



**Corporate  
Governance Report**

## A. OWNERSHIP STRUCTURE

### A.1. Share capital

Date last modified	Share capital (€)	Number of shares
27-04-2006	119,450,353.00	1,194,503.530

All shares are of the same class.

### A.2. Significant participations as at the end of the year, excluding directors

Name or corporate name of shareholder	Number of direct shares	Number of indirect shares (*)	% of total share capital
FUNDACIÓN MAPFRE	0	661,074,885	55.343

(\*) Through:

Name or corporate name of the direct holder of the participation	Number of direct shares	% of total share capital
CARTERA MAPFRE, S.L.	659,019,465	55.171
MAPFRE AUTOMÓVILES	2,055,420	0.172
<b>Total:</b>	<b>661,074,885</b>	<b>55.343</b>

### MOST SIGNIFICANT MOVEMENTS IN THE SHAREHOLDER STRUCTURE OCCURRING DURING THE YEAR

Name or corporate name of shareholder	Date of transaction	Description of the transaction
CARTERA MAPFRE, S.L.	14-06-2006	55% of the share capital has been exceeded
MAPFRE MUTUALIDAD DE SEGUROS Y REASEGUROS A PRIMA FIJA	14-06-2006	55% of the share capital has been reduced

### A.3. Members of the Board of Directors of the company who hold shares in the company

Name or corporate name of shareholder	Date first appointed	Date last re-appointed	Number of direct shares	Number of indirect shares (*)	% of total share capital
Mr. FRANCISCO RUIZ RISUEÑO	12-3-2003	29-3-2003	50	0	0.000
Mr. DOMINGO SUGRANYES BICKEL	23-4-1988	6-3-2004	50,000	0	0.004
Mr. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	17-4-1999	29-3-2003	500	0	0.000
Mr. ANDRÉS JIMÉNEZ HERRADÓN	29-12-2006	29-12-2006	11,850	0	0.001
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	17-4-1999	29-3-2003	0	1,980	0.000
Mr. AGUSTÍN RODRÍGUEZ GARCÍA	29-12-2006	29-12-2006	2,000	0	0.000
Mr. MATÍAS SALVÁ BENNASAR	29-12-2006	29-12-2006	0	194,030	0.016
Mr. FRANCISCO VALLEJO VALLEJO	29-12-2006	29-12-2006	15,000	0	0.001

(\*) Through:

Name or corporate name of the direct holder of the participation	Number of direct shares.
Mrs. LUZ RUFAS MÁRQUEZ DE ACUÑA	1,980
MUFTI, S.L.	125,000
Mrs. MARGARITA ROSELLÓ BARBERÁ	49,320
Mrs. ISABEL SALVÁ ROSELLÓ	19,710
Total:	196,010
<b>% of total share capital held by the board of directors</b>	<b>0,022</b>

No members of the Board of Directors of the company hold options on shares in the company.

#### A.4. Relationships between significant shareholders

There are no relationships of a family, commercial, contractual, or corporate nature between the holders of the significant shareholdings, which the company is aware of.

#### A.5. Relationships of a commercial, contractual, or corporate nature existing between the holders of significant shareholdings and the company

Name or corporate name of related party	Type of relationship	Brief description
CARTERA MAPFRE, S.L.	Corporate	CARTERA MAPFRE IS THE COMPANY'S MAJORITY SHAREHOLDER

#### A.6. Shareholders agreements which have been notified to the company

None.

#### **MEASURES AGREED AMONGST THE SHAREHOLDERS KNOWN BY THE COMPANY**

None.

#### A.7. Individual or legal entity exercising control over the company pursuant to Article 4 of the Securities Market Act

Name or corporate name
FUNDACIÓN MAPFRE

#### A.8. Treasury stock

None, and none has existed throughout the financial year.

## A.9. Authorizations from the General Meeting to the Board of Directors in order to carry out the acquisitions or transfers of own shares described in section A.8

The company has neither treasury stock nor authority in force from the General Meeting to the Board of Directors to perform transactions with treasury stock.

## A.10. Legal or by-law restrictions on the exercise of the right to vote, or on the acquisition or transfer of participations in the share capital

There are no restrictions on the acquisition or transfer of participations in the share capital. There are no restrictions on the right to vote, given that each share gives a right to one vote. However, pursuant to the company by-laws, in order to attend the General Meeting, a minimum of 1,500 shares is required, registered at the corresponding Account Ledger at least five days prior to the date the meeting is to be held. Shareholders holding fewer shares may pool them in order to reach the said number, appointing a representative from amongst the pool.

# B. STRUCTURE OF THE ADMINISTRATION OF THE COMPANY

## B.1. Board of Directors

### B.1.1. MAXIMUM AND MINIMUM NUMBERS OF DIRECTORS ALLOWED IN THE BY-LAWS

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<b>Maximum number of directors</b>	<b>24</b>
<b>Minimum number of directors</b>	<b>5</b>

**B.1.2. MEMBERS OF THE BOARD OF DIRECTORS**

<b>Name or corporate name of the director</b>	<b>Position on the board</b>	<b>Date first appointed</b>	<b>Date last appointed</b>	<b>Election procedure</b>
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Chairman	28-5-1987	29-3-2003	General Meeting
Mr. ALBERTO MANZANO MARTOS	1st Vice Chairman	28-5-1987	29-3-2003	General Meeting
Mr. FRANCISCO RUIZ RISUEÑO	2nd Vice Chairman	12-3-2003	29-3-2003	General Meeting
Mr. FILOMENO MIRA CANDEL	3rd Vice Chairman	27-6-1981	27-4-2006	General Meeting
Mr. DOMINGO SUGRANYES BICKEL	4th Vice Chairman	23-4-1988	6-3-2004	General Meeting
Mr. SANTIAGO GAYARRE BERMEJO	5th Vice Chairman	12-5-1989	26-2-2005	General Meeting
Mr. RAFAEL BECA BORREGO	Director	29-12-2006	29-12-2006	General Meeting
Mr. RAFAEL FONTOIRA SURIS	Director	29-12-2006	29-12-2006	General Meeting
Mr. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	Director	17-4-1999	29-3-2003	General Meeting
Mr. SEBASTIÁN HOMET DUPRÁ	Director	29-12-2006	29-12-2006	General Meeting
Mr. ANTONIO HUERTAS MEJÍAS	Director	29-12-2006	29-12-2006	General Meeting
Mr. LUIS ITURBE SANZ DE MADRID	Director	6-3-2004	6-3-2004	General Meeting
Mr. ANDRÉS JIMÉNEZ HERRADÓN	Director	29-12-2006	29-12-2006	General Meeting
Mr. MANUEL JESÚS LAGARES CALVO	Director	17-04-1999	29-03-2003	General Meeting
Mr. RAFAEL MÁRQUEZ OSORIO	Director	29-12-2006	29-12-2006	General Meeting
Mrs. M <sup>a</sup> . FRANCISCA MARTÍN TABERNERO	Director	29-12-2006	29-12-2006	General Meeting
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	Director	17-4-1999	29-3-2003	General Meeting
Mr. ALFONSO REBUELTA BADÍAS	Director	17-4-1999	29-3-2003	General Meeting
Mr. AGUSTÍN RODRÍGUEZ GARCÍA	Director	29-12-2006	29-12-2006	General Meeting
Mr. MATÍAS SALVÁ BENNASAR	Director	29-12-2006	29-12-2006	General Meeting
Mr. FRANCISCO VALLEJO VALLEJO	Director	29-12-2006	29-12-2006	General Meeting
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	Director-Secretary	17-4-1999	29-3-2003	General Meeting

Total number of directors

22

**Resignations from the Board of Directors that have taken place during the period**

<b>Name or corporate name of the director</b>	<b>Date of resignation</b>
Mr. DIETER GÖBEL BRÜCKNER	19-1-2006
Mr. CARLOS ÁLVAREZ JIMÉNEZ	29-5-2006
Mr. RICARDO BLANCO MARTÍNEZ	29-12-2006
Mr. VÍCTOR BULTÓ MILLET	29-12-2006
Mr. JUAN FERNÁNDEZ-LAYOS RUBIO	29-12-2006
Mr. RAFAEL GALARRAGA SOLORES	29-12-2006

### B.1.3. STATUS OF THE MEMBERS OF THE BOARD OF DIRECTORS

#### Executive Directors

Name or corporate name of the director	Committee that proposed appointment	Office held in the Company's organizational structure
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Appointments and Remuneration Committee	Chairman
Mr. ALBERTO MANZANO MARTOS	Appointments and Remuneration Committee	1st Vice Chairman
Mr. FILOMENO MIRA CANDEL	Appointments and Remuneration Committee	3rd Vice Chairman
Mr. DOMINGO SUGRANYES BICKEL	Appointments and Remuneration Committee	4th Vice Chairman
Mr. SANTIAGO GAYARRE BERMEJO	Appointments and Remuneration Committee	5th Vice Chairman
Mr. ANTONIO HUERTAS MEJÍAS	Appointments and Remuneration Committee	Director
Mr. ANDRÉS JIMÉNEZ HERRADÓN	Appointments and Remuneration Committee	Director
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	Appointments and Remuneration Committee	Director-Secretary

#### External Directors in representation of Shareholder interests

Name or corporate name of the director	Committee that proposed appointment	Name or corporate name of the significant shareholder represented or that proposed appointment
Mr. FRANCISCO RUIZ RISUEÑO	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.
Mr. LUIS HERNANDO DE LARRAMENDI	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.
Mr. SEBASTIÁN HOMET DUPRÁ	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.
Mr. RAFAEL MÁRQUEZ OSORIO	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.
Mr. ALFONSO REBUelta BADÍAS	Appointments and Remuneration Committee	CARTERA MAPFRE, S.L.

