

## Corporate governance report

The Company's Annual Corporate Governance Report, issued pursuant to the provisions of section 49.4 of the Spanish Commercial Code, as reworded in Act 16/2007, follows.

### A. Ownership structure

#### A.1 Fill in the following table on the company's share capital:

DATE OF LATEST CHANGE	SHARE CAPITAL (€)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
04-12-2008	274,483,228.70	2,744,832,287	2,744,832,287

Indicate if there are different kinds of shares with different rights associated to them:

NO

CLASS	NUMBER OF SHARES	NOMINAL UNIT VALUE	NUMBER OF VOTING RIGHTS PER UNIT	DIFFERENT RIGHTS
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#### A.2 List the direct and indirect owners of significant holdings in your company at year end, excluding directors:

NAME OF SHAREHOLDER (PERSON OR COMPANY)	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS (*)	% OF THE TOTAL VOTING RIGHTS
FUNDACIÓN MAPFRE	9,557,785	1,745,133,915	63.927
CAJA DE AHORROS Y MONTE PIEDAD DE MADRID	0	411,724,843	15.000

NAME OF THE INDIRECT HOLDER OF THE SHARES (PERSON OR COMPANY)	THROUGH: NAME OF THE DIRECT HOLDER OF THE SHARES (PERSON OR COMPANY)	NUMBER OF DIRECT VOTING RIGHTS	% OF THE TOTAL VOTING RIGHTS
FUNDACIÓN MAPFRE	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	1,744,556,992	63.558
CAJA DE AHORROS Y MONTE PIEDAD DE MADRID	CAJA MADRID CIBELES, S.A.	411,724,843	15.000

State any significant modifications in the shareholding structure during the financial year:

NAME OF SHAREHOLDER (PERSON OR COMPANY)	DATE OF THE TRANSACTION	TRANSACTION DESCRIPTION
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	23/05/2008	10% of the share capital has been exceeded
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	27/08/2008	Has dropped below 3% of the share capital
CAJA MADRID CIBELES, S.A.	27/08/2008	10% of the share capital has been exceeded
CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	29/05/2008	Has dropped below 70% of the share capital

**A.3 Fill in the following tables with the members of the company's board of directors with voting rights on company shares:**

NAME OF DIRECTOR (PERSON OR COMPANY)	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS (*)	% OF THE TOTAL VOTING RIGHTS
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	153,846	0	0.006
MR. ALBERTO MANZANO MARTOS	34,358	0	0.001
MR. FRANCISCO RUIZ RISUEÑO	73	0	0.000
MR. FILOMENO MIRA CANDEL	102,587	0	0.004
MR. IGNACIO BAEZA GÓMEZ	25,641	0	0.001
MR. RAFAEL BECA BORREGO	0	410,440	0.015
MR. MIGUEL BLESA DE LA PARRA	12,307	0	0.000
MR. RAFAEL FONTOIRA SURIS	23	0	0.000
MR. SANTIAGO GAYARRE BERMEJO	23	0	0.000
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	12,331	23	0.000
MR. SEBASTIAN HOMET DUPRÁ	0	0	0.000
MR. ANTONIO HUERTAS MEJIAS	69,459	0	0.003
MR. LUIS ITURBE SANZ DE MADRID	30,770	0	0.001
MR. ANDRÉS JIMÉNEZ HERRADÓN	22,433	0	0.001
MR. MANUEL JESUS LAGARES CALVO	16,409	0	0.001
MR. RAFAEL MÁRQUEZ OSORIO	0	0	0.000
MRS. FRANCISCA MARTÍN TABERNERO	23	0	0.000
MR. ANTONIO MIGUEL-ROMERO DE OLANO	19,488	2,031	0.001
MR. JOSÉ ANTONIO MORAL SANTIN	0	0	0.000
MR. ALFONSO REBUELTA BADIAS	44,346	0	0.002
MR. MATÍAS SALVÁ BENNASAR	153,846	230,769	0.014
MR. ESTEBAN TEJERA MONTALVO	23	0	0.000
MR. FRANCISCO VALLEJO VALLEJO	56,433	0	0.002
MR. JOSÉ MANUEL GONZÁLEZ PORRO	413,000	0	0.015

NAME OF THE INDIRECT HOLDER OF THE SHARES (PERSON OR COMPANY)	THROUGH: NAME OF THE DIRECT HOLDER OF THE SHARES (PERSON OR COMPANY)	NUMBER OF DIRECT VOTING RIGHTS	% OF THE TOTAL VOTING RIGHTS
MR. RAFAEL BECA BORREGO	BEBORSIL, S.L.	410,256	0.015
MR. RAFAEL BECA BORREGO	BECA INMOBILIARIA, S.A.	23	0.000
MR. RAFAEL BECA BORREGO	CONSTRUCCIONES ALBORA, S.A.	23	0.000
MR. RAFAEL BECA BORREGO	GRUPOBEKINSA, S.L.	23	0.000
MR. RAFAEL BECA BORREGO	LAGUNAS DEL PORTIL, S.A.	23	0.000
MR. RAFAEL BECA BORREGO	LAS CERRAJAS, S.L.	23	0.000
MR. RAFAEL BECA BORREGO	NUEVO QUINTO, S.A.	23	0.000
MR. RAFAEL BECA BORREGO	PROMOCIONES B.4 S.A.	23	0.000
MR. RAFAEL BECA BORREGO	PROMOTORA SAN MIGUEL, S.L.	23	0.000
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MRS. MERCEDES VARELA VILLAFRANCA	23	0.000
MR. ANTONIO MIGUEL ROMERO DE OLANO	MRS. LUZ RUFAS MÁRQUEZ DE ACUÑA	2,031	0.000
MR. MATÍAS SALVÁ BENNASAR	MUFTI, S.L.	153,846	0.006
MR. MATÍAS SALVÁ BENNASAR	MRS. MARGARITA ROSELLÓ BARBERÁ	51,282	0.002
MR. MATÍAS SALVÁ BENNASAR	MRS. ISABEL SALVÁ ROSELLÓ	25,641	0.001
<b>% total votes held by the Board of Directors</b>			<b>0.066</b>

Fill in the following tables with the members of the company's board of directors with voting rights on company shares:

**A.4 Where applicable, list any family, trading, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary commercial traffic and exchange:**

**A.5 Where applicable, list any family, trading, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary commercial traffic and exchange:**

**TYPE OF RELATIONSHIP:**

Contractual

**BRIEF DESCRIPTION:**

Strategic alliance between CAJA MADRID AND MAPFRE, S.A.

**NAME OF RELATED PERSON (PERSON OR COMPANY)**

CAJA DE AHORROS Y MONTE PIEDAD DE MADRID

**TYPE OF RELATIONSHIP:**

Corporate

**BRIEF DESCRIPTION:**

CAJA MADRID CIBELES, S.A. holds shares in the following subsidiaries of MAPFRE, S.A.: 8.58% in MAPFRE AMERICA, S.A.; 12.5% in MAPFRE INTERNACIONAL, S.A. and 49% in MAPFRE CAJA MADRID VIDA., S.A. and a majority shareholding in BANCO DE SERVICIOS FINANCIEROS CAJA MADRID - MAPFRE., S.A., where MAPFRE, S.A. has a 49% interest.

**NAME OF RELATED PERSON (PERSON OR COMPANY)**

CAJA MADRID CIBELES, S.A.

**A.6** Indicate if any shareholder agreements have been disclosed to the company that affect it under art. 112 of the securities market act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

YES

**% OF SHARE CAPITAL AFFECTED** 15**BRIEF DESCRIPTION OF THE AGREEMENT:**

The aggregate shareholding of CAJA MADRID will not exceed 15%, nor will it be reduced below 3%. CAJA MADRID undertakes not to exercise the voting rights of any shares that, from time to time, might exceed 15% of the share capital, expressly waiving its right to do so.

**PARTIES TO THE SHAREHOLDERS' AGREEMENT**

CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.

CARTERA MAPFRE, S.A. SOCIEDAD UNIPERSONAL

Indicate whether the company knows the existence of concerted actions amongst its shareholders. If so, describe them briefly:

NO

If there has been any alteration or breakdown of said pacts or agreements or concerted actions, indicate this expressly.

**A.7** Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 4 of the Stock Exchange Act. If so, identify them:

YES

**NAME (PERSON OR COMPANY)**

FUNDACIÓN MAPFRE

**REMARKS****A.8** Fill in the following tables regarding the company's treasury stock:

As at the closing date of the financial year:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	% TOTAL % OF THE SHARE CAPITAL
0	0	0.000

(\*) Through:

Total: 0

List significant changes occurring during the year, pursuant to Royal Decree 1362/2007:

Capital gains (losses) on treasury stock divested during the period 0

**A.9** Detail the terms and conditions of the current Annual General Meeting authorisation to the board of directors to buy and/or transfer treasury stock.

The company has no treasury stock and neither is there any existing authority from the Annual General Meeting to the Board of Directors to undertake any treasury stock transactions.

**A.10** Indicate, where applicable, any legal or bylaw restriction on the exercise of voting rights, and legal restriction on the acquisition and/or transfer of shares in the company's capital. State whether there are any legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise under the legal restriction 0

State whether there are any bylaw restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise under the bylaw restriction 0



Indicate whether there are legal restrictions on the acquisition or transfer of shares in the company's capital:

NO

**A.11 Indicate whether the Annual General Meeting has approved measures to neutralise a public takeover bid, pursuant to Act 6/2007.**

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient.

## B. Governance structure

### B.1 Board of Directors

B.1.1 List the maximum and minimum number of directors established in the bylaws:

Maximum number of directors	24
Minimum number of directors	5

B.1.2 Fill in the following table on the board members:

NAME OF DIRECTOR (PERSON OR COMPANY)	REPRESENTATIVE	POST ON THE BOARD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	ELECTION PROCEDURE
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ		CHAIRMAN	28-05-1987	26-03-2007	Vote at AGM
MR. ALBERTO MANZANO MARTOS		1 <sup>ST</sup> VICE-CHAIRMAN	28-05-1987	26-03-2007	Vote at AGM
MR. FRANCISCO RUIZ RISUEÑO		2 <sup>ND</sup> VICE-CHAIRMAN	12-03-2003	26-03-2007	Vote at AGM
MR. FILOMENO MIRA CANDEL		3 <sup>RD</sup> VICE-CHAIRMAN	27-06-1981	27-04-2006	Vote at AGM
MR. IGNACIO BAEZA GÓMEZ		DIRECTOR	08-03-2008	08-03-2008	Vote at AGM
MR. RAFAEL BECA BORREGO		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. MIGUEL BLESA DE LA PARRA		DIRECTOR	08-03-2008	08-03-2008	Vote at AGM
MR. RAFAEL FONTOIRA SURIS		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. SANTIAGO GAYARRE BERMEJO		DIRECTOR	12-05-1989	26-02-2005	Vote at AGM
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ		DIRECTOR	17-04-1999	26-03-2007	Vote at AGM

NAME OF DIRECTOR (PERSON OR COMPANY)	REPRESENTATIVE	POST ON THE BOARD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	ELECTION PROCEDURE
MR. SEBASTIÁN HOMET DUPRA		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. ANTONIO HUERTAS MEJIAS		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. LUIS ITURBE SANZ DE MADRID		DIRECTOR	06-03-2004	08-03-2008	Vote at AGM
MR. ANDRÉS JIMÉNEZ HERRADÓN		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. MANUEL JESUS LAGARES CALVO		DIRECTOR	17-04-1999	26-03-2007	Vote at AGM
MR. RAFAEL MÁRQUEZ OSORIO		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MRS. FRANCISCA MARTÍN TABERNERO		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. ANTONIO MIGUEL ROMERO DE OLANO		DIRECTOR	17-04-1999	26-03-2007	Vote at AGM
MR. JOSÉ ANTONIO MORAL SANTIN		DIRECTOR	08/03/2008	08/03/2008	Vote at AGM
MR. ALFONSO REBUELTA BADIAS		DIRECTOR	17-04-1999	26-03-2007	Vote at AGM
MR. MATÍAS SALVÁ BENNASAR		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. ESTEBAN TEJERA MONTALVO		DIRECTOR	08-03-2008	08-03-2008	Vote at AGM
MR. FRANCISCO VALLEJO VALLEJO		DIRECTOR	29-12-2006	29-12-2006	Vote at AGM
MR. JOSÉ MANUEL GONZÁLEZ PORRO		SECRETARY – DIRECTOR	17-04-1999	26-03-2007	Vote at AGM
<b>Total number of directors</b>		<b>24</b>			

