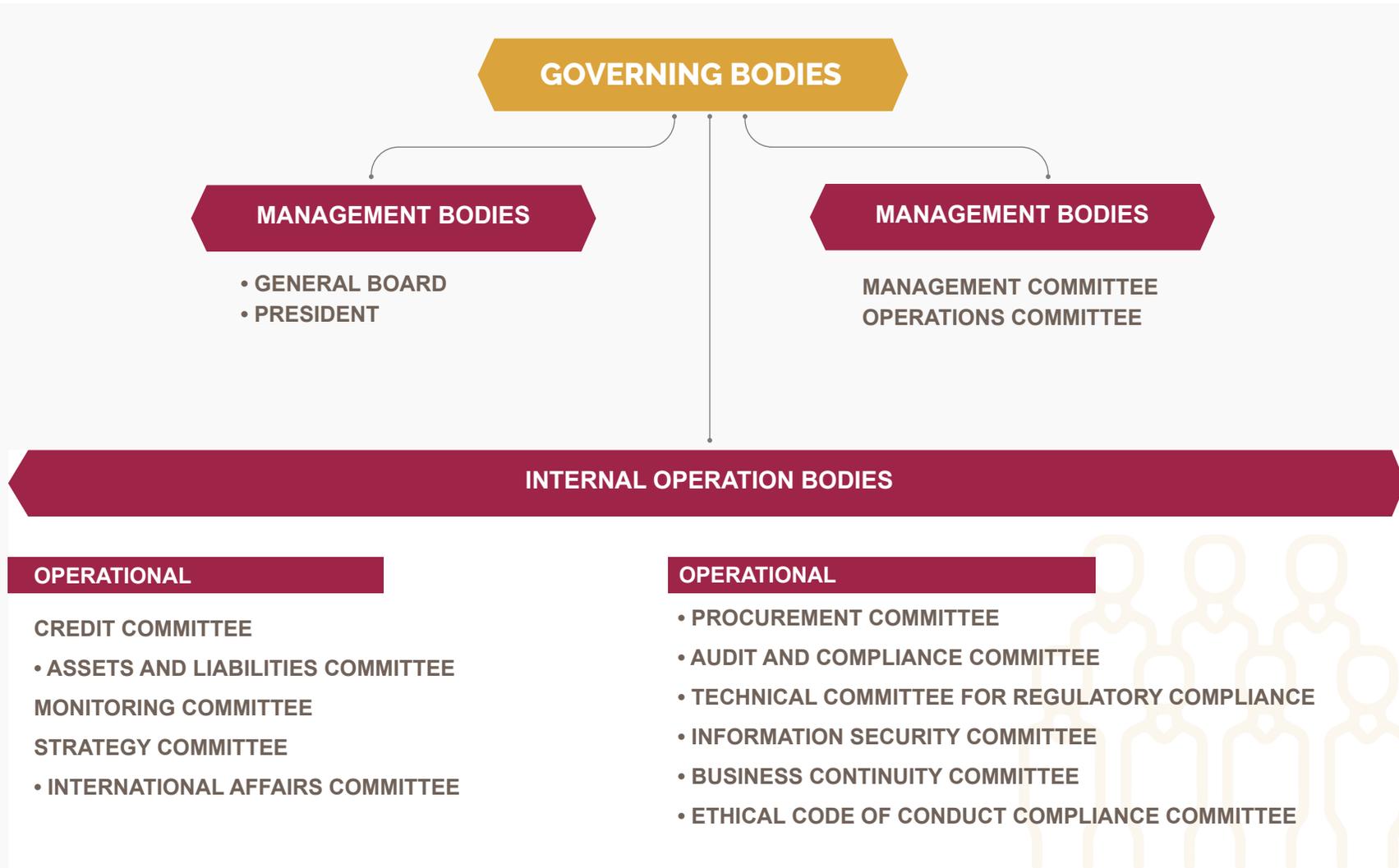
The ICO's structure is reflected in its statutes, approved by Royal Decree 706/1999, with the amendments covered by Law 40/2015 on the Public Sector's Legal Framework, in Royal Decree 1149/2015 and in Royal Decree 390/2011. It is comprised of internal operation and control bodies, approved by the ICO's President within the scope of the powers conferred upon him by the statutes. The internal regulation in force in the 2018 financial year was the Circular 4/2018 of 14 September, which defines the Institute's collegial bodies and forms, along with Circular 3/2018 on organisational structure, of 29 August.

We are aware that as a public business entity we have a responsibility to ensure the strength of our organisation, particularly contributing to SDG 16 and especially to goal 16.6 to "Develop effective, accountable and transparent institutions at all levels" and goal 16.7 to "Ensure responsive, inclusive, participatory and representative decision-making at all levels"





ORGANISATIONAL CHART



MANAGEMENT BODIES. GENERAL BOARD

The composition of ICO's General Board, its functions, meetings and agreements are defined in the Statutes, approved by Royal Decree 706/1999.

Law 40/2015 and Royal Decree 1149/2015 incorporate and develop the role of the General Board's independent directors, reinforcing the Institute's autonomy and its alignment with the best European standards. Independent directors play a key role in the Council's operation as they have a double vote for the Institute's own financial business operations, meaning they form the majority.



INCORPORATING INDEPENDENT DIRECTORS STRENGTHENS THE INSTITUTE'S AUTONOMY



ICO'S GENERAL BOARD COMPOSITION AT 31.12.2018:

Name	Role	Body	Appointment
Jaime Iglesias Quintana	Director General of Budgets	Ministry of Finance	15.02.2012
Luis Martí Álvarez*	Director General of Economic Policy	Ministry of Economy and Business	06.07.2018
María del Carmen García Franquelo*	Director General of Economic Programming and Budgets	Ministry of Development	31.08.2018
César Veloso Palma*	Member of the Cabinet of the Minister of Finance	Ministry of Finance	05.10.2018
Pablo de Ramón-Laca Clausen*	Deputy Director General of Financing and Management of Public Debt	Ministry of Economy and Business	16.11.2018
Óscar Vía Ozalla*	Head of the Support Unit of the General Directorate of International Trade and Investments	Ministry of Industry, Trade and Tourism	16.11.2018
José Manuel Reyero García	Independent	-	30.10.2015 Re-elected 16.11.2018
Silvia Iranzo Gutiérrez*	Independent	-	16.11.2018
Clara García Fernández-Muro*	Independent	-	16.11.2018
María Teresa Santero Quintillá*	Independent	-	14.12.2018
José Carlos García de Quevedo Ruiz*	President of the ICO Group and Council	Instituto de Crédito Oficial (ICO)	Royal Decree 683/2018 of 22 June (BOE 23.06.2018)
Juan Alfonso Domenech Gil*	Board Secretary	Instituto de Crédito Oficial (ICO)	16.02.2018
Gerardo Harguindey Valero	Board Deputy Secretary	Instituto de Crédito Oficial (ICO)	25.01.2016

* People appointed to the General Board during 2018

STRUCTURE AND COMPOSITION

The General Board is formed by the President and ten Members and is attended by the Secretary and, where appropriate, their Deputy Secretary. The Secretary is not considered to be a Director, so therefore attends the meetings with a voice but no vote.

Through the modification made by Law 40/2015 in Royal Decree-Law 12/1995 and Royal Decree 1149/2015, of 18 December, the appointment and dismissal of the General Board's Members is the responsibility of the Spanish Cabinet, through an Agreement, at the proposal of the Ministry of Economy, that they shall choose people of recognised standing and professional competence in the ICO's field of activity.

The appointment of Members shall be made in accordance with the following terms:

- Four members shall be independent, understood as those that are not Public Sector staff. The independent members' mandates will be three years, and they can only be re-elected once.
- Six members shall be appointed who are Public Sector staff with recognised competence. A maximum of two members will come from the Ministry of the Treasury and Public Administration, while at least two public members will come from the Ministry of Public Economy and Competitiveness.



CHANGES TO THE GENERAL BOARD'S COMPOSITION IN 2018 RESIGNATIONS IN 2018

Name	Role	Body	Departure Date
Pablo Zalba Bidegain	President	Instituto de Crédito Oficial (ICO)	22.06.2018
María Jesús Romero de Ávila Torrijos	Director General of Economic Programming and Budgets	Ministry of Development	23.06.2018
Miguel Ordozgoiti de la Rica	Director General of Services	Ministry of Agriculture and Fisheries, Food and Environment	16.11.2018
Alberto Martín del Campo Sola	Deputy Director General of Financial Legislation and Policy	Ministry of Economy and Business	16.11.2018
Rodrigo Madrazo García de Lomana	Director General of Economic Policy	Ministry of Economy and Business	06.07.2018
Ana Raquel García Rubio	Member of the Minister's Cabinet	Ministry of Finance and Public Administration	31.08.2018
José María Espí Martínez	Independent Director	-	16.11.2018
Rafael Pampillón Olmedo	Independent Director	-	16.11.2018
Jaime Requeijo González	Independent Director	-	16.11.2018
Laura de Rivera García de Leániz	Deputy Director of Legal Assessment	Instituto de Crédito Oficial (ICO)	15.02.2018



APPOINTMENTS IN 2018

Name	Role	Body	Appointments
Luis Martí Álvarez	Director General of Economic Policy	Ministry of Economy and Business	06.07.2018
María del Carmen García Franquelo	Director General of Economic Programming and Budgets	Ministry of Development	31.08.2018
César Veloso Palma	Member of the Cabinet of the Minister of Finance	Ministry of Finance	05.10.2018
Pablo de Ramón-Laca Clausen	Deputy Director General of Financing and Management of Public Debt	Ministry of Economy and Business	16.11.2018
Óscar Vía Ozalla	Head of the Support Unit of the General Directorate of International Trade and Investments	Ministry of Industry, Trade and Tourism	16.11.2018
Silvia Iranzo Gutiérrez	Independent	-	16.11.2018
Clara García Fernández-Muro	Independent	-	16.11.2018
María Teresa Santero Quintillá	Independent	-	14.12.2018
José Carlos García de Quevedo Ruiz	President of the ICO Group and Board	Instituto de Crédito Oficial (ICO)	22.06.2018
Juan Alfonso Domenech Gil	Board Secretary	Instituto de Crédito Oficial (ICO)	16.02.2018



RESPONSIBILITIES

According to article 7.1 of the Statutes, the General Board is responsible for representing and managing the ICO, especially, but not limited to, in the following capacities:

- A** Dictating internal regulations and correct operation regulations. Advising on everything not provided for in the Statutes.
- B** Proposing any modification of the Statutes to the Minister of Economy and Business.
- C** Approving the Institute's annual accounts, report and management report.
- D** Adopting the relevant regulations and decisions for the implementation of specific economic policy measures.
- E** Approving collaboration agreements that the Institute must enter into with other bodies or entities belonging to different Spanish public organisations and the European Union, as well as with any other public or private, domestic or foreign organisations.
- F** Approving the ICO's creation or participation in financial companies directly or indirectly related to its activities.
- G** Deciding on the implementation and conditions of the operations belonging to the entity's activity and anything directly or indirectly related to this and, in particular, granting, modifying and resolving credit operations, as well as authorising the issuance of securities, the granting of loans and the granting of warranties and guarantees of any kind or class.
- H** Authorising any administrative, disposition or acquisition acts over any kind of goods.
- I** Annually approving, referring to 31 December of the previous year, the inventory of goods and rights, owned by or attached to the Institute.
- J** Agreeing on the exercise of the jurisdictional or administrative actions and resources that correspond to the entity to defend its interests before the Law Courts and other Public Administrations.
- K** Deciding which issues are submitted to the President.



DELEGATION OF CAPACITIES

The General Board can temporarily or permanently delegate capacities to its Delegated Committees, the President and the Operations Committee, in the terms it deems appropriate, except for the capacities referred to in headings a, b, c and d of the aforementioned Article 7.1 of the Statutes.

REQUESTING MEETINGS. DELEGATION OF VOTE

The General Board generally meets once a month, at the request and on the initiative of the President, or at the request of at least half of its Directors.

Except in urgent cases as assessed by the President, the General Board shall be requested to meet at least forty-eight hours in advance and the agenda will be set in this request. The Board is validly constituted when the simple majority of its components attend the meeting, including those present and represented.

The General Board's members can be represented by the President or by any other Director, having communicated the conferred representation to the President in writing.

SYSTEM FOR ADOPTING AGREEMENTS. PRESIDENT'S CASTING VOTE

The agreements are decided by a majority of the directors present and represented. In the event of a tie, the President shall have the casting vote. However, within the adoption framework exclusively for agreements relating to financial operations of the Institute's own business assets and liabilities, each independent member shall have two votes, as provided for in Royal Decree 1149/2015, in its single article.

It is not possible to vote via a representative when adopting agreements relating to the exercise of the Board's capacities that paragraph 2 of article 7 of the Statutes considers cannot be delegated in any case.

DIRECTORS' EXPENSES POLICY

Royal Decree 462/2002, of 24 May, on compensation due to service, provides for the payment of compensation for attending meetings of Public Administration and agency collegiate bodies.

