





*Corporate  
Social Responsibility  
Report*

# Corporate Social Responsibility Report

## INTRODUCTION<sup>1</sup>

**The modern company should be able to combine its corporate responsibilities (create value and employment, generate profits and be efficient) with sustainable growth and human development, adherence to ethical principles, contribution to social welfare and the implementation of policies regarding its commitment to credibility, transparency and solidarity. Solidarity is not only an ethical, personal and social commitment but also a requirement of being part of a community.**

A sense of social responsibility has been inseparable from MAPFRE's conduct and history for many years and forms part of the institutional principles of action laid down in its Code of Good Governance, which sets out that 'the activity of SISTEMA MAPFRE and all those who are involved in its management at any level must be inspired by a sense of service to society in general, by way of recognition of their duty and responsibility to the proper development and progress of the same'.

SISTEMA MAPFRE's bodies consider, first and foremost, that the sense of social responsibility must be made manifest in the way in which the activities of the constituent companies of Sistema are managed, so that their major contribution to society will be the generation of wealth, creation of employment, equity in its relationships with all parties involved in its activities (policyholders, partners, employees, agents and contractors, suppliers etc.), strict compliance with the legal and fiscal obligations entailed by being part of society, and the maintenance of high ethical standards in corporate management.

To this end, in 2004 MAPFRE joined the United Nations Global Compact and, at the end of 2004, created a Communications and Corporate Responsibility General Directorate, whose aim is an in depth examination of the planning, coordination and control of social responsibility within the companies of Sistema based on the GRI (Global Reporting Initiative) indicators and responding to the following objectives:

- The diffusion of and compliance with national and international standards and laws and the obligations derived from them, particularly the International Declaration of Human Rights and the ten principles set out in the Global Pact.
- Respect for equal opportunities for employees; the right to privacy and free expression; fairness in labour relations; the fostering of a safe and healthy work environment, in addition to necessary and adequate training; fair compensation and employment security; the avoidance of any type of

<sup>1</sup> The following information relates, as far as possible, to CORPORACIÓN MAPFRE. Nevertheless, as specified in each case, on occasion it has not been possible to obtain separate data for CORPORACIÓN and its subsidiaries and therefore information on SISTEMA MAPFRE as a whole has been provided.

persecution or abuse, or discrimination based on ideology, beliefs, gender, race or condition; and the facilitation of balancing work with family life.

- Promotion of a growing sense of solidarity, responsibility and social participation amongst employees, collaboration in the programs carried out or developed to such effect, support of the company's social efforts and promotion of volunteer initiatives.
- To provide its policyholders and customers with quality service during the stipulated period and with honest advice, confidential treatment of information and making available dispute resolution procedures with the shortest possible delay.
- Socially responsible management of relationships with suppliers and contractors based on freedom, reciprocal respect and mutual benefit.
- Environmentally conscious policy making which promotes effective measures to limit, as far as possible, the ecological and environmental impact of corporate conduct.
- Communications policy with all interested groups based on transparency, truthfulness and compromise, in particular which shareholders and investors.
- Maintenance of a continuous working relationship with government agencies based on transparency and honesty.
- To adhere to conduct which respects the principles of freedom and fairness in market competition.

Aside from all this, for over twenty years MAPFRE has been dedicating a part of its net annual profits to financing non-profit public interest activities via six private foundations on whose activities an extensive annual report is provided as part of the Annual Documentation of SISTEMA MAPFRE.

In 2004, these Foundations allocated a total of 19.4 million euros to their activities. The donations the various Sistema companies will allocate to these Foundations against the profits for the 2004 fiscal year, in accordance with proposals to be submitted to their respective Assemblies or General Meetings, total 25.3 million euros.

Additionally, in 2004 MAPFRE has made diverse monetary contributions to social interest projects, amounting to 593,000 euros, of which 300,000 have been assigned via the Spanish Red Cross to victims of the tsunami in south east Asia.



*Award of International insurance prize 'Julio Castelo'*

## INSTITUTIONAL PRINCIPLES FROM THE CODE OF GOOD GOVERNANCE (2002)

### Independence

As a requirement that cannot be waived deriving from the mutual nature of its parent company, the activities of SISTEMA MAPFRE and its subsidiaries shall be independent of any person, entity, group or power of any kind. This implies:

- a) That, with respect to Sistema and its companies, no person, company, group or institution may attribute itself different political or economical rights from those granted by law and company bylaws.
- b) That all governing bodies and boards of directors shall adopt their decisions based exclusively on Sistema's corporate interest, without personal, family, professional or company interests influencing the adoption of each proposed resolution.
- c) That all assets and rights of SISTEMA MAPFRE as a whole are in pursuance of corporate objectives with the only exception being Sistema's contributions to the MAPFRE Foundations -prior approval from their Assemblies or General Shareholders Meetings- and public interest donations authorized by the Institutional Control Commission.

The principle of independence is compatible with the establishment of alliances, associations or collaboration agreements with other companies or institutions for the appropriate development of SISTEMA MAPFRE and its corporate objectives but this principle should be taken into account with regard to third party rights under said alliances and agreements.

### Ethical Behaviour

The conduct of SISTEMA MAPFRE must be inspired in the respect for the rights of all individuals and companies MAPFRE interacts with, and Society as a whole. This implies:

- a) Transparency within corporate and board structures and social management.
- b) Truthfulness in the supply of products and services as well as in the information provided to mutualists, shareholders, customers and the public in general.
- c) Promptness in compliance with obligations under contracts with customers and suppliers.
- d) Equal treatment to everyone who provides services to Sistema: Board members, Directors, employees, delegates and agents, and professional collaborators. This requires objectivity in their selection and promotion, fair and reasonable compensation and collaboration conditions, and no discrimination based on race, religion, gender, political affiliation or social condition.
- e) Respect for the rights of mutualists as ultimate owners of SISTEMA MAPFRE, and of those participating as members or shareholders of the properties of the various Sistema companies.
- f) Strict compliance with the law and obligations derived from it.

## Humanism

The development of SISTEMA MAPFRE is based on its people, who constitute its main asset. Therefore, even above ethical reasons, it is indispensable that relationships among the persons who are part of Sistema are based on mutual respect and human values such as tolerance, cordiality and solidarity, so that its activities develop with internal cohesion, confidence and enthusiasm.

## Business and corporate assets growth

The development of business activities implies, as an unavoidable objective, the optimization of the size and the net worth of Sistema benefiting mutualists and shareholders, and supporting the possibilities of promotion and personal progress of those who participate or collaborate with Sistema's activities. This implies that:

- a) Corporate planning should be centred on obtaining safe earnings and in maximising long term cash flows.
- b) The adoption of new investment projects should be based on obtaining adequate returns in relation to the company's cost of capital.
- c) All surplus resources not needed for new investment projects or for maintaining the sound financial position of Sistema, should revert to mutualists - through the cost reduction of their insurance - and to the shareholders of the companies of Sistema, so that they may obtain adequate returns on their investment.

The creation of value should not be based on speculative operations but on the effort, efficiency, dynamism and the making the most of the resources which brings technical progress, to continuously improve social management; and it should be obtained while respecting the requirements derived from other institutional principles set out in this Code, especially in the ethical conduct.

## Social Responsibility

In addition to the ideas previously set out, the activities of Sistema and all those who are involved in its management at any level should be inspired by a sense of service to society in general, by way of recognition of their duty and responsibility to the proper development and progress of the same. In keeping with this spirit, each year Sistema allocates part of its revenue to promoting non-profit social interest activities through various foundations.

## CORPORACIÓN MAPFRE AND ITS EMPLOYEES

### Structure of staff

The staff who provide their services to the various companies of CORPORACIÓN MAPFRE is comprised of persons from the following geographical areas as at 31 December 2004:

Geographical areas	2004	2003	%variation
Spain	5,926	5,624	5.37%
America	8,377	7,771	7.80%
Other countries	720	473	52.20%
<b>Totals</b>	<b>15,023</b>	<b>13,868</b>	<b>8.33%</b>

54.06% of all staff was male and 45.94% female, with the following breakdown:

Geographical areas	Men		Women	
	Number	%	Number	%
Spain	3,266	55.11%	2,660	44.89%
America	4,439	52.99%	3,938	47.01%
Other countries	417	57.97%	303	42.08%
<b>Totals</b>	<b>8,122</b>	<b>54.06%</b>	<b>6,901</b>	<b>45.94%</b>

The structure of the group's staff by category is the following:

Spain	Number	%	Other countries	Number	%
Managers	469	7.91%	Managers	322	3.54%
Clerical staff	2,188	36.92%	Clerical staff	3,728	40.98%
Commercial staff	1,570	26.49%	Commercial staff	2,238	24.60%
Technicians and others	1,699	28.68%	Technicians and others	2,809	30.88%

The average age of the staff is 34.3 years old, with the following breakdown:

Countries	Average age
Spain	36.2 Years
America	33 Years
Other countries	32.5 Years

### Human resources policies

#### Labour relations

MAPFRE maintains the maximum respect for the rights of workers regarding union matters (e.g. free association and election of representatives) and collective bargaining, and complies with the applicable standards in each country pertaining to these matters.

In Spain, it maintains open lines of communication with the relevant unions (CCOO and UGT), which contributes to social order and the enhancement of labour conditions as laid down in the Agreement of Grupo Asegurador MAPFRE which affects approximately 85% of SISTEMA MAPFRE staff.

In compliance with said agreement, in 2003 a complete professional reclassification, which affected a third of the staff, was carried out in Spain. The criteria applied for adequate classification of personnel takes into account the particularities of each Unit or Operating Company, and forms an open model capable of being developed in parallel to the growth of the Organization.

### **Selection and recruitment**

MAPFRE has established a selection procedure for hiring new personnel common to all Sistema companies which entails the standardization of the aptitude test at the time of selection, and its adaptation to the internal mobility procedure. During 2004, the Sistema companies have carried out 228 selection processes in Spain according to these criteria.

The objectivity and thoroughness of the selection process assists with the internal promotion of employees and guarantees equal opportunities for all candidates, meeting the requirements for a position with MAPFRE.

These personnel selection standards, initially applied in Spain, are now progressively being implemented within MAPFRE companies in other countries.

### **Remuneration**

In the 2004 fiscal year CORPORACIÓN MAPFRE and its subsidiaries paid 248.5 million euros in remuneration. 72.2% of this amount corresponds to salaries, 17.6% to social security, 5.2% to social benefits and the remaining 5% to compensation and other payments.