Indicate which directors have left their Post on the Board during the period:

NAME OF DIRECTOR (PERSON OR COMPANY)	OFFICE HELD BY DIRECTOR UPON LEAVING	DATE OF LEAVING
MR. AGUSTÍN RODRÍGUEZ GARCÍA	INDEPENDENT	08-03-2008
MR. DOMINGO SUGRANYES BICKEL	NOMINEE	08-03-2008

**B.1.3 Fill in the following tables on the board members and their different kinds of directorship:**

**EXECUTIVE DIRECTORS**

<b>NAME OF DIRECTOR (PERSON OR COMPANY)</b>	<b>COMMITTEE PROPOSING HIS/HER NAME</b>	<b>POST WITHIN COMPANY ORGANISATION</b>
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	APPOINTMENTS AND REMUNERATION	CHAIRMAN
MR. ALBERTO MANZANO MARTOS	APPOINTMENTS AND REMUNERATION	1 <sup>ST</sup> VICE-CHAIRMAN
MR. FILOMENO MIRA CANDEL	APPOINTMENTS AND REMUNERATION	3 <sup>RD</sup> VICE-CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	APPOINTMENTS AND REMUNERATION	DIRECTOR
MR. ANTONIO HUERTAS MEJÍAS	APPOINTMENTS AND REMUNERATION	DIRECTOR
MR. ANDRÉS JIMÉNEZ HERRADÓN	APPOINTMENTS AND REMUNERATION	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	APPOINTMENTS AND REMUNERATION	DIRECTOR
MR. JOSÉ MANUEL GONZÁLEZ PORRO	APPOINTMENTS AND REMUNERATION	SECRETARY - DIRECTOR
<b>Total number of executive directors</b>		<b>8</b>
<b>% of total directors</b>		<b>33.333</b>

**EXTERNAL NOMINEE DIRECTORS**

<b>NAME OF DIRECTOR (PERSON OR COMPANY)</b>	<b>COMMITTEE PROPOSING HIS/HER NAME</b>	<b>NAME (PERSON OR COMPANY) OF THE SUBSTANTIAL SHAREHOLDER REPRESENTED OR PROPOSING HIS/HER NAME</b>
MR. FRANCISCO RUIZ RISUEÑO	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. MIGUEL BLESA DE LA PARRA	APPOINTMENTS AND REMUNERATION	CAJA MADRID CIBELES, S.A.
MR. SANTIAGO GAYARRE BERMEJO	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. SEBASTIÁN HOMET DUPRA	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. RAFAEL MÁRQUEZ OSORIO	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. ANTONIO MIGUEL-ROMERO DE OLANO	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
MR. JOSÉ ANTONIO MORAL SANTIN	APPOINTMENTS AND REMUNERATION	CAJA MADRID CIBELES, S.A.
MR. ALFONSO REBUELTA BADÍAS	APPOINTMENTS AND REMUNERATION	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL
<b>Total number of nominee directors</b>		<b>9</b>
<b>% of total directors</b>		<b>37.500</b>



## INDEPENDENT EXTERNAL DIRECTORS

NAME OF DIRECTOR (PERSON OR COMPANY)	PROFILE
MR. RAFAEL BECA BORREGO	QUALIFIED ACCOUNTANT. CHAIRMAN OF DIFFERENT REAL ESTATE AND AGRICULTURAL DEVELOPMENT COMPANIES.
MR. RAFAEL FONTOIRA SURIS	ARCHITECT. HEAD ARCHITECT OF THE GALICIAN REGIONAL GOVERNMENT FOR 30 YEARS. MEMBER OF HISTORIC AND ARTISTIC HERITAGE BOARD.
MR. LUIS ITURBE SANZ DE MADRID	B.A. IN LAW. DIRECTOR OF THE MADRID STOCK EXCHANGE UNTIL 2003. SENIOR EXECUTIVE AT BBVA UNTIL 2002.
MR. MANUEL JESUS LAGARES CALVO	PH.D IN ECONOMIC SCIENCE. PROFESSOR OF PUBLIC FINANCE AND INLAND REVENUE INSPECTOR (ON LEAVE).
MRS. FRANCISCA MARTÍN TABERNERO	VVICE-RECTOR, CATHOLIC UNIVERSITY OF SALAMANCA. PROFESSOR OF STATISTICS. PH.D IN PSYCHOLOGY AND BA IN HISTORY.
MR. MATÍAS SALVÁ BENNASAR	LAWYER. HEAD OF THE LEGAL DEPARTMENT OF MUTUA BALEAR (MUTUAL COMPANY. LEGAL COUNSEL TO PREVISIÓN BALEAR (MUTUAL COMPANY) AND ITS FOUNDATION.
MR. FRANCISCO VALLEJO VALLEJO	BA IN ECONOMIC SCIENCE. DIPLOMA IN BUSINESS ORGANISATION AND EXECUTIVE BUSINESS MANAGEMENT CHAIRMAN OF BANCO URQUIJO.
<b>Total number of independent directors</b>	<b>7</b>
<b>% of total directors</b>	<b>29.167</b>

## OTHER EXTERNAL DIRECTORS

Detail the reasons why they cannot be considered shareholder-nominated or independent directors and their affiliations with the company or its management or its shareholders:

Indicate any changes that may have occurred during the period in the type of directorship of each director:

NAME OF DIRECTOR (PERSON OR COMPANY)	DATE OF THE CHANGE	PREVIOUS DIRECTORSHIP	CURRENT DIRECTORSHIP
MR. SANTIAGO GAYARRE BERMEJO	01-01-2008	EXECUTIVE	NOMINEE



**B.1.4 Explain, where applicable, the reasons why nominee directors have been appointed at the behest of the shareholder whose holding is less than 5% of the capital:**

Indicate whether formal petitions for a seat on the board have been ignored from shareholders whose holding is equal to or higher than others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored:

NO

**B.1.5 Indicate if any director has stood down before the end of his/her term in office, if the director has explained his/her reasons to the board and through which channels, and if the director sent a letter of explanation to the entire board, explain below, at least the reasons that he/she gave:**

YES

Name of director:

MR. AGUSTÍN RODRÍGUEZ GARCÍA

Reason for standing down:

To facilitate the restructuring of the Board on account of the reorganisation of the alliance established between the MAPFRE and CAJA MADRID Groups.

**B.1.6 Indicate any powers delegated to the managing directors(s):**

**B.1.7 Identify any members of the board holding posts as directors or managers in other companies that form part of the listed company's group:**

<b>NAME OF DIRECTOR (PERSON OR COMPANY)</b>	<b>NAME OF THE GROUP'S COMPANY</b>	<b>POST</b>
MR. ALBERTO MANZANO MARTOS	MAPFRE INMUEBLES, S.A.	VICE-CHAIRMAN
MR. ALBERTO MANZANO MARTOS	MAPFRE INVERSIÓN, SOCIEDAD DE VALORES, S.A.	CHAIRMAN
MR. ALBERTO MANZANO MARTOS	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. FRANCISCO RUIZ RISUEÑO	CCM VIDA Y PENSIONES, S.A.	DIRECTOR
MR. FRANCISCO RUIZ RISUEÑO	MAPFRE FAMILIAR, S.A.	VICE-CHAIRMAN
MR. FRANCISCO RUIZ RISUEÑO	MAPFRE RE, COMPAÑÍA DE REASEGUROS, S.A.	DIRECTOR
MR. FRANCISCO RUIZ RISUEÑO	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. FILOMENO MIRA CANDEL	MAPFRE CAUCIÓN Y CRÉDITO, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN
MR. FILOMENO MIRA CANDEL	MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN
MR. FILOMENO MIRA CANDEL	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. IGNACIO BAEZA GÓMEZ	BANKINTER SEGUROS DE VIDA, S.A.	CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	CCM VIDA Y PENSIONES, S.A.	CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	DUERO PENSIONES EGFP	VICE-CHAIRMAN - CHIEF EXECUTIVE OFFICER
MR. IGNACIO BAEZA GÓMEZ	MAPFRE CAJA MADRID VIDA, S.A.	CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. IGNACIO BAEZA GÓMEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR
MR. IGNACIO BAEZA GÓMEZ	MAPFRE INVERSIÓN DOS S.G.I.I.C., S.A.	DIRECTOR
MR. IGNACIO BAEZA GÓMEZ	MAPFRE VIDA PENSIONES ENTIDAD GESTORA DE FONDOS DE PENSIONES, S.A.	DIRECTOR
MR. IGNACIO BAEZA GÓMEZ	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	MUSINI VIDA, S.A.	CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	UNIÓN DEL DUERO COMPAÑÍA DE SEGUROS DE VIDA, S.A.	VICE-CHAIRMAN - CHIEF EXECUTIVE OFFICER
MR. RAFAEL BECA BORREGO	MAPFRE AMÉRICA, S.A.	VICE-CHAIRMAN
MR. RAFAEL BECA BORREGO	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. RAFAEL FONTOIRA SURIS	MAPFRE INMUEBLES, S.A.	VICE-CHAIRMAN
MR. RAFAEL FONTOIRA SURIS	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. SANTIAGO GAYARRE BERMEJO	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. LUIS HERNANDO DE LARRAMENDI	MAPFRE INTERNACIONAL, S.A.	DIRECTOR
MR. LUIS HERNANDO DE LARRAMENDI	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	VICE-CHAIRMAN
MR. SEBASTIÁN HOMET DUPRA	MAPFRE AMÉRICA, S.A.	DIRECTOR
MR. SEBASTIÁN HOMET DUPRA	MAPFRE INVERSIÓN, SOCIEDAD DE VALORES, S.A.	DIRECTOR
MR. ANTONIO HUERTAS MEJIAS	MAPFRE FAMILIAR, S.A.	CHAIRMAN
MR. ANTONIO HUERTAS MEJIAS	MAPFRE INTERNACIONAL, S.A.	DIRECTOR
MR. ANTONIO HUERTAS MEJIAS	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. ANDRÉS JIMÉNEZ HERRADÓN	MAPFRE AMÉRICA, S.A.	CHAIRMAN
MR. ANDRÉS JIMÉNEZ HERRADÓN	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. ANDRÉS JIMÉNEZ HERRADÓN	MAPFRE INTERNACIONAL, S.A.	CHAIRMAN
MR. ANDRÉS JIMÉNEZ HERRADÓN	MAPFRE RE, COMPAÑÍA DE REASEGUROS, S.A.	CHAIRMAN
MR. MANUEL JESUS LAGARES CALVO	MAPFRE INVERSIÓN, SOCIEDAD DE VALORES, S.A.	DIRECTOR
MR. MANUEL JESUS LAGARES CALVO	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. RAFAEL MÁRQUEZ OSORIO	MAPFRE AMÉRICA, S.A.	DIRECTOR
MRS. FRANCISCA MARTÍN TABERNEO	DUERO PENSIONES EGFP	DIRECTOR
MRS. FRANCISCA MARTÍN TABERNEO	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MRS. FRANCISCA MARTÍN TABERNEO	UNIÓN DEL DUERO COMPAÑÍA DE SEGUROS DE VIDA, S.A.	DIRECTOR