#### Independent external Directors

Name or corporate name of the director	Committee that proposed appointment	Profile
Mr. RAFAEL BECA BORREGO	Appointments and Remuneration Committee	Commercial Law Expert. Chairman of a number of real-estate and farming entities.
Mr. RAFAEL FONTOIRA SURIS	Appointments and Remuneration Committee	Senior Architect. Head Architect of the Galicia Regional Government for 30 years. Member of the Artistic Heritage Committee.
Mr. LUIS ITURBE SANZ DE MADRID	Appointments and Remuneration Committee	Bachelor of Law. Director of the Madrid Stock Exchange until 2003. Director of BBVA until 2002.
Mr. MANUEL JESÚS LAGARES CALVO	Appointments and Remuneration Committee	Doctor of Economic Science. Professor of Public Taxation and State Tax Inspector (on leave).
Mrs. M <sup>a</sup> . FRANCISCA MARTÍN TABERNERO	Appointments and Remuneration Committee	Vice Dean of the Pontificia University of Salamanca. Professor of Statistics. Doctor of Psychology and Bachelor of History.
Mr. AGUSTÍN RODRÍGUEZ GARCÍA	Appointments and Remuneration Committee	Notary of the Illustrious College of Notaries of Madrid.
Mr. MATÍAS SALVÁ BENNASAR	Appointments and Remuneration Committee	Professional lawyer. Head of Legal Department and Delegate of the Mutua Balear. Legal Adviser to Previsión Balear and to its Foundation.
Mr. FRANCISCO VALLEJO VALLEJO	Appointments and Remuneration Committee	Bachelor of Economic Science. Diploma in Business Organization and General Business Management. Chairman of Banco Urquijo. Director of Bancsabadell Vida. Director of Bancsabadell Pensiones.

There are no other external directors apart from those in representation of shareholder interests and independents.

**The following variations in the typology of the directors have taken place during the period**

<b>Name or corporate name of the director</b>	<b>Date of change</b>	<b>Previous office</b>	<b>Current office</b>
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	31-12-2006	External Director in representation of shareholder interests	Executive Director
Mr. ALBERTO MANZANO MARTOS	31-12-2006	External Director in representation of shareholder interests	Executive Director
Mr. FILOMENO MIRA CANDEL	31-12-2006	External Director in representation of shareholder interests	Executive Director
Mr. SANTIAGO GAYARRE BERMEJO	31-12-2006	External Director in representation of shareholder interests	Executive Director
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	31-12-2006	External Director in representation of shareholder interests	Executive Director

#### **B.1.4. CLASSIFICATION OF THE DIRECTORS AND BOARD REGULATIONS**

The classification of the directors set forth above corresponds with the definitions provided for in the Board Regulations.

#### **B.1.5. POWERS OF THE CHIEF EXECUTIVE OFFICER**

There is no Chief Executive Officer as at 31.12.06.

**B.1.6. BOARD MEMBERS WHO ACCEPT POSITIONS AS ADMINISTRATORS OR DIRECTORS AT OTHER COMPANIES FORMING PART OF THE COMPANY'S GROUP**

<b>Name or corporate name of the director</b>	<b>Corporate name of the group entity</b>	<b>Office</b>
Mr. ALBERTO MANZANO MARTOS	MAPFRE-CAJA MADRID HOLDING	Chairman
	MAPFRE VIDA	Director
Mr. FRANCISCO RUIZ RISUEÑO	MAPFRE RE	Director
	MAPFRE VIDA	Director
Mr. FILOMENO MIRA CANDEL	MAPFRE EMPRESAS	Chairman
	MAPFRE-CAJA MADRID HOLDING	Director
	MAPFRE VIDA	Director
Mr. DOMINGO SUGRANYES BICKEL	MAPFRE AMÉRICA	Director
	MAPFRE AMÉRICA VIDA	Director
	MAPFRE ASISTENCIA	Director
	MAPFRE-CAJA MADRID HOLDING	Director
	MAPFRE CAJA SALUD	Director
	MAPFRE INMUEBLES	Director
	MAPFRE RE	Director
Mr. SANTIAGO GAYARRE BERMEJO	MAPFRE AMÉRICA	Chairman
	MAPFRE AMÉRICA VIDA	Chairman
	MAPFRE-CAJA MADRID HOLDING	Director
	MAPFRE VIDA	Director
Mr. RAFAEL BECA BORREGO	MAPFRE AMÉRICA	Vice Chairman
	MAPFRE AMÉRICA VIDA	Vice Chairman
	MAPFRE SEGUROS GENERALES	Director
Mr. RAFAEL FONTOIRA SURIS	MAPFRE INMUEBLES	Vice Chairman
	MAPFRE VIDA	Director
Mr. SEBASTIÁN HOMET DUPRÁ	MAPFRE AMÉRICA	Director
	MAPFRE AMÉRICA VIDA	Director
	MAPFRE CAJA SALUD	Director
Mr. ANTONIO HUERTAS MEJÍAS	MAPFRE SEGUROS GENERALES	Director
Mr. ANDRÉS JIMÉNEZ HERRADÓN	MAPFRE RE	Chairman
	MAPFRE INTERNACIONAL	Chairman
	MAPFRE AMÉRICA	Director
	MAPFRE AMÉRICA VIDA	Director
Mr. MANUEL JESÚS LAGARES CALVO	MAPFRE VIDA	Director
Mr. RAFAEL MÁRQUEZ OSORIO	MAPFRE AMÉRICA	Director
	MAPFRE AMÉRICA VIDA	Director
Mrs. M <sup>a</sup> . FRANCISCA MARTÍN TABERNERO	MAPFRE VIDA	Director
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ASISTENCIA	Vice Chairman
	MAPFRE-CAJA MADRID HOLDING	Director
	MAPFRE INMUEBLES	Director
	MAPFRE VIDA	Director
Mr. ALFONSO REBUelta BADÍAS	MAPFRE EMPRESAS	Vice Chairman
	MAPFRE AMÉRICA	Director
	MAPFRE AMÉRICA VIDA	Director
Mr. AGUSTÍN RODRÍGUEZ GARCÍA	MAPFRE RE	Director
Mr. MATÍAS SALVÁ BENNASAR	MAPFRE RE	Vice Chairman
	MAPFRE SEGUROS GENERALES	Vice Chairman
	MAPFRE EMPRESAS	Director
Mr. FRANCISCO VALLEJO VALLEJO	MAPFRE SEGUROS GENERALES	Director
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	MAPFRE INMUEBLES	Director



### B.1.7. DIRECTORS WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OF OTHER LISTED COMPANIES UNRELATED TO THE GROUP

As far as the company is aware, none of its directors is a member of the Board of Directors of another listed company.

### B.1.8. DIRECTORS' AGGREGATE REMUNERATION EARNED DURING THE YEAR

#### a) In the company that is the subject of this report:

Remuneration item	Data in thousands of euros
Fixed remuneration	495
Variable remuneration	457
Allowances	159
Gratuities allowed in by-laws	0
Stock options and/or other financial instruments	0
Other	263
<b>TOTAL</b>	<b>1,374</b>

Other benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension Funds and Plans: Contributions	21
Pension Funds and Plans: Obligations undertaken	0
Life assurance premiums	997
Guarantees created by the company in favour of the directors	0

#### b) For membership by the directors of the company to other boards of directors and/or to the senior management of group companies:

Remuneration item	Data in thousands of euros
Fixed remuneration	0
Variable remuneration	0
Allowances	137
Gratuities allowed in by-laws	0
Stock options and/or other financial instruments	0
Other	346
<b>TOTAL</b>	<b>483</b>

Other benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life assurance premiums	0
Guarantees created by the company in favour of the directors	0

### c) Total remuneration by director typology:

Director typology	By company	By group
Executives	970	0
External in representation of shareholder interests	321	338
External Independents	83	145
Other external	0	0
<b>TOTAL</b>	<b>1,374</b>	<b>483</b>

Figures in thousands of euros

### d) With regard to the profits attributed to the parent company:

Total directors' remuneration (in thousands of euros)	1,857
Total directors' remuneration / profits attributed to the parent company (expressed as a %)	0.563%

### B.1.9. SENIOR MANAGEMENT MEMBERS WHO ARE NOT ALSO EXECUTIVE DIRECTORS AND TOTAL REMUNERATION EARNED IN THEIR FAVOUR DURING THE YEAR

None.

### B.1.10. GUARANTEE OR PROTECTION CLAUSES IN THE EVENT OF DISMISSAL OR CHANGES OF CONTROL IN FAVOUR OF THE MEMBERS OF THE SENIOR MANAGEMENT, INCLUDING THE EXECUTIVE DIRECTORS, OF THE COMPANY OR ITS GROUP

Number of beneficiaries	8
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	Board of Directors	General Meeting
Body authorizing the clauses	X	

	YES	NO
Is the General Meeting informed of the clauses?	X	

### B.1.11. PROCESS FOR ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Article 17 of the company by-laws, the remuneration of the directors is as follows:

- o In 2006 the basic remuneration of external directors consisted in a fixed annual sum for membership of the Board of Directors, in the amount of €25,575. The said amount has been increased by 35% in the case of persons who hold a position within the Board of Directors or who chair a Committee thereof, but without the possibility of accumulating increases where one person holds more than one such position. External directors who are Committee members have also received an allowance of €2,625 for attending meetings.