The fixed elements of salaries are revised in accordance with the applicable collective bargaining agreements. In the case of the Agreement of MAPFRE Grupo Asegurador, which affects 85% of SISTEMA MAPFRE employees in Spain, it involves an annual increase equivalent to 115% of the CPI.

The Collective Bargaining Agreement establishes a wide range of benefits for employees as a major part of their remuneration, with special attention to pension and health related benefits. In 2004, the costs to CORPORACIÓN MAPFRE companies of these benefits amounted to 12,817,993 euros, representing 5.16% of total personnel remuneration.



*FUNDACIÓN MAPFRE ESTUDIOS, together with MAPFRE Human Resources Unit, organises 'Foro América: Human Resources management in Spanish multinationals in Latinoamérica'.*



MAPFRE pays special attention to the situation of retired personnel. In 2003, it established a -initially of 6 million euro- fund to assist those where special circumstances require additional assistance. In 2004, as the first step in studying and analyzing their needs, a questionnaire was prepared and distributed to all retired Sistema persons in Spain (112 questionnaires were sent out and 60 responses were received), supplemented with visits to study such cases where greater assistance may be needed.

The remuneration and employment conditions of staff in other countries are adapted to their respective labour standards and collective bargaining agreements, with additional remuneration and social benefits where necessary to bring them into line with the standards established in Spain.

### **Employee assistance service**

IT forms an important part of our business development, given that it allows for more effective management, more efficient procedures and a better service to the internal client. In this sense, MAPFRE has promoted the use of its Intranet as a major channel of communication with its employees. The number of queries received via the Human Resources' mailbox in Spain (4,942) exceeds the number of queries received via e-mail (3,193). It has been noted that, on average, each employee accesses the employee intranet once a day.

In addition, we have tried to bring Human Resources information closer to employees, allowing for self management through the "Employee Self Assistance" service, where employees can make queries regarding their salaries, their bonuses on insurance coverage, the current value of their life insurance policy, their contributions to pension plans and child assistance, in addition to requesting health insurance and benefits from the employee assistance fund.

### **Professional development and training**

Once again this year, MAPFRE has paid special attention to training its executives and employees. During fiscal year 2004, the companies of SISTEMA MAPFRE in Spain provided 276,000 hours of training, with an average of 27 hours per employee, having designated to this activity an amount equivalent to 1.4% of company costs per employee.

The International Executive Training Centre (*El Centro Internacional de Formación de Directivos*) (CIFD), which has carried out its activities since June 1999, has organized 44 corporate seminars with a total of 20,317 teaching hours, attended by 615 executives of different levels of the Sistema Units and Companies, of which 474 were from companies in Spain and 141 from other countries. Training managers from the Units and Companies in various countries have been involved in designing these seminars, in order to adjust their contents to the needs of each company, region and the group as a whole.

In this context, the "Horizon Project", a training programme for young employees with growth potential, continues to be developed. Since its inception in March 2001, 130 people have taken part in this programme, of which 100 are employees of Sistema in Spain and 30 are from other countries. After completing this programme, 63% of these people have taken on positions of higher responsibility. During 2004, eight modules have been taught to 59 participants involving a total of 8,986 teaching hours.

In addition, during 2004 the CIFD has developed a new programme for project managers, so far held four times and attended by 63 people; held five seminars to train management assistants, attended by 66 people; provided training services as required by the various Operating Units

*Children activities  
in a special event organised  
for employees*



through diverse programmes holding 43 seminars with 590 attendees. A total of 24,924 training hours have been provided as a whole by the CIFD during fiscal year 2004.

Additionally, in 2004, a computer-based training programme has been successfully launched with excellent results, in which 50 people have participated. Training has also continued via e-learning in specific business areas in each Unit or Company, with results confirming the increasing utility of the use of this type of education technology, not only for its flexibility and content but also for its flexibility, bearing in mind varying timetables and personal situations.

It is also worth mentioning the training received by the professional group of office managers within their respective sub-centres as well as that conducted at the International Executive Training Centre; the latter has given 18 courses to a total of 270 managers.

Employee and commercial staff training is also customary for MAPFRE companies abroad, which increasingly incorporate area-specific goals into their strategic plans.

#### **Health and safety in the workplace in Spain**

The Employment Risk Prevention Department has adapted its preventative policies to the reform of the applicable rules introduced in 2004. Among the various activities in this area the following are noteworthy:

- 208 evaluations and risk reviews have been carried out in the area of Safety, Hygiene and Ergonomics, followed by the drawing up of corresponding preventative plans. In addition, emergency plans have been updated in all the workplaces in Spain.
- During this year, a second voluntary audit of the Prevention System has been carried out by an outside company with satisfactory results.
- All new employees have been provided with training and information regarding general and specific risks associated with their positions, the procedures in the case of an emergency, and the General Guide for the Prevention of Risks in the Workplace of SISTEMA MAPFRE. In addition, conferences have been organized on emergencies and first aid, as well as a stop smoking conference attended by 792 Sistema employees.

- More than 20,000 medical consultations have taken place and the appropriate periodic and initial medical examinations for the entire SISTEMA MAPFRE staff.
- 3,000 Sistema employees have actively participated in a traffic safety campaign implemented through the intranet and focused on three topics. Similarly, each quarter an article on Health and Safety is published in the magazine "The World of MAPFRE" (*"El Mundo de MAPFRE"*).

In order to foster coordination and direct assistance to employees, the Sistema Human Resources General Directorate is structured around three central areas: Social and Labour Relations, Administration, and Human Resources Development. In addition, there is an IT department which provides support and develops new functions for the Directorate as well as a Top Management department centered on this group.

Special attention is being given to obtaining maximum efficiency in management procedures, both for the benefit of staff and to ensure compliance with precise and rigorous social, labour and tax standards. To this end, and amongst other activities, a quality control process for internal procedures has been developed, increasing controls and filters so as to improve this management efficiency; a META 4 platform has been made available in all training areas as a common management tool; and a plan has been put into effect to move from the current web platform so as to facilitate the connection between META 4 and the web programmes of the Official Bodies.

### **Employment policy**

During fiscal year 2004, the Units and Companies of CORPORACIÓN MAPFRE have created 1,150 new employment positions, of which 302 are in Spain and 853 in other countries.

The MAPFRE Employment Policy promotes the hiring of permanent as opposed to temporary staff. As at 31 December 2004, 96% of employees at the Units and Companies of Corporación in Spain were permanent.

During 2004 the process of integration of FINISTERRE and MUSINI has been completed following the principle that employment positions will be maintained and maximum respect will be given to labour rights.

### **Acknowledgements**

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During 2004, MAPFRE has received various acknowledgements for its work in human resources with the following worthy of special mention:

- MAPFRE SEGUROS GERAIS was named the third "Best Company to Work for in Portugal", and came out best in the Insurance Sector for Labour Conditions in a study conducted by the Great Place to Work Institute and the magazine "Exame".
- MAPFRE ARGENTINA has obtained tenth place in the "Ranking of the Best Companies to Work for" produced by the Great Place to Work Institute and the Human Capital Management Division of the company "Managers", receiving a special mention for its prominent role in improving the work environment among companies with more than 500 employees.

- MAPFRE SEGUROS DE BRASIL obtained second place in the Human Resources category in “Ranking the Best” in the magazine “Isto é Dinheiro”, and is considered one of the three best companies in the “Safety and Prevention” sector.

## MAPFRE AND ITS CUSTOMERS

One of the main objectives of the SISTEMA MAPFRE companies is satisfying the needs of its more than ten million members, policyholders and customers, offering them high quality services and appropriate assistance.

In fiscal year 2004, Sistema's insurance companies paid out a total of € 5,093 million, a 22.5% increase from 2003, as detailed below:

<b>CLAIMS</b>			
<b>Units</b>	<b>2004</b>	<b>2003</b>	<b>Change (%)</b>
MOTOR	1,352,165	1,213,556	11.4%
AGROPECUARIA	60,884	86,112	(29.3%)
GENERAL INSURANCE	459,096	431,807	6.3%
COMERCIAL <sup>1</sup>	502,313	258,194	94.5%
LIFE	1,637,803	1,192,967	37.3%
CAJA SALUD	243,959	208,744	16.9%
ASSISTANCE	19,513	13,035	49.7%
AMERICA	765,838	715,111	7.1%
OTHER COMPANIES	51,650	36,632	41.0%
<b>TOTAL</b>	<b>5,093,221</b>	<b>4,156,158</b>	<b>22.5%</b>

*Figures in thousand euros*

Information refers to direct insurance.

<sup>1</sup> In fiscal year 2004, annual information for MUSINI S.A. is included, as opposed to 2003 where only the fourth quarter information for MUSINI, S.A. was included.

### Customer service channels

In order to meet this objective, MAPFRE has established the following channels which facilitate communication with its policyholders and customers:

- **THE MAPFRE NETWORK**, comprising 2,788 offices in Spain and 925 in other countries in which it operates, provides personal and direct customer services.
- Highly qualified **Personnel** serve a segment of customers with complex profiles requiring specialised attention (industries and large industrial risks, the agricultural sector, savings products, etc.) with the support of a select team in Central Services who have extensive experience and knowledge of international markets.

- **Telephone Platforms** with twenty-four hour service 365 days a year, which provide continuous service, and allow clients to ask questions and to conduct transactions pertaining to policies they have purchased and other types of insurance offered by MAPFRE, and to obtain related services.

The following table provides details on existing platforms in Spain and the services each one provides:

Claims by type of service	Motor Unit	General Insurance Unit		Assistance Unit	Health Unit
	MAPFRE Motor line	CIS Tel. Platform	Canaries Tel. Platform	MAPFRE ASISTENCIA Plat.	MAPFRE CAJA SALUD Plat.
Requests for information	13%	5%	26.47%	34%	42%
Claims processing	73%	80%	65.72%	66%	54%
Changes of information	1%	15%	0.83%	--	--
Others	3%	--	6.98%	--	4%

- The MAPFRE Motor Line is a multi-channel customer service (telephone and Internet) for transactions related to the sphere of Automobiles.
- The Operations Area Customer Service Centre (C.I.S.) is a service centre for everything related to households, proprietor associations, burial, etc.
- The Elipse Canaries call centre Platform is a territorial centre for services to Canary Island customers covering all types of insurance.
- The MAPFRE ASISTENCIA Operations headquarters is mainly dedicated to managing travel assistance claims and services for the elderly.
- The MAPFRE CAJA SALUD call centre Platform is dedicated to services to policyholders, applicants, distribution networks and health professionals contracted through telephone, fax, internet and e-mail.
- The Teleseguros VIDA specialised Platform and the Centre for Portfolio Maintenance, both belonging to MAPFRE VIDA, provide services to bancassurance and agency channel customers, respectively.