NAME OF DIRECTOR (PERSON OR COMPANY)	NAME OF THE GROUP'S COMPANY	POST
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ASISTENCIA, CÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	VICE-CHAIRMAN
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE INMUEBLES, S.A.	DIRECTOR
MR. ANTONIO MIGUEL ROMERO DE OLANO	MAPFRE QUAVITAE, S.A.	DIRECTOR
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE VIDA , S.A. DE SEGUROS Y REASEGUROS	DIRECTOR
MR. ALFONSO REBUELTA BADIÁS	BANCO DE SERVICIOS FINANCIEROS CAJA MADRID – MAPFRE, S.A.	DIRECTOR
MR. ALFONSO REBUELTA BADIÁS	MAPFRE AMÉRICA, S.A.	DIRECTOR
MR. ALFONSO REBUELTA BADIÁS	MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	VICE-CHAIRMAN
MR. ALFONSO REBUELTA BADIÁS	MAPFRE INTERNACIONAL, S.A.	DIRECTOR
MR. MATÍAS SALVÁ BENNASAR	MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR
MR. MATÍAS SALVÁ BENNASAR	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. MATÍAS SALVÁ BENNASAR	MAPFRE RE, COMPAÑÍA DE REASEGUROS, S.A.	VICE-CHAIRMAN
MR. ESTEBAN TEJERA MONTALVO	INVERSIONES PERUANAS, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE AMÉRICA, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE ASISTENCIA, CIA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE CAUCIÓN Y CRÉDITO, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE EMPRESAS COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE INTERNACIONAL, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE INVERSIÓN, SOCIEDAD DE VALORES, S.A.	DIRECTOR
MR. ESTEBAN TEJERA MONTALVO	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	VICE-CHAIRMAN
MR. FRANCISCO VALLEJO VALLEJO	MAPFRE FAMILIAR, S.A.	DIRECTOR
MR. JOSÉ MANUEL GONZÁLEZ PORRO	MAPFRE INMUEBLES, S.A.	DIRECTOR

**B.1.8 List, where applicable, any company directors that sit on boards of other companies publicly traded in Spain outside the group, of which the company has been informed:**

NAME OF DIRECTOR (PERSON OR COMPANY)	LISTED COMPANY'S NAME	POST
MR. MIGUEL BLESA DE LA PARRA	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR
MR. MIGUEL BLESA DE LA PARRA	IBERIA, LÍNEAS AÉREAS DE ESPAÑA, S.A.	VICE-CHAIRMAN

**B.1.9 Indicate and, where applicable, explain whether the company has established rules on the number of boards on which its directors may sit:**

NO

#### EXPLANATION OF THE RULES

According to the SISTEMA MAPFRE Code of Good Governance, no external director can sit at the same time on more than five Boards of Directors of the Group's Companies.



**B.1.10** Regarding the recommendation no. 8 of the Unified Code, list the general strategies and policies in the company that the board reserves for plenary approval:

The investment and funding policy;	YES
The definition of how the Group companies are structured	YES
The corporate governance policy	YES
The corporate social responsibility policy	YES
The strategic or business plan and the annual management and budgetary targets	YES
The policy for senior managers' remuneration and performance assessment	YES
The policy for overseeing and managing risks, and the periodic monitoring of the internal information and oversight systems	YES
The pay-out policy and the treasury-stock policy, especially their limits	YES

**B.1.11** Fill in the following tables on the aggregate remuneration of directors accruing during the year:

A) IN THE COMPANY COVERED IN THIS REPORT:

REMUNERATION ITEM	FIGURES IN THOUSAND EUROS
Fixed pay	2,794
Variable pay	2,064
Per diems	785
Bylaw perquisites	0
Share and other financial options	68
Others	1024
<b>TOTAL:</b>	<b>6,735</b>

OTHER BENEFITS	FIGURES IN THOUSAND EUROS
Advances	0
Loans granted	0
Funds and pension funds: Contributions	33
Funds and pension funds: Contractual obligations	0
Life insurance premiums	892
Guarantees constituted by the company for the directors	0

B) FOR COMPANY DIRECTORS SITTING ON OTHER BOARDS OF DIRECTORS AND/OR BELONGING TO THE SENIOR MANAGEMENT OF GROUP COMPANIES:

REMUNERATION ITEM	FIGURES IN THOUSAND EUROS
Fixed pay	948
Variable pay	751
Per diems	199
Bylaw perquisites	0
Share and other financial options	104
Others	1,095
<b>TOTAL:</b>	<b>3,097</b>

OTHER BENEFITS	FIGURES IN THOUSAND EUROS
Advances	0
Loans granted	0
Funds and pension funds: Contributions	19
Funds and pension funds: Contractual obligations	0
Life insurance premiums	1,250
Guarantees constituted by the company for the directors	0

C) TOTAL REMUNERATION BY TYPE OF DIRECTORSHIP:

TYPE OF DIRECTORSHIP	BY COMPANY	BY GROUP
Executive	5,014	1,858
Nominee Directors	1,216	837
Independent External	505	402
Other External Directors	0	0
<b>Total</b>	<b>6,735</b>	<b>3,097</b>

D) REGARDING THE ATTRIBUTABLE PROFIT OF THE DOMINANT COMPANY:

Total remuneration of all directors (€k)	9,832
Total remuneration all directors/attributable profit of dominant company (expressed as a %)	1.0



**B.1.16** Indicate whether the Board of Directors submits an annual report on the directors pay policy to the AGM for consultation purposes. If so, explain the aspects of the report on the remuneration policy approved by the board for future years, the most significant changes in this policy compared to the policy applied during the year and a global summary of how the remuneration policy was applied during the year. Describe the role played by the Remuneration Committee and if external advisors have been engaged, the identity of the consultants involved:

YES

#### **ISSUES ON WHICH THE BOARD PRONOUNCES ON REMUNERATION POLICY**

For 2009, increases of 4% are anticipated, with certain exceptions where a higher percentage has been applied due to an increase in responsibilities, and there is a possibility of other increases should the targets achieved exceed planned targets. This matter will be submitted the Appointments and Remuneration Committee for consideration.

During financial year 2009 no significant changes are expected to be made to the Company's remuneration policy. For information on the remuneration policy applied in 2008, see sections B.1.11 and B.1.14 of this report.

For further information, see the Remuneration Policy report issued by the Board of Directors.

#### **ROLE OF THE REMUNERATION COMMITTEE**

The Appointments and Remuneration Committee fully supports the remuneration policy described herein and, as the case may be, it proposes or reports on each and every resolution resulting from said policy to the Board of Directors.

In particular, the Report is submitted to the Board's consideration to enable it to issue a favourable opinion or otherwise in respect of its contents.

Has external consultancy been used? NO

Identity of external consultants

**B.1.17** Indicate, where applicable, the identity of Board members who also sit on Boards or form part of the management of companies that hold significant shareholdings in the listed company and/or in its group companies:

<b>NAME OF DIRECTOR (PERSON OR COMPANY)</b>	<b>COMPANY NAME OF THE SUBSTANTIAL SHAREHOLDER</b>	<b>POST</b>
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	CHAIRMAN
MR. FILOMENO MIRA CANDEL	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	VICE-CHAIRMAN
MR. ALBERTO MANZANO MARTOS	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	DIRECTOR
MR. ANDRÉS JIMÉNEZ HERRADÓN	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	DIRECTOR
MR. ANTONIO HUERTAS MEJÍAS	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	DIRECTOR
MR. JOSÉ MANUEL GONZÁLEZ PORRO	CARTERA MAPFRE, S.L. SOCIEDAD UNIPERSONAL	SECRETARY – DIRECTOR

List the relevant affiliations other than those considered in the above paragraph, which link board members to significant shareholders and/or companies in their group:

**B.1.18** Indicate whether during the year there has been any change in the Board regulations:

YES

#### **DESCRIPTION OF MODIFICATIONS**

The new Board Regulations were approved on 20<sup>th</sup> July 2008, to bring them in line with the new SISTEMA MAPFRE Code of Good Governance, which mirrors MAPFRE's new corporate structure as agreed in 2006 and updates the rules of good corporate governance accepted by the company and that must be included in the Board Regulations, according to the recommendations of the Unified Code of the Spanish Stock Exchange Commission.

**B.1.19** Indicate procedures for appointment, re-election, evaluation and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Anyone who is offered a directorship of MAPFRE, S.A. or of a subsidiary company must make a true and full Prior Declaration about his/her/its pertinent personal, family, professional and business details, relating in particular to any matter that might give rise to any disqualification at law, the bylaws or the provisions of the Code of Good Governance or to any conflict of interest. This Declaration must be made on the form provided for such purposes by MAPFRE, and will include an express acceptance of the rules set out in the chapter of the Code that addresses directors' rights and duties.

Anyone who holds office as director must have of a renowned prestige in his/her professional and business area, and hold all necessary professional qualifications or experience as provided at law for financial institutions or insurance companies subject to supervision by Public Authorities.

In particular, anyone who has a substantial shareholding in an organisation belonging to a financial group other than that to which the Company or any of its subsidiaries belong cannot be a member of the Board of Directors and whoever is a director, manager or employee of such organisation or who renders services to or on behalf of the same cannot be a member of the Board of Directors either, unless they are appointed on a proposal made by the Board of Directors and provided that on the whole such directors do not represent more than twenty percent of the total number of directors.

— Proposals for the appointment or re-election of Independent Directors must be preceded by a proposal from the Appointments and Remuneration Committee.

Proposals for the re-election of independent directors will be subject to a process that will necessarily include a report issued by the Appointments and Remuneration Committee, assessing the quality of the services provided and the dedication to office throughout the prior term of the director/s whose re-election is/are proposed.

— Proposals for the appointment or re-election of nominee directors must be preceded by an appropriate proposal from the shareholder backing their appointment or re-election, and a report from the Appointments and Remuneration Committee with respect to the suitability of the proposed candidate.

The Appointments and Committee Remuneration may also propose the appointment or of nominee directors at its own initiative when it deems that the Company will benefit from their being members of the Board.

— Proposals for the appointment or re-election of Executive Directors, and for the appointment or the Secretary, must be preceded by a suitable proposal from the Chairman of the Board - or the senior executive officer - and a report from the Appointments and Remuneration Committee.

In the case of the re-election of a director who holds office on the Board, the said report will include an assessment of how said office has been discharged to enable the Board to express an opinion about the director continuing in office.

The Board of Directors will not propose to the AGM that any independent director be removed from office before end of the term for which the director has been elected, unless the Board considers, after a report from the Appointments and Remuneration Committee, that there are grounds for doing so. In particular, it will be deemed that there are grounds for doing so when:

— The director has failed to perform the duties inherent to the post, has failed to comply with one of the requirements set forth for independent directors in the Unified Code of the Spanish Securities and Exchange Commission, or has incurred an insuperable conflict of interest according to the provisions of Title IV of the Code of Good Governance.

— Changes occur in the Company's shareholding structure that involve reducing the number of independent directors, in accordance with the criteria set forth in the Code of Good Governance.

#### **B.1.20 Indicate the circumstances under which directors are obliged to resign.**

According to the provisions of the corporate Bylaws and the Board Regulations, all members of the Board of Directors must retire on reaching the age of 70. The Chairman and the Vice-Chairmen who hold executive posts, the Managing Director and the Secretary to the Board must retire from such office on reaching 65 years of age or, on any earlier date according to the terms and conditions of their respective contract, but they may continue as director and member without any executive authority for a maximum of five years in the same conditions as external nominee directors.

All Directors must place their directorship and any office held, such as on the Steering Committee and any Delegated Committees, at the disposal of the Board of Directors and tender their formal resignation should the Board deem it pertinent, in the following cases:

a) Whenever they cease to hold the executive office associated with their appointment as member of such governing bodies.

b) Should they become subject to any disqualification or prohibition laid down at law.

c) They are accused of allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.



d) If they receive any serious warning from the Compliance Committee due to any infringement of their duties as director.

e) When they are affected by circumstances in which their remaining on any such management bodies might cause damage to the Company's credit or reputation, or place its interests at risk.

f) If the reasons, if any, for which they were expressly appointed cease to apply.

The resignation from such offices must be formally tendered in a letter dated directed to the Chairman of the Board in question, and send a copy to the Chairman of the SISTEMA MAPFRE.

Directors who, at the time of their appointment, do not hold any executive post or perform any executive duties in the Company, or in another Group company, will not be able to perform any executives duties unless they first resign their directorship, even though they may subsequently remain eligible to the directorship.

Nominee directors must also tender their resignation when the shareholder that appointed them sells its shareholding.

When a shareholder reduces its shareholding, a proportionally equivalent number of nominee directors that it has appointed must resign.

MAPFRE's independent directors must also tender their resignation when they have held office for twelve years in a row.

**B.1.21 Explain whether the role of chief executive officer in the company is played by the chairman of the board. If so, indicate the measures taken to limit the risks of accumulating powers in a single person:**

**MEASURES TO LIMIT RISKS**

It is considered that there is no measure of risk due to any excessive concentration of authority in view of the collegiate nature of decision-making that commences at Board Committee level; and the presence of senior executive officers on the Board of Directors.