- Notwithstanding the foregoing, external directors have, in addition, a life assurance policy in the event of death, with an insured capital sum of €150,253.03 in 2006, and they enjoy some of the benefits conferred to staff, such as illness insurance.
- Executive directors (both those who perform executive functions at the company itself and those who do so at other MAPFRE companies) have received the remuneration laid down in their contracts, which includes a fixed salary, incentives of variable amounts linked to results, life assurance and incapacity insurance, and other considerations provided for in general terms for company staff; in addition they are entitled to certain pension complements upon retirement, externalized by way of a life assurance policy, all of which is within the remuneration policy established at MAPFRE for its senior management, whether or not they are directors.
- In contrast, executive directors have not received the remuneration established for external directors.
- The basic remuneration for external directors is approved by the General Meeting following a proposal by the Board of Directors, with a prior report by the Appointments and Remuneration Committee. The remuneration of executive directors and allowances for attending meetings for external Committee members, are approved by the Board of Directors, following a report by the said Committee.

#### **B.1.12. BOARD MEMBERS WHO ARE ALSO MEMBERS OF THE BOARD OF DIRECTORS OR DIRECTORS OF COMPANIES HOLDING SIGNIFICANT PARTICIPATIONS IN THE LISTED COMPANY AND/OR IN GROUP COMPANIES**

<b>Name or corporate name of the director</b>	<b>Name or corporate name of the significant shareholder</b>	<b>Position</b>
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	CARTERA MAPFRE, S.L.	Chairman
Mr. FILOMENO MIRA CANDEL	CARTERA MAPFRE, S.L.	Vice Chairman
Mr. SANTIAGO GAYARRE BERMEJO	CARTERA MAPFRE, S.L.	Director
Mr. ALBERTO MANZANO MARTOS	CARTERA MAPFRE, S.L.	Director
Mr. DOMINGO SUGRANYES BICKEL	CARTERA MAPFRE, S.L.	Director
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	CARTERA MAPFRE, S.L.	Director-Secretary

**Relevant relationships, other than those referred to in the previous section, of the members of the Board of Directors linking them to the significant shareholders and/or at companies of the same Group:**

<b>Name or corporate name of the director</b>	<b>Name or corporate name of the significant shareholder</b>	<b>Description of relationship</b>

### **B.1.13. AMENDMENTS INTRODUCED TO THE BOARD REGULATIONS DURING THE YEAR**

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The Board of Directors Regulations currently in force were approved by the Board at its meeting held on 20th July 2005, after amending them in order to comply with the new version of the MAPFRE Code of Good Governance, formally adopted by the company on the same date, and which were reported to the shareholders at the General Meeting held on 27th April 2006. The said Regulations are available on the company's website [www.mapfre.com](http://www.mapfre.com), at the official records of the Spanish Securities Market Commission (CNMV), and are recorded at the Company Registrar in Madrid.

### **B.1.14. PROCEDURES FOR THE APPOINTMENT, RE-ELECTION, AND REMOVAL OF DIRECTORS**

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Those persons to whom the position of director of MAPFRE, S.A., or a subsidiary company, is offered, must make a Prior Declaration that is both true and complete of his/her relevant personal, family, professional, or business circumstances, with particular reference to those that may give rise to a situation of incompatibility according to law, the by-laws, and the provisions of the Code of Good Governance, or to a situation of conflict of interests. The said declaration shall be made using the models that MAPFRE has established for this purpose, and shall include an express acceptance of the rules contained in the chapter of the said Code, relating to the rights and duties of directors.

Those persons who hold the position of director must be of renowned integrity in their professional and commercial activities, as well as having the necessary professional qualifications or experience, in the same terms as required by law for financial institutions or insurers, subject to supervision by the Public Authorities.

In particular, persons who hold significant shareholdings in companies belonging to financial groups, other than that of the Company and its subsidiaries, may not be members of the Board of Directors, nor may those who are board members, directors, or employees of such companies or who act at the service or on behalf of them, except where their appointment follows from a proposal of the Board of Directors itself, and, taken as a whole, they do not represent more than twenty per cent of the total number of directors.

The proposal of candidates to the General Meeting by the Board of Directors, and the decisions the said Meeting takes with regard to the appointment of directors, shall be preceded by the proposal of the Company's Appointments and Remuneration Committee.

Proposals for the re-election of directors shall be subject to a process that will necessarily include, as a part thereof, a report issued by the Appointments and Remuneration Committee, which shall assess the quality of the work carried out and the dedication to the position that the directors whose re-election is proposed have shown.

In the case of the re-election of a director holding a position on the Board (Chairman, Vice Chairman, or Secretary), the said report shall include an assessment of the performance of the said position so that the Board may have a say with regard to his/her re-election.

If the Board of Directors should disagree with the proposals of the Committee, it should give reasons for its decision, which should be recorded in the corresponding minutes.

**B.1.15. SITUATIONS WHERE DIRECTORS ARE UNDER A DUTY TO RESIGN**

In accordance with the provisions of the company by-laws, all members of the Board of Directors shall retire at the age of 70. The Executive Vice Chairman, the Managing Director, and the Secretary to the Board shall retire from the said positions at the age of 65, or on the prior date provided for in their respective contracts, but they may continue to be members of the Board without executive functions.

Board members must place any positions they hold, both their directorship and any position they may hold on Committees, at the disposal of the Board of Directors, and submit their corresponding resignations, where the Board should consider this appropriate, in the following cases:

- Where they cease to hold the executive positions to which their appointment as a member of the said governing body was linked.
- Where they should incur in any of the situations of incompatibility or prohibition provided for by law.
- Where they should be charged with an alleged crime or should be the subject of disciplinary proceedings for a serious or very serious offence, conducted by the supervisory authorities.
- Where they are the subject of a serious reprimand by the Compliance Committee for having infringed their duties as directors.
- Where their continued presence on the said governing bodies could put the interests of the Company at risk.
- Where the reasons for their appointment, should such expressly exist, disappear.

**B.1.16. CHIEF EXECUTIVE OF THE COMPANY. IS THIS POSITION HELD BY THE CHAIRMAN OF THE BOARD?**

YES  NO

It is considered that there is no risk of excessive concentration of power given the collective nature of decision-taking, commenced within the Board’s delegated bodies; and the participation of the main senior executives on the Board of Directors.

**B.1.17. REINFORCED MAJORITIES, OTHER THAN THOSE REQUIRED BY LAW FOR DECISION-TAKING**

There are none on the Board

**B.1.18. SPECIFIC REQUIREMENTS TO BE APPOINTED CHAIRMAN**

There are no requirements different from those relating to board members.

**B.1.19. DOES THE CHAIRMAN HAVE A CASTING VOTE?**

YES  NO

Matters on which there exists a casting vote  
The Chairman has a casting vote in the event of a tie.

**B.1.20. LIMITS ON THE AGE OF DIRECTORS**

YES  NO

Maximum age of Chairman	70
Maximum age of Managing Director	65
Maximum age for Directors	70

#### B.1.21. LIMIT ON MANDATE OF INDEPENDENT DIRECTORS

YES  NO

#### B.1.22. FORMAL PROCESSES FOR VOTING BY PROXY IN FAVOUR OF THE BOARD OF DIRECTORS

There are no formal processes for delegating votes by proxy in favour of the Board of Directors

#### B.1.23. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS DURING THE YEAR

Number of Board meetings	10
Number of Board meetings without the attendance of the Chairman	0

#### Number of meetings of the various board committees during the year

Number of meetings of the Executive Committee	3
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Strategy and Investment Committee.	0
Number of meetings of the Compliance Committee.	2

#### B.1.24. CERTIFICATION OF THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS SUBMITTED FOR THE APPROVAL OF THE BOARD

YES  NO

#### Persons who have certified the Company's individual and consolidated annual accounts, for their formulation by the Board

Name	Position
Mr. DOMINGO SUGRANYES BICKEL	4th VICE CHAIRMAN
Mr. JOSÉ MANUEL MURIES NAVARRO	DIRECTOR-GENERAL OF INTERNAL AUDITING
Mr. CARLOS BARAHONA TORRIJOS	ADMINISTRATION DIRECTOR

#### B.1.25. MECHANISMS ESTABLISHED BY THE BOARD OF DIRECTORS IN ORDER TO AVOID THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS IT FORMULATES FROM BEING PRESENTED BEFORE THE GENERAL MEETING, WITH A QUALIFIED AUDIT REPORT

The company has never presented the accounts with a qualified audit report.

The company can count on the Auditing Directorate-General and the Legal Affairs Directorate-General, which supervise the annual accounts in their different aspects, as well as on the MAPFRE Auditing Committee, created for this purpose as a delegated body of the Board, with supervisory powers in this matter as from financial year 2000.

As established by the MAPFRE Code of Good Governance, the Board of Directors shall seek to formulate the accounts definitively, such that there is no possibility of qualification by the External Auditors. However, where the Board should consider that its criterion ought to prevail, it shall explain the content and scope of the discrepancy publicly.