The following table gives information for the main telephone service platforms of the Sistema insurance companies outside Spain:

Calls by type of service	MAPFRE BRASIL	MAPFRE TEPEYAC	MAPFRE ARGENTINA	MAPFRE PUERTO RICO
Requests for information	21.6%	18%	35%	55%
Claims processing	42.4%	47%	17%	25%
Changes of information	N.A.	N.A.	48%	10%
Other	36%	35%	N.A.	10%

The network of telephone platforms of Sistema Internacional de Asistencia MAPFRE (SIAM) is worth a special mention. It comprises MAPFRE ASISTENCIA and its subsidiaries in 37 countries which employed 1,923 people in 2004, handled a total of 12,932,143 calls, of which 11,059,680 related to claims processing and the remaining 14.5% (1,872,463) were requests for information. The following table provides information on the four major SIAM platforms:

Calls by type of service	Brazil	US	Argentina	Turkey
Requests for information	23%	15%	9%	4%
Claims processing	77%	85%	91%	96%

The number of MAPFRE employees working in customer call centres totals 3,304, of whom 835 work in Spain and 2,469 in other countries.

- **MAPFRE Portal and the MAPFRE Internet Office.** These channels, which are linked to Sistema's corporate portal, offer complementary possibilities for customers to interact with MAPFRE, both in Spain and in the other countries in which it operates, although they include differentiating elements in each country so as to adapt to the particularities of the local insurance market and distribution networks.

#### **Overall product range**

One of MAPFRE's corporate objectives is to offer its customers a complete array of products and services for the prevention and coverage of personal and corporate risk and to cater for both current and future personal and family savings needs. This range includes:

- Integrated advisory insurance services, both to individuals and to companies, carried out by MAPFRE experts in various business areas via its network of offices, call centre platforms and professionals dealing with specialised risks, which facilitate an integrated response to the customer's needs in the motor, home, health, burial service, travel assistance, industry, small and mid-size companies and agricultural sectors.
- Legal services for individuals (Informauto for the Motor sector and the Household Legal Department); assistance, medical or psychological (in the accident insurance, emergency medical services and mediphone telephone assistance areas of the health insurance sector, and assistance managers in burial insurance); veterinary (provided in the animal insurance area); and in savings and pension matters (consultants specialised in strictly financial products and services). MAPFRE also provides these types of services in other countries (Argentina, Brazil, Mexico, Peru, Puerto Rico and Venezuela).

In the large company arena, these services are structured by sector of economic activity, which allows for the provision of efficient, integrated and specialised services of high quality, including multinational coverage via the extensive network of Sistema companies abroad, with a presence in 33 countries.

- Claims processing services, including a large network of professionals for repairing claims-related damages, as well as providing solutions to specific needs not derived from these.
- In-house medical centres with highly qualified personnel: ten centres with rehabilitation units to provide care to those injured in traffic accidents; five centres for customer health care services;

two in the Caribbean (Mexico and the Dominican Republic) to assist policyholders displaced within this zone; and two for work accident rehabilitation in Argentina; which are the property of MAPFRE ARGENTINA ART, Employment Accident Insurance Company.

- 97 specialist in-house motor claims assessment and quick payment centres with professionals trained in the newest technologies. There is a process underway for the development of repair garages (MULTISERVICAR), of which two are already operating.
- Research and Development Centres for risk prevention systems in Motor Insurance (CESVIMAP in Spain, Cesvi Argentina, Cesvi México, Cesvi Brasil, Cesvi Colombia and Cesvi France), whose research on equipment, tools, materials and products used in repairing vehicles is a reference in maintaining safety.
- Development of traffic accident simulation programmes, carried out by CESVIMAP (RECONSTRUCTOR 98), and with other preventative areas, such as those developed by ITSEMAP in management of emergencies (LINCE y EMERGEX2000) and labour injury risk. (GESMAP).

As a result of this continuous research on products and services, in fiscal year 2004, the products set out in the following table were launched onto the market:

NEW PRODUCTS AND SERVICES 2004*		
Line of business	Country	Types of products and/or services
Motor	Spain	-Multi annual policies linked to renting and financing contracts with single and fixed premiums. -Coverage for fleets and special risks.
	Argentina	-0 Km Policy, with wide coverage and bonuses. -Basic Policy Plus for personal use all terrain 4x4 vehicles, vans and pick-up up to 15 years old.
	Colombia	-Luxury Car Insurance for vehicles over \$85,000 including diverse coverage.
	El Salvador	-All Risk 100, first combined insurance on the market with wide coverage and services.
	Peru Philippines	-Silver Policy, supplemental to the Mandatory Traffic Accident Insurance - SOAT- -Liability Guard, Civil Liability insurance, with wide coverage.
Life, investments and savings	Spain	-All Life ( <i>TodoVIDA</i> ), annual renewable insurance which includes disability and death, and protects the stability of family economy. -Assured Pension Plan ( <i>Plan de Previsión Asegurado (PPA)</i> ) for retirement. -MAPFRE VIDA UNO EPSV, social forecast product which integrates different plans. -FONDMAPFRE Bolsa Garantizado G VI, FI, mutual fund.
	Mexico	-Achievement Plan ( <i>Plan Superación</i> ) to guarantee intermediate/higher education for children.

\* Improvements in previously distributed products are not included

**NEW PRODUCTS AND SERVICES 2004 (Continued)**

Line of business	Country	Types of products and/or services	
<b>Home, personal accident and burial</b>	Spain	-Seguro 365 for freelance workers. -Property insurance for offices, pharmacies, hotels and educational centres. -Accident insurance for students. -Burial Insurance for foreign residents.	
	Argentina	-AP Asistencial for personal accidents with worldwide coverage. -Extra Policy , which includes damages of water, glass, TV, videos, etc.	
	Peru	-Individual Personal Accident Insurance for dangerous professions. -Economical Household Insurance.	
	El Salvador	-Burial Insurance.	
<b>Credit</b>	Spain	-Business Policy targeted at small companies.	
<b>Large risks</b>	All countries	-LARGE RISK International Programs developed in Spain for customers with international presence.	
<b>Health</b>	El Salvador	-Mediphone 24, which includes telephonic medical consultations and other outstanding coverage.	
	Puerto Rico	-Health Insurance ( <i>Plan de Salud</i> ) which covers a great number of services and medical treatments.	
	Peru	-Hospital Insurance ( <i>Seguro Hospitalario</i> ), which includes surgery prosthesis, and second medical opinions.	
	Mexico	-Alianza San Angel Inn, which covers hospital medical expenses in the hospital which bears the same name, in addition to other advantages and services.	
<b>Assistance</b>	Spain	-Contingency Insurance ( <i>Seguro de Contingencias</i> ), which covers risks not covered by traditional branches. -Warranty Insurance for Mechanical Breakdown for Used Cars. -GAP Financial Insurance ( <i>Seguro de GAP Financiero</i> ), complementing the reimbursement paid on the claim by the insurance company up to the purchase price of the vehicle. -Segurviaje Schengen, with wide travel assistance coverage and health assistance for travel within the Schengen area. -Credit Card Purchase Protection Insurance.	
	Bahrain, Belgium, Greece, Ireland, Portugal, Turkey	-Warranty Insurance for Mechanical Breakdown for Used Cars.	
	Puerto Rico	-Integrated Assistance, which combines road and household assistance.	
	Peru	-European Travel Life Insurance Plan, which covers health assistance and risk of death.	
<b>Agrpecuario</b>	Spain	-Agroindustrial Policy for farms. -Insurance for Reforestation costs. (only for Galicia). -Insurance for Puppies, directed at canine breeders. -Mechanical Warranty for Tractors, exclusive widening of guarantees for John Deere tractors in Spain and Portugal in collaboration with CESVIMAP.	
	Mexico	-Horse Insurance which covers death, illness, veterinary expenses and civil responsibility.	



## Complaints

SISTEMA MAPFRE relies on a Central Department which handles grievances and complaints from all financial services users, in accordance with Law 44/2002, dated 22 November on the Financial System Reform Measures and expanded legislation. In addition, it also counts on the Committee for the Defence of the Policyholder, an institution created in 1984 to, free of charge and independently from the Sistema governing bodies, resolve complaints made by persons and proprietor associations who are policyholders, insured persons or beneficiaries of insurance policies from the various constituent companies of Sistema and the participants or beneficiaries of individual pension plans managed or custodied by the Sistema companies as well as their successors.

In fiscal year 2004, the Complaints Department handled a total of 2,542 grievances and 4,008 complaints with an average of 550 per month. A 61% of the grievances and complaints received during the year had an actual true financial content and included a specific demand and the remaining 39% reflected mere operating incidences in the processing of claims and policies, which are submitted to the appropriate departments for suitable handling. From the total, 1,181 grievances and complaints were reviewed and decided upon by the Committee for the Defence of the Policyholder which has positively resolved a total of 811. In addition, in its activity report for this fiscal year, it made various recommendations, which will lead to improvements in the activities of the Sistema companies with respect to the following aspects:

- Reinforcement of the services provided by the Committee for the Defence of the Policyholder, to guarantee the rapid processing of the growing number of complaints they receive as a consequence of the strong increase in the number of Sistema policyholders.
- Possibility of establishing a minimum amount for complaints so as to have access to the Committee for the Defence of the Policyholder.
- Promptness of MAPFRE's deciding bodies in submitting reports to the Committee to resolve complaints.
- The possibility to cover caravans and mobile homes within trailer vehicles insurance.
- Rigorous observance of the notice period for notifying changes in rates.
- Higher definition of appealing against the fines the company handles on behalf of the customer.
- Specific improvements in the criteria used in accepting or denying accident claims.



*Barclays' 'Excelente' prize  
for MAPFRE SEGUROS  
GENERALES.*

- A more precise definition on the reach and limits of certain coverage for household and civil liability farming insurance.
- Possible modifications in the General Conditions of Motor policies for a better definition of spare parts included or excluded in the coverage.
- More coordination between the commonly used definitions of incapacity and disability, and definitions used by Social Security legislation.