Indicate and, where applicable explain whether rules have been established to empower one of the independent directors to request a board meeting be called or new business included on the agenda, to coordinate and give voice to the concerns of external directors and to direct the assessment by the Board of Directors.

NO

**B.1.22 Are reinforced majorities required, other than the legal majorities, for any type of resolution?**

YES

Indicate how resolutions are adopted in the board of directors, giving at least the minimum quorum for attendance and the type of majorities required to adopt resolutions:

**DESCRIPTION OF RESOLUTION**

The transfer of shares in subsidiary companies, if this involves the loss of status as majority shareholder or direct or indirect control over them.

**QUORUM**

%

There are no specific bylaw requirements regarding the quorum for this resolution, but the favourable vote of three quarters of the members of the Board is required and therefore this minimum quorum of attendance is required.

75%

**TYPE OF MAJORITY**

%

Favourable vote of three quarters of the members of the Board of Directors.

75%

**B.1.23 Explain whether there are specific requirements, other than those regarding directors, to be appointed chairman.**

NO

**B.1.24 Indicate whether the chairman has a casting vote:**

YES

**CIRCUMSTANCES REQUIRING A CASTING VOTE**

The Chairman has a casting vote in the event of a tie.

**B.1.25 Indicate whether the bylaws or the board regulations establish any age limit for directors:**

YES

AGE LIMIT FOR CHAIRMAN	AGE LIMIT FOR MANAGING DIRECTOR	AGE LIMIT FOR DIRECTOR
70	65	70

**B.1.26 Indicate whether the bylaws or the board regulations establish any limit for independent directors' term of office:**

YES

Maximum number of years in office

12

**B.1.27** If there are few or no female directors, explain the reasons and the initiatives adopted to correct the situation.

**EXPLANATION OF REASONS AND INITIATIVES**

The new SISTEMA MAPFRE Code of Good Governance and the new Board Regulations expressly state that when the Appointments and Remuneration Committee puts forward its proposals, it must ensure that it takes into consideration candidates of both sexes who meet the requirements for the vacancy, and that the selection procedure is not marred by implicit biases that may hinder the selection of people of sex or another.

In particular, indicate whether the Appointments & Remuneration committee has established procedures for selecting female directors, and deliberately seeks entrants meeting the required profile:

YES

**DESCRIBE THE MAIN PROCEDURES**

The Appointments and Remuneration Committee must ensure that it takes into consideration candidates of both sexes who meet the requirements for the vacancy.

**B.1.28** Indicate whether there are formal processes for delegating votes on the board of directors. If so, describe them briefly.

There are no formal procedures for delegating votes on the board of directors.

**B.1.29** Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the board has met without the chairman in attendance:

Number of board meetings	8
Number of board meetings not attended by the chairman	0

Indicate the number of meetings the board's different committees have held during the year:

Number of Executive or Delegated Committee meetings	13
Number of Audit Committee meetings	6
Number of Appointments & Remuneration committee meetings	6

**B.1.30** Indicate the number of meetings the Board of Directors has held during the year without the attendance of all its members. In calculating this number, non-attendance shall mean proxies given without specific instructions:

Number of non-attendances by directors during the year	7
% of number of non-attendances to total votes during the year	3.760

**B.1.31** Indicate whether the individual and consolidated financial statements presented to the board's approval are certified beforehand:

YES

Where applicable, identify the person(s) who has(have) certified the individual and consolidated financial statements to be filed by the board:

NAME	POST
MR. ESTEBAN TEJERA MONTALVO	DIRECTOR - DIRECTOR GENERAL
MR. JOSÉ MANUEL MURIES NAVARRO	DIRECTOR GENERAL OF INTERNAL AUDIT
MR. CARLOS BARAHONA TORRIJOS	CHIEF FINANCIAL OFFICER

**B.1.32** Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the AGM with a qualified audit report.

The company has never issued financial statements with a qualified auditors' report.

The company has Internal Audit and Legal Affairs Departments that oversee all aspects of the annual accounts, and the MAPFRE Audit Committee, which is a Board committee that was set up for this purpose and with supervisory powers in the financial year 2000.

According to the MAPFRE Code of Good Governance, the Board of Directors must do everything possible to issue the financial statements with an unqualified audit report. However, should the Board deem it pertinent to uphold its opinion, it must publicly explain the content and scope of any discrepancy.

**B.1.33** Is the Secretary also a Board Member?

YES

**B.1.34 Explain the appointment and severance procedures for the Secretary of the Board, indicating whether his/her appointment and severance have been reported to the Appointments committee and approved by the Board in a plenary meeting.**

**APPOINTMENT AND SEVERANCE PROCEDURE**

According to Article 15 of the by laws and article 2 of the Board Regulations, the Board of Directors is responsible for appointing and removing the Secretary, following a report from the Appointments and Remuneration Committee.

Does the Appointment committee have a say in his/her appointment?	YES
Does the Appointment committee have a say in his/her severance?	YES
Does the board approve the appointment?	YES
Does the board approve the severance?	YES

Does the secretary of the board have the duty to take special care in overseeing good governance recommendations?.

YES

**B.1.35 Indicate what mechanisms the company has established, if any, to preserve the independence of the auditor, the financial analysts, the investment banks and the rating agencies.**

In addition to abiding by statutory provisions, the company has decided to voluntarily propose compliance with a number of general guidelines that clearly and precisely aim to achieve and uphold the necessary independence of the external auditors in such regard as is advocated by the MAPFRE Code of Good Governance that lays down the following criteria for the Boards of Directors in their relationship with external auditors:

- The relationship of the Board of Directors with the Company's External Auditors will be maintained through the Audit Committee.
- The Board of Directors will refrain from hiring any auditor's office firms that are paid or will be paid annual fees by the MAPFRE Group that, for all items, exceed 5% of their total revenues.
- In the annual public documents, the Board will report the overall fees paid by the Company and its consolidated Group to the audit firm for any services rendered other than audit services.

Apart from the Audit Committee's powers and duties as specified in the bylaws and the Board Regulations, the Audit Committee will be informed at least once every six months of all services rendered by the external auditor and their corresponding fees.

Every year, the Audit Committee will assess the Accounts Auditor, the scope of the audit and the external auditor's independence, considering whether the quality of the audit control measures is adequate and any services other than accounts audit services are compatible with the auditor's independence.

In accordance with the provisions of the Internal Code of Conduct regarding listed securities issued by the Company which sets out the procedures relating to the publication of relevant information, financial analysts will not be provided with any information that is not available to the public at large.

**B.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:**

NO

Outgoing auditor Incoming auditor

If there were disagreements with the outgoing auditor, explain their grounds:

NO

**B.1.37 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees in the total fees charged to the company and/or its group:**

YES

	COMPANY	GROUP	TOTAL
Amount for work other than audit (THOUSAND EUROS)	674	595	1,269
Amount of work other than audit / total amount billed by the audit firm (%)	82.490	10.030	18,800

**B.1.38 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chairman of the Audit committee to explain the content and scope of such reservations or qualifications.**

NO

**B.1.39** Indicate the number of years during which the current audit firm has been doing the audit of the financial statements for the company and/or its group without interruption. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	COMPANY	GROUP
Number of years running	19	19
	COMPANY	GROUP
Number of years audited by current audit firm / number of years the company has been audited (%)	100.000	100.000

**B.1.40** Indicate the holdings of the company's Board Members in the capital of institutions that have the same, an equivalent or a supplementary kind of activity to that of the corporate object of the company and its group, that have been communicated to the company. Indicate the posts or duties they exercise in these institutions. Indicate the posts or duties they exercise in these institutions:

NAME OF DIRECTOR (PERSON OR COMPANY)	NAME OF INSTITUTION	% HOLDING	POST OR DUTIES
MR. ALBERTO MANZANO MARTOS	ACS	0.000	-
MR. ALBERTO MANZANO MARTOS	ALLIANZ	0.000	-
MR. ALBERTO MANZANO MARTOS	BBVA	0.000	-
MR. ALBERTO MANZANO MARTOS	BNP PARRIBAS	0.000	-
MR. ALBERTO MANZANO MARTOS	BANCO ESPAÑOL DE CRÉDITO	0.000	-
MR. ALBERTO MANZANO MARTOS	BANCO POPULAR ESPAÑOL	0.000	-
MR. ALBERTO MANZANO MARTOS	BSCH	0.000	-
MR. ANTONIO MIGUEL-ROMERO OLANO	BSCH	0.000	-
MR. ANTONIO MIGUEL-ROMERO OLANO	BBVA	0.000	-
MR. FRANCISCO VALLEJO VALLEJO	BANCO URQUIJO, S.A.	0.000	CHAIRMAN
MR. FRANCISCO VALLEJO VALLEJO	COMPAÑÍA ESPAÑOLA DE SEGUROS DE CRÉDITO A LA EXPORTACIÓN (CESCE)	0.000	DIRECTOR

**B.1.41** Indicate and, where applicable, give details on the existence of a procedure for directors to get external advisory services:

YES

#### DETAILS OF THE PROCEDURE

According to the provisions of the MAPFRE Code of Good Governance, and for the purpose of assisting them in the exercise of their office, external directors may, at the cost of the company, request the hire of legal, accounting, finance consultants or other experts. Any such engagement of experts must necessarily be related to specific problems of some import and complexity that arise during the exercise of the office as director.

A decision to engage an expert must be notified to the Chairman of the Company and it may be vetoed by the Board of Directors, provided such the following is shown:

- That it is not necessary for the reasonable exercise of the duties entrusted to the directors.
- That the cost is unreasonable bearing in mind the importance of the problem and the company's assets and revenues.
- That the technical assistance sought may be adequately provided by experts and technicians already employed by the Company.

**B.1.42** Indicate and, where applicable, give details on the existence of a procedure for directors to get the information they need to prepare the meetings of the governing bodies in sufficient time:

YES

#### DETAILS OF THE PROCEDURE

All documents must in general be sent at least three full days in advance. In particular, when documents are sent for delivery on a Friday or on the eve of a bank holiday, it must be ensured that they are delivered in the morning of the said day no later than 12:00 noon.

This aspect is specifically analysed by the Board of Directors at its annual self-assessment session, based on the report received from the Compliance Committee, which is also entrusted with monitoring the effectiveness of the procedure organised.

**B.1.43** Indicate and, where applicable give details, whether the company has established rules obliging directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation.

YES

#### EXPLAIN THE RULES

Directors must place their office/s at the disposal of the Board of Directors, both as director and any office they hold on any Committee thereof, and formalise any resignation should the Board deem it necessary, in the following cases:

- When they cease to hold executive office associated with their appointment as a member of said management bodies.



- Should they become subject to any disqualification or prohibition laid down at law.
  - If they are accused of allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
  - If they receive any serious warning from the Compliance Committee due to any infringement of their duties as director.
  - When they are affected by circumstances in which their remaining on any such management bodies might cause damage to the Company's credit or reputation, or place its interests at risk.
  - If the reasons, if any, for which they were expressly appointed cease to apply.
- 

**B.1.44** Indicate whether any board member has informed the company of being sued or having any court proceedings opened against him or her for any of the offences listed in article 124 of the Spanish Corporations Act:

NO

Indicate whether the board of directors has analysed the case. If so, explain the grounds for the decision reached as to whether or not the director should remain on the board.