In accordance with article 10 of Royal Decree 706/1999, on the adaptation of ICO to Law 6/1997, of 14 April, on the organisation and operation of the General State Administration and approval of its Statutes, the General Board's members, Secretary and Deputy Secretary shall be entitled to receive the economic compensation corresponding to their attendance of meetings, to be determined by the Board itself, according to what is provided for by the regulations on compensation due to service for Public Administration staff. However, in relation to the foregoing, when the Director holds a high office the remuneration for attending Board meetings will be given to the Public Treasury. The total accrued in 2018 by all ICO directors was 119,842.80 euros, **3.77%** higher than the amount registered at the end of the previous year. Board attendance expenses amounted to **1,089.48 euros**, with no existing difference between the genders.

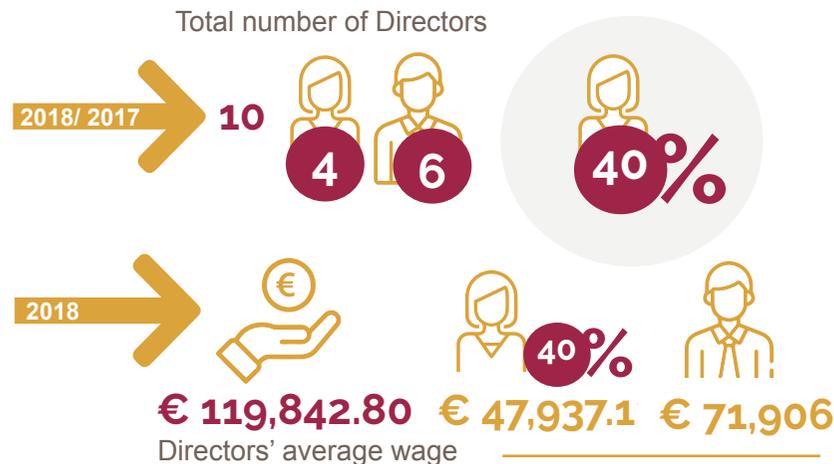


The members of the General Board are not beneficiaries of loans or any other social benefit granted by ICO.



At the close of 2018, the percentage of General Board members who were women was **36.36%**, compared to **18.18%** at the close of 2017.

INDICATOR GENERAL BOARD



MANAGEMENT BODIES. PRESIDENT

APPOINTMENT

As covered in Article 12 of the Statutes, the President's powers, which are so important that they largely define our organisation's social responsibility, are as follows:

- a) To represent ICO and its General Board before all kinds of people and entities.
- b) To manage the Institute's actions, ensuring its compliance to the legislation applicable to it, and the actions of the fundamental facilities established by the Council of Ministers, the Delegate Commission of the Government for Economic Affairs and the Minister of Economy and Business.
- c) To ensure compliance with the Statutes.
- d) To manage the General Board's actions, summon it, set the agenda, preside over and conduct its deliberations, settle ties with the casting vote and adjourn the meetings.
- e) To execute agreements adopted by the General Board.
- f) To appoint and dismiss the Director Generals and Deputy Directors, the Board Secretary and, where appropriate, the Board's Deputy Secretary.
- g) To be the Institute's head of staff.
- h) To formulate ICO's annual accounts and submit them for the General Board's approval, as well as to develop the plan for implementing the results, which will inform them.
- i) To inform the General Board on the progress of ICO's operations and financial situation on a quarterly basis or when the General Board requests any kind of information.
- j) To regulate expenses and payments that exceed the scope of any of the entity's units.
- k) To determine the Institute's human resource structure.
- l) To present ICO's programme of action, investments and funding to the Government for its approval, as well as any other legally required plans and budgets, informing the Board about this.
- m) To perform all other responsibilities attributed to them by these Statutes, those given to them expressly by the General Board, as well as those not assigned to the Board.
- n) The President shall be the Institute's contracting entity.

The proper functioning of our organisation significantly contributes to SDG 16 for Peace, Justice and Strong Institutions, particularly reducing corruption and bribery in all its forms, creating effective, transparent and accountable institutions at all levels, and ensuring the adoption of inclusive, participatory and representative decisions at all levels that respond to requirements.



DELEGATION OF CAPACITIES

The President may delegate some of their functions to Board members, the Operations Committee, the General Directors and the heads of units that form the entity's structure. Within the scope of the competences belonging or assigned to them, they can also grant special or general powers as they deem appropriate.

Capacities assigned to the President by the General Board cannot be delegated, nor can those specifically assigned by paragraphs f and h of the previous section (ICO Group Statutes Artº 12. President's Powers).

MANAGEMENT BODIES: MANAGEMENT COMMITTEE

The Management Committee is the body that assists the President in the exercise and development of the functions and powers belonging to them and facilitates coordination between ICO's different General Directorates.

The Management Committee's functions, structure and composition are defined in the President's Circular concerning management and internal operation and control bodies.

FUNCTIONS

The Management Committee's functions are basically to manage ICO's actions through determining, boosting and coordinating:

- ✓ ICO's objectives, as well as the management of processes for their implementation.
- ✓ The Institute's strategic facilities, whose implementation in operations corresponds to the operations commander.
- ✓ The programmes of action of ICO's various organisational units, and the evaluation of their results in order to fulfil ICO's purposes and functions.
- ✓ The positioning of ICO at both the national and international level.

Organisational, HR and Information Systems strategies will be discussed in the Management Committee to achieve greater motivation and professional performance in achieving the approved objectives.



REQUESTING MEETINGS

The Management Committee meets regularly on a date determined by the President, without prejudice to the fact that it can be gathered at any moment if the issue is urgent enough to require this.

REMUNERATION SYSTEM

The Management Committee's members do not receive specific remuneration for attending meetings.

ICO's President holds a "high office" (Law 3/2015 of 30 March 1984, governing the exercise of the high office of the General State Administration).

The President's gross remuneration for the 2018 financial year was:

ROLE	GROSS REMUNERATION
President	€ 130,359

Source: <http://transparencia.gob.es>

In the case of senior officials who are civil servants, their gross remunerations will include the amount received in the past in the role, the triennials (t) that correspond to the Group or Subgroup in which the Body or Scale that belongs to the civil servant is classified, according to Article 20 of the LPGE.

ICO's General Directors are considered to be "senior management". The remuneration of ICO's senior management conforms to the provisions of Royal Decree 451/2012, of 5 March, which regulates the emoluments of heads and managers in the public business sector and other entities. The average amount received by General Directors in 2018 was **103,011.61 euros (1.75% higher than in 2017)**.

STRUCTURE AND COMPOSITION

The Management Committee consists of the President, the Institute's General Directors and the Deputy Legal Counsel. In addition, the head of the President's Cabinet also attends the Committee meetings.

At 31 December 2018, the composition of the Management Committee was:

- José Carlos García de Quevedo Ruiz. President. Date of appointment: 23/06/2018
- Ignacio Vicente González. Director General of Finance and Strategy. 28/05/2018
- Rosario Casero Echeverri. Director General of Business. 23/07/2018
- Gerardo Gimeno Griño. Director General of Risks and Financial Control. 03/02/2012
- José Antonio Martín Pérez. Director General of Technical Issues and Resources. 01/11/2018

By Royal Decree 683/2018, of 22 June, the Government appointed Mr. José Carlos García de Quevedo to be the President of ICO.



President of ICO

José Carlos García de Quevedo

José Carlos García de Quevedo Ruiz holds a degree in Economics and Business from the Complutense University of Madrid and is a member of the Spanish State Trade Analysts and Economists Division.

Previously, he held the position of Executive Director of Invest in Spain at ICEX, España Exportación e Inversiones, and was responsible for attracting and promoting direct foreign investment in Spain and obtaining international financing for new investment projects.

Other positions that he has previously held include General Director of Trade and Investments in the State Secretariat for Trade of the Ministry of Economy and Competitiveness, Head Economic and Trade Advisor at the Permanent Representation of Spain to the European Union in Brussels and General Director for Insurance and Pension Funds at the Ministry of Economy and Finance.

He has been a member of several companies' and funds' Management Committees and Boards, including: ICO, ICEX, CESCE, COFIDES, FIEM, Crédito y Caución, Consorcio de Compensación de Seguros and Repsol gas.

He has written and published several articles about economics, finance, trade and investment and he speaks at business and professional conferences and forums in Spain and abroad.



Legal Counsel Director

Juan Alfonso Domenech

Juan Alfonso Domenech Gil, born in 1978, graduated from ICADE Business School with a Law degree, specialising in corporate law.

Having joined the state counsel corps in 2008, he began providing State Counsel services in Córdoba, before taking the position of head of the legal service at the Castile-La Mancha State Tax Agency in 2010.

In March 2012, he joined the State Counsel of the Ministry of the Presidency and served as secretary to CETARSA's Board of Directors. In April 2014, he was appointed Director of Legal Affairs at Sociedad Estatal de Participaciones Industriales, a position he held until February 2018.

Domenech Gil is also a member of the Royal Academy of Jurisprudence and Legislation, has also carried out teaching roles at different universities and has been involved in various publications on specific administrative law matters.

As ICO's Legal Counsel Director, he is in charge of designing and proposing internal policies within the areas for which he is responsible and providing legal advice on the policies proposed by other units to ensure the Institute's correct functioning. In addition, he promotes Regulatory Compliance in the Institute and centralises the Institute's contracts, while coordinating and supervising the activity of the units reporting to him.

He is also directly responsible for supervising the functions of the Technical Secretariat, including the management of matters relating to ICO's General Board, and relations with Public Administrations, Entities and Agencies that rely on the operation of this.

The Asset Operations Advisory Department, the Economic Policy and Financial Operations Advisory Department, the European Affairs, Institutional and State Funds Advisory Department, the Compliance Department and the Procurement Department all report to the Legal Department.



Head of the President's Cabinet

Mario Buisán García

Mario Buisán García holds a degree in Economics and Business from the Complutense University of Madrid and a degree in Law from UNED, and has completed courses in Economics at Harvard University and Public Management at IESE.

He has been a member of the State Trade Analysts and Economists Division since 1988. Garcia has almost 30 years' experience in the public sphere, notably as Director General of Industry and SMEs, Director General of Information and Investments at ICEX and Economic and Trade Advisor for Spain in Miami (USA) and Düsseldorf (Germany). He has also held the post of Deputy Director General of International Affairs at Banco de España and has worked at MIGA (World Bank Group).

Finally, in the business sector, he has been the President of ENISA and CERSA, and Vice-President of the EOI Foundation, and was formerly a member of the Board of Directors of companies such as the IDAE (Institute for the Diversification and Saving of Energy), PYMAR (Pequeños y Medianos Astilleros), COFIDES (Compañía Española para la Financiación del Desarrollo), Expansión Exterior and SAECA (National Agricultural Capital Indemnity Company).

As Director of ICO President's Cabinet, Garcia provides support and assistance to the President. He is responsible for drafting the external communications strategy, developing ICO's institutional relationships and coordinating the protocol for its actions.



Director General of Budgets and Strategy

Ignacio Vicente González

Ignacio Vicente González holds a degree in Business Management and Administration from the Autonomous University of Madrid and an Executive MBA from IESE. He is a member of the Spanish State Trade Analysts and Economists Division and is a CFA charterholder and FRM.

In 2007, he began working as an economist for the Public Administration. After a year with the State Secretariat for Trade, he was assigned to the Spanish Treasury where he held several senior positions including Deputy Director General of Management and Financing of Public Debt and Chief of Staff of the Spanish Treasury.

From 2015 until he was appointed to ICO, he served as the Investee Department Head at the FROB. There, he was mainly involved in managing and monitoring the State's shareholding in Bankia and, particularly, preparing the Strategic and Tactical Committees which monitored the bank's progress.

He has been a member of the Board of Directors of the European Investment Bank and he volunteers for CFA Society Spain where he serves as Advocacy Chair. He has also lectured at the Charles III University of Madrid as an associate professor.

As ICO's Director General of Finance and Strategy, González is responsible for designing and evaluating the ICO Group's general lines of action and its strategy. Within the areas for which it is responsible, the Finance and Strategy Department will analyse the expected trends and conditions of national and international financial and capital markets, and will prepare proposals for adapting ICO, its strategy and its activities, particularly focusing on developments and initiatives within the European Union framework and adopting new technologies.

The Department will also analyse and propose the management of the financial risks on its balance sheet, capture the funds and resources needed for ICO's lending activity in the market, and carry out the necessary financial investment and hedging transactions, as well as treasury management, including the development of new products and services if appropriate.



Director General of Business

Rosario Casero

Rosario Casero Echeverri holds a degree in Economics and Business from the University of Valladolid, as well as a master's degree in Finance from the Institut d'Estudis Financers and IESE's Programme for Management Development.

She has had a strong professional career at ICO, where she has held various positions of responsibility. These include Deputy Director of Investment, Deputy Director of Risks and Control, Deputy Director of Investment Banking, Deputy Director of Strategy and Assessment and Director General of Business. She was also Vice-President and Director of AXIS, as well as a member of the COFIDES Board of Directors.

As ICO's Director General of Business, Echeverri is responsible for generating, structuring and managing financing operations for companies and institutions, as well as financing facilities for companies through the private financial sector, both internationally and nationally. In addition, she is responsible for the activities entrusted to ICO on behalf of the State Funds. In her capacity as Vice-President of the Sociedad de Capital Riesgo AXIS, Participaciones Empresariales S.A. she is responsible for the ICO Group's venture capital activity.



Director General of Risks and Financial Control

Gerardo Gimeno

Gerardo Gimeno has a PhD in Economics and Business and a Special Graduation Prize. He has also attended the Executive Programme at ESADE Business School and different courses at the IESE and the IE.