### Quality at MAPFRE

The Sistema companies consistently work to obtain high standards of quality in policyholder and customer service, with special attention to the prompt, efficient and fair attention and payment of claims. The following table shows the number of employees dedicated to quality monitoring and control at MAPFRE:

EMPLOYEES DEDICATED TO QUALITY	
In Spain	Abroad
119	342

Call centre platforms specially monitor the quality of service by surveying customers, measuring the degree of resolution of customers' requests, the perceived quality, the oral expression, the use of language, handling of calls, resolution at first contact, knowledge, and operators' capacity to adapt to new situations.

All quality evaluations performed are analysed and processed daily to adopt the corresponding and personalised corrective actions. Specific training to improve job-related and technical skills has been set up. The most significant were the following:

- Customer focus.
- Customer service techniques.
- Telephone sales strategies.
- Handling conflicts.
- Interpersonal communication.
- MAPFRE products.
- Internal procedures (collection management, claims management, complaints management, IT support programs).

The following table includes a selection of data used to evaluate the evolution of the service quality in Spain:

Parameters	Motor		Gen. Ins.		Assistance		Health	
	MAPFRE Motor line		CIS		MAPFRE ASSISTANCE Platform		MAPFRE CAJA SALUD Platform	
	2004	2003	2004	2003	2004	2003	2004	2003
Nº calls (handled)	7,236,956	6,381,833	2,826,435	2,715,283	2,989,430	3,652,180	931,670	860,447
Avg. waiting time (in seconds)	15	15	9	8	19	15	18	26
Avg. nº calls waiting (%)	20	20	28	17.3	9,6	16	N.A.	N.A.
Nº waivers (%)	5.5	4.7	3.4	2.7	5.6	3.7	4.9	6.3

The following table sets out the same information for the main subsidiaries operating in direct insurance abroad:

Parameters	MAPFRE BRASIL		MAPFRE TEPEYAC		MAPFRE ARGENTINA		MAPFRE PUERTO RICO	
	2004	2003	2004	2003	2004	2003	2004	2003
Nº calls	1,830,620	1,657,779	1,470,489	1,159,603	850,700	514,878	737,029	227,056
Avg. waiting time (in seconds)	28	15	70	44	9	33	11.5	22
Avg. nº calls waiting (%)	N.A.	N.A.	22.7	N.A.	5	N.A.	2	N.A.
Nº waivers (%)	4.1	3.7	3.4	81.3	4	13.7	4.6	18.4

In the main platforms of the Assistance Unit, the most significant information is the following:

Parameters	Brazil		US		Argentina		Turkey	
	2004	2003	2004	2003	2004	2003	2004	2003
Nº calls	3,342,252	5,177,321	1,325,039	992,051	1,491,576	1,291,866	1,207,825	719,621
Avg. waiting time (in seconds)	18	20	21	24	24	30	15	N.A.
Avg. nº calls waiting (%)	12	32,5	N.A.	N.A.	11.9	30	9.5	15
Nº waivers (%)	6	6.1	5.7	6.7	6.5	11	5	6

In addition to internal quality monitoring systems, MAPFRE uses those established by the different accredited bodies in the sector, such as the Policyholders' Satisfaction Survey of MAPFRE MUTUALIDAD and MAPFRE SEGUROS GENERALES, carried out by ICEA (January 2005), from which the following conclusions come out on customer's general satisfaction after the use of their insurance:

Level of satisfaction	Motor insurance %	Home insurance %
Satisfied or very satisfied	86	84.2
Low level of satisfaction	9.7	9.3
Unsatisfied	4.3	6.5

Source ICEA. 2004 Policyholders' Satisfaction Survey for MAPFRE MUTUALIDAD, and 2004 Policyholders' Quarterly Questionnaire for MAPFRE Household Insurance. Customer portfolio with claims.

The following awards and acknowledgements obtained give evidence of the quality of service provided by MAPFRE:

- "Línea MAPFRE Autos" was awarded the first prize 'Gold Call Centre' in the insurance sector and third in all sectors, in the 5<sup>th</sup> Edition of the National Prize for Excellence in Customer Services, awarded by the Call Centre Magazine, International Faculty for Executives (IFAES) and the consulting firm Izo System, in collaboration with the Spanish Association of Customer Service Centres.
- MAPFRE SEGUROS GENERALES received the award 'Outstanding Best Supplier 2004' (*"Excelente al Mejor Proveedor 2004"*) which Barclays Bank awards each year on the International Quality Day.
- The MAPFRE Portal was chosen as one of the best Spanish Internet services. The prize 'The Favourites in Expansion', selects the best 'on line' business models in Spain. MAPFRE'S website obtained a second place for 'Health Services, Medical Services, Health and Insurance'.
- MAPFRE ARGENTINA obtained the Prize 'Insurance Prestige 2004' (*"Prestigio Seguros 2004"*) for leading the ranking of the 50 best companies in the insurance market, occupying first place for product and service quality, economic and financial solvency, sales creativity, adaptability to new situations, management quality, environmental protection; and second place for honesty and business ethics and the commitment to the country's development.
- MAPFRE PUERTO RICO was awarded with the 'Business Excellence - March 2004' (*"Excelencia Empresarial - Marzo 2004."*)

Various Sistema companies have obtained quality certifications, which in order to keep they must maintain standards of quality. This creates a guarantee of service for policyholders and customers:

- The Customer Service Centre of the Operations Department of MAPFRE SEGUROS GENERALES obtained the certification ISO 9001: 2000.
- MAPFRE CAUCIÓN Y CRÉDITO obtained the AENOR certification ISO 9001:2000 for its activities as a whole.

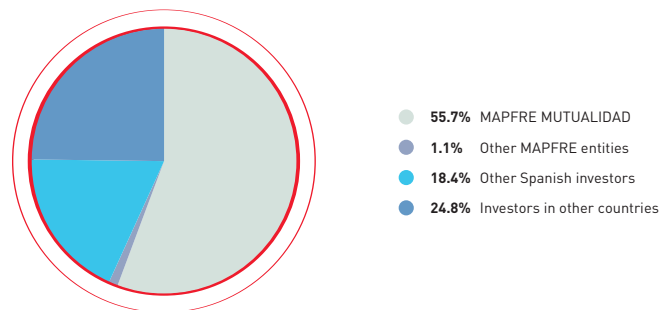
- The MAPFRE Testing and Road Safety Centre (*CESVIMAP*) obtained the certification ISO 9000:2000.
- VIAJES MAPFRE received a 'Q' for Tourism Quality from the Spanish Tourism Quality Institute (*ICTE*), certified by the Bureau Veritas.
- BRASIL ASISTENCIA, a subsidiary of MAPFRE ASISTENCIA, obtained the certification 'ISO 9000: 2000'.

## IV CORPORACIÓN MAPFRE AND ITS SHAREHOLDERS

CORPORACIÓN MAPFRE, the holding company of Sistema MAPFRE whose shares are traded on the Stock Exchange, develops its activities in accordance with SISTEMA MAPFRE's Good Governance and Social Responsibility principles. In 2004, Corporación has made new efforts to increase the frequency of publication, quality and transparency of its public information.

### Composition of shareholders

At the close of fiscal year 2004, Corporación had a total of 23,689 shareholders. 75.2% of its shares are held by shareholders resident in Spain and 24.8% are held by shareholders in other countries.



As in previous years, the majority of publicly held shares (excluding MAPFRE MUTUALIDAD and other Sistema company holdings) are held by institutional shareholders from other countries. Nevertheless, in 2004 a significant increase was recorded in the total number of shareholders -at the close of 2003 the total was 9,919- especially in the number of small shareholders resident in Spain.

### Value and performance on the shares of Corporación MAPFRE

One of the SISTEMA MAPFRE goals for 2004 was to 'promote the development of CORPORACIÓN MAPFRE and the value of its shares'. As in previous years, the aim was to progress on this permanent goal through the profitable growth of the various Operating Units and Companies and investments in new projects which add value.

In the past five years, the growth in value of CORPORACIÓN MAPFRE shares has clearly outperformed the two principal indices in which it is included, IBEX 35 and Dow Jones (DJ) Stoxx Insurance, as is set out in the table below:

	1 YEAR	3 YEARS	5 YEARS
CORPORACIÓN MAPFRE	0.3%	73.4%	107.7%
IBEX 35	17.4%	8.1%	-22.0%
DJ Stoxx Insurance	7.9%	-41.9%	-52.5%

During the same period, the earnings per share (EPS) of CORPORACIÓN MAPFRE has evolved as follows:

	2000	2001	2002	2003	2004
EPS <sup>1</sup>	0.49	0.51	0.60	0.75	0.81
INCREASE (%)	25.6	4.1	17.7	25.0	8.0

The evolution of the dividend and the estimated yield based on the average share price has been as follows:

	2000	2001	2002	2003	2004
Dividend <sup>1</sup>	0.18	0.18	0.18	0.20	0.25
Dividend yield	3.3%	2.4%	2.5%	2.1%	2.4%

<sup>1</sup> In order to take into account the capital increase of 500.5 million euros of April 2004, the earnings and dividends per share have been calculated using an adjustment factor and the weighted average number of shares, in accordance with NIC 33.

The interim dividend paid in November 2004 increased by 36.4% on the previous year. This increase has been especially remarkable since it was distributed on a greater number of shares than in the previous year. The total expenditure on dividends for the year was 54 million euros, a 41.7% increase with respect to 2003.

#### Public information

CORPORACIÓN MAPFRE is continuously expanding and enhancing the information it makes available to its investors by regularly publishing the following documents:

- Quarterly, information in the requisite format of the Spanish National Securities Market Commission (CNMV).
- Bi-annually, general presentations on the Corporación and presentations on its results.
- Annually, the individual and consolidated annual reports and the embedded value of the Life and Savings business of MAPFRE VIDA and its subsidiaries.