### **B.1.26. MEASURES ADOPTED SO THAT THE INFORMATION DISTRIBUTED TO THE SECURITIES MARKETS IS TRANSMITTED FAIRLY AND SYMMETRICALLY**

The Internal Code of Conduct for listed securities issued by the Company sets out the rules and procedures relating to the distribution of relevant information, by way of communication by the company representatives, first to the Spanish Securities Exchange Commission (CNMV), and then to the market, via the website and by any other means of communication considered appropriate or required by law.

### **B.1.27. IS THE SECRETARY TO THE BOARD A BOARD MEMBER?**

YES  NO

### **B.1.28. MECHANISMS ESTABLISHED BY THE COMPANY IN ORDER TO ENSURE THE INDEPENDENCE OF THE AUDITOR, OF THE FINANCIAL ANALYSTS, OF THE INVESTMENT BANKS, AND OF THE RATING AGENCIES**

In addition to the requirements of the legal provisions, the company has decided to voluntarily propose compliance with a series of general guidelines which, in a clear and precise form, seek to achieve and maintain the necessary independence of the external auditors with regard thereto, as is encouraged by the MAPFRE Code of Good Governance, which lays down the following criteria for its Boards of Directors, in their relations with the external auditors:

- The relations of the Board of Directors with the Company's External Auditors shall be channelled through the Audit Committee.
- The Board of Directors shall refrain from contracting those auditing firms which receive, or are set to receive, annual fees from the MAPFRE Group which, as a whole, amount to more than 5% of their total annual revenues.
- The Board of Directors shall provide information in the annual public documents of the total fees that the Company and its consolidated Group have paid to the auditing firm for services other than auditing.

Without prejudice to the powers and functions of the Audit Committee specified in the by-laws and in the company's Board of Directors Regulations, it shall be informed, at least half-yearly, of all services provided by the external auditor and the fees pertaining thereto.

Likewise, the Audit Committee shall evaluate the Accounts Auditor, the scope of the audit, and the independence of the external auditor annually, considering whether or not the quality of the auditing controls are adequate and whether or not the services provided, other than Accounts Auditing are compatible with the independence of the auditor being maintained.

In accordance with the provisions of the Internal Code of Conduct on listed securities issued by the Company, which sets forth the procedures with regard to the distribution of relevant information, analysts are not supplied with any information that is not public.

### **B.1.29. TASKS OTHER THAN AUDITING PERFORMED BY THE EXTERNAL AUDITOR FOR THE COMPANY OR ITS GROUP**

	<b>Company</b>	<b>Group</b>	<b>Total</b>
Sum for tasks other than those of auditing (thousands of euros)	0	874	874
Sum for tasks other than those of auditing / total sum invoiced by the auditing firm (as %)	0.000	22.560	22.560

**B.1.30. NUMBER OF CONSECUTIVE YEARS THAT THE CURRENT AUDITING FIRM HAS BEEN AUDITING THE ANNUAL ACCOUNTS OF THE COMPANY AND/ OR ITS GROUP. PERCENTAGE THAT THE NUMBER OF YEARS AUDITED BY THE CURRENT FIRM REPRESENTS AS REGARDS THE TOTAL NUMBER OF YEARS IN WHICH THE ANNUAL ACCOUNTS HAVE BEEN AUDITED**

	Company	Group
Number of consecutive years	17	17

	Company	Group
Number of years audited by the current firm of auditors / Number of years that the company has been audited (as %)	100%	100%

**B.1.31. PARTICIPATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY, IN THE SHARE CAPITAL OF COMPANIES THAT HAVE THE SAME, SIMILAR, OR COMPLEMENTARY TYPE OF ACTIVITY TO THAT CONSTITUTING THE CORPORATE OBJECTS, BOTH OF THE COMPANY AND OF ITS GROUP, WHICH HAVE BEEN NOTIFIED TO THE COMPANY**

Name or corporate name of the director	Name of the subject company	% participation	Position
Mr. ALBERTO MANZANO MARTOS	BBVA	0.000	—
	ABN AMRO	0.000	—
	BANCO ESPAÑOL DE CRÉDITO	0.000	—
	ING	0.000	—
	BANCO POPULAR ESPAÑOL	0.000	—
	BSCH	0.000	—
Mr. DOMINGO SUGRANYES BICKEL	MÜNCHENER RUCK	0.000	—
	AEGON NV	0.000	—
	AXA	0.000	—
	FORTIS	0.000	—
	ING	0.000	—
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	METROVACESA	0.000	—
	BSCH	0.000	—
	BBVA	0.000	—
Mr. FRANCISCO VALLEJO VALLEJO	BANCO URQUIJO, S.A.	0.000	Chairman
	BANCSABADELL VIDA	0.000	Director
	BANCSABADELL PENSIONES	0.000	Director



**B.1.32. PROCEDURE SO THAT BOARD MEMBERS MAY HAVE ACCESS TO EXTERNAL ADVICE**YES  NO **Details of the procedure**

In accordance with the provisions of the MAPFRE Code of Good Governance and with the aim of receiving assistance in the performance of their functions, external board members may apply for the instruction, chargeable to the company, of legal advisers, accountants, financial experts, or other experts. Their instruction must necessarily relate to specific problems of certain relevance and complexity arising in the performance of the position.

The decision to instruct such professionals must be communicated to the Company Chairman and may be vetoed by the Board of Directors, where the following is demonstrated:

- a) That it is not necessary for the proper performance of the functions to be performed by the external directors.
- b) That the cost is not reasonable, in view of the relevance of the problem and the assets and revenues of the company.
- c) That the technical assistance that is sought may be adequately provided by the experts and technicians of the company itself.

**B.1.33. PROCEDURE SO THAT DIRECTORS MAY RECEIVE THE INFORMATION THEY NEED IN ORDER TO PREPARE FOR MEETINGS SUFFICIENTLY IN ADVANCE**YES  NO **Details of the procedure**

The documents should in general terms be sent at least three full days in advance. In particular, where the documents are sent, to be delivered on a Friday or on the eve of a public holiday, it should be ensured that the delivery is made during the morning of the said day, prior to 12 noon.

This aspect is the subject of specific examination by the Board of Directors of the company at its annual self-assessment session, which receives the report of the Compliance Committee, which is in turn responsible for controlling the effectiveness of the procedure provided for

**B.1.34. LIABILITY INSURANCE IN FAVOUR OF THE COMPANY DIRECTORS**YES  NO

## B.2. Committees of the Board of Directors

### B.2.1. LIST

Name of body	No. of members	Functions
Executive Committee	10	Co-ordination and supervision of the management of the company and its subsidiaries in their strategic and operational aspects.
Audit Committee	7	Verification of the financial information, proposal of appointment of the external auditor, and supervision of Internal Auditing.
Appointments and Remuneration Committee	7	Co-ordinated development of the appointment and remuneration policy for senior representative and managerial positions at the company.
Compliance Committee	5	Supervision of the proper application of the rules of good governance applicable to the company.

### B.2.2. BREAKDOWN OF THE COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR MEMBERS

#### Executive Committee

Name	Position
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Chairman
Mr. ALBERTO MANZANO MARTOS	1st Vice Chairman
Mr. FRANCISCO RUIZ RISUEÑO	2nd Vice Chairman
Mr. FILOMENO MIRA CANDEL	3rd Vice Chairman
Mr. DOMINGO SUGRANYES BICKEL	Member
Mr. SANTIAGO GAYARRE BERMEJO	Member
Mr. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	Member
Mr. ANTONIO HUERTAS MEJÍAS	Member
Mr. ANDRÉS JIMÉNEZ HERRADÓN	Member
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	Member-Secretary

#### Audit Committee

Name	Position
Mr. MANUEL JESÚS LAGARES CALVO	Chairman
Mr. DOMINGO SUGRANYES BICKEL	Vice Chairman
Mr. RAFAEL BECA BORREGO	Member
Mr. SEBASTIÁN HOMET DUPRÁ	Member
Mr. LUIS ITURBE SANZ DE MADRID	Member
Mr. ANTONIO MIGUEL-ROMERO DE OLANO	Member
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	Member-Secretary

#### Appointments and Remuneration Committee

Name	Position
Mr. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	Chairman
Mr. ALBERTO MANZANO MARTOS	1st Vice Chairman
Mr. FRANCISCO RUIZ RISUEÑO	2nd Vice Chairman
Mr. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	Member
Mr. ALFONSO REBUelta BADÍAS	Member
Mr. MATÍAS SALVÁ BENNASAR	Member
Mr. FRANCISCO VALLEJO VALLEJO	Member
Mr. JOSÉ MANUEL GONZÁLEZ PORRO	Secretary and non Member

## Compliance Committee

Name	Position
Mr. FRANCISCO RUIZ RISUEÑO	Chairman
Mr. RAFAEL FONTOIRA SURIS	Member
Mr. RAFAEL MÁRQUEZ OSORIO	Member
Mrs. M <sup>a</sup> . FRANCISCA MARTÍN TABERNERO	Member
Mr. AGUSTÍN RODRÍGUEZ GARCÍA	Member

### B.2.3. ORGANIZATIONAL AND OPERATIONAL RULES, AS WELL AS RESPONSIBILITIES ATTRIBUTED TO EACH ONE OF THE BOARD COMMITTEES

#### o Executive Committee

This is the delegated body of the Board of Directors for the high-level permanent co-ordination and supervision of the management of the Company and its subsidiaries in their strategic and operational aspects, and for the approval of such decisions as may be necessary for the proper functioning thereof, all of which pursuant to the powers that the Board of Directors delegates at any given time.