He spent a large part of his career in the BBVA Group, holding different management positions such as Country Manager in Germany, Director General of Risks and Recoveries in Colombia and in Mexico, and Risks and Recovery Monitoring Director in the BBVA Group. Subsequently he took on Financial Management functions in the industry, complementing his work as a business advisor in the areas of finance, planning and cooperative government.

Gimeno has taught as part of Masters programmes and given conferences at prestigious academic institutions in Spain and Latin America.

As Director General of Risks and Financial Control, he is responsible for managing the Institute's finances and assets, as well as the design, implementation and monitoring of global risk policy. He also manages and co-ordinates the analysis, monitoring and supervision of credit risk to ICO's clients and manages assets and liabilities transactions. In addition, he boosts, co-ordinates and supervises the activity of units under his responsibility.



Director General of Technical Issues and Resources

José Antonio Martín

Jose Antonio Martín graduated from the University of Valladolid with a degree in Physical Sciences, specialising in Electronics, Mechanics and Computer Science.

He has extensive professional experience in the Public Administration sector, especially in the ICT sector. He joined the State Administration Systems and Computing Management Division in 1993 and joined the State Administration Systems and Information Technology Senior Division in 2000.

In June 1997, Martín started his first position of responsibility as head of the Information Systems Services at the Ministry of Justice, and subsequently at the Spanish Patent and Trademark Office. In 2001 he returned to the Ministry of Justice as head of Coordination and Planning.

In December 2003, he was appointed Assistant Deputy General Director of Scientific Infrastructure at the Ministry of Science and Technology. From November 2004 until April 2008 he held the position of Director of the Information Technology Division at the Spanish Patent and Trademark Office.

Since 2008 he has held several positions of responsibility such as Deputy Managing Director of Information, Communication and Organisation Systems at the Ministry of Science and Innovation, at the Madrid City Council, the Ministry of Finance, the State Secretariat for Finance and the General Secretariat of Regional and Local Financing.

As ICO's Director General for Technical Issues and Resources, Martín is responsible for planning and executing policies in the sphere of technology, HR and materials. He also coordinates systems and projects related to efficiency and the functioning of the organisation. In addition, he boosts, co-ordinates and supervises the activity of units under his responsibility.



CHANGES MADE IN 2018

Departures

- Pablo Zalba Bidegain. President. Date of departure: 23/06/2018
- Fernando Navarrete Rojas. Chief Financial Officer and Director General for Corporate Transformation. 09/04/2018
- Mariano Colmenar Palomares. Director General of Business. 20/07/2018
- Teresa Mogín Barquín. Director General of Technical Issues and Resources. 31/10/2018

Appointments

- José Carlos García de Quevedo Ruiz. President. Date of appointment: 23/06/2018
- Ignacio Vicente González. Director General of Finance and Strategy. 28/05/2018
- Rosario Casero Echeverri. Director General of Business. 23/07/2018
- José Antonio Martín Pérez. Director General of Technical Issues and Resources. 01/11/2018

MANAGEMENT BODIES: OPERATIONS COMMITTEE

FUNCTIONS

This collegiate management body exercises decision-making and counsel powers in the terms and limits that are assigned to it by the General Board or by the President.

OPERATION MODE

The Operations Committee meets weekly, without prejudice to the fact that it can be gathered at any moment if the issue is urgent enough to require this.

STRUCTURE AND COMPOSITION

At 31 December 2018, the composition of the Management Committee was:

- José Carlos García de Quevedo Ruiz. President. Date of appointment: 23/06/2018
- Ignacio Vicente González. Director General of Finance and Strategy. 28/05/2018
- Rosario Casero Echeverri. Director General of Business. 23/07/2018
- Gerardo Gimeno Griño. Director General of Risks and Financial Control. 03/02/2012
- José Antonio Martín Pérez. Director General of Technical Issues and Resources. 01/11/2018

AXIS GOVERNING AND MANAGEMENT BODIES

Axis has the following decision-making and control bodies to ensure transparency, independence and professionalism in investment decisions:

Board of Directors. AXIS's governing body that is responsible for, amongst other functions, giving final approval for investment and disinvestment operations. It is composed of:

PRESIDENT: José Carlos García de Quevedo

MEMBERS:

- Antonio Bandrés. Head of Department for the ICO International Funding and EU Affairs
- Antonio Cordero. Director of ICO Finance and Treasury
- Elena Aranda. Director of ICO Mediation and SMEs
- Blanca Gloria Navarro. Director of ICO Strategy
- Javier Morales. Director of ICO Budgets and Financial Control
- Jaime Cervera. Head of the Department of ICO Administration of Operations
- Silvia Díez. Director of ICO International Funding
- Rosario Casero Director General of ICO Business

SECRETARY:

- Juan Alfonso Domenech. ICO Legal Counsel Director

GENERAL BOARD



AUDIT AND CONTROL COMMITTEE Specialised body set up within the Board of Directors to provide technical support and assistance in the field of monitoring.

INVESTMENT COMMITTEE. There is an investment committee for each Fund (ICO SME Fund and ICO Infrastructures Fund) and in both cases they are composed of three members appointed at the proposal of ICO/Axis and at least two independent experts. These are the bodies responsible for approving investment and disinvestment operations before they are presented to the Board of Directors.



THE ICO GROUP'S GOOD CORPORATE GOVERNANCE PRINCIPLES

ETHICAL MANAGEMENT

✓ CODE OF CONDUCT

The ICO Group's Ethical Code and Code of Conduct aims to define and develop the basic foundations of behaviour and operational guidelines. Its goal is to ensure that the Institute's principles are apparent in internal relations and external relations established with customers, suppliers and third parties, as well as in its actions on the markets, through the individual actions of its employees, officers and directors. This section now includes regulations on ethical conduct; internal policies approved or updated in 2015 including policies corresponding to corporate gifts, representation expenditures and corporate cards, and CSR.

✓ ETHICAL CHANNEL

The Ethical Channel is a mechanism that allows employees to confidentially (but not anonymously) communicate any potentially important irregularities regarding the Code of Conduct and Ethics. No complaints were filed through the Ethical Channel in 2018.

✓ INTERNAL CODE OF CONDUCT IN THE STOCK MARKET

This identifies units in the ICO Group that develop activities related to the stock market, and defines the separation that should be adopted to avoid potential conflicts of interest or the use of privileged information. The version applicable at 31.12.2016 was approved by the

ICO Group's General Board at its meeting on 27 February 2012. No breaches of the code of conduct were registered in 2018.

✓ POLICY FOR THE PREVENTION OF MONEY LAUNDERING

The ICO Group is aware of the importance of the prevention of money laundering and the role that financial institutions play in this. It collaborates with the relevant authorities, combining its efforts with those of the rest of the Spanish financial system in the struggle against any type of money laundering. The policy, revised in April 2016, summarises the operating standards and systems of control and communication to prevent unwanted individuals and groups from accessing the entity, and establishes the criteria of customer acceptance.

THE CURRENT VERSIONS OF THE ETHICAL CODE AND CODE OF CONDUCT WERE APPROVED BY THE ICO GROUP'S GENERAL BOARD AT ITS MEETING ON 21 DECEMBER 2015.

IN ORDER FOR ALL REGULATIONS TO BE CORRECTLY COMPLIED WITH, THE ETHICAL CHANNEL IS MADE AVAILABLE TO ALL EMPLOYEES. THIS IS A COMMUNICATION CHANNEL THAT ALLOWS FOR COMPLAINTS TO BE CONFIDENTIALLY PROCESSED



RESPONSIBLE MANAGEMENT

✓ MANAGEMENT SYSTEM BY OBJECTIVES (DPO)

Management model in place to effectively manage the ICO Group, establishing strategic, general objectives and contributing to a culture of assessment of employees' professional merit. The DpO holds great value due to its uniqueness within the Administration; it allows different areas' efforts to align and improves the quality of work and professional performance, rewarding effort and achievement of objectives. The adoption of the strategic objectives proposed by the Management Committee are subject to the approval of the Ministry of Economy and Business.

✓ REGULATORY COMPLIANCE

The Area of Regulatory Compliance was created to protect the Institute's reputation and integrity, to promote applicable ethical standards and to strengthen accountability and transparency. It is also involved in identifying, assessing and controlling risks that could affect the ICO Group's integrity and reputation, arising from a breach or failure to comply with the rules or measures recommended by policies, the ICO Group's internal regulations or external recommendations or standards that may apply.

✓ RISK IDENTIFICATION, CONTROL AND MANAGEMENT

The identification, management and control of risks is a priority for ICO. This is primarily done according to the Risk Policy Manual approved by its General Board on 21 December 2005, and whose last version was approved in December 2016. The Manual compiles different methodologies, applicable regulations, procedures and an organisational structure. As a credit institution, the ICO Group is exposed to financial risks (credit, liquidity and market) and operational risks. Three other

types of risk are considered to be "other risks": reputational risk, strategic risk and business risk.

✓ COMMITMENT TO SOCIAL RESPONSIBILITY

The ICO Group has approved and published a CSR policy with the aim of being a transparent and socially committed entity that incorporates ethical, social and environmental values and that applies the good governance principles and thus is recognised for its activity and for its relationship with its interest groups. The principles that govern ICO's activity are established for this purpose; good governance and transparency with respect for the environment and the United Nations' 10 Global Compact Principles that the ICO Group has signed.

✓ PROTECTION OF THE ENVIRONMENT

The ICO Group has approved and documented an environmental policy and a code of good environmental practices to guarantee respectful and preventative actions for the environment.

✓ PROTECTION OF PERSONAL DATA

The ICO Group has a personal data protection policy that is developed and implemented via internal processes and files through the security manual, which contains procedures adopted by the Operations Committee.

✓ INDUSTRIAL RELATIONS

The staff policies applied in the ICO Group are based on respect for employees' human rights and industrial rights, and the implementation of actions to facilitate and enhance their ability and professional development. Equal opportunities, non-discrimination policies, diversity and



work-life balance are fundamental principles for the development and implementation of industrial relations between ICO and its staff.

✓ COMMUNICATION

The Institute only has one headquarters and no branches, so it uses a network of private banks to distribute much of its funding. For this reason, it needs channels and tools for effective internal and external communication to publicise its funding facilities and activities and to meet its shareholders' information needs.

✓ TRANSPARENCY

The ICO Group provides its shareholders with all the relevant information relating to its organisational structure and activity. In addition, and in accordance with the provisions of the Transparency Law, ICO provides direct access to the Spanish Government's Transparency Portal, through a link from ICO's home page at www.ico.es. This makes it easier for the user to consult all available data.

ICO annually prepares and publishes an Audit Report on the "Consolidated Annual Accounts and Consolidated Management Report", with all the relevant economic information and data relating to its activity as a financial entity. The annual accounts are audited by an independent expert.

In addition, the GRI Standards Corporate Social Responsibility Report is published on the web, which is submitted for the verification of an independent expert to increase stakeholders' confidence. In the same way, the ICO Group has produced a Progress Report in relation to the United Nations' 10 Global Compact Principles.

✓ INTERNAL AND EXTERNAL CONTROL SYSTEMS

The ICO Group's internal control regarding Corporate Governance is borne by internal operation bodies with powers in the regulatory field of activities (information on this can be found on pages 69 and 70).

In accordance with the Audit Guidelines approved by the Operations Committee, the Internal Audit Department continuously audits operational and business procedures, risk management and the internal control system. Internal control carried out by the Internal Audit Department is reinforced by the activity of the Audit and Compliance Committee, whose functions include promoting measures for adopting audit recommendations.

Externally, the ICO Group regularly submits its performance to the control of experts from different national bodies (IGAE, Services Inspection of the Ministry of Economy and Competitiveness, Court of Auditors, Banco de España, etc) and other competent EU bodies.

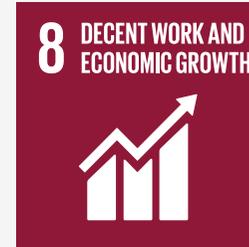


**WE SUPPORT DECENT
WORK AND GENDER
EQUALITY**



WE SUPPORT DECENT WORK AND GENDER EQUALITY

The proper functioning of our organisation significantly contributes to SDG 16 for Peace, Justice and Strong Institutions, particularly reducing corruption and bribery in all its forms, creating effective, transparent and accountable institutions at all levels, and ensuring the adoption of inclusive, participatory and representative decisions at all levels that respond to requirements.



In SDGs 5 and 8, the United Nations establish very specific goals for achieving gender equality and decent and adequate working conditions for all people.

As will be seen below, the goals established in SDGs 5 and 8 are covered by the ICO Group in a series of internal measures that are externally recognised and evaluated through the “family-responsible company” initiative, as well as in the approval and implementation of the Equality Plan. In terms of SDG 5, these measures are aimed at ensuring women’s full and effective participation and equality of leadership opportunities at all decision-making levels of our activity.

Decent work is one of the most important Sustainable Development Goals for the ICO Group (SDG 8 on Decent Work and Economic Growth). For this reason, we keep up-to-date with legislative developments and new initiatives to be implemented in order to ensure full compliance with current legislation and to incorporate any developments that may apply to industrial relations. In this regard, we seek to adapt our industrial relations to the National Plan of Action for Businesses and Human Rights, approved and published by the BOE in 2017².