Additionally, documents are also prepared for each year's specific reporting requirements. All such information is communicated to the public according the following procedures:

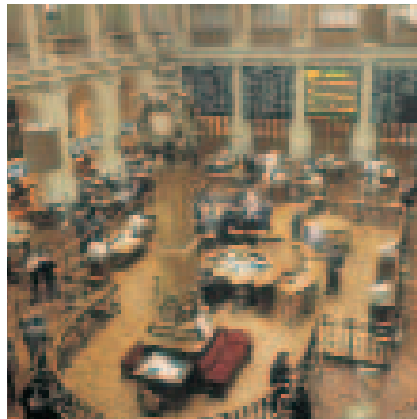
- Previous filing with the CNMV.
- Publication on the SISTEMA MAPFRE website ([www.mapfre.com](http://www.mapfre.com)), with the aim of guaranteeing maximum transparency and ensuring that all shareholders have access to information. The documents on this site may be viewed in Spanish as well as English.
- Distribution by electronic mail to a database of over 800 pre-registered analysts, investors and journalists.

Quarterly, results are presented to analysts and investors via conference calls; half yearly results, additionally, are subject of meetings in Madrid and London. Alongside all these, comprehensive complementary information is also released to the public through the CNMV register.

Over the last few years, the section of the website dedicated to CORPORACIÓN MAPFRE shareholders has become the main channel of distribution of information to the public investor. In fiscal year 2004, its contents were expanded in accordance with the requirements of Law 26/2003, dated 17<sup>th</sup> July, ECO Order 3722/2003 of 26<sup>th</sup> December and CNMV Circular 1/2004 of 17<sup>th</sup> March. Currently, this section comprises the following subsections:

- Main data: contains general information on the company and its subsidiaries as well as its principal figures.
- Financial Information: contains the annual reports and periodic financial information (quarterly reports) for the last five years; and the credit agency reports for the last two years.
- Presentations to investors: contains all the presentations from the last five years.
- The MAPFRE share. Shareholders equity: contains information on the subscribed capital, the evolution of the share price in quasi real time, dividends and substantial shareholders, as well as prospectuses for bond and share issues.
- General Shareholders' Meeting: contains the Regulations of the General Shareholders' Meeting and information on both the most recent meetings and the next scheduled meeting.
- Corporate Governance: contains the SISTEMA MAPFRE Code of Good Governance, the latest Corporate Governance Report, the corporate bylaws, the internal code of conduct, the regulations of the Board of Directors, and the composition of this Board and its Delegated Committees.
- How to contact us: contains telephone numbers, postal and e-mail addresses for the Investor Relations Department.
- Relevant facts and other filings with the CNMV: contains relevant facts and other filings submitted to the CNMV during the last five years.

Madrid Stock Exchange



- Relevant dates: contains the dates on which results are published during the year and the date of the General Shareholders' Meeting

In fiscal year 2004, the section dedicated to CORPORACIÓN MAPFRE shareholders recorded a total of 184,705 visits, accounting for 6% of all visits to the SISTEMA MAPFRE website, and 17,824 document downloads.

#### **Communication with the financial markets**

The Finance Directorate and Investors Relations Department of CORPORACIÓN MAPFRE are in charge of communicating with the financial markets. Its activities are principally conducted through the following means:

- Preparation and distribution of public information as described in the preceding section.
- Dialogue with shareholders, analysts and institutional investors to explain the business structure, evolution of results and the strategy of Corporación, and to comment on events which could have some impact on its development (e.g. major claims, legislative changes and corporate operations). These meetings with investors in Spain and other countries make up a significant part of the communications activity, devoting every year two periods of approximately one month each, in spring and autumn, dedicated to carrying out visits and meetings with investors. In the light of the capital increase carried out in 2004, the Executive Vice President, the Managing Director and the Finance Directorate team have made a special effort to provide direct information to investors by visiting 111 investors in 23 cities in 11 countries. Altogether, during the 2004 fiscal year direct contacts were maintained with 67 Spanish institutional investors and investment managers, and with 124 from Germany, Belgium, Canada, Denmark, United States, France, the Netherlands, Ireland, Italy, Japan, United Kingdom, Sweden and Switzerland, and numerous meetings with institutional investors from various countries have also been held at the Corporación headquarters.

During 2004, there were 17 meetings with analysts as well as frequent contacts with them. At the year end, six Spanish and international investment banks had 'buy' recommendations on the shares of Corporación, against five recommendations to 'hold' and one to 'sell'. In addition, at the request of Corporación, the rating agencies A.M. Best and Standard & Poor's assigned counterparty risk and bond ratings for Corporación, while the Fitch rating agency has also done so on its own initiative.



- Participation in specialised forums. In 2004 CORPORACIÓN MAPFRE participated in the following conferences organized by securities brokers/dealers and banks in order to put listed companies in contact with institutional investors:
  - The 'European Small- and Mid-cap Conference' organized by the brokerage house Cheuvreux in London in June
  - The 'Iberian Conference' organized by the bank Banco Santander Central Hispanoamericano in New York in September
  - The 'Premium Review Conference' organized by the bank Société Générale in Paris in December.
- Response to queries by investors working with social responsibility investment criteria. This activity is mainly developed by completing questionnaires on non-financial information.

Since 2001, a CORPORACIÓN MAPFRE representative has actively participated - alongside representatives of other nine listed companies - in the Board of Directors of the Spanish Association for Investor Relations (Asociación Española para las Relaciones con Inversores, AERI), whose goal is to promote initiatives directed at the development and advancement of relationships with investors in Spain.

In 2004 CORPORACIÓN MAPFRE received the Llotja prize for its work on provision of public information, awarded by the Barcelona Chamber of Commerce, which recognizes the efforts of companies in developing increasingly transparent, complete and structured information for its shareholders and the general public.

It is also possible to consult complementary information on Corporate Governance and the list of CORPORACIÓN MAPFRE investors in its Corporate Governance Annual Report and in the section entitled 'Shareholders and Investors/Corporate Governance' on the SISTEMA MAPFRE website ([www.mapfre.com](http://www.mapfre.com)), which includes the following documents:

- Regulations of the Board of Directors with specific reference to articles 15 and 16;
- Internal Code of Conduct related to listed securities issued by Corporación, with specific reference to article VII, 'Code of Conduct relating to the communication of relevant facts';
- SISTEMA MAPFRE Code of Good Governance, with specific reference to Chapter I, Section 2 'Principles of Conduct', sub-section 'Growth of business and net worth'.

## MAPFRE AND ITS AGENTS

MAPFRE'S relationships with its agents are built on stability and permanence, allowing it to count on both one of the most wide-ranging insurance networks and a high degree of closeness between MAPFRE and its agents resulting in a low level of rotation. These links are reinforced by the wide-ranging nature of MAPFRE's products which, aside from constituting one of the main differentiating factors in dealing with customers, also provides its agents with a significant added value, allowing them to present each customer with an integral insurance or financial product tailored to their specific needs.

### Relationship Channels

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MAPFRE's relationships with its agents are coordinated through various channels:

- The relationships with the representatives and agents forming MAPFRE's NETWORK are maintained by different means, among which are periodic meetings with MAPFRE commercial managers and scheduled visits to representatives' offices. These face-to-face contacts are complemented by the use of print media (magazines, circulars and manuals) and contact via telephone platforms with specific areas devoted to agents (e.g. OFITEL), where they can make all types of inquiries and receive business and technical guidance.
- The Operating Units and Companies, which maintain strong relationships with brokers, have developed specific ways to articulate these relationships, given the specific needs and approach of this channel. In addition, different activities have been established depending on the type of broker: services for general brokers are carried out by the MAPFRE Direct Office closest to their place of business, while services for specialized brokers connected to financial companies are available in a "Virtual Office" in each sub-centre.

Currently, a project is being developed to create an Internet platform for specific services for all brokers, who can perform the main functions related to their business (pricing, issuance, billing, queries, document search, etc.) through this platform.

Altogether, MAPFRE provides its agents with a wide variety of tools such as the SIREN programme, access to MAPFRE's intranet, Office 2000 for agents, the PDM IT platform exclusively for delegates and the PC Web platform for brokers and other agents.

### Recruitment

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MAPFRE has established a selection protocol which includes all the procedures which should be followed for recruiting agents. Generally, two batteries of psychometric tests are used to evaluate, respectively, commercial efficiency and personality profile, for example sales orientation and attitudes. On average, the selection process includes two interviews, the first one with the corresponding sales manager and the other with the MAPFRE NETWORK training managers who also carry out psychometric tests.

## **Training**

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One of MAPFRE's differentiating factors in relation to its network of agents is the importance it attaches to training. In this area, diverse activities have been carried out in Spain, among which the following should be highlighted for their future impact:

- Initial courses for new agents across all sub-centres.
- The continuation, during 2004, of the "Programme for the development of a delegated branch as a Company" project, concentrated on business management, which during the year has produced 12 courses on "Management and Supervision of the Delegated Office" with a total of 135 participants.
- The development of SIREN programme applications and the consequent training activities to assist employees and agents in its usage, in which 352 direct offices and 2,290 delegates have participated. At the end of 2004, the 'Product Catalog' application has been incorporated into SIREN and a new one is being prepared on 'Sales Management' (agenda, client portfolio, etc.) which should be an efficient tool for everyone who is part of the MAPFRE NETWORK.

To these activities should be added those geared towards broker training, amongst which the following should be highlighted:

- The continuation of 'The Basic Course on Motor Insurance' whose goal is the training dedicated to this area of insurance and to its marketing. Eight sessions have taken place and more than 100 brokers have participated.
- The MAPFRE ASISTENCIA technical-sales training programme, whose goal is to familiarise brokers with the products and service philosophy of the company as well as the means made available to them. 300 people have participated in this program and 200 hours of training have been provided.
- Training given to brokers with respect to contracting for Combined Agricultural Insurance.

MAPFRE also provides significant resources for the training of agents and brokers in other countries, to which it has dedicated a total of more than 40,000 hours.

## **Quality**

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In order to improve the quality of service provided to the customer, MAPFRE has established diverse control systems governing the behaviour of its agents. In particular, MAPFRE's companies periodically conduct surveys among their customers in order to evaluate the services provided by their agents and monitor complaints, so that the necessary corrective measures can be taken.

At the same time, MAPFRE companies also work to improve the quality of the service and support they provide to their agents. In order to achieve this, periodic in-house assessments and surveys are conducted by the companies and polls are conducted by the different bodies in the sector in different countries. Examples of the type of indicators used are those of the biennial study on service quality in insurance companies carried out by the Association of Spanish Insurance Brokers (*ADECOSE*). In *ADECOSE*'s latest edition (2003), MAPFRE was the insurance company cited most frequently by brokers as that whose service they were most satisfied. MAPFRE

received an average score of 7.37 points in the general valuation of quality of service, above the sector average which is 7.34 points. It received a high score in areas such as communications (7.57), confidence and experience (7.49) and modernity and dynamism (7.47).