It shall be composed of a maximum of twelve members, all of whom shall be members of the Board of Directors. The Chairman, First and Second Vice Chairmen, and Secretary shall be automatically those of the said Board, which shall appoint the members until a maximum of twelve is reached, and it may also appoint a Vice Secretary, who shall not be entitled to vote.

#### o Audit Committee

The Audit Committee shall be composed of a minimum of three and a maximum of seven members, the majority of which, including the Chairman, shall be non-executive directors. The Secretary of this Committee shall be the Secretary of the Board of Directors. The said Committee shall have the following powers:

- a) To verify that the Annual Accounts, as well as the half-yearly and quarterly financial statements, and other economic information that must be filed with the regulatory or supervisory bodies, is true, complete, and sufficient; that it has been drawn up in accordance with the applicable accounting regulations and the criteria laid down internally by the MAPFRE Secretariat-General; and that it is supplied in a timely manner and with the correct content.
- b) To propose to the Board of Directors, for submission to the Shareholders General Meeting, the appointment of the External Auditor of the company, as well as to receive information on the performance thereof and with regard to any facts or circumstances which may compromise its independence.
- c) To supervise the activities of the Internal Auditing Service, for which purpose it shall have full access to its action plans, the results of its work, and monitoring of the recommendations and suggestions of the internal and external Auditors.
- d) To be informed of the processing of financial information and internal control of the company, and to draw up the observations or recommendations that it considers suitable for their improvement.
- e) To report to the Shareholders General Meeting with regard to questions arising regarding matters within its powers.

- Appointments and Remuneration Committee

This is the delegated body of the Board of Directors for the co-ordinated development of the appointments and remuneration policy which ought to be applied to Senior Representative and Managerial Officers at MAPFRE, without prejudice to the powers conferred by law and the company by-laws on the representation and management bodies of the Company itself.

In general terms, the Committee seeks to safeguard the transparency of the criteria laid down for setting the remuneration for Senior Managers.

The Appointments and Remuneration Committee is composed of a maximum of seven members, the majority of which are non-executive members.

- Compliance Committee

This is the delegated body of the Board of Directors for the supervision of the proper application of the rules of Good Governance which ought to apply at the company.

These functions are exercised, without prejudice to the powers conferred by law and the company by-laws, by the representation and management bodies of the Company itself.

It monitors the application of the rules of Good Governance laid down at any given time and proposes, where appropriate, such improvements as may be appropriate and the updating of the said rules, where this should be appropriate.

The Compliance Committee is composed of five members, all of which are non-executive members. The Chairman is automatically the Second Vice Chairman of the Board of Directors.

The Committee may appoint a minutes secretary, chosen from amongst the members of the Legal Affairs Directorate-General of MAPFRE.

#### **B.2.4. POWERS OF ADVICE, CONSULTATION, AND WHERE APPROPRIATE, DELEGATION HELD BY EACH ONE OF THE COMMITTEES**

<b>Name of committee</b>	<b>Brief description</b>
EXECUTIVE COMMITTEE	CO-ORDINATION AND SUPERVISION OF THE MANAGEMENT OF THE COMPANY AND ITS SUBSIDIARIES IN ITS STRATEGIC AND OPERATIONAL ASPECTS
AUDIT COMMITTEE	VERIFICATION OF THE FINANCIAL INFORMATION, PROPOSAL FOR APPOINTMENT OF THE EXTERNAL AUDITOR, AND SUPERVISION OF INTERNAL AUDITING
APPOINTMENTS AND REMUNERATION COMMITTEE	CO-ORDINATED DEVELOPMENT OF THE APPOINTMENTS AND REMUNERATION POLICY FOR THE SENIOR REPRESENTATIVE AND MANAGERIAL OFFICERS OF THE COMPANY
COMPLIANCE COMMITTEE	SUPERVISION OF THE PROPER APPLICATION OF THE RULES OF GOOD GOVERNANCE IN FORCE AT THE COMPANY

#### **B.2.5. REGULATIONS OF THE BOARD COMMITTEES; ANNUAL REPORT OF THE ACTIVITIES OF EACH COMMITTEE**

The delegated bodies of the Board of Directors are regulated with regard to their basic functions, powers, make-up, meetings schedule, and approval of resolutions by the MAPFRE Code of Good Governance and the Regulations of the Board of Directors, the latest version of which was approved on 20th July 2005, in order to adapt it to the innovations introduced in the MAPFRE Code of Good Governance, approved by the company on the same date. The said Regulations are available on the company's website [www.mapfre.com](http://www.mapfre.com), at the official records of the Spanish Securities Exchange Commission (CNMV), and are recorded at the Company Registrar in Madrid.

The Audit Committee, on the occasion of the calling of the Ordinary General Meeting, published a report on the activities carried out during the year.

#### **B.2.6. EXECUTIVE COMMITTEE: THE LEVEL OF DELEGATION AND AUTONOMY IT HAS IN THE EXERCISE OF ITS POWERS FOR THE APPROVAL OF RESOLUTIONS WITH REGARD TO THE ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

In order to carry out its functions, the Executive Committee has been granted the following powers on a permanent basis:

- All powers of representation corresponding to the Board, except for: those that may not be delegated, the power to represent the company before the Insurance Directorate-General (DGS) or before other official bodies in activities arising under inspections or which may amount to serious penalties for the company.
- All powers of administration corresponding to the Board with the exception of the following: those that may not be delegated, the drawing-up of the annual accounts, the transfer of the registered office within the same town, the calling of general meetings, the provision of vacancies on the Board, the appointment and the setting of the rules of the Executive Committee, the Managing Director, and the Director General, the appointment and removal of senior management positions, and the approval of institutional agreements with the foundations set up by MAPFRE and other Group companies.
- The following powers of disposal: acquisition, transfer, encumbrance, and any other acts of ownership for any title over chattels and real estate, the creation of new companies or acquisition of shareholdings in them, charging or discharging real estate as coverage for technical provisions, any other kind of transaction with tradable or business instruments, bank accounts for loans or deposits, the granting of loans and obtaining deposits, guarantees, lines of discounts, etc..
- The special powers relating to the granting and revocation of powers.

#### **B.2.7. MAKE-UP OF THE EXECUTIVE COMMITTEE. DOES IT REFLECT THE PARTICIPATION ON THE BOARD OF THE DIFFERENT DIRECTORS IN ACCORDANCE WITH THEIR CONDITION?**

YES  NO

The Executive Committee is composed of executive directors (majority) and external directors, in representation of shareholder interests.

#### **B.2.8. APPOINTMENTS AND REMUNERATION COMMITTEE: ARE THEY ALL EXTERNAL DIRECTORS?**

YES  NO

## C. LINKED TRANSACTIONS

C.1. Describe the significant transactions that amount to a transfer of resources or duties between the Company or Group companies, and the significant shareholders of the Company

There have been none.

C.2. Describe the significant transactions that amount to a transfer of resources or duties between the Company or Group companies, and the administrators or directors of the Company

There have been none.

C.3. Describe the significant transactions performed by the company with other companies belonging to the same Group, provided that these are not eliminated in the process of drawing up the consolidated financial statements and do not form a part of the Company's normal trade with regard to their object and conditions

None.

C.4. Situations of conflicts of interest with the Company directors, pursuant to the provisions of Article 127 of the Companies Act

None.

C.5. Mechanisms established in order to detect and regulate possible conflicts of interest between the Company and/or its Group, and its Board Members, directors, or significant shareholders

All Board Members and directors must make a Prior Declaration when they are appointed with regard to these matters. Furthermore, they must update this information regularly, and upon a potential situation of conflict arising.

Likewise, the MAPFRE Code of Good Governance and the Internal Code of Conduct regulate the special duties with regard to potential conflicts of interest.

Any decisions with regard to these matters are reserved for the Board of Directors, after an examination by the company's Appointments and Remuneration Committee or the MAPFRE Institutional Control Committee, as the case may be. There is a special procedure for the approval of resolutions in matters where there is a potential conflict of interest with a Board Member. The Board Member in question should refrain from attending and participating in these decisions.

## D. RISK CONTROL SYSTEMS

### D.1. General description of the risks policy of the Company and its Group

#### OBJECTIVES, POLICIES, AND PROCESSES FOR RISK MANAGEMENT

MAPFRE has a Risk Management System (SGR) based on the integrated management of each and every one of the business processes, and on the adjustment of the level of risk to the strategic objectives that have been laid down. The different types of risk have been grouped into four areas or categories, as set out below:

- Operational risks: this covers twenty-three types of risks grouped into the following areas: actuarial, legal, technology, staff, associates, procedures, information, fraud, market, and material assets.
- Financial risks: includes interest-rate, liquidity, exchange-rate, market, and credit risks.
- Insurance activity risks: this groups together, separately for Life and Non-Life, the risks of premiums shortfalls, the sufficiency of technical provisions, and re-insurance risk.
- Strategic and corporate governance risks: includes corporate ethics and good corporate governance risks, organizational structure risks, alliance risks, mergers and acquisitions risks, risks arising from the regulated environment, and finally, market and competition risks.

#### CENTRALIZATION OF THE RISK MANAGEMENT SYSTEM

The structure of MAPFRE is based on Operating Units and Companies with a high level of autonomy in their management. The governing and management bodies of the Group approve the lines of activity of the Units and Companies with regard to risk management, and supervise their exposure to risk on a permanent basis by way of indicators and ratios. Furthermore, there are general instructions with regard to procedure in order to mitigate exposure to risk, such as maximum levels of investment in equities or the credit rating of re-insurance providers.