Our industrial relations are based on the following principles:

- ✔ **HUMAN AND INDUSTRIAL RIGHTS** We don’t consider there to be high levels of risk to human rights in the ICO Group’s daily activities. The centralisation of our activity in the domestic market means that there are no practices that are contrary to human rights. However, related policies and practices have been developed to ensure that there are no violations of workers’ rights. We are also aware that there are internationalisation projects that may impact human rights.
- ✔ **EQUALITY AND NON-DISCRIMINATION** Equal treatment and opportunities and the fight against any kind of discrimination are crucial for the development of our industrial relations. The collective agreement and control mechanisms contained herein guarantee compliance with this objective. Our equality policy comes from our first equality plan, approved in 2015.
- ✔ **WORK-LIFE BALANCE** The ICO Group guarantees access to measures and instruments that enable the reconciliation of personal and professional life. Labour flexibility and the implementation of concrete actions, such as “**INSET days**”, reflect the implemented policy.

²<https://www.boe.es/boe/dias/2017/09/14/pdfs/BOE-A-2017-10516.pdf>



The ICO is certified as a family-responsible company



This certification indicates a third-party management model based on continuous improvement and is the only management tool in the world that supports a simple and efficient methodology to enable businesses' conciliation processes.

THROUGH CERTIFICATIONS SUCH AS THIS ONE, THE ICO GROUP PROMOTES FLEXIBLE AND DIGNIFIED WORKING CONDITIONS

✓ **PROFESSIONAL DEVELOPMENT**

Every employee has the right to professional development and, at the ICO Group, we have created a professional development proposal based on continuous assessment and fulfilling objectives.

✓ **HEALTH AND SAFETY AT WORK**

Beyond strict compliance with current legislation on the prevention of occupational risks, the ICO Group believes that strengthening and controlling employees' occupational health and safety is fundamental.

✓ **WORK AND THE ENVIRONMENT**

The ICO Group promotes the interrelation of its employees with other shareholders. In this sense, the reconciliation of its professional activity and the environment is considered to be essential.

✓ **WORK AND SOCIETY**

Through training activities in educational institutions and through its corporate volunteering programme, the ICO Group encourages employees to participate in the activities of educational institutions or non-profit organisations and associations to support the social and labour insertion of groups at risk of exclusion and to support people with rare or chronic illnesses.

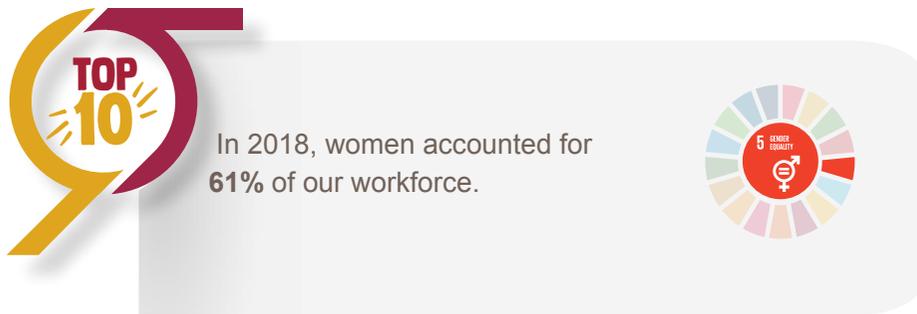




GENDER EQUALITY

The United Nations has set a concrete goal for SDG 5 ("Gender Equality") that directly affects the ICO Group; to ensure women's full and effective participation and equal leadership opportunities at all decision-making levels in the political, economic and public spheres.

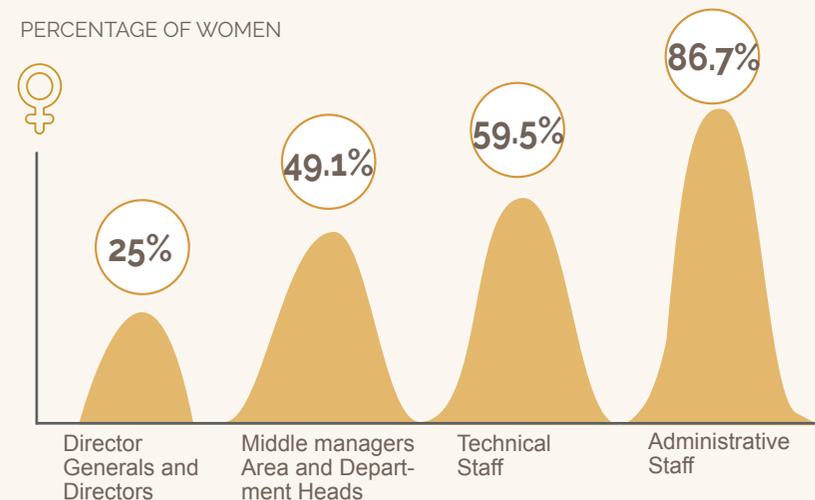
The **principle of non-discrimination on the basis of gender** is revealed in the breakdown of the workforce by professional categories or groups.



PROFILE AND DISTRIBUTION OF THE WORKFORCE

In 2018, the ICO Group's workforce numbered **328** employees, a **1.2%** increase compared to the previous year. This was despite the significant number of departures during the financial year (**39** sick leave), which were mainly due to retirements and voluntary resignations. Due to public procurement processes, replacing the workforce will take a long time.

The majority of ICO's staff is composed of people with university degrees or qualifications related to the Institute's activity, including technical staff.



AS OF DECEMBER 2018, ICO'S WORKFORCE COMPRISED 328 EMPLOYEES, OF WHICH 200 (61.2%) WERE WOMEN



IN THE 2018 FINANCIAL YEAR, AROUND 59.4% OF THE TOTAL WORKFORCE WERE TECHNICAL STAFF

Middle managers (department heads and area heads) accounted for **17.4%**.

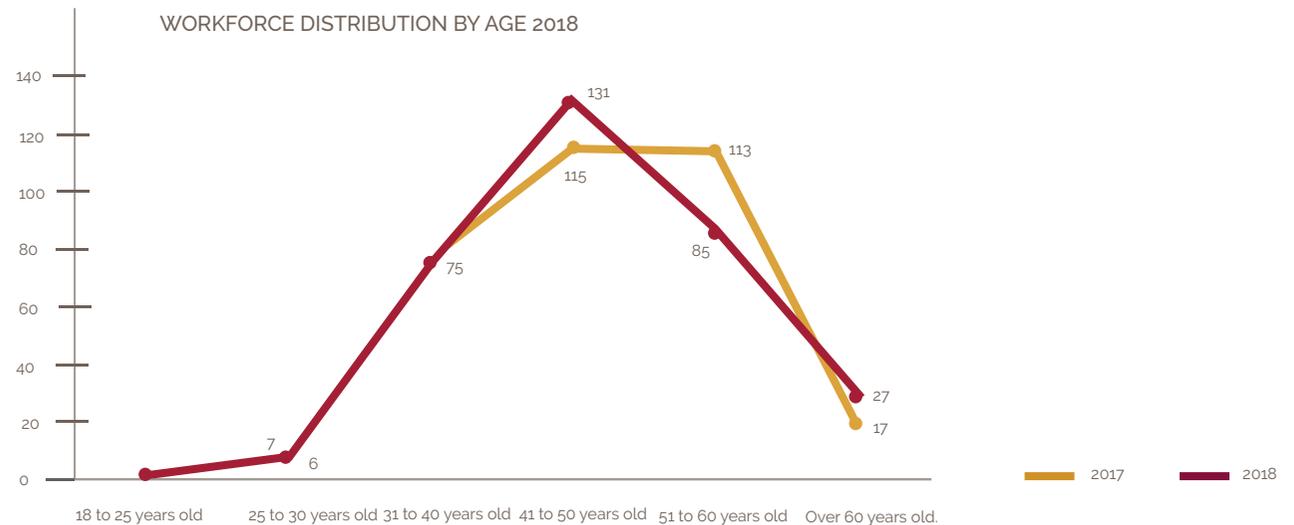
In addition, **71** people from maintenance companies, technology services and interns held roles in ICO Group facilities.

In terms of the workforce's distribution by age, as in previous years, the category aged between **41** and **50** has the largest number of employees - **35.2%**. In contrast, employees aged between **26** and **30** account for only **2.1%** of the total, mainly due to the stability of employment, the faithfulness of our employees, and the years of experience required for certain posts.

DISTRIBUTION OF EMPLOYEES BY PROFESSION (no. of people)



The professional category with the next greatest number of employees is administrative staff. In 2018, this represented **18.3%** of the total ICO Group workforce.



THE WORKFORCE'S AVERAGE AGE IN 2018 WAS 47.4



Professional stability is a key feature of the ICO Group. This can be seen through the percentage of indefinite contracts amongst its workforce, **96.9%**. This stability is equal for both men and women; amongst women, indefinite contracts amounted to **96%** in 2018.



EMPLOYEES WITH FIXED CONTRACTS

2018	2017	-4.6%	192	126
318	304			

EMPLOYEES WITH TEMPORARY CONTRACTS

2018	2017	-50%	8	2
10	20			



3.2% of temporary contracts were due to maternity/paternity leave or appointments made due to replacing retiring staff

Practically the whole workforce is subject to collective agreement; the rest are voluntarily subject to other agreements.

TOTAL NUMBER OF EMPLOYEES AT 31 DECEMBER

2018	2017	+1.2%	200	128	61.0%	Women
328	324					

APPOINTMENTS IN THE FINANCIAL YEAR

2018	2017	-42.1%	12	10	54.5%	Women
22	38					

DEPARTURES IN THE FINANCIAL YEAR

2018	2017	77.3%	25	14	64.1%	Women
39	22					

STAFF SUBJECT TO COLLECTIVE AGREEMENT

2018	2017	-1.5%	172	89	65.9%	Women
261	265					



This reduction in staff subject to collective agreement is explained by the fact that there were more departures than appointments in the financial year, as well as by the higher number of middle managers (which increased from **45** to **50**). In any case, it concerns technical staff who are subject to the agreement that, being appointed to a management position, sign an individual contract with the company.



ICO AND AXIS AVERAGE SALARIES



In the ICO Group there is complete equal pay between men and women doing equal work.

NON-DISCRIMINATION

Creating a work environment based on respect for diversity and equal opportunities for people with any kind of disability is one of the ICO Group's priorities, as well as being one of the Sustainable Development Goals to which the ICO Group also contributes, specifically SDG 10 ("Reduced Inequalities"). At the ICO Group, we want to strengthen and promote the social, economic and political inclusion of all people, regardless of age, sex, disability, race, ethnicity, origin, religion or economic or other status. For this reason, the ICO Group is committed to including people with disabilities in the world of work through including them in the workforce.

(*) Does not include variable remuneration earned upon fulfilling objectives or commissions.



In addition, within the Corporate Social Responsibility Policy that includes a commitment to the social and industrial integration of groups at risk of exclusion, the ICO Group carries out several procurements of goods or services through Special Employment Centres. This instrument enables social engagement, effectively implementing social responsibility criteria in recruitment processes, as well as compliance with the Law for the Social Integration of Disabled People.

Currently, the ICO Group has 5 ongoing services contracted with Special Employment Centres:



•GENERAL ARCHIVE SERVICE, PROVIDED BY ILUNION BPO S.A.

•AUXILIARY SERVICES IN THE ICO'S REAL ESTATE, PROVIDED BY CREZCA SERVICIOS AUXILIARES, S.A.

•CLEANING AND MAINTENANCE SERVICES, PROVIDED BY CARRERA QUÍMICAS, S.L

•FACTORY MAINTENANCE SERVICE, PROVIDED BY GESTIÓN ESPECIAL DE EMPLEO, S.L

•PRINTING MATERIAL SERVICE, PROVIDED BY AFANIAS GRÁFICAS Y MANIPULADOS S.L.U.



There are 2 employees in the workforce that have registered disabilities (functional diversity/disability).

WORK-LIFE BALANCE

ICO tries to facilitate the conciliation of family, personal and professional life, providing its entire workforce with a series of actions that can be accessed via the intranet.

The measure that most contributes to our workforce's ability to reconcile work with personal and family needs is the regulation of working hours. Employees can reduce their working hours to care for young children and parents in situations of need.

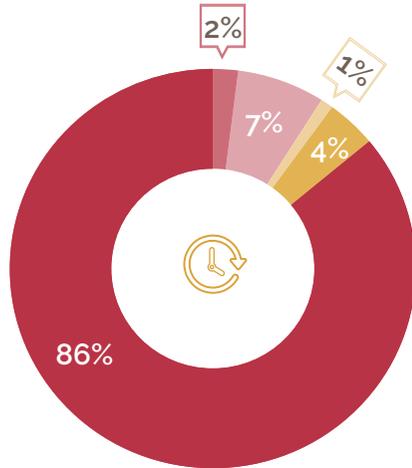
The Collective Agreement includes two work day options that can benefit employees. The work day can even be changed from one option to the other when new needs arise, within certain limitations or requirements. The split work day allows employees to arrive at work between 7:00 and 9:30 am and provides them with a lunch break of a minimum of 30 minutes, whilst the continuous work day provides the same flexibility for arriving at work but allows employees to finish work at 3:30 http://www.bumweb.com/upload/projectes/Premisa_RAEES_Bumweb_02.jpg pm.

In 2018, **82.5%** of women chose the split work day (**90.6%** in the case of men).