## MAPFRE AND ITS SUPPLIERS

MAPFRE maintains relationships with its goods and services suppliers based on speed and fairness, in compliance with its contractual obligations. These relationships are developed according to the following lines of activity :

- Suppliers who provide general goods and services contact MAPFRE through the General Service Departments of its various Operating Units and Companies, where purchasing management is centralized, with the aim of a better efficiency and cost reduction.
- The purchase of computer and communications equipment for companies based in Spain is centralized in MAPFRE INFORMATION TECHNOLOGY SERVICES. MAPFRE companies in other countries also have managers in charge of purchasing computer equipment who are independent from their General Service Departments.

There are also specific departments which handle relationships with providers of marketing and publicity products and services.

- Each of the Operating Units and Companies handle their own relationships with suppliers who provide services to their customers specifically related to their own operating activities, especially with regard to areas such as repairs relating to Household claims, health services, services related to Assistance coverage, and repairs relating to personal or property damage concerning the Motor business branch.

In all these areas there are formulas for coordinating the management of the suppliers common to the various Operating Units and Companies, and activities are carried out relating to their selection, training and support in order to obtain an appropriate level of service quality.

### **Relationship channels and support systems**

Generally, contact with suppliers takes place mainly through the company's own or contracted telephone platforms and specific telephone lines, although Internet platforms are increasingly being developed which allow for all types of rapid and secure operations. One such platform is that designed for towing service providers which allows for more rapid communication between these providers and the assistance supervisors located in the different local management departments (sub-centres). There is also a platform for the professional group who provide home repair services, *www.infocol.com*, through which they can receive job instructions, submit invoices for repair work performed and view promotional campaigns, etc. By the end of 2004, 2,200 professionals, of a total of 3,215 who work with the company, were registered with and operating via this platform.

For this same group, in 2004 MAPFRE developed a new application which uses SMS platforms and the transmission of Telefónica Móviles España GPRS information, establishing a new direct and secure communication channel between the company and its suppliers which allows for faster pro-

cessing of service management. With this application, the providers can receive daily job instructions via a short message and download all the related information as well as the information fields necessary for accounting. In addition, they can inform the company of the completion of their job and their availability for a new assignment.

The relationship with health, medical centre, and hospital service professionals is coordinated through the Provincial Medical Assessors, who are also in charge of their selection and hiring. They have at their disposal the WMSalud Internet platform from where they can download all types of useful information for suppliers (manuals, conditions, and health information) and send it to them via whatever means the supplier choose (normally electronic mail). Similarly, there is also a Health Professional Service Department which provides this group with a specific e-mail address for suggestions, complaints or any questions which may not have been answered by the Provincial Assessor. On the other hand, MAPFRE facilitates the possibility of automated billing by these professionals for their services via the Internet using different management mechanisms available on the Red Chip Card. At present a specific portal is being developed for the health professional which would expand the type of operations that could be performed through this channel.

### **Selection criteria**

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The selection of suppliers is carried out following objective criteria, mainly competitions, which take into account factors such as the price/quality relationship, the infrastructure they rely upon, their recognition in the market, and especially whether they belong to a group of collaborators of one of the SISTEMA MAPFRE companies and their history of service quality.

Compliance with the standards in force in the various countries as well as the implementation of security and hygiene measures, where applicable, are essential requirements for selection. Other factors which are highly valued are response time, after-sales service, geographical coverage and the value added for MAPFRE policyholders and customers.

Rotation among suppliers who work with the MAPFRE companies is generally low. The most common reason for dismissals is the failure to comply with their obligations or to adapt to service requirements. For the suppliers' part, satisfaction with MAPFRE is high since prompt payment is considered the most important factor.

In addition, MAPFRE has developed specific loyalty programmes for its suppliers, including discount campaigns with Sistema companies such as VIAJES MAPFRE or with partner companies (Telefónica, Ford, etc.). An important promotional device is the Tourmap campaign directed at the professional group of household claim repairmen, in which punctuality, quality of work, treatment of clients, professional image, cleanliness and orderliness, and uniformity in the use of MAPFRE clothing are highly regarded. In order to measure these parameters, customers are asked to rate the work of the service provider in their home. Then, based on the results obtained throughout the campaign, the provider receives various awards. In 2004, a total of 50 professionals were awarded prizes through this programme.

### Training

MAPFRE has a strong commitment to training its suppliers as a means of improving service to its customers and policyholders. With this objective, suppliers receive general information on MAPFRE's culture and its philosophy of quality. In addition, each of the Operating Units and Companies are responsible for developing training systems and materials directed at the suppliers of services specifically related to their business. Amongst these, it is worth mentioning the different manuals which contain procedures and standards related to the suppliers' activities, such as the Operating Manual and the Internal Regime for MAPFRE CAJA SALUD Health Professionals or its equivalent for MAPFRE AGROPECUARIA Veterinarians.

A major part of the training is given at the time suppliers begin working with MAPFRE. An example of this is the programme for professional household repairmen which addresses technical questions and operations related to transactions and to the provision of services, among other topics; in 2004 a total of 250 professionals took part in this programme. Furthermore, 11 courses were given, involving a total of 110 hours of training and with 147 suppliers participating, on the Quality Objectives programme directed at managers in the Burial Assistance business, centred on communication procedures and skills.

### Quality

All the Sistema companies monitor the quality of services provided by their suppliers, mainly through surveys of their customers or by visiting the suppliers' premises. An evaluation is also carried out which measures the degree of compliance with service standards, the length of time it took to complete and the competitiveness of the suppliers' fees. The principal standards of quality required are the following:

In provision of services	In purchase of goods
Response time between communication of the instruction to the supplier and contact with the policyholder	Condition of delivered product (control of samples)
Time spent in providing the service. In the case of medical/rehabilitation services: the treatment time	After-sales service: <ul style="list-style-type: none"> <li>• Maintenance guarantee</li> <li>• Replacement product in case of repair</li> <li>• Repair guarantee</li> </ul>
Obtaining of quality certifications by the supplier	Adequate stock/supply capacity
Transparency in the management of the service performed by the supplier and the information provided to the company	

## MAPFRE AND THE ENVIRONMENT

MAPFRE's commitment to the environment is carried out by integrating environmental criteria in the development of its activities, and in the control and reduction of its potential impact on the environment, which, in any case, is moderate because of the nature of its business. To this end, in addition to abiding by the environmental commitments established by the United Nations Global Pact, MAPFRE is also adhering to the UNEP FI (United Environmental Program Financial Initiative), an environmental initiative for financial institutions and Insurers promoted by the United Nations Program for the Environment.

During fiscal year 2004, MAPFRE initiated an environmentally conscious coordinated policy for the Sistema as a whole, for which a specific Department was created within the Sistema Safety and Environment Directorate. In 2004, this new Department carried out a complete evaluation of the various MAPFRE companies and premises with regard to environmental matters, and is preparing a Plan of Action and an Environmental Management System directed at obtaining effective improvements to set MAPFRE's standards in this matter in a high demanding level.

### **Notable environmental activities**

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MAPFRE has developed innovative activities which have contributed to the decrease of the global environmental impact of its business activities. A few of the more representative activities are listed below.

#### **Cogeneration**

MAPFRE promotes the development of initiatives to increase energy efficiency and the use of renewable energy. One of these initiatives is the energy efficiency system adopted at the headquarters of MAPFRE MUTUALIDAD with 21,489 square meters and 1,300 employees.

The constituent buildings of the corporate headquarters have a system which generates electrical energy and hot and cold sources for temperature control by using natural gas as a combustible. This has spurred, since its installation in 1996, the generation of 20,935,508 kw/h avoiding the equivalent use of resources derived from the public channel, and the reduction in the release of contaminants into the environment.<sup>2</sup>

#### **Recycling of salvage vehicles**

Technical and social evolution demands a non-contaminating treatment for salvage vehicles facilitating, as far as possible the recovery of vehicle parts, compounds and materials for their new use.

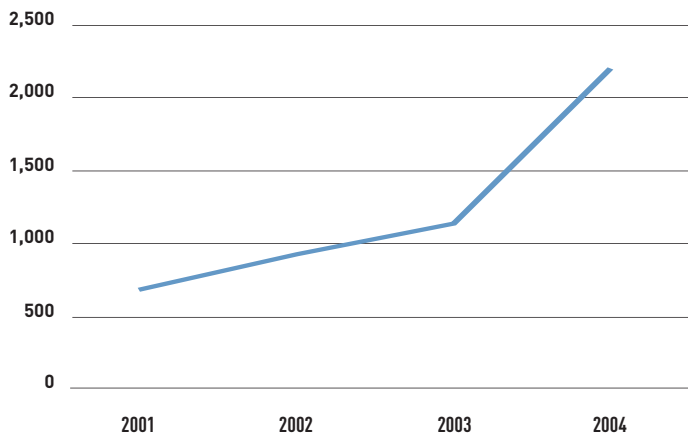
MAPFRE has been working on this subject for years in its ROAD TESTING AND SAFETY CENTRE, whose research procedures in the area culminated in opening the CESVI RECAMBIOS Centre in 2001. This Centre collects damaged automobiles from accidents and then are decontaminated by

<sup>2</sup> Natural gas combustible products do not contain sulphur and therefore, do not produce corrosives or contaminants actions. As a result of the lack of both sulphur and solid materials in its composition, the combustion does not produce ash, and no solid particles are released into the atmosphere. Another advantage of this combustible is the perfect mix it produces with the air which allows a complete combustion without carbon monoxide in the final product. This system's most relevant emissions into the atmosphere are the NO<sub>x</sub> components, although these are controlled by the carburetor which optimises the air combustible relationship guaranteeing that the NO<sub>x</sub> levels are below the levels authorized by the current legislation.

emptying and recovering dangerous fluids and components, facilitating the recycling of base materials by separating materials such as plastic, aluminium, iron or tyres.

CESVI RECAMBIOS, which has treated almost 5,000 vehicles, is the first centre in Spain to recycle salvage vehicles in accordance with European Directive 2000/53/CE, and its adoption into Spanish legislation (RD 1383/2002), and is the first European plant with a high level of automation for said activity.