The Economic and Management Control Department, through the Risks Management Directorate, co-ordinates the activities relating to the quantification of risks and, in particular, the implementation of proprietary models of economic capital in the operating units with the aim of complying with the future requirements of Solvency II.

The Operating Units have a Risk Co-ordinator, reporting to the Administration Management, for the implementation of the policies and risk management at each unit. The co-ordination of activities is performed by way of a Monitoring Committee for the implementation of Risk Quantification Models, which holds monthly meetings. The level of progress in the projects and other significant aspects are reported to the MAPFRE Senior Management through the Audit Committee.

In general terms, the decisions to subscribe insurable risks and re-insurance coverage are highly de-centralized at the Units. The aspects relating to the Operational Risks are monitored centrally, although their implementation and supervision is delegated to the Units. The management of Strategic and Corporate Governance risks is highly centralized. Financial risks are managed centrally through the Group Investments Directorate-General.

## ESTIMATION OF RISKS AND CAPITAL

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MAPFRE has an internal policy for capital and dividends that has the aim of providing the Units, in a rational and objective manner, with the capital they need in order to cover the risks they assume. Risks are assessed by way of a standard model of set factors that quantify the financial risks, credit risks, and insurance activity risks. Eventually this reference will be replaced by that of a specific model for each Unit. In addition, the level of capital assigned to each Unit at any given time, may never be below the legal minimum capital required, plus a margin of 10%.

The capital assigned is set by way of an estimate, in accordance with the budgets for the following financial year, and is reviewed at least once a year, in accordance with how the risks have evolved.

Certain Units require a higher level of capital to that obtained by way of the general rule described above, either because they operate in different countries with different legal requirements, or because they require the issue of a financial solvency rating corresponding to a higher level of capital. In these cases, the MAPFRE Executive Committee sets the level of capitalization individually, or grants additional guarantees to reinforce the level of capital in accordance with the specific needs of each Unit.

## OPERATIONAL RISK

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The identification and assessment of Operational Risk is carried out by way of the RiskMap computer application, developed at MAPFRE, which generates the Risk Maps for the companies.

The management model for this risk is based on a dynamic analysis by processes, such that the managers of each area or department identify and assess, on an annual basis the potential risks affecting the following processes: Product development, Subscription, Claims / Claims payments, Administrative management, Commercial activities, Human resources, Commissions, Co- insurance / Re-insurance, Technical reserves, Investments, I.T. systems, and customer service.

## FINANCIAL RISKS

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MAPFRE'S policy for mitigating its exposure to this type of risk is based on the prudent management of investments, with a significant weighting of fixed income securities in the portfolio.

In the management of the investment portfolios, there is a distinction between those seeking to match the obligations arising under the insurance contracts, and those that represent active management. In the former, all risks are minimized, which may be exchange-rate risks, interest-rate risks, or any other risks involving price changes, whereas in the latter, the management policy is to accept a certain degree of acceptance of market risks, in accordance with the following:

- In those portfolios that do not cover long-term liability commitments, the variable for the management of interest-rate risk is the modified duration, and it is currently established that this figure should be around 5%, with a maximum value of 7%.
- The general policy on exposure to exchange rate risk is to minimise this risk when arising from insurance activity, and to maintain an exposure to exchange rate risk as a result of investment diversification. In all cases, exposure to this risk may not exceed 10% of investments.
- With regard to other possible market risks for financial assets, which are not caused by fluctuations in exchange rates or in interest rates, it is established that the investments subject



to these risks may not exceed 20% of total investments. With regard to investments in equities, the main financial asset subject to this risk, there is a sufficient international diversification, which allows the risk associated with a specific market to be reduced.

The risk limitations are established in terms of quantitative variables that are easily observable. However, a risk analysis in probabilistic terms is performed in accordance with volatilities and historical correlations.

With regard to the credit risk, MAPFRE's policy has been based on prudence (solvency of the issuer), and diversification of investments in fixed income securities. Thus, the portfolio of fixed income securities in Europe is divided, approximately one half in securities guaranteed by Member States of the European Union, and the remaining half in securities issued by corporations with a high credit rating.

For investments in both fixed income and equities, diversification criteria are applied by sectors of activity and maximum risk limits per issuer.

### **INSURANCE ACTIVITY RISKS**

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The organization of MAPFRE, based, as mentioned, on Units and Companies specializing in different types of business, requires autonomy in the management of the business, particularly in the subscription of risks and in the setting of tariffs, as well as compensation or provision of service in the event of a claim. Premium adequacy is a matter of special importance, and their setting is backed by reports from independent experts, in those Units or situations where the circumstances would recommend this.

The treatment of claims payments, as well as the adequacy of provisions, is a basic principle of insurance management. The technical reserves are estimated by the actuarial teams at the various Units and Companies, and their adequacy is ratified by reports from independent experts at those companies where this is required. The prevalence of the personal injuries business at MAPFRE, with fast settlement of claims, as well as the scarce significance of insured long-tail risks, such as asbestos or professional liability, are elements that mitigate this kind of risk.

The presence of MAPFRE in countries with a higher probability of the occurrence of natural disasters (earthquakes, hurricanes, etc...), requires that these risks be given special treatment, which given their frequency and intensity, may give rise to volatility in the results or require additional capital. The Units and Companies that operate with these kinds of risks, mainly MAPFRE AMÉRICA and MAPFRE RE, rely on specialized reports for catastrophe exposure, generally drawn up by independent experts, which estimate the impact on insured risks should a catastrophic event occur. This information allows catastrophic risks to be subscribed in accordance with the financial capacities of each company, and where necessary, the take up of re-insurance cover, limiting the impact on capital. In this regard, it is important to highlight the role of MAPFRE RE, which contributes its long experience in the catastrophe risks market to the Group.

With regard to the re-insurance risk, MAPFRE's policy is to assign business to re-insurers with proven financial capacity (Standard & Poor's credit rating of no less than A).

## STRATEGIC AND CORPORATE GOVERNANCE RISKS

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The ethical principles applied to business management have been a permanent feature at MAPFRE and form a part of its by-laws and of its day-to-day activities. In order to regulate this business culture and to update it in line with legal requirements with regard to governance and transparency in management, in 2005 the governing bodies of MAPFRE approved a revised version of the Code of Good Governance, initially implemented in 1999. The strict application of the principles of Good Corporate Governance is considered at MAPFRE to be the most efficient way to mitigate these kinds of risks.

### D.2. Control systems set up in order to evaluate, mitigate, or reduce the main risks of the Company and its Group

The identification, evaluation, and quantification of Operational Risks is carried out by way of the RiskMap software application, developed at MAPFRE, which is used to draw up Risk Maps for the companies.

RiskMap is based on a dynamic analysis by processes, such that the heads of each area or department periodically identify and assess the potential risks affecting each one of the following processes:

- Product development
- Subscription
- Claims / Claims payments
- Administrative management
- Commercial activities
- Human resources
- Commissions
- Co-insurance / Re-insurance
- Technical reserves
- Investments
- I.T. systems
- Customer service

With regard to financial investments, the guideline for mitigating exposure to these kinds of risks has been based on a policy of prudent investments, which concentrates the majority of the investment portfolio into fixed income instruments. Likewise, and with regard to Life assurance and Savings, the investment policy that has been applied consists in matching the returns and maturity of investments, with the commitments entered into in the insurance agreements, with the aim of mitigating exposure to risk. Notwithstanding the foregoing and for the purposes of the classification of investments in accordance with the principles of IFRS, fixed-income instruments are assigned to the "available for sale" portfolio, in order to cover any eventualities requiring their sale, prior to maturity. Thus, at the end of 2006, MAPFRE's investments in fixed income securities represented approximately 90% of financial investments, with the rest made up mainly of investments in equities and mutual funds.

Likewise, it is MAPFRE's policy for its portfolio of investments to be denominated for the most part in Euros and U.S. Dollars. This policy extends to the subsidiaries of the America Unit, which, in accordance with the rules in force in each country and the forecast economic environment, diversify their investments in securities denominated in local currencies and in dollars in order to protect against possible devaluations. Thus, at the end of 2006, MAPFRE's investments in fixed income securities denominated in Euros and Dollars represented approximately 95% of investments, with the rest being principally investments denominated in Latin American currencies.

With regard to the credit risk, MAPFRE's policy has been based on prudence (solvency of the issuer), and the diversification of fixed income investments. Thus, the reference portfolio for fixed income securities at the end of 2006 consisted of 55% sovereign debt, supra-national bodies and agencies, and 45% securities issued by corporations with a high credit rating. Thus, at the end of 2006, approximately 97.4% of the portfolio of fixed income instruments is supported by a credit rating of A or higher according to Standard & Poor's.

Given MAPFRE's international vocation and its expansion into Latin-American markets, there exists a permanent exposure to exchange-rate risk. This risk is partly mitigated by the diversification of businesses in different countries and the concentration of the most profitable operations, and with the higher requirements of invested capital, in countries where the currency is the U.S. Dollar or where the national currency has a major correlation with the Dollar (e.g. the Mexican Peso).