FLEXIBILITY IN WORKING HOURS



- Employees with split work day
- Employees with a continuous work day
- Employees with reduced working hours due to caring for children
- Employees with reduced working hours due to caring for parents

We would like to highlight our highly successful "INSET day" initiative, which started in 2015. 6 requests were registered in 2018. "INSET days" consist of organising activities for employees' children on days when schools are closed, to allow staff to go to work more easily.

EMPLOYEES WITH SPLIT WORK DAY

2018: **281** 2017: **266** **+5.6%** Variation

EMPLOYEES WITH A CONTINUOUS WORK DAY

2018: **5** 2017: **8** **-37.5%** Variation

EMPLOYEES WITH REDUCED WORKING HOURS DUE TO CARING FOR CHILDREN

2018: **26** 2017: **25** **+4.0%** Variation

EMPLOYEES WITH REDUCED WORKING HOURS DUE TO CARING FOR PARENTS

2018: **4** 2017: **4** **0%** Variation

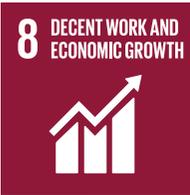
EMPLOYEES WITH REDUCED WORKING HOURS FOR OTHER REASONS

2018: **11** 2017: **21** **-47.6%** Variation



IN 2018, 30 MEMBERS OF OUR STAFF REQUESTED SHORTER HOURS TO TAKE CARE OF FAMILY MEMBERS AND 5 CHOSE TO HAVE CONTINUOUS WORK DAYS.





Staff training is extremely relevant in contributing to SDG 8 ("Decent Work").

TRAINING

Training our professionals is an essential variable in increasing our productivity. For this reason, we try to optimally manage our employees' talent.

IN 2018, A TOTAL OF 303 EMPLOYEES ATTENDED AN ORGANISED TRAINING ACTIVITY OR ACTION



In 2018, the amount spent on training was **46.3%** higher than the 2017 training budget.

In terms of the different professional categories or groups, the largest investment was in training technical staff (**56%**), since a large part of our staff belong to that category and their training is essential for the ICO Group's efficiency.

30.1% of the amount invested went on middle management, while **9.6%** went on managers. Administrative staff received **3.2%** of total investment and, finally, interns received **1.1%** of the investment.

The total number of hours spent on training in 2018 amounted to **15,143** and the average hours of training per employee was **46.2** hours.

Distribution of training investment in 2018 (€)

MANAGERS

€27,017



MIDDLE MANAGERS

€84,456



TECHNICAL STAFF

€156,872



ADMINISTRATIVE STAFF

€8,842



INTERNS

€3,029

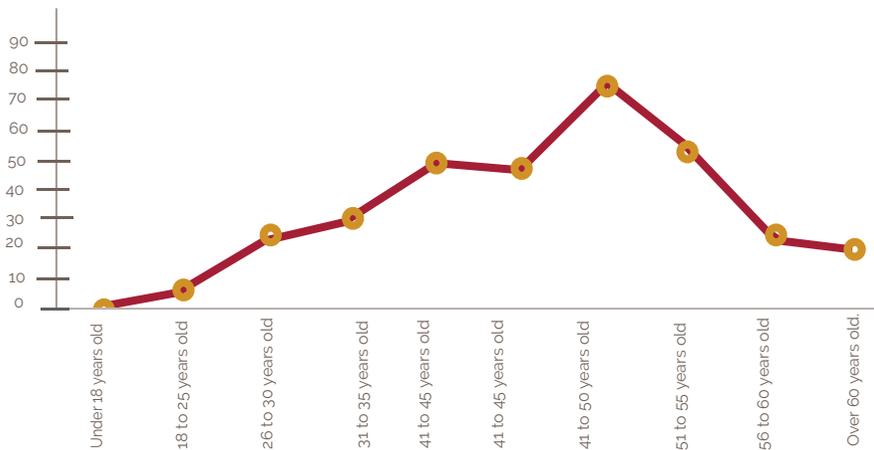




OF THE 303 EMPLOYEES WHO PARTICIPATED IN ONE OF THE TRAINING PROJECTS, THE LARGEST PORTION (111 PEOPLE) WERE AGED BETWEEN 41 AND 50

The age groups with the next highest number of people trained were people aged between **51 and 60** (86 employees) and people aged between **31 and 40** (76 employees).

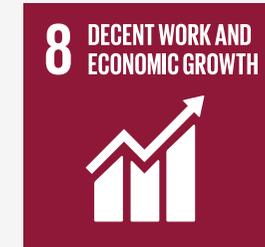
DISTRIBUTION OF NUMBER OF PEOPLE TRAINED BY AGE



OTHER TRAINING ACTIVITIES: INTERNSHIP PROGRAMME

As part of its mission to contribute to the country's growth and development, the ICO Group not only promotes the improvement of its workforce's knowledge, skills and abilities, but also aims to respond to the training needs of other groups outside the Institute, such as young people and people with learning disabilities.

This is part of the United Nations' goal 8.5 to achieve full and productive employment and decent work for young people and people with disabilities by 2030.



The ICO Group participates in two internship programmes in collaboration with different Foundations:

- With **Fundación SEPI**, the ICO Group receives recent young university graduates in several of its departments for a maximum period of 18 months, offering them practical training that will facilitate their access to the world of work.
- With **Fundación A LA PAR**, the ICO Group offers young people with learning difficulties the opportunity to undergo training for 6 months, facilitating their integration into the workplace and their integral development. In 2018, one person benefited from this programme.

*30 NEW INTERNS WERE ADMITTED IN 2018, 63.3% OF WHICH WERE WOMEN.
17 PREVIOUS INTERNS COMPLETED THEIR TRAINING PERIOD*



PROFESSIONAL DEVELOPMENT SYSTEM

In 2003, a Professional Development System for technical staff was created through a Collective Agreement, in order to create an objective internal promotion system that would enable employees' careers to be objectively defined. In 2008, this system was expanded to include administrative staff.

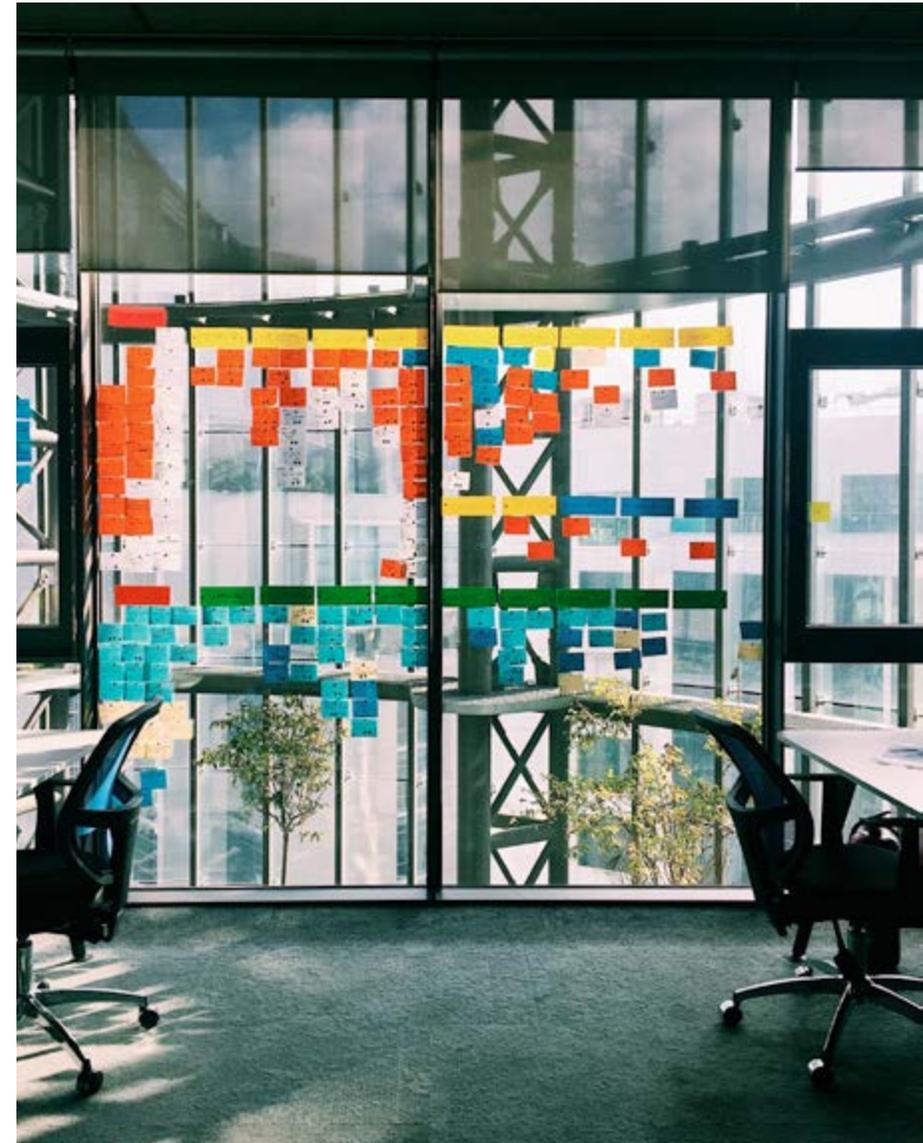
The Professional Development System implemented by the ICO Group is based on professional criteria, such as the employee's merits, abilities and value. It applies to all staff subject to the agreement, respecting the values of equality and non-discrimination at all times.

In 2018, the annual performance assessments continued, with each technical and administrative employees' points being recognised. However, the Government's policy of austerity and expenditure restraint in the field of public employment has continued to affect ICO's career systems. Therefore, internal promotion has not improved due to insufficient funds authorised by the Interministerial Remunerations Committee (CECIR) to subsidise full promotions.

Industrial action over the suspension of the Professional Development System, which began in 2015, was definitively resolved in 2018. The Supreme Court dismissed an appeal, meaning that the Supreme Court of Justice's judgement in favour of the ICO Group became final.

In 2018, 15 new lawsuits were brought against the ICO Group, with the petitioning party withdrawing in two of the proceedings.

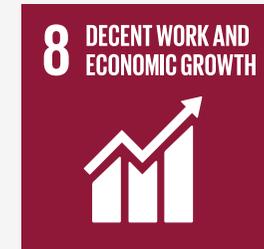
In terms of court decisions, 7 judgements favourable to the ICO Group became final and 9 judgements favourable to the ICO group had not yet become final in 2018. There has been no unfavourable pronouncement for the ICO Group.



OCCUPATIONAL HEALTH AND SAFETY

Creating a safe working environment by protecting employees' health and safety is one of ICO's objectives and concerns.

It is also part of the United Nations' goal 8.8 to protect industrial rights and promote a safe work environment without risks for all workers by 2030.



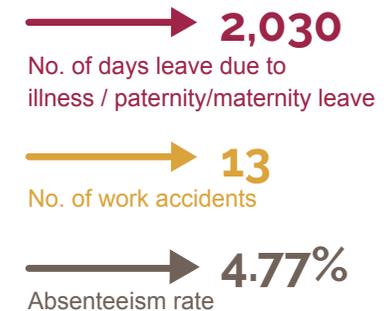
In 2018, the number of hours of leave was **3,559**, representing an increase of **75.3%** compared to the previous year.

The increase is due in large part to the legislative changes relating to paternity and maternity leave. Of the total number of hours of leave, **2,697** correspond to women, or **75,8%**.

The number of work accidents decreased by **46.2%**. In practice, work accidents only refer to minor accidents (sprains) that occurred en route to or from work (*in itinere* accidents). We did not register any fatal accidents.

The absenteeism rate was, **6%** compared to **4.7%** in 2017.

The ICO Group carries out different activities aimed at monitoring employees' health and preventing workplace accidents, with employee medical examinations being the most relevant measure.





COMMUNICATION AND PARTICIPATION

COMMUNICATION

EXTERNAL COMMUNICATION CHANNELS



ADVERTISING CAMPAIGNS. The ICO Group carries out advertising and marketing campaigns to provide information on and publicise the implementation of mediation facilities, intended to finance projects carried out by companies and self-employed people and to promote their internationalisation. This advertising campaign is carried out in collaboration with the banks that market these products.

Current legislation on Advertising and Institutional Communication makes it mandatory to develop an Annual Advertising Plan that covers the advertising actions planned by each State General Administration body for the coming year, and its financial allocation. As a Public Business Entity, the ICO Group annually provides data on planned campaigns to be included in this Plan. This appears in the section dedicated to commercial campaigns. Once this has been prepared, it must be approved by the Spanish Cabinet.

In 2018, the ICO Group carried out a national commercial advertising campaign to provide information on the availability of ICO's different funding facilities in financial institutions. This advertising campaign had two main objectives: to publicise our funding facilities amongst our target audience (self-employed people, companies, institutions and the general public) and to increase awareness of the ICO Group as a financial institution for funding other companies. The campaign had an initial

surge in April and May and then ran special campaigns to coincide with sporting events (the World Cup and La Vuelta).

ICO was present in radio, internet, outdoor advertising, and written press, receiving coverage in national, economic and regional newspapers. The radio campaign was run on mainstream national channels, thematic and musical channels. On the internet, advertising was carried out on main online media in various banner and video formats; this was one of the most critical parts of the campaign.