### NUMBER OF SALVAGED VEHICLES



### Office resource conservation

In the last few years various measures have been taken to save office resources, among which the following are noteworthy:

- The implementation of digital billing and digitalisation of bills and receipts.
- The gradual substitution of desktop printers, fax and photocopiers with multifunction printers which reduce the use of toner and paper.
- The use of videoconference rooms, as an alternative to long distance travel.

In addition, for more than a decade, the design of new offices has taken into account methods to increase energy efficiency such as:

- Use of reactive energy rectifiers in buildings and plants with most energy consumption, with the goal of optimising electricity consumption.
- Installation of on/off light switch programmers or photocells in the outside of the buildings, allowing to adjust the use of electricity to lighting needs.
- Sectioned air conditioning systems with thermostats in central areas and exterior of buildings.



- Use low wattage lighting in office buildings and common areas in residential buildings.
- Installation of automatic and revolving doors in office buildings to avoid energy loss.
- The use of stationary panned windows in office buildings to avoid energy loss and allow for more reasonable use of thermostats.
- The use of air free-cooling treatment systems which allow for maximum energy savings and improved levels of ventilation.
- The use of systems to recuperate energy from air extracted from buildings.
- The insulation and soundproofing of the exterior of buildings, even above the requirements of the legislation in force.
- Use of intensive energy capturing systems for instant recovery and reutilisation of residual condensation heat.
- Double discharge system for cisterns, allowing for the reduction in water consumption.

#### **Environmental actions in new construction**

The improvements of buildings and commercial space, and the construction and development of new plants are regular MAPFRE activities. To this end, measures are being taken focusing on the reduction of the environmental impact, during the design phase as well as in the construction phase, among which the following are worthy of special mention:

- The air conditioning systems are soundproof and are installed with ecological refrigerant, to guarantee compliance with the criteria set out by current legislation.
- Two different rain and waste water systems are installed in all municipalities which have separate sewer systems, to optimise waste management. In addition, the parking lots are equipped with hydrocarbon removal systems, and kitchens and cafeterias are equipped with grease and smoke extractors.
- The air conditioning systems are sectioned by using thermostats in central and outdoor areas for rational energy consumption.
- Clean air is used for air conditioning systems on the various floors.
- New residential buildings, are equipped with VRV (variable refrigeration volume) air conditioning systems. This innovative technology allows for compatible levels of comfort and energy savings.
- Non-fluoride Electrical wiring in new construction is used, avoiding toxic emissions which the old wires generated when they were recycled or in the case of fire.
- Thermal insulation is carried out by using fibreglass and polystyrene materials, rejecting polyurethane materials, which generate the release of toxic gas in case of fire.

- The air conditioning ducts are made of fibreglass and are covered in aluminium both inside and outside in order to avoid a loss of energy.
- Some residential buildings have been designed with solar energy systems to produce hot water.
- Generators located both on the exterior as well as the interior of the buildings are acoustically insulated to avoid noise nuisance.
- Almost all lights installed in office buildings and in common areas of residential buildings are low energy consumption.
- During the building work a pre-selection process is carried out for the transportation of segregated wastes to dump sites thereby facilitating its recycling.

### **Certifications**

CESVIMAP obtained the certification ISO 14001 on environmental management, which identifies the environmental concerns of the company and the necessary measures taken to address them.

### **Environmental indicators**

The work done in 2004 provided very useful environmental indicators to establish quantitative objectives in order to adequately monitor the evolution of future environmental efforts. These indicators are expressed in absolute terms, which reflect the global environmental impact, and in relative terms (with respect to the number of employees), which allows for comparison with environmental efforts of other business groups of similar size.

### **Consumption of resources**

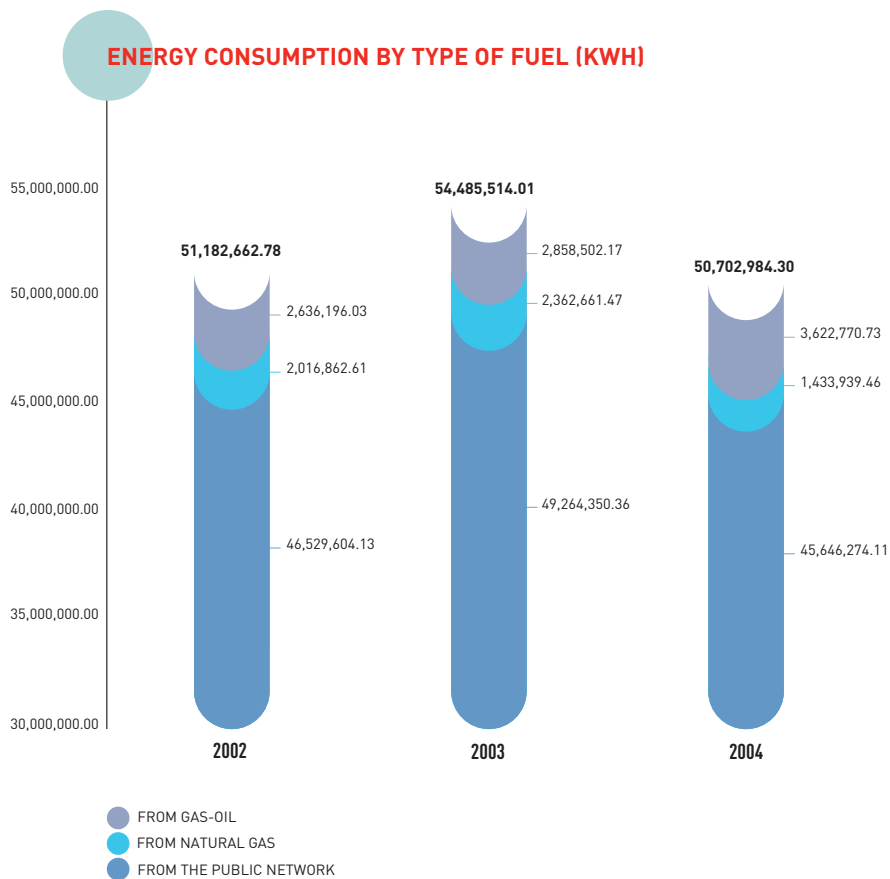
MAPFRE is working on the inclusion of environmental criteria in its purchasing policy. Due to these efforts, potentially contaminating products are progressively replaced with environmentally conscious products.

Alongside these efforts, a major part of our computer equipment incorporates energy efficient measures, and some office stationery -for example, photocopy paper- has an ecological label.

### **ENERGY<sup>3</sup>**

The energy used at MAPFRE is mainly for lighting and air conditioning. In 2004 MAPFRE consumed approximately 50 million Kwh of energy, which is about 5,600 Kwh per employee, representing a 7% decrease from 2003. 90% of this energy comes from the public network, 7% from gas-oil and 3% from natural gas.

<sup>3</sup> Energy consumption data has been obtained from the accounting available information of companies taken into account to prepare environmental indicators. Energy consumption in the MAPFRE buildings, which are also used by third parties, is taken into account in the occupancy percentage of the SISTEMA MAPFRE companies.

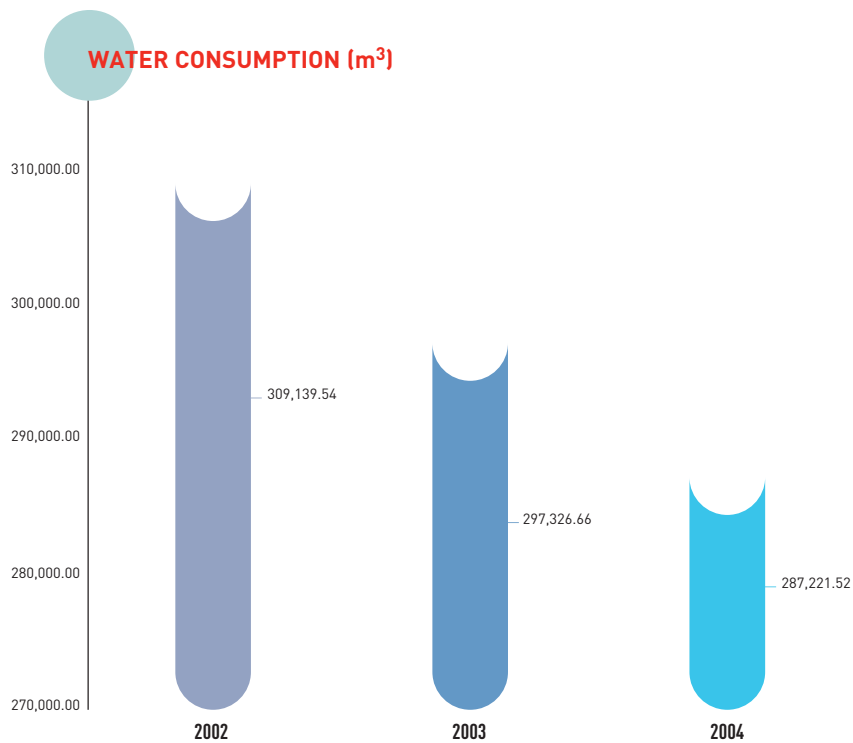


#### WATER<sup>4</sup>

In the MAPFRE plants, the water has a sanitary use. On most of our plants, measures to reduce water consumption have been implemented achieving a 3% reduction from 2003. The current water consumption ratio per employee -90 litre/day- is already quite moderate, whereby making it difficult future significant reductions.

The dumping of waste water is mainly carried out through municipal sewer networks. No specific treatment is required, as sewage is toilet water with no chemical contaminants.

<sup>4</sup> The information on water has been directly obtained from receipts obtained from suppliers of the companies taken into account. In cases where the building is also occupied by other companies, the supplier submits a bill to the proprietor association. In these cases, the amount is determined based on the number of meters occupied by the MAPFRE companies.



**PAPER<sup>5</sup>**

In 2004 MAPFRE consumed close to 7,000 Tm of paper. As noted in the section entitled “Waste Management”, work is being done on designing measures to reduce its consumption and promote recycling.