### D.3. Cases that have occurred where some of the risks affecting the Company and/or its Group have materialized; circumstances that have caused this; and how the control systems established have responded

Throughout 2006, and connected with the increases in interest rates by the European Central Bank, there has been a generalized increase in interest rates, which has been more significant for short-term investments. This resulted in a loss of value for investments in fixed income securities, which has been partially offset by the good performance of the equities markets. Thus, as at 31st December 2006, MAPFRE S.A.'s net consolidated equity was reduced by €30 million on account of valuation adjustments to the investments. Likewise, the appreciation of the Euro against the US Dollar and other Latin American currencies has resulted in a reduction in net equity as at 31st December 2006, of €72 million, on account of translation differences. The sum of both effects represents approximately 3.2% of the net equity.

The occurrence of a number of natural disasters in a short period of time is a component that is taken into account in the evaluation of the insurance risk, in particular at MAPFRE RE and the companies of MAPFRE AMÉRICA which operate in areas that are exposed to catastrophes (hurricanes and earthquakes). As compared with 2005, which saw a high frequency and intensity of hurricanes in the Caribbean and the southern United States, 2006 has been characterized by an unusually low occurrence of catastrophic events.

## D.4. Committee or governing body in charge of setting up and supervising the control mechanisms and describe what are their functions

As has been stated, the Governing Bodies (Executive Committee and Board of Directors) approve the lines of action for the Units and Companies with regard to the management of risks, and supervise the Units' exposure to risk on a permanent basis through indicators and ratios.

The MAPFRE Risks Management Directorate co-ordinates the processes for the implementation of capital models in the various Units, and is responsible for the application of a uniform methodology for the quantification of risks, in co-operation with the Risks Co-ordinator for each Unit.

In general terms, corporate decisions concerning the assumption or mitigation of risks conform to the following management scheme:

- The subscription of insurable risks, settings of tariffs, and contracting of re-insurance coverage are highly de-centralized at the Units.
- The investments of the companies in Spain are managed centrally by the MAPFRE Investments Directorate-General, which also supervises the investments of the subsidiaries of the America Unit, which have their own Investments Committees.
- Those aspects related to operational risk are overseen centrally, although their implementation and monitoring are delegated to the Units.
- The management of strategic and corporate governance risks is highly centralized.

## D.5. Processes for compliance with the various regulations affecting the Company or its Group

See point 1 above.

# E. GENERAL MEETING

## E.1. Quorum required at the meeting, as laid down in the by-laws

The quorum required at the General Meeting is laid down in the by-laws and is the same as provided for in the Companies Act.

## E.2. System for the approval of corporate resolutions

There are no differences with the provisions governing the approval of company resolutions provided for in the Companies Act, except as indicated in the following paragraph. Shareholders' rights with regard to general meetings are the same as those recognized in the Companies Act, with the exception contained in section A.10 of this Report, under the heading OWNERSHIP STRUCTURE.

However, pursuant to the provisions of Article 25 of the company by-laws, in order to amend the by-law provisions contained at Title IV 'Protection of the General Interest of the Company' (Articles 25 to 30), it is necessary for the resolution to be 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 Rights of shareholders with regard to general meetings which are different from those provided for by the Companies Act

There are no shareholders' rights with regard to general meetings which are different from those provided for by the Companies Act.

### E.4. No special measures have been approved, other than those established by law, in order to encourage shareholder participation at general meetings

### E.5. Chairman of the general meeting: Does this person coincide with the post of Chairman of the Board of Directors? What measures are taken in order to ensure the independence and proper functioning of the general meeting?

YES  NO

Pursuant to Article 11 of the company by-laws, the Chairman of the Meeting shall be the person holding the same position on the Board of Directors, or who may replace him due to circumstances, in accordance with the provisions of the by-laws.

Hitherto no incident has arisen with regards to the proper functioning of the general meeting.

### E.6. Amendments introduced into the rules of the general meeting during the year

The Rules of the General Meeting were approved at the General Meeting held on 6th March 2004, and were partially amended by resolution at the General Meeting held on 27th April 2006. These are available on the company's website, [www.mapfre.com](http://www.mapfre.com), and in the public records of the Spanish Securities Exchange Commission (CNMV) and at the Company Registrar in Madrid.

## E.7. Attendance information for the general meetings held during the year to which this report refers

Date of General Meeting	% physical attendance	% by proxy	% remote voting	Total
27-04-2006	0.050%	64.900%	0	64.950%
29-12-2006	0.060%	62.470%	0	62.530%

## E.8. Resolutions approved at the general meetings held during the year to which this report refers and the percentage of votes with which each resolution was approved

At the General Shareholders Meeting of the Company held on first call on 27th April 2006, the following resolutions were unanimously approved:

- Approval of the Annual Accounts, individual and consolidated, for financial year 2005.
- Approval of the distribution of profits proposed by the Board of Directors, and as a result to distribute a total dividend of €0.32 gross per share to those shares numbered 1 to 238,900,706, inclusive. Part of this dividend, in the amount of €0.17 gross per share, was paid out by way of a resolution of the Board of Directors approved on 26th October 2005, and the rest, up to the approved total, shall be paid as from 5th May 2006.
- Approval of the management of the Board of Directors during 2005.
- The re-election of members of the Board of Directors for a period of four years.
- Amendment of the nominal value of the shares and Article 5 of the company by-laws.
- Amendment of Article 5 of the Regulations of the General Shareholders Meeting of the company.
- Extend the appointment of Ernst & Young S.L. as the company's Accounts Auditors.

At the Extraordinary General Shareholders Meeting of the Company, held on first call on 29th December 2006, the following resolutions were approved by majority, with 2,180 shares voting against:

- To amend the corporate name, which shall become "MAPFRE, S.A.", and as a result to amend the first paragraph of Article 1 of the company by-laws.
- To increase the share capital of the Company in the amount of €108,082,063.30, by way of two tranches of one single increase, without shareholders' pre-emption rights:

The first, in the amount of €96,057,753, by way of a contribution in kind by the shareholder CARTERA MAPFRE, S.L. of the assets set forth in the Report of the Board of Directors, for a total value of €3,066,163,475.76. By way of consideration, the subscribing shareholder shall receive 960,577,530 shares in CORPORACION MAPFRE.

The second tranche, in the amount of €12,024,310.30, with a monetary contribution by MAPFRE MUTUALIDAD DE SEGUROS Y REASEGUROS A PRIMA FIJA at the time of the cash subscription in the amount of €383,815,984.78, by way of the issue of 120,243,103 new ordinary shares in the company.

In both tranches, the shares shall be issued at 3,192%, i.e. at €3.192 each, of which €0.10 corresponds to their nominal value, and the remaining €3.092 corresponds to the share premium, of which such amount as may be necessary shall be credited to the statutory reserve until it should reach twenty per cent of the share capital.

- To amend, as a result, Article 5 of the by-laws.
- To make the said share capital increase, as regards the in kind tranche, subject to the special tax régime laid down in Chapter VIII of Title VII of the Royal Legislative Decree 4/2004, of 5th March.
- To apply for admission to trading, to the Madrid and Barcelona Securities Market and to the Sistema de Interconexión Bursátil (Mercado Continuo), the 1,080,820,633 new shares of ten euro cents each that are issued.
- To amend in part the wording of current Articles 13, 14, 15, 17, 18, 20 to 23 bis, and 25 to 29; to renumber Articles 23 bis to 26, 28, and 29; to add Articles 30 and 34, and delete Article 23 ter; to amend the names of chapters 3, 4, and 6 of title III and of title IV itself; and to renumber titles IV, V, and VI.
- To delegate to the Board of Directors so that it may proceed to draw up a new revised text, with the updated content of the company by-laws, incorporating all amendments agreed hitherto.
- To accept the resignation tendered by the following Board Members: Mr. Ricardo Blanco Martínez, Mr. Víctor Bultó Millet, Mr. Juan Fernández-Layos Rubio, and Mr. Rafael Galarraga Solores; and to appoint new board members for a period of four years: Mr. Rafael Beca Borrego, Mr. Rafael Fontoira Suris, Mr. Sebastián Homet Duprá, Mr. Antonio Huertas Mejías, Mr. Andrés Jiménez Herradón, Mr. Rafael Márquez Osorio, Mrs. M<sup>a</sup> Francisca Martín Tabernero, Mr. Agustín Rodríguez García, Mr. Matías Salvá Bennasar, and Mr. Francisco Vallejo Vallejo.

## E.9. Number of shares necessary in order to attend the General Meeting

Those shareholders holding 1,500 shares, and who have their shares registered in the Share Accounts Ledger, five days prior to the date on which the Meeting is to be held, are entitled to attend.

Those shareholders who hold fewer than the above stated number of shares, may pool their shares until they reach at least the said number, and they shall appoint a representative from amongst themselves and notify this to the Secretary of the Board of Directors of the Company, five days prior to the Meeting, by way of a letter signed by all pooling shareholders and the name and the acceptance of the representative shareholder, who shall exercise the right to vote on behalf of all the shareholders who have pooled their shares.

## E.10. Policies of the company with regard to the proxy voting at the General Meeting

The company does not have any policy with regard to proxy voting at the general meeting.

## E.11. Is the company aware of the policy of the institutional investors with regard to participating or not in company decisions?

YES

NO

## E.12. Address and means of access for corporate governance content on the website

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

### **General Information**

- Sistema MAPFRE
- Shareholders and Investors.