As part of the marketing actions aimed at publicising ICO facilities, a booklet was published in the four official languages of the State. In line with the CSR guidelines followed by all entities, priority was given to the electronic format. **In addition, a new campaign landing page (www.lineasico2018.es) was launched to provide information in a simple and accessible way. The site was visited 197,000 times.**

To support the Institute's role as an international benchmark issuer in the capital markets, ICO implemented advertising and marketing strategies aimed at investors. In line with the strategy developed in recent years, publicity in international media was carried out in specialised magazines and in online media. A total of **11** adverts appeared in **7**

journals that were selected because of their target and geographical distribution, with particular importance given to the European and Asian markets. In addition, the online adverts were boosted by their presence on specialised information sites and economic sites.



ICO NEWSLETTER. In 2018, the electronic newsletter was again used to publicise ICO's current main products and financing programmes to self-employed people and SMEs. Four editions were published that were sent to ICO's database of emails and published on the web page.



FINANCIAL NEWSLETTER. Published quarterly, this newsletter provides up-to-date information and any information of interest to investors. This e-newsletter is published in English and is sent to the Institute's database of investors' emails and published on ICO's website.



PRESS RELEASES. In order to report on the ICO Group's activity (implementation of funding facilities and issuing data, conclusion of agreements and transactions, emissions, conferences and events...), the Institute sends information to the media. In 2018, a total of **36** press releases were sent and a total of **8,053** news items were published about ICO.



ORGANISATION AND PARTICIPATION IN INFORMATION DAYS. The ICO Group carries out information days throughout the national territory to publicise its activities and funding instruments that are available to self-employed people and SMEs. In 2018, ICO speakers attended 118 conferences taking place at the Institute's headquarters or elsewhere. In addition, the student visiting programme was developed. This programme aims to publicise the public bank's activity, promote citizens' financial education and collaborate with educational centres providing an economic and financial education. **8** information days were organised for schools and universities.



WEB PAGE. The web page continues to be the Institute's main channel for institutional communication, offering up-to-date information on the ICO Group's activity and information that is of interest to international investors. It includes a section on Transparency and Good Governance, where you can consult the Code of Ethics and Conduct, Corporate Governance Report, Internal Regulations of Conduct on the Stock Market, the ICO Group's Policy on Corporate Social Responsibility, ICO's Gender Equality Policy and Environmental Policy. Finally the website hosts a profile section for the contracting party for them to publicise tenders and contracts carried out by ICO through the recruitment platform. **The ICO's corporate website was visited 667,517 times and page visits amounted to 2,013,235.** The most popular content was related to the ICO facilities, intended to fund projects for self-employed people and companies. The Companies and Entrepreneurs Facility page was of particular interest, being visited **251,054** times, the highest percentage of visits (**12.47%**). A clear increase in the number of visits to this section of the corporate website can be seen in the months when the newsletter was sent. The 2018 Newsletters were visited approximately **36,000** times.



SOCIAL NETWORKS: The @ICOGob account established itself as one of the ICO's most active channels of communication. At 31 December 2018, the verified @ICOGob account had **5,695** followers, compared to **2,569** recorded at the same date in 2017, representing an increase of **43%** or **2,976** new followers. The corporate profile was visited **19,723** times over the year. 229 tweets were published. In 2018, @ICOGob received **525,700** hits, **31.6%** more than in 2017 when it received **166,300**.



PROFESSIONAL NETWORKS. ICO is on LinkedIn with an official Instituto de Crédito Oficial (ICO) page that provides corporate information on the role of the public bank. We also have a group (ICO Informa) that provides information on days aimed at self-employed people and SMEs, and other topics of interest. This is also one of the channels used to publicise employment positions.

PARTICIPATION

For the ICO Group, the right to **collective bargaining** for working conditions is an inalienable right of our workforce. In the negotiation and subsequent development of the agreed convention, the workforce's participation is enabled through the Company Committee.





**OUR CONTRIBUTION
TO ENVIRONMENTAL
SUSTAINABILITY**



OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY

The ICO Group does not significantly impact the environment through our activity. However, it maintains a clear commitment to preserving the environment and, especially, to fighting climate change. The Environmental Management Policy in effect on 31.12.2016 aims to promote best environmental practices, both among ICO's shareholders and in the development of its own activity.

All these actions are in line with the following specific goals for 2030 set by the United Nations:

12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.7: Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

13.2: Integrate climate change measures into company policies, strategies and planning.

13.3: Improve education, awareness-raising and human and industrial capacity on climate change mitigation, adaptation, impact reduction and early warning.



There are three areas in which we can fulfil the Environmental Management Policy:

CUSTOMERS: Promoting projects that have a positive impact on the environment. The ICO Group's environmental commitment requires it to consider the environmental risks of projects as a parameter, rather than just a variable to be analysed. For this reason, companies should include a report on the environmental and socio-economic impact of projects amongst their project analysis documentation.

SUPPLIERS. The internal procurement procedure requires the Institute to issue a **report on the environmental and social requirements to include in tenders for the purchase of goods and services**, provided that the subject of the contract allows for this. In service provision contracts with environmental impacts (cleaning, maintenance, reprogramming, etc.), the successful bidder promises to comply with the internal

environmental management policy.

EMPLOYEES. The ICO Group also encourages its employees to **respect the environment**, thus further fulfilling its commitment. It does so by providing the appropriate bins for waste made during work and through campaigns increasing awareness of light, water and paper consumption. **The ICO Group promotes the efficient use of resources and respect for the environment** beyond its employees' industrial activities through awareness-raising campaigns.

The participation of all operational areas and the development of strategic guidelines that aim to consolidate a portfolio of environmentally friendly products are the basis of the ICO Group's mission to create value, pursue the assigned objective and comply with sustainable development goals for the ICO Group and its shareholders.



MAIN FIGURES

Note: Consumption per employee was calculated including ICO Group, AXIS and Fundación Grupo ICO workforces and external staff belonging to businesses that provide services at the Institute's headquarters.

MATERIALS USED BY WEIGHT AND VOLUME

In 2018, a **5.3%** increase in paper consumption was registered compared to the previous year, but a decrease in paper consumption per employee was registered (**-1.2%**).



Of the **9,992 kg** of paper consumed, **92.8%** was recycled paper.

GRI	GLOBAL COMPACT PROGRESS REPORT	DESCRIPTION	2018	2017	VARIATION
GRI 301 – 1	PRINCIPLES 7 TO 9	PAPER CONSUMED (KG)	9,992	9,492.95	5.3%
		PAPER CONSUMED PER EMPLOYEE (KG/EMPLOYEE)	23.46	23.73	-1.2 %

Note: Paper used in communication campaigns is not included in this data, this can be found on page 47.



ELECTRICITY

GRI	GLOBAL COMPACT PROGRESS REPORT	DESCRIPTION	2018	2017	VARIATION
GRI 302 – 1	PRINCIPLES 7 TO 9	INTERNAL ENERGY CONSUMPTION (KWH)	2,177,372	2,127,138	2.4%
GRI 302 – 3	PRINCIPLES 7 TO 9	ELECTRICITY (KWH / EMPLOYEE)	5,111.20	5,317.85	-3.9%



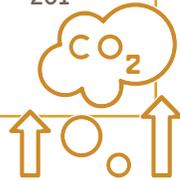


EMISSIONS

In 2018, there was a reduction in greenhouse gas emissions.

The largest reduction occurred in emissions arising from travel, as the number of trips made and the number of people from the ICO Group travelling on each journey substantially decreased.

GRI	GLOBAL COMPACT PROGRESS REPORT	DESCRIPTION	2018	2017
GRI 305 – 1	PRINCIPLES 7 TO 9	INDIRECT GREENHOUSE GAS EMISSIONS (DUE TO ELECTRICITY CONSUMPTION) (TN OF CO ₂)	601	748
GRI 305 – 3	PRINCIPLES 7 TO 9	OTHER INDIRECT GREENHOUSE GAS EMISSIONS (DUE TO STAFF WORK TRAVEL) (TN OF CO ₂)(1)	97.7	201



(1) Calculated according to the National Energy Foundation's criteria

The ICO group does not use any type of fuel for heating or air-conditioning its offices.



WATER

In 2018, water consumption decreased, both in total m3 consumed and in consumption per employee. The Institute's water supply is entirely municipal. Water is not recycled or reused.

GRI	GLOBAL COMPACT PROGRESS REPORT	DESCRIPTION	2018	2017	VARIATION
GRI 303 – 1	PRINCIPLES 7 TO 9	WATER CONSUMED (M ³)	2,660.00	3,223	-17.5%
		WATER CONSUMED PER EMPLOYEE (M ³ /EMPLOYEE)	6.24	8.06	-22.5%



WASTE MANAGED

In 2018, the amount of paper waste produced increased. Meanwhile, part of the computer equipment was repaired in 2018, creating more waste.

GRI	GLOBAL COMPACT PROGRESS REPORT	DESCRIPTION	2018	2017
GRI 306 – 2	PRINCIPLES 7 TO 9	PAPER (ESTIMATED KGS.)	5,000	5,000
		FLUORESCENT TUBES	620	490
		TONER (UNITS)	187	162
		BATTERIES	60	82
		COMPUTER EQUIPMENT	56	14





**WE PROMOTE A
MORE SUSTAINABLE
AND EQUAL SOCIETY**



BUILDING MORE SUSTAINABLE COMMUNITIES

Through various social activities, the ICO Group contributes to achieving some of the UN's goals for 2030:

11.3: By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

11.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning



LEASING PROPERTY TO COUNCILS FOR SOCIAL PURPOSES

The ICO Group's Corporate Social Responsibility Policy includes an initiative offering some of the Institute's premises to different City Councils and other non-profit organisations for social purposes.

CONTRIBUTION TO THE EFFECTIVE INTEGRATION OF PEOPLE WITH DISABILITIES IN THE LABOUR MARKET

The ICO Group is committed to the social and industrial integration of groups at risk of exclusion, as established by the Corporate Social Responsibility Policy, with special emphasis on the supply chain. For this reason, the Institute has contracted 3 services from Special Employment Centres.



COLLABORATING RESPONSIBLY WITH OUR SUPPLIERS

Based on Public Sector Contracts Law, the ICO Group has documented Internal Contracting Instructions that establish the possible ways of awarding the purchase of goods and services.

Contracts subject to harmonised regulation and those declared to be for centralised purchasing are excluded from these Internal Contracting Instructions, and are governed by what is established in the TRLCSP and Order EHA/1049/2008. Public business entities are included in the scope of article 206.1 of the TRLCSP, which indicates an obligation to contract the goods and services declared to be for centralised purchasing by Order EHA/1049/2008, of 10 April, through the General Directorate for Streamlining and Centralisation of Public Procurement.

ICO maintains a register of approved suppliers, in accordance with what is established by the models of excellence or quality management systems, given the conditions established by the aforementioned legislation.

For all procurement records of goods and services that do not require specific technical features, the ICO Group analyses the possible incorporation of environmental and social requirements in accordance with the subject of procurement. In 2018, **32%** of bids were made through the auction procedure, meaning that these did not subsequently include social or environmental criteria. Of the remaining bids, **76.5%** included social clauses as criteria to be taken into account in the event of a tie. Regarding environmental clauses, **17.6%** of bids included environmental requirements as an award criterion. In this regard it should be noted that, in accordance with the ruling of the Central Administrative Tribunal for Contractual Rights, ICO has had to change some valuation criteria that were being incorporated into their documents

related to bidders' CSR policies. The Tribunal understands that, despite their reduced weighting in awarding, the contracting authorities should be authorised to adopt award criteria or contract execution conditions in relation to the works, supplies or services that will be provided within the framework of a public contract for any of the aspects and at any stage of their life cycles. According to the Ruling, the condition of an existing link with the contract's subject excludes the criteria and conditions relating to the general policy on corporate responsibility, which cannot be regarded as a factor that characterises the specific production or delivery process of the works, supplies or services purchased. As a result, contracting authorities may not be authorised to require bidders to have established a particular company social responsibility or environmental policy.





CUSTOMER SATISFACTION

In order to understand customers' opinions on the operation of the ICO Group's loan facilities, there is a communication channel on the ICO Group's website where they can ask for more information about products or make complaints or suggestions. This tool also allows us to see the diffusion and quality of information that entities have on the ICO Group's facilities. Finally, this tool enables customers to learn about other ICO Group activities not necessarily related to financing products.

During 2018, **93** complaints and **8** suggestions were received. The average response time for complaints was **4.6** days. We also received **841** information requests related to financing products. All requests were resolved. The average response time was **2.4** days. Our toll-free phone lines providing information and customer service responded to **6,319** enquiries. Face-to-face customer service responded to 866 enquiries.

Customer satisfaction with the **900** telephone service and the website was **4.86** out of **5**, based on **1,988** surveys.





SCOPE, COVERAGE AND AIMS OF THIS REPORT



DEFINITION OF THE CONTENT AND BASIS OF WORK

This report has been prepared in accordance with the Sustainability Reporting Guidelines, 'Standards' version of the Global Reporting Initiative (GRI), as well as with the Sustainable Development Goals (SDGs) and the goals set by the UN for 2030.

This report follows the most recent GRI methodology, allowing us to report on the most relevant issues relating to the company's sustainability and management.

This year, we have once again chosen the “exhaustive compliance” option and we have used the list of relevant topics (materiality analysis) already identified in previous editions.