NO

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**DECISION TAKEN**

**REASONED EXPLANATION**

Should remain / Should not remain

---

**B.2. Board of Directors' Committees**

**B.2.1** List all the Board of Directors' committees and their members:



#### EXECUTIVE OR STEERING COMMITTEE

NAME	POST	TYPES
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CHAIRMAN	EXECUTIVE
MR. ALBERTO MANZANO MARTOS	1 <sup>ST</sup> VICE-CHAIRMAN	EXECUTIVE
MR. FRANCISCO RUIZ RISUEÑO	2 <sup>ND</sup> VICE-CHAIRMAN	NOMINEE
MR. FILOMENO MIRA CANDEL	3 <sup>RD</sup> VICE-CHAIRMAN	EXECUTIVE
MR. IGNACIO BAEZA GÓMEZ	MEMBER	EXECUTIVE
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	NOMINEE
MR. ANTONIO HUERTAS MEJÍAS	MEMBER	EXECUTIVE
MR. ANDRÉS JIMÉNEZ HERRADÓN	MEMBER	EXECUTIVE
MR. ESTEBAN TEJERA MONTALVO	MEMBER	EXECUTIVE
MR. JOSÉ MANUEL GONZÁLEZ PORRO	SECRETARY- MEMBER	EXECUTIVE

#### AUDIT COMMITTEE

NAME	POST	TYPES
MR. LUIS ITURBE SANZ DE MADRID	CHAIRMAN	INDEPENDENT
MR. RAFAEL BECA BORREGO	MEMBER	INDEPENDENT
MR. SEBASTIÁN HOMET DUPRA	MEMBER	NOMINEE
MR. MANUEL JESUS LAGARES CALVO	MEMBER	INDEPENDENT
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	NOMINEE
MR. JOSÉ MANUEL GONZÁLEZ PORRO	SECRETARY- MEMBER	EXECUTIVE

#### APPOINTMENTS AND REMUNERATION COMMITTEE

NAME	POST	TYPES
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CHAIRMAN	EXECUTIVE
MR. ALBERTO MANZANO MARTOS	1 <sup>ST</sup> VICE-CHAIRMAN	EXECUTIVE
MR. FRANCISCO RUIZ RISUEÑO	2 <sup>ND</sup> VICE-CHAIRMAN	NOMINEE
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	NOMINEE
MR. ALFONSO REBUELTA BADÍAS	MEMBER	NOMINEE
MR. MATÍAS SALVÁ BENNASAR	MEMBER	INDEPENDENT
MR. FRANCISCO VALLEJO VALLEJO	MEMBER	INDEPENDENT

#### COMPLIANCE COMMITTEE

NAME	POST	TYPES
MR. FRANCISCO RUIZ RISUEÑO	CHAIRMAN	NOMINEE
MR. RAFAEL FONTOIRA SURIS	MEMBER	INDEPENDENT
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	NOMINEE
MRS. FRANCISCA MARTÍN TABERNERO	MEMBER	INDEPENDENT

### B.2.2 Mark with a cross the duties assigned to the Auditing Committee:

	YES	NO
To supervise the process of drawing up the financial information and its integrity for the Company and its Group, reviewing compliance with regulatory requirements, suitable scope of the consolidation perimeter and the correct application of accounting principles.	YES	
To periodically review the systems of internal risk management and oversight to ensure the main risks are identified, managed and sufficiently well known.	YES	
To ensure the independence and efficacy of the internal audit. To propose the selection, appointment, re-election and severance of the internal audit officer. To propose the budget for the internal audit service. To receive periodic information on their activities; And to check that the senior management takes the conclusions and recommendations of their reports into account.	YES	
To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.	YES	
To put to the Board the proposals for selection, appointment, re-election and substitution of the external auditor and the terms and conditions of engagement.	YES	
To receive regular information from the external auditor on the audit plan and the outcome of its execution, verifying that the senior management takes due note of its recommendations.	YES	
To ensure the independence of the external auditor	YES	
In the Group, to help the Group auditor take responsibility for the auditing of the companies comprising it.	YES	

### B.2.3 Give a description of the rules governing the organisation and running of each of the board committees and the responsibilities attributed to each.

#### STEERING COMMITTEE

The Committee is a delegated body of the Board of Directors, responsible for the senior management and permanent oversight of the strategic and operational aspects of the company's and its subsidiaries' ordinary business affairs. It also makes any decisions necessary to operate properly, all subject to the powers the Board delegates to it from time to time.

The Committee shall have a maximum of twelve members, all of whom are members of the Board of Directors. Its Chairman, First and Second Vice-Chairmen and Secretary will automatically be the people who hold such posts on the Board, which will appoint the members, up to a maximum of twelve members. It may also appoint a Vice-Secretary, who will not be entitled to vote.

#### AUDIT COMMITTEE

The Audit Committee has a minimum of three and a maximum of seven members, who will be appointed by the Board in view of the knowledge, skills and experience of its directors, especially with regard to accounting, audit and risk management issues. The majority of the members, including the Chairman, will be non-executive directors. The Secretary of this Committee will be the Secretary to the Board of Directors. This Committee shall have the following powers:

a) To verify that the Annual Accounts, and the half-yearly and quarterly financial statements and other financial information that must be filed with regulatory or supervisory bodies are true, complete and sufficient; that they have been issued according to the accounting rules and criteria in force internally as laid down by the MAPFRE General Secretariat; and that they are provided on time and with the correct content.

To submit proposals to the Board of Directors for submission to the Annual General Meeting regarding the appointment of an External Auditor for the company, and to be given information on his conduct in office and about any matter or circumstance that might affect his/her independence.

c) To supervise the activities of the Internal Audit Department, for which purpose it shall have full access to its action plans, the results of its work, and the follow-up of any recommendations and suggestions of the external and internal auditors.

d) To be acquainted with the company's financial information and internal control process, and to make any observations or recommendations it may deem pertinent for the purposes of improving it.

e) To inform the Shareholders in General Meeting about any matter that falls within its jurisdiction.

f) To issue an annual report on its duties and the activities performed during the financial year, for submission to the Annual General Meeting.

#### APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee is a delegated body of the Board of Directors, responsible for the coordinated development of the appointment and remuneration policy of Senior Representative and Management Officers of MAPFRE, even though these powers are attributed by law and the bylaws to the Company's representative and management bodies.

The Appointments and Remuneration Committee has a maximum of seven members, most of whom are non-executive directors.

#### COMPLIANCE COMMITTEE

This is the Board Committee responsible for overseeing the correct application of the code of good governance that must rule in the company.

These duties are performed without prejudice to any legal and bylaw powers attributed to the company's representation and management bodies.

The Committee monitors the application of the code of good governance in force from time to time and it may, if pertinent, propose any measures to improve the same and to update them, whenever necessary.

The Compliance Committee has five members, all of whom are non-executive directors. Its Chairman will automatically be the 2<sup>nd</sup> Vice-Chairman of the Board of Directors.

The Committee may appoint a Minutes Secretary who will be elected from the members of the MAPFRE Legal Department Head Office.

#### **B.2.4 Indicate the powers of advice, queries and, where applicable, proxies for each of the commissions:**

<b>NAME OF COMMITTEE</b>	<b>BRIEF DESCRIPTION</b>
STEERING COMMITTEE	COORDINATION AND SUPERVISION OF STRATEGIC AND OPERATIONAL ASPECTS OF THE ORDINARY BUSINESS AFFAIRS OF THE COMPANY AND ITS SUBSIDIARIES
AUDIT COMMITTEE	VERIFY FINANCIAL INFORMATION, PROPOSAL TO APPOINT EXTERNAL AUDITOR AND SUPERVISION OF INTERNAL AUDIT
APPOINTMENTS AND REMUNERATION COMMITTEE	COORDINATED DEVELOPMENT OF THE APPOINTMENT AND REMUNERATION POLICY APPLICABLE TO SENIOR MANAGEMENT AND REPRESENTATIVE OFFICERS
COMPLIANCE COMMITTEE	SUPERVISION OF THE CORRECT APPLICATION OF THE CODE OF GOOD GOVERNANCE IN FORCE IN THE COMPANY

#### **B.2.5 Indicate, where applicable, the existence of regulations for the board committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.**

##### EXECUTIVE OR STEERING COMMITTEE

Regulated in the bylaws and in the Board Regulations.

The Board Regulations were amended on 20<sup>th</sup> July 2008 to adapt them as necessary to the new SISTEMA MAPFRE Code of Good Governance and is available on the company's website, www.mapfre.com, in the official registers held by the Spanish Securities Market Commission and in the Madrid Companies Registry.

#### AUDIT COMMITTEE

Regulated in the bylaws and in the Board Regulations.

The Board Regulations were amended on 20<sup>th</sup> July 2008 to adapt them as necessary to the new SISTEMA MAPFRE Code of Good Governance and is available on the company's website, www.mapfre.com, in the official registers held by the Spanish Securities Market Commission and in the Madrid Companies Registry.

Three years ago, the Audit Committee began publishing an annual report on its activities, which is made available to shareholders at the Annual General Meeting.

#### APPOINTMENTS AND REMUNERATION COMMITTEE

Provided for in the Bylaws and regulated in the Board Regulations.

The Board Regulations were amended on 20<sup>th</sup> July 2008 to adapt them as necessary to the new SISTEMA MAPFRE Code of Good Governance and is available on the company's website, www.mapfre.com, in the official registers held by the Spanish Securities Market Commission and in the Madrid Companies Registry.

Since 2008, the company publishes an annual report on its remuneration policy, which is put to the vote, on a on a consultative basis and as a separate point on the agenda, at the Annual General Meeting.

#### COMPLIANCE COMMITTEE

Provided for in the Bylaws and regulated in the Board Regulations.

The Board Regulations were amended on 20<sup>th</sup> July 2008 to adapt them as necessary to the new SISTEMA MAPFRE Code of Good Governance and is available on the company's website, www.mapfre.com, in the official registers held by the Spanish Securities Market Commission and in the Madrid Companies Registry.

#### **B.2.6 Indicate whether the composition of the executive committee reflects the participation on the board of different directors as a function of their condition:**

NO

#### **IF NOT, EXPLAIN THE COMPOSITION OF THE EXECUTIVE COMMITTEE**

The Steering Committee is an executive management body, and therefore consists of executive directors (majority) and external nominee directors.

## C. Related-party transactions

**C.1** State whether the board in plenary session has reserved the powers to approve, on the basis of a favourable report from the Audit Committee or any other entrusted with such a report, the transactions in which the company engages with directors, significant shareholders or shareholders represented on the board or parties related to them:

YES

**C.2** List the relevant transactions entailing a transfer of resources or obligations between the company or its group companies, and the company's significant shareholders:

**C.3** List the relevant transactions entailing a transfer of resources or obligations between the company or its group companies, and the company's directors and/or senior managers:

**C.4** List the relevant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's habitual traffic with respect to its object and conditions:

**C.5** Indicate whether the board members have come across any situation of conflicting interests during the year, as defined under article 127 of the Spanish Corporations Act.

NO

**C.6** List the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

All directors and managers must make a Prior Declaration at the time of their appointment with regard to these matters. Furthermore, they are required to update this Declaration on a regular basis, and whenever a potential situation of conflict arises.

Likewise, the MAPFRE Code of Good Governance and the Internal Code of Conduct regulates the special duties within the scope of potential conflicts of interest.

The final decision on these matters is reserved to the Board of Directors, after examination by the company's Appointments and Remuneration Committee or the MAPFRE Institutional Control Committee. There is a special procedure for the approval of resolutions with regard to matters where there is a potential conflict of interest with a board member. The board member in question must refrain from attending or participating in these decisions.

**C.7** Are more than one of the group's companies listed in Spain as publicly traded companies?

NO

Identify listed subsidiaries:

## D. Systems of risk control

**D.1** Give a general description of risk policy in the company and/or its group, listing and evaluating the risks dealt with by the system, along with an explanation of how far these systems match the profile of each type of risk.

### Risk management objectives, policies and processes

MAPFRE has a Risk Management System (SGR) in place based on the integrated management of each and every one of the entity's business processes, and on the adaptation of the risk level to the established strategic objectives. The different types of risks have been grouped under four areas, or categories, as detailed below:

Operational Risks	Includes twenty-three types of risks grouped under the following areas: actuarial, legal, technology, staff, collaborators, procedures, reporting, fraud, market and tangible assets.
Financial Risks	Includes interest rate, liquidity, exchange rate, market and credit risks.
Insurance Activity Risks	It groups, separately for Life and Non Life, risks arising from inadequacy of premiums, adequacy of technical provisions and reinsurance.
Strategic and Corporate Governance Risks	Includes the corporate ethics and corporate governance risks, and risks on organisational structure, alliances, mergers and acquisitions, regulatory and, lastly, competition risks.

### Centralisation of the Risk Management System

The MAPFRE structure is based on Units and Operating Companies having a high degree of autonomy in their management. The Group's governance and management bodies approve the lines of action of the Units and Companies as regards risk management, and monitor their risk exposures on an on-going basis by means of indicators and ratios. In addition, there are general action guidelines in order to mitigate risk exposure, such as maximum levels of investment in equities or credit rating of reinsurers.