## F. DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS OF CORPORATE GOVERNANCE

Governance of MAPFRE, S.A. and of all its Units and subsidiary companies is regulated – in addition to the corporate by-laws of each company in particular – by the MAPFRE Code of Good Governance. The first edition was approved by the Board of Directors of MAPFRE MUTUALIDAD – the parent company of Grupo MAPFRE until 2006 – at its meeting held on 20th March 2000, and accepted by the Boards of Directors and by the directors and senior managers of all of MAPFRE's entities from that date onwards. On 20th July 2005 the Board of Directors of the Company has accepted the new text of the MAPFRE Code of Good Governance, approved on 29th June 2005, which updates and amends substantial aspects of the previous Code.

The said Code constitutes a mandatory framework of reference for all MAPFRE companies and their governing bodies. It contains a compilation of the RULES governing its management structure and the operational PRINCIPLES of the governing bodies of the entities that make it up, aware of the progressive complexity of its corporate structure and the incomplete legal regulation of company groups, thereby ensuring its activities are co-ordinated and transparent.

The current version of the MAPFRE Code of Good Governance has been drawn up by a Working Group, created for this purpose following the publication of the 'Aldama Report' on 8th January 2003, and of the Finance Act 44/2002, of 22nd November and the Transparency Act 26/2003 of 17th July. The Working Group was made up of four of the main MAPFRE executives and by the Chairmen of the Compliance Committees of MAPFRE's main entities, all of whom are external directors, with the aim of carrying out a deep review and update of the Code. It has taken into consideration both said recommendations and provisions, as well as MAPFRE's own experience in the application of the Code, expressly seeking to increase the co-ordination of the activities of the MAPFRE Group as a whole, as well as to simplify and facilitate decision-making processes.

In accordance with the said Code, it is possible to highlight compliance with the following Corporate Governance recommendations:

- The Boards of Directors of the various companies undertake, as their main non-delegable mission, the general function of supervision, and they have established a range of matters which are reserved exclusively for them, whilst the ordinary management of the Company is carried out by the Executive Committee of each company.

MAPFRE's main supervisory and decision-making body, and the main supervisory body for its subsidiary companies as a whole, is the Board of Directors of the Company, whereas the ordinary management is carried out by the management and executive bodies of the Company and by the relevant corporate bodies of the said subsidiary companies.

At the end of 2006, MAPFRE's Board of Directors was made up of twenty-two directors, of which fourteen are external (six in representation of shareholder's interests and eight independents), with the remaining eight being the most senior executives of the Company and its main subsidiaries.

At the Boards of Directors of the main subsidiaries, external directors are generally in the majority (in representation of shareholder's interests and independents).

- The Chairman of MAPFRE is the Chief Executive of the Group. However, it is considered that there is no risk of excessive concentration of power, given the collective nature of decision-making of the Board and its delegated bodies, and given the participation of the main Senior Executives on the said Board. In the main subsidiary companies, the Chairmen are normally the Chief Executives, although they replicate the procedures with respect the initiation of

decisions and the eminently collective nature of the decisions taken by the Boards and their Committees.

- Both at MAPFRE, S.A. and on the Boards of the main companies of its main subsidiaries, the position of Second Vice-Chairman is held, as a rule, by an external director, who also holds the position of chairman of the Compliance Committee.
- The position of Secretary of the Board of MAPFRE is a position which entails membership of the Board, and it is endowed with the authority and suitable means as Secretary, in order to adequately comply with its function of ensuring the formal and material legality of the activities of the Board.
- Furthermore, at MAPFRE there exist an Appointments and Remuneration Committees, Audit Committee, and Compliance Committee.

At MAPFRE the majority of the members of the Appointments and Remuneration Committee and Audit Committee are external directors. The Audit Committee is chaired by an independent Board Member, who is a professor of Public Taxation and an expert in the matter.

The Compliance Committee is made up exclusively of external directors and is presided over by the external Vice Chairman.

- At the main subsidiaries there is also a Compliance Committee, which is charged with ensuring the proper application of the rules of the Code of Good Governance at each company.
- Directors receive in advance documents that have been specifically drawn up, concerning the main points included on the agenda, and they have powers to request any information they consider to be necessary for the proper performance of their duties.
- The number of meetings of the Board and of the Committees and Executive Committees varies according to the needs of each company, although, in accordance with the MAPFRE Code of Good Governance, in general terms, the main companies ought to hold, as a whole, at least eight meetings per annum, taking into account both the meetings of the Board and the Executive Committee. The system governing the meetings of the Executive Committees conforms to the needs arising from those matters which fall within their remit.
- The election and re-election of the members of the Board of Directors are carried out by way of a formal and transparent procedure, which includes the appropriate proposal from the MAPFRE Appointments and Remuneration Committee or from the Executive Committee, in accordance with the scope of the powers laid down for each one.
- The rights and duties of the directors are laid down in detail in the Code of Good Governance, which follows almost in its entirety the guidelines of the model regulation drawn up by the Spanish Securities Exchange Commission (CNMV) and the rules in force governing the Securities Market and Companies.

Their remuneration is in compliance with the principle of moderation, and consists of a fixed allowance, which is only paid to external directors. The external members of Committees and Executive Committees also receive an allowance for attending the meetings. In the annual report and in another section of this Report, information is supplied with regard to remuneration criteria, both for external directors and for executives, as well as a global figure for the remuneration received.

- The age limit is set at 65 years for executive directors and 70 for external directors.

- The periodic information and the Annual Accounts are drawn up using the same criteria, and are verified by the Audit Committee.

This Committee also receives regular information with regard to the relations with the External Auditors and sees all the reports and recommendations that they draw up. It also receives all reports issued by the Internal Auditing Services, and is informed of the degree of compliance with its recommendations.

In accordance with the provisions of the MAPFRE Code of Good Governance, the Annual Accounts which are submitted to the Board of Directors for consideration, are previously certified with regard to their accuracy and integrity by the Chief Executive of the Company or of the consolidated Group, as the case may be, by the corresponding Internal Auditing Director, and by the director who is responsible for the drawing-up of the said accounts

- The remuneration paid to the External Auditors by CORPORACION MAPFRE Group in 2006 for the services corresponding to the auditing of the annual accounts amounts to €3,277,242, of which 2,961,039 correspond to the main auditor. The amount of €121,175 was also paid to the main auditor for services relating to the auditing of accounts, €753,012 for other complementary services rendered. These figures are considered not to compromise the independence of the auditors.
- The External Auditors do not make any reservations or qualifications with regard to the Annual Accounts of the companies of Sistema MAPFRE corresponding to 2006.
- MAPFRE provides its shareholders and institutional investors with ample information with regard to its activities and results and those of its subsidiaries. The Company, as a publicly quoted company, carries out a wide range of communication activities with its shareholders, institutional investors, and market operators, as is set out in the management report.
- In compliance with the rules laid down in the Code, the MAPFRE Compliance Committee and those of its main subsidiaries regularly assess the compliance with the Code in their respective companies, and submit the corresponding reports to their respective Boards of Directors and to the MAPFRE Institutional Control Committee.

In all reports corresponding to the assessment of previous years, the level of compliance has been very positively rated, and the high level of ethical behaviour at the entities has been highlighted in all aspects assessed, along with the effective supervision and control that has been carried out by the Boards of Directors. At the same time some areas, where improvements could be made, were pointed out, and recommendations were drawn up to this effect.

- Likewise, both the Board of Directors of MAPFRE and of all the main subsidiaries have carried out during 2006 an assessment of the quality and efficiency of their work, by way of a detailed questionnaire completed by all members sufficiently in advance. All comments and suggestions made have been examined by the Board, which has adopted the appropriate measures in order to improve the quality and effectiveness of its meetings.
- Finally, it should be pointed out that the Extraordinary General Assembly of MAPFRE MUTUALIDAD – parent company of MAPFRE, S.A. until 2006 – approved a corporate re-organization of the whole MAPFRE Group whereby, whilst maintaining its institutional principles, it took a new strategic step in order to accelerate its business development based on two pillars:
  - The integration of all business activities, and all companies that carry these activities out, into the holding company MAPFRE, S.A., listed on the Stock Exchange, which allows for a more efficient and transparent business management, by eliminating the complexity of the previous MAPFRE corporate structure.

- Majority control of the said listed company to be attributed to the FUNDACIÓN MAPFRE, in compliance with the provisions of the by-laws of the Mutual Society, so that the profits generated by MAPFRE's business activities over many years, may revert for the most part, to Society in general, through its foundational activities, with full respect for the rights of Mutual Members, and with no specific benefits for those persons who work at MAPFRE (Board Members, directors, and employees), which, as the case may be, shall only receive what they are entitled to, like any other Mutual Member.

The existence of FUNDACIÓN MAPFRE safeguards the roots of MAPFRE as an independent institution, along with its spirit of public servant, its institutional principles, and its business culture.

All of this received the full backing of the shareholders of MAPFRE, S.A. at the Extraordinary General Meeting held on 29th December 2006, held after obtaining all the necessary official authorizations.

At the same meeting, the General Meeting of MAPFRE S.A. approved the new make-up of its governing bodies, with its Board of Directors now comprising of one-third independent Board Members.

In 2007 it is envisaged that there will be a new review of the MAPFRE Code of Good Governance, which shall reflect the changes arising from the corporate re-organization referred to, and as the case may be, the recommendations contained in the Unified Code of Good Governance.

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The 2006 MAPFRE, S.A. Code of Good Governance, drawn up by the Board of Directors of the company on 6th February 2007, is available in the public records of the CNMV and on the Company's website. This document does not coincide exactly with the official document, due to the limitations of the electric format of the model.