As with other editions, internal organisational documents such as the Strategic Plan, the Corporate Manual and other sources of information considered relevant in painting a realistic picture of the company's fulfilment of social sustainability and responsibility have been used to draft this report.

FOR ANY QUESTIONS RELATED TO THE CONTENT OF THIS REPORT, YOU CAN CONTACT: rse@ico.es

ABOUT THIS REPORT

MATERIALITY AND SHAREHOLDERS: The content of this Report has been defined taking into account the shareholders and material aspects identified ("Shareholders", pages 30 and 33; "Area", pages 34 to 41).

LEADERSHIP: The Report is approved by the Operations Committee, the ICO Group's most senior administrative and management body, and is endorsed by the General Board in its capacity as the Institute's most senior governing body. The ICO Group's Management approves the allocation of resources necessary for the preparation and auditing of the report.

COMPARABILITY: To provide information on the ICO Group's progress within its scope, the Report includes data not only on the 2017 financial year but also on previous years ("Evolution of main indicators", page 9).

BALANCE: To submit a balanced and fair presentation, this report has been carried out in accordance with the new GRI standards. In addition, the United Nations' Global Compact Progress Report's requirements relating to the

development of its **10 Principles** have been observed. The report does not take into account the sectoral supplement for the financial sector as the ICO Group's activity does not apply to any of the 4 categories defined by GRI in paragraph 2.2 of the edited supplement.

PUNCTUALITY AND REGULARITY: The ICO Group prepares its economic-financial, social responsibility and corporate governance reports annually. The information covered refers to the calendar year. For the first time, the ICO Group has prepared and presented a report comprised of all the aforementioned reports.

CLARITY, ACCURACY AND RELIABILITY: The ICO Group has submitted the report's contents to be verified by independent experts. Verification of annual accounts and financial information was carried out by the General Intervention of the State Administration (IGAE), and by Ernst & Young. Verification of the GRI standard on the preparation of reports on social responsibility was carried out by AENOR. During the verification processes, it was confirmed that the document's structure allows the information to be easily and clearly read. In addition, the accuracy of the information and reliability of the sources used was verified.

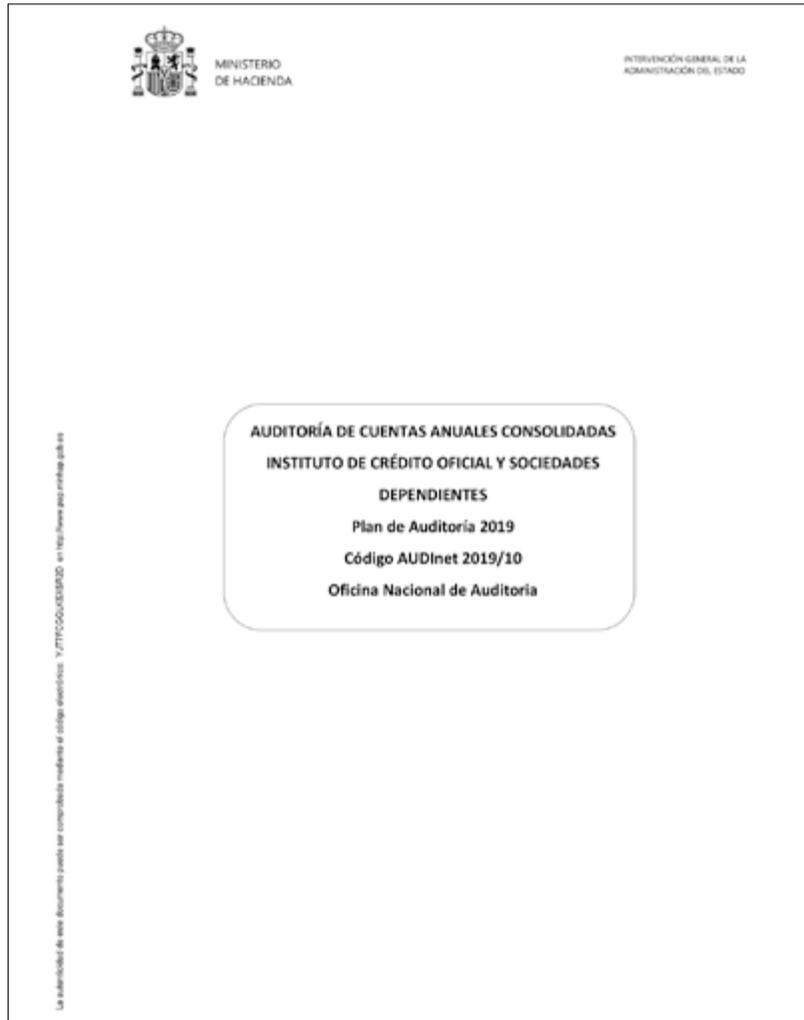




VERIFICATION REPORTS FOR THIS REPORT



The audit reports for the 2018 accounts can be found on ICO's website <https://www.ico.es/web/ico/informe-anual>





GRI TABLE OF CONTENTS

The table below summarises the general and specific content of the Global Reporting Initiative (GRI) according to the GRI Standards for the *Comprehensive Compliance* option.

MATERIAL ASPECTS

GRI	Edition	Global Compact Progress Report	SDG	Material Aspect	Page / Link Omissions
102-16 to 102-39 102-45 to 103-3	2016	General Information Principle No. 10	1, 4, 5, 8, 12, 13, 14, 15 and 16	MT1. Corporate Reputation	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39
201-1 201-4	2016	General Information	2, 5, 7, 8 and 9	MT2. Sources of Funding and financial balance	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39
-----	2016	General Information	1, 2, 6, 11, 13 and 17	MT3. To help develop its role as State Financial Agency	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39



300 "ENVIRONMENTAL"	2016	Principles 7, 8 and 9	3, 6, 7, 8, 12, 13, 14, 15 and 16	MT4. Sustainable growth, environment and society	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39
102-12 102-13	2016	General Information	----	MT5. Partnerships	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39
404-1 to 404-3 405-1 to 405-2 406-1	2016	Principles 3, 4, 5 and 6	5, 8, 10 and 16	MT6. Human capital	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 30 to 39

UNIVERSAL STANDARDS

GRI Associated material aspect (*)	Edition	Global Compact Progress Report	SDG	Description	Page / Link Omissions
GRI 101	2016	General Information		Basics	"LETTER FROM THE PRESIDENT". Pages 4 and 5 "SCOPE, COVERAGE AND AIMS OF THIS REPORT." Pages 155 -157
GRI 102 GENERAL CONTENT					



ORGANISATION PROFILE

GRI 102 - 1	2016	General Information		Name of the organisation	“ABOUT US” Pages 6 and 7
GRI 102 - 3	2016	General Information		Activities, brands, products and services	“ABOUT US” Pages 8 to 31
GRI 102 - 3	2016	General Information		Location of our headquarters	“ABOUT US” Pages 7 and 8
GRI 102 - 4	2016	General Information		Location of operations	ICO only operates in Spain
GRI 102 - 5	2016	General Information		Ownership and legal form	“ABOUT US” Pages 7 and 8



GRI 102 - 6	2016	General Information		Markets served	ICO's loan operations are granted to national companies or companies in other countries for investments made in Spain. The distribution by sector and by Autonomous Community can be seen in "OUR ECONOMIC SUSTAINABILITY." Pages 43 to 103
GRI 102 - 7	2016	General Information		Size of the organisation	"ABOUT US. MAIN FIGURES." Page 9
GRI 102 - 8	2016	General Information	8	Information about employees and other workers	"WE SUPPORT DECENT WORK AND GENDER EQUALITY". Pages 129 to 146
GRI 102 - 9	2016	General Information		Supply Chain	Suppliers spending 2018: 14.4 M/€ (page 33). "OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 102 - 10	2016	General Information		Significant changes in the organisation and its supply chain	There have been no significant changes



GRI 102 - 11	2016	General Information		Precautionary principle or approach	"THE ICO GROUP'S GOOD GOVERNANCE PRINCIPLES." Pages 126 to 128. "RISKS AND OPPORTUNITIES." Pages 46 to 50
GRI 102 - 12	2016	General Information		External initiatives	"STRATEGIC PARTNER-SHIPS". Pages 10 to 16
GRI 102 - 13	2016	General Information		Membership of associations	"STRATEGIC PARTNER-SHIPS". Pages 10 to 16
STRATEGY					
GRI 102 - 14	2016	General Information		Declaration of senior executives responsible for decision-making	"LETTER FROM THE PRESIDENT". Pages 4 and 5
GRI 102 - 15	2016	General Information		Main impacts, risks and opportunities	"RISKS AND OPPORTUNITIES." Pages 46 to 50. "OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS." Pages 17 to 29
ETHICS AND INTEGRITY					
GRI 102 - 16	2016	Principle No. 10	16	Values, principles and standards of conduct	"THE ICO GROUP'S GOOD GOVERNANCE PRINCIPLES." Pages 126 to 128



GRI 102 - 17	2016	Principle No. 10	16	Advisory and ethical concern mechanisms	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GOVERNANCE					
GRI 102 - 18	2016	General Information		Governance structure	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 19	2016	General Information		Delegation of capacities	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 20	2016	General Information		Executive responsibility for economic, environmental and social issues	Director General of Technical Issues and Resources
GRI 102 - 21	2016	General Information	16	Consultation with shareholders on economic, environmental and social issues	Shareholders are consulted in our casual interactions with them, and in meetings and days organised by ICO or in which ICO is invited to participate.
GRI 102 - 22	2016	General Information	5, 16	Composition of the most senior governing body and its committees	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 23	2016	General Information	16	President of the most senior governing body	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128



GRI 102 - 24	2016	General Information	5, 16	Nomination and selection	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 25	2016	General Information	16	Conflict of interest	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 26	2016	General Information		Role of the most senior governing body in establishing objectives, values and strategy	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 27	2016	General Information	4	Collective knowledge of the most senior governing body	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 28	2016	General Information		Evaluation of the performance of the most senior governing body	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 29	2016	General Information	16	Identification and management of economic, environmental and social impacts	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 30	2016	General Information		Effectiveness of risk management processes	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." 104 to 128
GRI 102 - 31	2016	General Information		Evaluation of economic, environmental and social issues	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 32	2016	General Information		Role of the most senior governing body in sustainability reporting	The ICO Group's Integrated Report is approved by the most senior governing body and presented to the General Board



GRI 102 - 33	2016	General Information		Communication of critical concerns	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 34	2016	General Information		Nature and total number of critical concerns	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 35	2016	General Information		Remuneration policies	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 36	2016	General Information		Process to determine remuneration	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 37	2016	General Information	16	Involvement of shareholders in remuneration	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 102 - 38	2016	General Information		Total annual compensation ratio	The President's salary is 2.94 times the average wage of an ICO employee
GRI 102 - 39	2016	General Information		Ratio of percentage increase of total annual compensation	The ICO Group's wages increase according to the increase for public employees defined by the Government
PARTICIPATION OF SHAREHOLDERS					
GRI 102 - 40	2016	General Information		List of shareholders	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. DIALOGUE WITH SHAREHOLDERS". Pages 31 to 34



GRI 102 - 41	2016	General Information	8	Collective bargaining agreements	79.6% of employees are subject to the current Collective Agreement
GRI 102 - 42	2016	General Information		Identification and selection of shareholders	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. DIALOGUE WITH SHAREHOLDERS". Pages 31 to 34
GRI 102 - 43	2016	General Information		Approach to the participation of shareholders	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. DIALOGUE WITH SHAREHOLDERS". Pages 31 to 34
GRI 102 - 44	2016	General Information		Key issues and concerns mentioned	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. DIALOGUE WITH SHAREHOLDERS". Pages 31 to 34
PRACTICES FOR THE PREPARATION OF REPORTS					
GRI 102 - 45	2016	General Information		Entities included in the consolidated financial statements	Instituto de Crédito Oficial (ICO) and AXIS Participaciones Empresariales (AXIS)
GRI 102 - 46	2016	General Information		Definition of the contents of the reports and coverage of the topic	The report's content is defined by ICO's Management
GRI 102 - 47	2016	General Information		List of material issues	"SOCIAL RESPONSIBILITY IN THE ICO GROUP. STRATEGIC AREAS OF SUSTAINABILITY". Pages 40 to 42



GRI 102 - 48	2016			Restatement of information	There have been none
GRI 102 - 49	2016	General Information		Changes in the preparation of reports	The present report has been prepared in accordance with GRI standards
GRI 102 - 50	2016	General Information		Reporting period	01.01.2018 – 31.12.2018
GRI 102 - 51	2016	General Information		Date of the last report	01.01.2017 – 31.12.2017
GRI 102 - 52	2016	General Information		Reporting cycle	Annually
GRI 102 - 53	2016	General Information		Point of contact for questions about the report	rse@ico.es
GRI 102 - 54	2016	General Information		Declaration of the preparation of the report in accordance with the GRI Standards	This report has been prepared in accordance with the Comprehensive Compliance option of the GRI Standards
GRI 102 - 55	2016	General Information		Index of GRI contents	“GRI TABLE OF CONTENTS”. Pages 160 onward
GRI 102 - 56	2016	General Information		External verification	AENOR. 9 and 10 May 2019
MANAGEMENT APPROACH					
GRI 103 - 1	2016	General Information	12, 13, 14, 15	Explanation of the material aspect and its coverage	“SCOPE, COVERAGE AND AIMS OF THIS REPORT. Pages 155 to 157