The Economic and Management Control Area, through the Risk Management, coordinates the activities related to the quantification of risks and, in particular, the implementation of capital models in the operating units and the analysis of the quantitative impact of the future Solvency II regulations.



Operating Units have a Risk Coordinator, reporting to the Administration Management, for the implementation of risk policies and risk management in each unit. The coordination of activities for the implementation of Risk Quantification Models is carried out through the Risk and Solvency II Committee. The degree of progress in projects and other significant aspects are reported to MAPFRE's Senior Management through the Audit Committee.

In general terms, decisions on the underwriting of insurable risks and reinsurance covers are highly decentralised in the Units. The aspects related to Operational Risk are supervised centrally, although their implementation and monitoring are delegated to the Units. The management of Strategic and Corporate Governance risks is highly centralised. Financial risks are managed centrally through the Group's Investment General Management.

### Estimation of Risks and Capitals

MAPFRE has in place an internal capitalisation and dividend policy aimed at providing the Units, rationally and objectively, with the required capital to meet the risks they have assumed. Risk estimation is made by means of a standard fixed factors model that quantifies financial risks, credit risks and insurance activity risks. In addition, the level of capital allocated to each Unit will never be lower than the legally required minimum from time to time plus a margin of 10%.

Allocated capital is determined pursuant to an estimation based on the budgets for the following year and is revised at least once a year, according to the evolution of risks.

Certain units require a capitalisation level higher than that arising from the above described general rule, either because they operate in other countries with different legal requirements, or because they are subject to higher financial solvency rules because of their rating. In those cases, MAPFRE's Management Committee determines the capitalisation level on a case by case basis.

### Operational Risks

The identification and assessment of Operational Risks are carried out by means of the computer application Riskmap, developed by MAPFRE, which prepares the entities' risk maps, analysing the significance and probability of occurrence of the different risks.

Likewise, Riskmap is established as the corporate tool to deal with control activities (process manuals, lists of controls associated to risks and assessment of their effectiveness).

The management model for the operational risk is based on a dynamic analysis by business processes, in such a way that the managers of each area or department identify and assess the potential risks affecting the following processes: Product Development, Underwriting, Claims / Benefits,

Administrative Management, Marketing Activities, Human Resources, Commissions, Coinsurance / Reinsurance, Technical Provisions, Investments, IT Systems, and Client Service.

### Financial Risks

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy, with the portfolio being heavily weighted in top quality fixed-income securities.

In the management of investment portfolios, differentiation is made between those seeking to match the obligations arising from insurance contracts and those subject to active management. The former minimise exchange rate risks as well as interest rate and other risks of variation in prices, while the latter maintain a management policy with a certain degree of market risk assumption, along the following lines:

- In the portfolios not covering long term liability commitments, the variable in the management of the interest rate risk is the modified duration; at present, the said magnitude must stand around 5%, with a maximum value of 7%.

- Exposure to exchange rate risk is minimised in the case of insurance liabilities. Exposure to this type of risk may not exceed 10% of assets qualified for the cover.

- Investment in equities is subject to a maximum limit of 17% of the investment portfolio, as well as to concentration limits per country and sector.

- Risk limitations are established in terms of quantitative variables that are easily observable. Nevertheless, risk analysis in probability terms is carried out, according to historical volatilities and correlations.

With respect to credit risk, MAPFRE's policy is based on holding a diversified portfolio comprising securities being prudently selected on the basis of the issuer's solvency.

Investments in fixed income and equity securities are subject to concentration limits per activity sector and per issuer.

### Insurance Activity Risks

The organisation of MAPFRE, based on Units and Companies specialising in various business lines, requires them to be highly autonomous in their business management, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of occurrences. Premium adequacy is a particularly important element, and its determination is supported by specific computer applications.

Treatment of claim related benefits, together with the adequacy of provisions, are basic principles of insurance activity. Technical provisions are estimated by the actuarial teams of the different Units and Companies and in

certain cases are also reviewed by independent experts. The prevalence of the personal damages business line in MAPFRE, with very short times for the settlement of claims, as well as the scant importance of insured long-tail risks, such as asbestos or professional liability, are elements mitigating this type of risk.

MAPFRE's presence in countries with greater possibilities of occurrence of catastrophes (earthquakes, hurricanes, etc.) requires special treatment of this type of risks, which may give rise to volatility in results or need of additional capitals. The Units and Companies operating in this type of risks, essentially MAPFRE AMÉRICA, MAPFRE INTERNACIONAL and MAPFRE RE, count on expert reports on catastrophe exposure, generally prepared by independent experts, which estimate the impact on insured assets in the event of occurrence of catastrophes. The underwriting of catastrophic risks is made according to this information and to the economic capital available to the company that underwrites them. When applicable, the equity exposure to this type of risks is mitigated by taking specific reinsurance covers. In this connection, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophic risk market.

In relation to reinsurance risk, MAPFRE's policy is to cede business to reinsurers with proven financial capacity (minimum A credit rating by Standard & Poor's).

### **Strategic and Corporate Governance Risks**

The ethical principles applied to corporate management have been a constant feature at MAPFRE and form part of its bylaws and of its day to day work. In order to standardise this corporate culture and adapt it to the legal governance and transparency requirements in management, MAPFRE's Management Bodies approved in 2005 a revised version of the Good Governance Code, initially implemented in 1999. The strict application of Good Corporate Governance principles is considered by MAPFRE as the most efficient way for mitigating this type of risks.

### **D.2 Indicate if any of the risks facing the company and/or its group (operational, technological, financial, legal, reputational, tax, etc) have materialised:**

YES

If so, indicate the circumstances and whether the control systems worked properly.

<b>RISK MATERIALISED IN THE FINANCIAL YEAR</b>	<b>CIRCUMSTANCES THAT LED TO THIS</b>	<b>OPERATION OF THE CONTROL SYSTEMS</b>
MARKET RISK	The financial year 2008 saw exceptionally sharp falls in the market value of the investments and especially of the debt issued by the private sector.	This resulted in a significant loss of value for fixed-income security investments, which was limited by the portfolio's high proportion of public debt and the high quality of the debt issued by the private sector. Thus, as at 31 <sup>st</sup> December 2008, MAPFRE S.A.'s net consolidated equity was 494.5 million euros lower on account of valuation adjustments to the investments. Investment impairment losses amounting to 45.9 million euros were recorded in the income statement.
EXCHANGE RATE RISK	Depreciation of the euro against the US dollar and appreciation against the Turkish lira.	The effect has been limited by diversifying the business in countries, which has led to a reduction in net consolidated equity as at 31 December 2008 of 116.4 million euros on account of exchange differences.

**D.3 Indicate whether there is any committee or other governing body in charge of establishing and supervising these control systems:**

YES

If so, give details of what their duties are

<b>NAME OF THE COMMITTEE OR BODY</b>	<b>DESCRIPTION OF DUTIES</b>
BOARD OF DIRECTORS AND STEERING COMMITTEE	The Group's Governing Bodies approve the Units' risk management-related courses of action, and permanently supervise the Units' risk exposure through indicators and ratios. In addition, there are general instructions on procedures for mitigating this exposure, such as maximum levels of investment in equities, or the credit rating of re-insurers.
RISKS AND SOLVENCY II COMMITTEE	Set up in September 2007, it is responsible for co-ordinating the drawing-up of suitable capital models and the Group-wide implementation of the measures necessary for the application of the future solvency regulations.

**D.4 Identify and describe the compliance processes for the regulations and standards affecting the company and/or its group.**

The Group's Secretariat General is responsible for issuing instructions and monitoring compliance with the various regulations affecting the company and the group. The Directorate-General of Internal Auditing performs a systematic process for the review of compliance with the various regulations affecting the subsidiaries of the group.



## E. Annual General Meeting (AGM)

**E.1** Indicate and where applicable give details, whether there are any differences from the minimum standards established under the Spanish Corporations Act with respect to the quorum and constitution of the General Meeting.

NO

	% QUORUM DIFFERENT FROM QUORUM IN ART. 102 OF THE SPANISH CORPORATIONS ACT	% QUORUM DIFFERENT FROM QUORUM IN ART. 103 OF THE CORPORATIONS ACT, FOR THE SPECIAL CASES CITED IN ART. 103
Quorum required on first summons		
Quorum required on second summons		

**E.2** Indicate and where applicable give details, whether there are any differences from the minimum standards established under the Spanish Corporations Act with respect to the adoption of corporate resolutions:

YES

Describe any differences from the guidelines established under the Spanish Corporations Act.

### DESCRIBE THE DIFFERENCES

Pursuant to the provisions of Article 25 of the company by-laws, the amendment of the provisions of Title IV "Protection of the Company's General Interest" (Articles 25 to 30) can only be amended by a resolution approved with the votes in favour of more than fifty per cent of the share capital at the Extraordinary General Meeting specifically called for this purpose.

**E.3** List all shareholders' rights regarding the general meetings different from than those established under the Spanish Corporations Act.

There are no shareholders' rights in the Company other than those established under the Spanish Corporations Act with respect to AGMs.

**E.4** Indicate measures adopted, if any, to encourage shareholder participation at AGMs.

Shareholders have ample and easily-accessible information in order to make decisions and to vote in a reasoned manner at the AGM. They are allowed to participate with no restrictions of any kind other than the courtesy and good order necessary at a public event.

**E.5** Indicate whether the AGM is chaired by the chairman of the board of directors. List measures, if any, adopted to guarantee the independence and correct operation of the AGM:

YES

### DETAILS OF THE MEASURES

Article 11 of the corporate bylaws establishes that the Chairman of the AGM shall be Chairman of the Board of Directors or whoever stands in for him/her in accordance with the provisions of the by-laws.

The Chairman and the Secretary of the AGM ensure that the Meeting is conducted with the utmost respect for shareholders' rights.

To date, no incident has arisen with regard to the smooth running of the general meetings.

**E.6** Indicate any changes brought into the AGM Regulations during the year.

The AGM Regulations were partially amended by a resolution passed at the AGM held on 8<sup>th</sup> March 2008, to expressly include the AGM-related recommendations of the Unified Code of the Spanish Stock Exchange Commission. They are available on the company's website, [www.mapfre.com](http://www.mapfre.com), in the public records of the Spanish Securities Exchange Commission (CNMV), and at the Madrid Companies Registry.

**E.7** Give attendance data on the general meetings held during the year to which this report refers:

DATE OF AGM	ATTENDANCE FIGURES				
	% SHAREHOLDERS PRESENTS	% ATTENDING BY PROXY	% VOTING REMOTELY		TOTAL
			E-VOTING	OTHERS	
08/03/2008	0.120	75.870%	0.000	0.000	75.990%

**E.8** Briefly indicate the resolutions adopted at the general meetings held during the year and the percentage of votes by which each resolution was passed:

At the AGM held on first call on 8<sup>th</sup> March 2008, the resolutions listed below were passed by a majority. 2 shareholders, holding 2,680 shares (0.000118% of the share capital) voted against the resolutions.

— Approval of the individual and consolidated Annual Accounts for financial year 2007.

— Approval of corporate management during 2007.

— Re-election of the director Mr. Luis Iturbe Sanz de Madrid for a further term of four years.

— Appointment to the Board, for a four-year term, of Mr. Esteban Tejera Montalvo, in replacement of Mr. Domingo Sugranyes Bickel.

— Appointment to the Board, for a four-year term, of Mr. Ignacio Baeza Gómez, in replacement of Mr. Agustín Rodríguez García.

— Appointment to the Board, for a four-year term, of Mr. Miguel Blesa de la Parra.

— Appointment to the Board, for a four-year term, of Mr. José Antonio Moral Santín.

— Amendment of article 2, 6, 9 and 16 of the Regulations of the Company's AGM.

— Approval of the merger between MAPFRE, S.A. and MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A., by way of the takeover of the latter by the former, in accordance with the terms laid down in the Merger Project drawn up on 25<sup>th</sup> January 2008 by the Board of Directors.

— Approval of the annual balance sheet closed as at 31<sup>st</sup> December 2007.

— Increase of the company's share capital, as a result of the takeover merger of MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A., in the amount of FORTY MILLION, ONE HUNDRED AND FIFTY-TWO THOUSAND, SEVEN HUNDRED AND SEVENTY-NINE EUROS, THIRTY CENTS (40,152,779.30 euros), by way of the issue and distribution of 401,527,793 ordinary shares with a par value of TEN EURO CENTS (0.10 euros) each, of the same class and series as before, numbered consecutively from 2,275,324,164 to 2,676,851,956, each inclusive.

— Amendment, as a result, of Article 5 of the Corporate By-laws.

— Application for the takeover merger of MAPFRE CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A., to be subject to the special tax regime set forth in Chapter VIII of Title VII of Royal Legislative Decree 4/2004 of 5<sup>th</sup> March, approving the Revised Text of the Corporate Tax Act.

— Apply to Madrid and Barcelona Securities Markets and to the Automated Securities Trading System, for the listing of the 401,527,793 new shares to be issued with a par value of ten euro cents each, and to likewise apply to the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR) that it may likewise proceed at the appropriate time to record the new shares at the Electronic Share Register, and the Board of Directors is hereby conferred powers as broad as may be required by law in order to execute this resolution, including deciding on what date it is to be put into effect.

— Approval of the distribution of earnings proposed by the Board of Directors, and therefore distribute a total dividend of 0.13 euros gross per

share to shares numbers 1 to 2,275,324,163, each inclusive, and of 0.07 euros gross per share to shares numbers 2,275,324,164 to 2,676,851,956, each inclusive. Part of this dividend, in the sum of 0.06 euros gross per share, was anticipated to shares numbers 1 to 2,275,324,163 by way of a resolution of the Board of Directors passed on 5<sup>th</sup> October 2007, and the rest, up to the total agreed, that is to say, 0.07 euros gross per share to all shares, numbers 1 to 2,676,851,956, each inclusive, shall be paid as from 4<sup>th</sup> June 2008.

— To authorize the Board of Directors so that, pursuant to the provisions of section 153 of the Revised Text of the Spanish Corporations Act, it can, during the five years following the date of this resolution, increase the share capital once or several times by up to a maximum of 113,766,208.15 euros, equivalent to 50% of the share capital.

Likewise, the Board of Directors is authorized to delegate the authority conferred under this resolution to the Steering Committee under the provisions of Article 141, number 1, paragraph two of the Revised Text of the Spanish Corporations Act.

— To request that the shares that the company issues as a result of the share capital increase carried out by the Board of Directors under the authorization referred to in the preceding paragraph are listed for trading on the Stock Exchange, pursuant to the provisions of Article 27 b) of the Stock Exchange Regulations, as worded in Royal Decree 1,536/81, and in the same terms and conditions as provided for under the said Article. It is explicitly agreed that, in the event of a subsequent application to exclude the shares from being listed, such decision shall be made with the same formalities, and in this case the interests of any objecting shareholders or shareholders who did not vote for or opposed the resolution, will be guaranteed. The passing of a decision to officially allow listing will amount to a declaration to abide by any rules that may be in force or that may be laid down in the future relating to Securities and Stock Markets, and especially those referring to trading, listing and delisting.

— Confer on the Board of Directors such powers as may be necessary in order to issue bonds, debenture bonds, or any other fixed-income securities (hereinafter, the securities) in accordance with the following terms:

– The securities may consist in simple bonds or debenture bonds, which may be convertible into newly-issued shares, or exchanged for shares in the Company already in circulation, as well as convertible into warrants or other instruments which, directly or indirectly, may entitle holders to subscribe or acquire newly-issued or existing Company shares.

– The Board of Directors shall have the broadest powers in order to proceed to the issue of the securities and to set the characteristics and

conditions for each issue, in particular, by way of example and without implying any limitation, the following:

- to determine the par value, type of issue, premiums and exercise price, issue currency, form of representation, interest rate and amortisation;
- to establish anti-dilution clauses, subordination clauses; to grant guarantees of an in rem or personal nature, for compliance with the duties arising as a result of the issue; to contract with third parties for the issue of guarantees;
- to set, where appropriate, the internal rules for the syndication of debenture holders and to appoint the coordinator; to establish, in the event the issue is convertible and exchangeable, that the issuer reserves the right to opt at any time between the conversion or exchange of the securities being performed by way of the delivery of newly-issued shares, of shares in circulation, or of a combination of both.
- to apply for the securities to be admitted for trading on all kinds of markets, whether organised or not, whether national or foreign; to provide for the exclusion, either in whole or in part, of the right to first refusal pertaining to shareholders and the holders of convertible debentures, warrants, and any other securities of a similar nature, where this should be justified in the interests of the Company.
- to increase the share capital by the amount necessary to meet the requests for conversion and/or exercise of the right to subscribe the shares to the extent that the value of these increases together with that of the others agreed pursuant to the authorisation conferred by the AGM does not exceed one half of the share capital figure; to amend the article of the corporate by-laws with regard to the value of the share capital.

– In the event of the issue of debentures or bonds which are convertible or may be exchanged, the following criteria shall be applicable with regard to the determination of the rules and formats of the conversion or exchange: the conversion or exchange ratio shall be fixed, the fixed-income securities shall be valued at their par value, and the shares shall be valued at the fixed rate as determined by the Board of Directors, or at a rate that may be determined in accordance with the value of the Company's shares as listed on the Stock Exchange on the date/s or over the period/s taken as a reference and laid down in the same Board resolution; however, the price of the shares may not be lower than the higher of (i) the arithmetic mean of the closing prices of the Company's shares on the Automated Securities Trading System during the period to be determined by the Board of Directors, which shall not be more than three months or less than fifteen days, prior to the date on which the Board of Directors meeting approving the issue of the securities is held, and (ii) the

closing price of the shares on the same Automated Securities Trading System on the day before the meeting of the Board of Directors at which, in exercise of this delegation of powers, the issue of the securities is approved.

Within the limits laid down in the previous paragraph, the Board of Directors shall have the broadest powers to develop and determine the rules and formats for the conversion and exchange.

– The issue may be performed one or more times, at any time, within the maximum time limit of five years as from the date on which this resolution is approved.

– The maximum total value of the issues allowed pursuant to this delegation of powers shall be THREE THOUSAND MILLION euros or the equivalent thereof in another currency.

– Endorse the report on the directors' remuneration policy that is submitted to the AGM for consultative purposes.

– Set the fixed allowance in favour of the non-executive directors for membership of the Board of Directors at the sum of 42,200 euros gross, with effect as from 1<sup>st</sup> January 2008. This amount shall apply throughout 2008, and shall be updated for successive years by the same percentage as is laid down for the general wage settlement for the company's staff. The allowance shall be increased by 50% for the chairs or vice-chairs of the Board of Directors or the chairs of a Delegated Committee (non-executive), and there shall be no cumulative increases where one person holds more than one of the said positions.

The remuneration of the members of the Steering and Delegated Committees shall consist in a per diem allowance, which for 2008 shall be set at the sum of 4,220 euros gross, in the case of the Steering Committee, and at the sum of 3,693 euros gross for all other Committees. These sums shall be updated in accordance with the same terms as are set forth in the previous paragraph. When two or more bodies hold joint meetings, only one allowance shall be payable.

– Extend the appointment of the firm Ernst & Young, S.L. as the Company's Accounts Auditors.

**E.9 Indicate the number of shares, if any, that are required to be able to attend the AGM:**

YES

**NUMBER OF SHARES NECESSARY TO ATTEND THE AGM**

1,500

**E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the AGM.**

The company does not pursue any specific policy with regard to voting by proxy at the AGM.

**E.11 Indicate whether the company is aware of the institutional investors' policy regarding whether or not to participate in the company's decision making:**

NO

**E.12 Indicate the address and mode of access to the content on corporate governance on your web-site:**

Access is as follows: [www.mapfre.com](http://www.mapfre.com)

General information

Shareholders and Investors.

## F. Degree of compliance with corporate governance recommendations

Indicate the extent to which the company follows the recommendations of the unified code on corporate governance. Should the company not have complied with any of them, explain the recommendations, standards, practices and/or criteria that the company does apply.

**F.1 The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

See sections: A.9 , B.1.22 , B.1.23 and E.1 , E.2.

Cumplies

**F.2 When a dominant and a subsidiary company are publicly traded, the two should provide detailed disclosure on:**

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

**F.3 Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Meeting for approval or ratification. In particular:**

a) The transformation of listed companies into holding companies through the process of subsidiarisation, subsidiaries, reallocating core activities to subsidiaries that were previously carried out by the holding company, even though the holding company retains full control of the subsidiaries;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively entail the company's liquidation.

Cumplies

**F.4 Detailed proposals of the resolutions to be adopted at the General Meeting, including the information stated in Recommendation 28, should be made available at the same time as publication of the call to meeting.**

Cumplies

**F.5 Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See section: E.8

Cumplies

**F.6 Que las sociedades permitan fraccionar el voto a fin de que los intermediarios financieros que aparezcan legitimados como accionistas, pero actúen por cuenta de clientes distintos, puedan emitir sus votos conforme a las instrucciones de éstos.**

See section: E.4

Cumplies

**F.7 The board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interests and, as such, strive to maximise its value over time.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

**F.8 The board should see its core mission as approving the company's strategy and authorising the organisational resources to carry it forward, and ensuring that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

**a) The Company's general strategies and policies, and in particular:**

- i) The strategic or business plan and the annual management and budgetary targets;
- ii) The investment and funding policy;
- iii) The definition of how the group companies are structured;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy for senior managers' remuneration and performance assessment;
- vii) The policy for overseeing and managing risks, and the periodic monitoring of the internal information and oversight systems.
- viii) The pay-out policy and the treasury-stock policy, especially their limits.

See sections: B.1.10, B.1.13, B.1.14 and D.3

**b) The following decisions:**

- i) At the proposal of the Chief Executive Office, the appointment and possible severance of senior managers, and their compensation clauses.

See section: B.1.14.

- ii) Directors' remuneration and any additional remuneration to executive directors for executive responsibilities and other terms and conditions that their contracts must include;

See section: B.1.14.

- iii) The financial information that the Company, as a publicly traded company, must disclose periodically.

- iv) Investments and/or transactions of any kind, whose high value or special characteristics make them strategic, unless the AGM is charged with approving them;

- v) The creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the Group's transparency.

**c) Transactions between the Company and its directors, its significant shareholders and/or shareholders represented on the board, and/or parties related to them ("related-party transactions").**

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are carried out under arms' length contracts with standard terms and conditions, applicable en masse to a large number of customers;
2. They go through at market rates set in general by the supplier of the goods or services;
3. They are worth less than 1% of the Company's annual revenues.

Related-party transactions should only be approved on the basis of a favourable report from the Auditing Committee or any other committee entrusted with such a report; and the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

The above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Complies



**F.9 In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.**

See section: B.1.1

Explain

The company considers that the size of the Board meets the interests of maximum effectiveness and participation, and is suited to the Group's historical performance and particular circumstances.

**F.10 External, shareholder-nominated and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the ownership interests they control.**

See sections: A.2 , A.3, B.1.3 and B.1.14.

Complies

**F.11 If any external director cannot be considered a shareholder-nominated or an independent director, the company should disclose this circumstance and the affiliations between the director and the company or its senior officers, or its shareholders.**

See section: B.1.3

Not applicable

**F.12 Amongst external directors, the ratio between the number of shareholder-nominated and independent directors should reflect the percentage of shares held by the company that the shareholder-nominated director represents and the remaining share capital.**

This strict proportionality can be relaxed so the percentage of nominee directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested in absolute terms.

2. In companies with a plurality of shareholders represented on the board but not otherwise related to each other.

See sections: B.1.3 , A.2 and A.3

Explain

Even though the shareholders that appoint the nominee directors (9) represent almost 79% of the share capital, there is a large number of independent directors (7).

**F.13 Independent directors should account for at least one third of the total number of seats.**

See section: B.1.3

Explain

The company has established its own criterion in the MAPFRE Code of Good Governance: at least one third of the directors must be independent directors (7) or minority nominee directors (2).