GRI 103 - 2	2016	General Information	1, 5, 8, 12, 13, 14, 15, 16	Management approach and its components	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128
GRI 103 - 3	2016	General Information	12, 13, 14, 15	Evaluation of the management approach	"THE ICO GROUP, A STRONG AND TRANSPARENT INSTITUTION." Pages 104 to 128

THEMATIC STANDARDS

GRI Associated material aspect (*)	Edition	Global Compact Progress Report	SDG	Description	Page / Link Omissions
GRI 200. ECONOMIC					
GRI 201. ECONOMIC PERFORMANCE					
GRI 201 - 1	2016	General Information	2, 5, 7, 8, 9	Direct economic value generated and distributed	"OUR ECONOMIC SUSTAINABILITY." Pages 43 to 103
GRI 201 - 2	2016	General Information	13	Financial implications and other risks and opportunities arising from climate change	"OUR ECONOMIC SUSTAINABILITY." Pages 43 to 103
GRI 201 - 3	2016	General Information		Obligations of the established benefit plan and other retirement plans	There are no contracted obligations
GRI 201 - 4	2016	General Information		Financial assistance received from the Government	ICO does not receive subsidies or financial aid from the Government



GRI 202. PRESENCE ON THE MARKET

GRI 202 - 1	2016	General Information	1, 5, 8	Ratio of entry level salary by sex compared to local minimum wage	Technical staff: 2.69 times Administrative Staff 1.84 In the ICO Group there are no wage differences due to gender
GRI 202 - 2	2016	General Information	8	Proportion of senior executives recruited from the local community	100%

GRI 203. SIGNIFICANT INDIRECT ECONOMIC IMPACTS

GRI 203 - 1	2016	General Information	2, 5, 7, 9, 11	Investments in infrastructures and supported services	"OUR ECONOMIC SUSTAINABILITY." Pages 43 to 103
GRI 203 - 2	2016	General Information	1, 2, 3, 8, 10, 17	Significant indirect economic impacts	"OUR ECONOMIC SUSTAINABILITY." Pages 43 to 103

GRI 204. ACQUISITION PRACTICES

GRI 204 - 1	2016		12	Proportion of expenditure on local suppliers	100%
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GRI 205. ANTI-CORRUPTION

GRI 205 - 1	2016		16	Operations evaluated for risks related to corruption	All credit operations directly studied by the ICO Group analyse the risk of corruption
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GRI 205 - 2	2016	Principle No. 10	16	Communication and training on anti-corruption policies and procedures	"THE ICO GROUP'S GOOD GOVERNANCE PRINCIPLES." Pages 126 to 128
GRI 205 - 3	2016	Principle No. 10	16	Confirmed cases of corruption and measures taken	-
GRI 206. UNFAIR COMPETITION					
GRI 206 - 1	2016		16	Legal actions related to unfair competition and monopolistic practices and those against free competition	-
GRI 300. ENVIRONMENT					
GRI 301. MATERIAL					
GRI 301 - 1	2016	Principles No. 7,8,9	8, 12	Materials used by weight and volume	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 301 -2	2016	Principles No. 7,8,9	8, 12	Recycled supplies	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 301 - 3	2016	Principles No. 7,8,9	8, 12	Reused products and packaging materials	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150



GRI 302. ENERGY

GRI 302 - 1	2016	Principles No. 7,8,9	7, 8, 12, 13	Energy consumption within the organisation	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 302 - 2	2016	Principles No. 7,8,9	7, 8, 12, 13	Energy consumption outside of the organisation	No data
GRI 302 - 3	2016	Principles No. 7,8,9	7, 8, 12, 13	Energy intensity	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150.
GRI 302 - 4	2016	Principles No. 7,8,9	7, 8, 12, 13	Reduction of energy consumption	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150.
GRI 302 - 5	2016	Principles No. 7,8,9	7, 8, 12, 13	Reduction of products and services' energy requirements	No information

GRI 303. WATER

GRI 303 - 1	2016	Principles No. 7,8,9	6	Extraction of water by source	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 303 - 2	2016	Principles No. 7,8,9	6	Water sources significantly affected by water extraction	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 303 - 3	2016	Principles No. 7,8,9	6, 8, 12	Recycled and reused water	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150



GRI 304. BIODIVERSITY

GRI 304 - 1	2016	Principles No. 7,8,9	6, 14, 15	Operations centres owned, leased or managed located within or adjacent to protected areas or areas of high biodiversity outside of protected areas	Does not apply. The ICO Group does not have any facilities in protected natural areas
GRI 304 - 2	2016	Principles No. 7,8,9	6, 14, 15	Significant impacts of activities, products and services on biodiversity	Does not apply. The ICO Group has no impact on biodiversity
GRI 304 - 3	2016	Principles No. 7,8,9	6, 14, 15	Protected or restored habitats	Does not apply. The ICO Group does not impact protected habitats due to its activity
GRI 304 - 4	2016	Principles No. 7,8,9	6, 14, 15	Species that appear on the IUCN Red List and on national conservation lists whose habitats are in areas affected by operations	Does not apply. The ICO Group does not impact habitats of species in danger of extinction due to its activity

GRI 305. EMISSIONS

GRI 305 - 1	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Direct greenhouse gas (GHG) emissions (scope 1)	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 305 - 2	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Indirect GHG emissions by generating energy (scope 2)	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 305 - 3	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Other indirect GHG emissions (scope 3)	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150



GRI 305 - 4	2016	Principles No. 7,8,9	12, 13, 14, 15	Intensity of GHG emissions	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 305 - 5	2016	Principles No. 7,8,9	12, 13, 14, 15	Reduction of GHG emissions	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 305 - 6	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Emissions of ozone-depleting substances (ODS)	The ICO Group does not emit ozone-depleting substances through its activities
GRI 305 - 7	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	The ICO Group does not emit ozone-depleting substances through its activities
GRI 306. EFFLUENT AND WASTE					
GRI 306 - 1	2016	Principles No. 7,8,9	3, 6, 12, 13, 14, 15	Drainage of water based on quality and destination	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 306 - 2	2016	Principles No. 7,8,9	3, 6, 12, 13, 14, 15	Waste by type and method of disposal	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 306 - 3	2016	Principles No. 7,8,9	3, 6, 12, 13, 14, 15	Significant spillages	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 306 - 4	2016	Principles No. 7,8,9	3, 12, 13, 14, 15	Transport of hazardous waste	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150
GRI 306 - 5	2016	Principles No. 7,8,9	6, 12, 13, 14, 15	Bodies of water affected by drainage of water and/or runoffs	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." Pages 147 to 150



GRI 307. ENVIRONMENTAL COMPLIANCE

GRI 307 - 1	2016	Principles No. 7,8,9	12, 13, 14, 15, 16	Failure to comply with environmental legislation and regulations	-
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GRI 308. ENVIRONMENTAL ASSESSMENT OF SUPPLIERS

GRI 308 - 1	2016			New suppliers that have passed assessment and selection filters according to environmental criteria	"OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY." 147 to 150
GRI 308 - 2	2016			Negative environmental impacts in the supply chain and measures taken	The ICO Group does not measure the environmental impact of the supply chain

GRI 400. SOCIAL

GRI 401. EMPLOYMENT

GRI 401 - 1	2016	Principles No. 3, 4, 5 and 6	5, 8	New appointments of employees and staff rotation	In 2018, 39 departures were registered, largely due to leave of absence (12), retirement (12), end of contract (6) and resignations (5). There were 22 appointments of new employees
GRI 401 - 2	2016	Principles No. 3, 4, 5 and 6	8	Benefits for full-time employees that are not available to part-time or temporary employees	Company canteen
GRI 401 - 3	2016	Principles No. 3, 4, 5 and 6	5, 8	Parental leave	26 employees



GRI 402. EMPLOYEE - COMPANY RELATIONSHIP

GRI 402 - 1	2016		8	Minimum notice periods for operational changes	No additional periods to those that are legally defined.
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GRI 403. HEALTH AND SAFETY AT WORK

GRI 403 - 1	2016	Principles No. 3, 4, 5 and 6	8	Representation of employees in formal employee-company health and safety committees	Health and Safety Committee
GRI 403 - 2	2016	Principles No. 3, 4, 5 and 6	3, 8	Types of accidents and accident frequency rate, occupational diseases, lost days, absenteeism and number of deaths due to work accidents or occupational disease	"WE SUPPORT DECENT WORK AND GENDER EQUALITY. OCCUPATIONAL HEALTH AND SAFETY." Pages 114 and 115
GRI 403 - 3	2016	Principles No. 3, 4, 5 and 6	3, 8	Workers with a high incidence or high risk of diseases associated with their activity	0. The ICO Group does not carry out activities with a high risk of occupational disease
GRI 403 - 4	2016	Principles No. 3, 4, 5 and 6	8	Health and safety issues covered in formal agreements with trade unions	The ICO Group has evaluated its occupational risks and carried out preventative action planning. There is a Health and Safety Committee composed of representatives of the company and its employees

GRI 404. TRAINING AND EDUCATION

GRI 404 - 1	2016	Principles No. 3, 4, 5 and 6	4, 5, 8	Average hours of training per year per employee	46.7%
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GRI 404 - 2	2016	Principles No. 3, 4, 5 and 6	8	Programmes to improve employees' skills and programmes to assist transition	"WE SUPPORT DECENT WORK AND GENDER EQUALITY. TRAINING." Pages 139 to 142.
GRI 404 - 3	2016	Principles No. 3, 4, 5 and 6	5, 8	Percentage of employees receiving regular assessments of their professional performance and development	100%
GRI 405. DIVERSITY AND EQUAL OPPORTUNITIES					
GRI 405 - 1	2016	Principles No. 3, 4, 5 and 6	5, 8	Diversity in management bodies and amongst employees	"WE SUPPORT DECENT WORK AND GENDER EQUALITY." Pages 129 to 146.
GRI 405 - 2	2016	Principles No. 3, 4, 5 and 6	5, 8, 10	Base salary ratio and remuneration of women compared to men	There is full parity in pay for women and men
GRI 406. NON-DISCRIMINATION					
GRI 406 - 1	2016	Principles No. 3, 4, 5 and 6	5, 8, 16	Cases of discrimination and corrective actions undertaken	-
GRI 407. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
GRI 407 - 1	2016	Principles No. 3, 4, 5 and 6	8	Operations and suppliers whose right to freedom of association and collective bargaining may be at risk	No data
GRI 408 CHILD LABOUR					



GRI 408 - 1	2016	Principles No. 3, 4, 5 and 6	8, 16	Operations and suppliers with a significant risk of child labour	-
GRI 409. FORCED OR COMPULSORY LABOUR					
GRI 409 - 1	2016	Principles No. 3, 4, 5 and 6	8	Operations and suppliers with a significant risk of forced or compulsory labour	-
GRI 410. SECURITY PRACTICES					
GRI 410 - 1	2016		16	Security personnel trained in policies and procedures on human rights	No data
GRI 411. RIGHTS OF INDIGENOUS PEOPLES					
GRI 411 - 1	2016	Principles No. 1 and 2	2	Cases of violations of indigenous people's rights	-
GRI 412. ASSESSMENT OF HUMAN RIGHTS					
GRI 412 - 1	2016	Principles No. 1 and 2		Operations subject to human rights revisions or impact assessments	-
GRI 412 - 2	2016	Principles No. 1 and 2		Training of employees in policies and procedures on human rights	There have been no specific training actions on this



GRI 412 - 3	2016	Principles No. 1 and 2		Significant investment agreements and contracts with human rights clauses or subjected to an assessment of human rights	-
GRI 413. LOCAL COMMUNITIES					
GRI 413 - 1	2016	Principles No. 1 and 2		Operations with the participation of the local community, impact evaluations and development programmes	-
GRI 413 - 2	2016	Principles No. 1 and 2	1, 2	Operations with significant real and potential negative impacts on local communities	Does not apply
GRI 414. SOCIAL ASSESSMENT OF SUPPLIERS					
GRI 414 - 1	2016		5, 8, 16	New suppliers that have passed selection filters according to social criteria	“OUR CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY.” Page 148
GRI 414 - 2	2016		5, 8, 16	Negative social impacts in the supply chain and measures taken	The ICO Group does not measure the social impact of the supply chain.
GRI 415. PUBLIC POLICY					
GRI 415 - 1	2016		16	Contributions to political parties and/or representatives	The ICO Group does not make contributions to political parties or representatives.



GRI 416. CUSTOMER HEALTH AND SAFETY					
GRI 416 - 1	2016			Assessment of the impact of products or services on health and safety	Does not apply
GRI 416 - 2	2016		16	Cases of non-compliance relating to the impact of products or services on health and safety	Does not apply
GRI 417. MARKETING AND LABELLING					
GRI 417 - 1	2016		12, 16	Requirements for products and services information and labelling	Does not apply
GRI 417 - 2	2016		16	Cases of non-compliance related to products and services information and labelling	Does not apply
GRI 417 - 3	2016			Cases of non-compliance related to marketing communications	Does not apply
GRI 418. CUSTOMER PRIVACY					
GRI 418 - 1	2016		16	Justified complaints concerning violations of customer privacy and loss of customer data	-
GRI 419. SOCIO-ECONOMIC COMPLIANCE					
GRI 419 - 1	2016		16	Non-compliance with social and economic laws and regulations	-