**F.14 The Board should explain the type of each directorship to the AGM that must appoint the director or ratify their appointment. This should be confirmed or reviewed each year in the annual report on corporate governance, after verification by the Appointments & Remuneration committee. Said report should also disclose the reasons for the appointment of nominee directors at the behest of shareholders controlling less than 5% of capital; and it should explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.**

See sections: B.1.3 and B.1.4

Complies

**F.15 If there are few or no female directors, the board should explain the reasons and the initiatives adopted to correct the situation. In particular, the Appointments committee should take steps to ensure that, when vacancies arise:**

a) The procedure for filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board seats.

See sections: B.1.2, B.1.27 and B.2.3.

Complies in part

The Code of Good Governance lays down express rules in this respect for the Appointments and Remuneration Committee.

**F.16 The chairman, who is responsible for the efficient running of the Board, should at all times ensure that the directors receive sufficient prior information for the meetings; encourage directors to debate and participate actively in the meetings, safeguarding their freedom to take their own stance and express their own opinion. He/she should organise and coordinate periodic assessment of the board with the chairs of the relevant committees and with the Bank's managing director or chief executive officer, when this is not also the chairman.**

See section: B.1.42

Complies

**F.17 When a company's chairman is also its chief executive, an independent director should be empowered to request a board meeting be called or new business included on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the chairman.**

See section: B.1.21

Complies in part

Pursuant to article 18 of the company by-laws, any director may request the inclusion of a point on the agenda and so any one of them has the power to make his/her concerns known to the Board of Directors.

A Board meeting may be requested by three directors, irrespective of their type of directorship.

Pursuant to the MAPFRE Code of Good Governance, every year the Board shall evaluate the performance of the Chairman, and where appropriate, the most senior executive officer, should these not be the same person, on the basis of the report drawn up for this purpose by the Appointments and Remuneration Committee.

**F.18 The Secretary should take care to ensure that the board's actions:**

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulators;

b) Comply with the corporate bylaws and the regulations of the general meeting, the board of directors or others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the company secretary, his or her appointment and removal should be proposed by the Appointment committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Complies

**F.19 The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.**

See section: B.1.29

Complies

**F.20 Directors should keep their absences to the bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.**

See sections: B.1.28 y B.1.30

Complies

**F.21 When directors or the company secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them may request they be recorded in the minutes.**

Complies

**F.22 The board in full should evaluate the following points on a yearly basis:**

a) The quality and efficiency of the board's operation;

b) Based on a report submitted by the Appointments committee, how well the chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by such committees.

See section: B.1.19

Complies

**F.23 All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.**

See section: B.1.42

Complies

**F.24 All directors should be entitled to call on the company for the advice and guidance they need to perform their duties. The company should provide suitable channels for the exercise of this right. Under special circumstances it could include external assistance at the company's expense.**

See section: B.1.41

Complies

**F.25 Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Complies

**F.26 Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

a) The directors must inform the Appointments & Remuneration committee of their other professional obligations, in case these interfere with the dedication required to perform their duties.

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Complies

**F.27 The proposal for the appointment or renewal of directors which the board submits to the General Meeting, as well as provisional appointments by co-option, should be approved by the board:**

a) At the proposal of the Appointments committee for independent directors;

b) On the basis of a report by the Appointments Committee for all other directors.

See section: B.1.2

Complies

**F.28 Companies should publish the following director particulars on their website and keep them permanently updated:**

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication as to whether the directorship is executive, shareholder-nominated or independent; in the case of nominee directors, stating the shareholder they represent or to whom they are affiliated;

d) The date of their first and subsequent appointments as a company director, and

e) Shares and/or share options held in the company.

Complies

**F.29 Independent directors should not stay on as such for a continuous period of more than 12 years.**

See section: B.1.2

Complies

**F.30 Nominee directors must resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the number of such nominee directors should be reduced accordingly.**

See sections: A.2 , A.3 and B.1.2

Complies

**F.31 The board of directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the board, based on a report from the Appointments committee. In particular, due cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.**

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Cumple



**F.32 Companies should establish rules obliging directors to inform the board of any circumstance that might undermine the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.**

If a director is indicted or tried for any of the crimes stated in article 124 of the Spanish Corporations Act, the board should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies

**F.33 The directors should clearly express their opposition when they consider that a resolution submitted to the Board may not be in the Company's best interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

When the board adopts material or reiterated resolutions on issues about which a director has expressed serious reservations, said director must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This Recommendation should also apply to the company secretary, even if the secretary is not a director.

Complies

**F.34 If leaving office before the end of its term, the director should explain the reasons in a letter sent to all board members. Whether or not such resignation is filed as a significant event, the reasons for leaving must be explained in the Annual Corporate Governance Report.**

See section: B.1.5

Complies

**F.35 The company's remuneration policy, as approved by its board of directors, should specify at least the following points:**

a) Amount of the fixed components, itemised where applicable, for per diem payments for attending the board and its committee meetings and an estimate of the fixed annual remuneration ensuing on this.

b) Variable remuneration items, including, in particular.

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d) Conditions that the contracts of executive directors in senior management must respect, including:

i) Duration;

ii) Notice periods: and

iii) Any other clauses covering hiring bonuses, as well as indemnities or ring fencing in the event of early termination or rescission of the contractual relationship between company and executive director.

See section: B.1.15

Complies

**F.36 Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-indexed instruments, payments indexed to the company's performance or membership of pension schemes should be confined to executive directors.**

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their term of office.

See sections: A.3 , B.1.3

Complies

**F.37 External directors' remuneration should sufficiently compensate them for the dedication, qualifications and responsibilities that the post entails; but should not be so high as to compromise their independence.**

Complies

**F.38 Deductions should be made to remuneration linked to company earnings, for any qualifications stated in the external auditor's report that reduce such earnings.**

Complies

**F.39 In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.**

Complies

**F.40 The board should submit a report on the directors' remuneration policy to the advisory vote of the General Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.**

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will highlight the most significant changes in these policies compared to those applied during the year prior to that put before the AGM. It will also include a global summary of how the remuneration policy was applied during said prior year.

The board should also report to the General Meeting on the role of the Remuneration committee in designing the policy, and identify any external advisors engaged.

See section: B.1.16

Complies

**F.41 The notes to the annual accounts should list individual directors' remuneration in the year, including:**

a) Itemisation of each company director's remuneration, to include where appropriate:

- i) Attendance fees and other fixed payments for directorship;
- ii) Additional remuneration for acting as chairman or member of a board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) The payments made to any director's defined-benefit pension scheme; or increase in the director's vested rights when linked to contributions to defined-benefit schemes:

v) Any severance packages agreed or paid;

vi) Any remuneration they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) A breakdown of shares, share options or other share-based instruments delivered to each director, itemised by:

i) Number of shares or options awarded in the year, and the terms set for exercising the options;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relationship in the previous year between the remuneration obtained by executive directors and the company's earnings or any other measure of performance.

Complies in part

The whole recommendations is complied with, except for the information on remuneration which is supplied in aggregate form by director categories, but broken down in a sufficiently explanatory way.

**F.42 When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.**

See sections: B.2.1 and B.2.6

Explain

The company has its own criterion, configuring it as a delegated body that is fully executive, with the presence of the senior managers of the main bodies of the Group, and with the presence of two external nominee directors.

**F.43 The board should be kept fully informed of the business transacted and resolutions adopted by the Executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Complies

**F.44 In addition to the Audit committee mandatory under the Securities Market Act, the board of directors should form a committee, or two separate committees, for appointments and remuneration.**

The rules governing the composition and operation of the Auditing committee and the committee(s) for appointments and remuneration should be set forth in the board regulations, and include the following:

a) The board of directors should appoint the members of such committees in view of the knowledge, skills and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full board meeting following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior management may also attend meetings at the committees' express invitation.

c) These committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3

Complies in part

All recommendations are complied with except for sections b) and c). Both Committees have executive directors and the chairman of the

Appointments and Remuneration Committee is not an independent board member.

**F.45 The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Auditing committee, the appointments committee or, as the case may be, separate compliance or corporate governance committees.**

Complies

**F.46 All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management.**

Complies

**F.47 Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.**

Complies

**F.48 The head of internal audit should present an annual work programme to the audit committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.**

Complies

**F.49 The oversight and risk management policy should specify at least:**

a) The different types of risk (operational, technological, financial, legal, reputational, etc) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The level of risk that the company considers acceptable;

c) The measures established to mitigate the impact of the risks identified, should they materialise;

d) The internal oversight and reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Complies

**F.50 The Audit committee's role should be:**

**1. With respect to internal control and reporting systems:**

a) To supervise the process of drawing up the financial information and its integrity for the Company and its Group, reviewing compliance with

regulatory requirements, suitable scope of the consolidation perimeter and the correct application of accounting principles.

b) To periodically review the systems of internal risk management and oversight to ensure the main risks are identified, managed and sufficiently well known.

c) To ensure the independence and efficacy of the internal audit. To propose the selection, appointment, re-election and severance of the internal audit officer. To propose the budget for the internal audit service. To receive periodic information on their activities; and to check that the senior management takes the conclusions and recommendations of their reports into account.

d) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.

## 2. With respect to the external auditor:

a) To put to the Board the proposals for selection, appointment, re-election and substitution of the external auditor and the terms and conditions of engagement.

b) To receive regular information from the external auditor on the audit plan and the outcome of its execution, verifying that the senior management takes due note of its recommendations.

c) To ensure the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same;

ii) Also to ensure that the company and the external auditor respect prevailing standards on the provision of services other than auditing, the limits on concentration of the auditor's business and, in general, other standards established to guarantee auditors' independence;

iii) Should the external auditor resign, to examine the circumstances leading to the resignation.

d) In groups, to help the group auditor take responsibility for auditing the companies belonging to it.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

**F.51 The Auditing committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Complies

**F.52 The audit committee should prepare information on the following points from Recommendation 8 for input to board decision-making: 8:**

a) The financial information that the Company, as a publicly traded company, must disclose periodically. The committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;

b) The creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the Group's transparency.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

**F.53 The board of directors shall try to avoid the accounts it has filed being presented to the AGM with reservations and qualifications. When this is not possible, both the chair of the Audit committee and the auditors must clearly explain the content and scope of discrepancies to the markets and shareholders.**

See sections: B.1.38

Complies

**F.54 The majority of appointments committee members –or appointments & remuneration committee members as the case may be– should be independent directors.**

See sections: B.2.1

Explain

The company has its own criterion with regard to the proper make-up of the Appointments and Remuneration Committee (which may be seen in detail in sub-section B.2.1. of this report).

**F.55 The appointments committee should have the following duties in addition to those stated in earlier recommendations:**

a) Evaluate the balance of skills, knowledge and experience required on the board, define the roles and capabilities required of the candidates to fill each vacancy accordingly, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in the manner it deems suitable, the succession of the chairman and/or chief executive officer and put corresponding proposals to the board for an orderly, well-planned succession.

c) Report on the senior officer appointments and removals that the chief executive proposes to the board.

d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this code.

See section: B.2.3

Complies

**F.56 The appointments & remuneration committee shall consult with the company chairman and the chief executive officer with respect to matters related to executive directors.**

Any board member may suggest directorship candidates to the appointment committee for its consideration.

Complies

**F.57 The appointments committee should have the following duties in addition to those stated in earlier recommendations:**

a) Make proposals to the Board of Directors regarding:

i) The policy for directors' and senior managers' remuneration;

ii) The individual remuneration and other contractual conditions of executive directors;

iii) The core conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Complies

**F.58 The appointments & remuneration committee shall consult with the company chairman and the chief executive officer, especially with respect to matters related to executive directors and senior managers.**

Complies

## G. Other information of interest

List and explain below the contents of any relevant principles or aspects of corporate governance applied by the company that have not been covered by this report.

This section may include any other relevant information, clarification or detail related to previous sections of the report.

Specifically indicate whether the company is subject to corporate governance legislation from any country other than Spain and, if so, include the compulsory information to be provided when different from that required by its report.

**Binding definition of independent director.**

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders and/or its executives which, if sufficiently significant, would have meant that the director could not be considered independent under the definition given in section 5 of the unified code of good governance:

NO

Date and signature

This annual report on corporate governance has been approved by the Company's Board of Directors on 04/02/2009

Indicate whether any members have voted against or abstained with respect to the approval of this report.

NO