**ATMOSPHERIC EMISSIONS<sup>6</sup>**

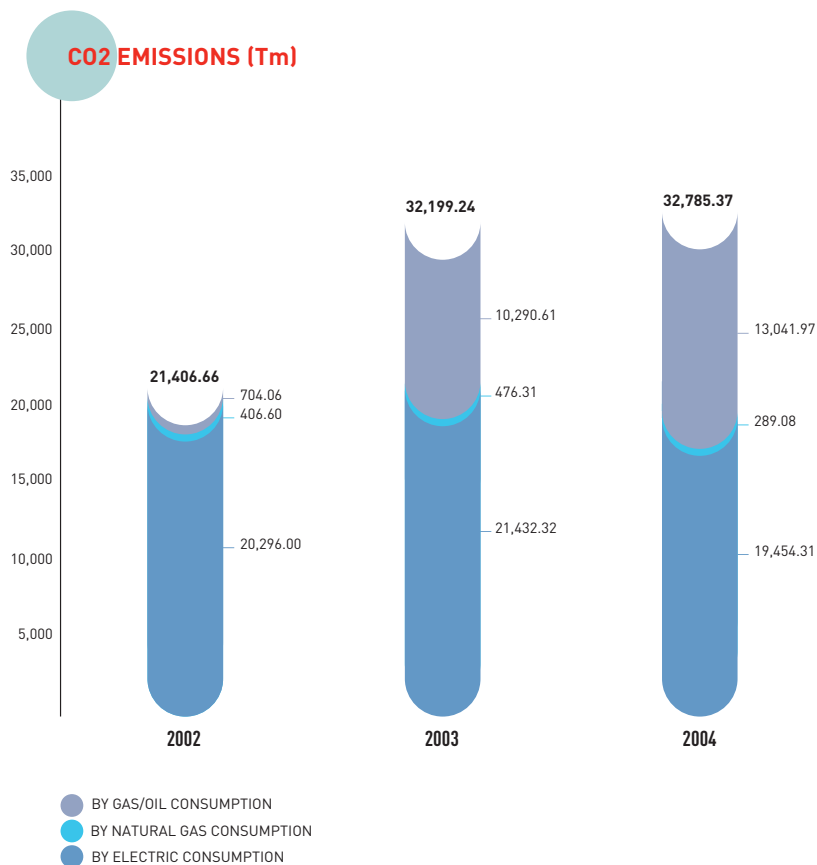
MAPFRE emissions to the atmosphere are a consequence of its consumption of electrical energy coming from the public network, the use of gas-oil and natural gas. In 2004, 33,000 Tm of CO2 were generated of which 60% are indirect emissions, as they proceed from the consumption of public-network electrical energy, and the remaining 40% are direct emissions from the consumption of fuel, primarily boilers.

It is not possible to apply user reduction or control measures for atmospheric emissions generated by the public channel’s consumption of electrical energy; it is however feasible -and this is being done- to work towards improving energy efficiency in buildings where MAPFRE conducts its business.

With regard to direct emissions, on MAPFRE premises, programmes of maintenance and control are applied to the air conditioning systems, buildings premises, as well as periodic technical reviews, to guarantee that installations susceptible to generate atmospheric emissions are efficient and comply with current legislation.

<sup>5</sup> This information has been estimated on real data available from MAPFRE MUTUALIDAD, MAPFRE VIDA and MAPFRE SEGUROS GENERALES, as well as Territorial Administrative Centres in the Balearic Islands, Levante, Northern and Western Andalusia and Valladolid, and based on the number of employees.

<sup>6</sup> The calculation of CO2 emissions has been determined based on the methodology proposed by the GhG Protocol of the World Business Council for Sustainable Development.

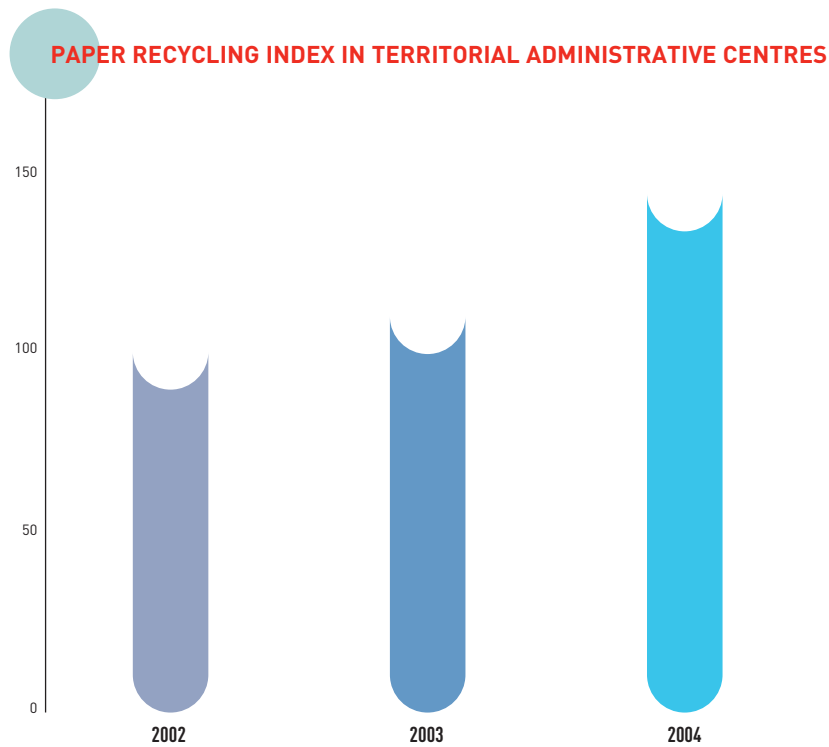


In all the refrigeration towers of the MAPFRE buildings, physical-chemical analysis are done, as well as analysis of air conditioned transmitted sickness, and other preventative maintenance operations established by current legislation.

MAPFRE has removed the halon gas from its premises in compliance with the Montreal Protocol on the reduction of chlorofluorocarbon (CFC) compounds. In addition, the new fire extinguishing systems use nebulized water.

### **Waste management**

The most significant waste generated by MAPFRE is paper. This was the reason to implement, in some MAPFRE companies and Territorial Centres, measures thanks to which more than 80 Tm of paper is recycled annually, constituting approximately 30% of the paper used by MAPFRE. Likewise efforts are being made to encourage paper recycling measures to Sistema employees. A 46% increase in paper recycling in the Territorial Management Centres is particularly significant.



In addition to paper recycling, measures are being taken to optimise dangerous waste management, like separate waste collection and deliverance to authorised managers who guarantee its proper environmental treatment, as well as finding solutions to facilitate its recycle or appraisal.

A large amount of wastes are those produced by CESVIMAP and by the vehicle repair shops. A total of 62 Tm of dangerous waste from this activity is generated annually. Likewise, the MAPFRE repair shops employ business practices focused on reducing the generation of waste, having achieved a ratio of less than 3 Kg of dangerous waste per vehicle repaired.

**MAPFRE's environmental contribution to society**

MAPFRE positively contributes to Society's environmental risk management by offering its customers value added products and services for the management of their environmental risks.

**Environmental third party liability insurance**

The Third Party Contamination Liability Policy marketed by MAPFRE INDUSTRIAL and MAPFRE AGROPECUARIA, covers damages for the waste of materials or substances into the earth, water or air which could deteriorate the environment and being its source the insured company's plants. Said policies have been underwritten, until the end of 2004 by the Spanish Environmental Risk Pool (*Pool Español de Riesgos Medioambientales (PERM)*), created to channel Third Party Contamination Liability insurance subscriptions in Spain.

Since 1998, MAPFRE handled nearly 2,000 policies of this type and at the end of 2004, it was the first insurance group from the Pool. In this context, it counts with specialised technical personnel to assess environmental risk prior to underwrite the policy.

The MAPFRE technicians annually perform about 400 environmental risk assessments, of which about 100 require a visit to the premises. In these visits, potential risk which the customer may be exposed to is evaluated, and opportunities are identified to improve the management of environmental risk; likewise, customers are offered environmental engineering measures and management best practices.

### **Environmental risk management services**

MAPFRE provides technical environmental risk management support to its customers via specialised companies, which develop its activities in the environmental engineering arena.

One of these companies is CESVIMAP. Its goal is to investigate repaired accident vehicles and train MAPFRE experts in the reparation and appraisal of material automobile damages. Much of the investigation carried out by this company has globally contributed to the reduction in the use of contaminants such as paint or solvents, and minimize the impact the repairing of vehicles may have on the environment. These works are publicly announced through publications and training sessions.

ITSEMAP, a environmental and safety engineering company, provides technical assistance in industrial environmental risk management; to this end, tools to facilitate its evaluation are being developed, both in the insurance sector and in sectors with greater environmental impact.

### **Activities for efficient driving**

The MAPFRE Institute for Road Safety (*El Instituto MAPFRE de Seguridad Vial*) was created in 1996 to join together the different road activities which were carried out in this field. Its objectives are to consolidate, systematise and propel an ample range of activities to prevent and reduce the high existing accident rate indices.

In addition, this Institute incorporated innovative environmental initiatives, such as the development of 'efficient driving', which refers to the rational use of the automobile to diminish its impact on the environment. This technique improves the traditional vehicle driving and adapts to modern technology, allowing for low consumption of fuel, reduction of environmental contamination, greater driving comfort, and the reduction of driving risks.

To promote efficient driving, the MAPFRE Institute for Road Safety prepared the DVD "Techniques for more efficient driving", in partnership with the Institute for Energy Saving and Diversification (*Diversificación y Ahorro de la Energía (IDAE)*). This informative material clearly sets out concepts and fundamental techniques for this type of driving. In addition, the MAPFRE Institute for Road Safety provides a summary of 'Road Safety Advice' on its website ([www.institutomapfreseguridadvial.com](http://www.institutomapfreseguridadvial.com)) including a "decalogue" on efficient driving techniques.

Another example of the activities of MAPFRE Institute for Road Safety is the preparation of "Maps for Understanding the Environment through the road network in Andalusia" in partnership with the Ministry of Public Works and Transportation of Andalusia, whose objective is to assist drivers to understand, enjoy, and learn to respect the environment.

### **Environmental management contribution in the industrial sector**

MAPFRE INDUSTRIAL makes available to its policyholders the Basic Guides of the Environment, publications which offer information and environmental recommendations related to various industrial sector risks. The object of these guides is to facilitate the identification and management of environmental risks to policyholders.

Until now, environmental guides have been prepared in the fertilizer, slaughterhouse, paper, textile, metal finishing, carpentry, ceramic and mechanical repair shop sectors. These guides are available on the MAPFRE INDUSTRIAL website ([www.mapfreindustrial.com](http://www.mapfreindustrial.com)).

### **Mobile phone recycling**

MAPFRE participates in the campaign to collect mobile phones organized by the Spanish Red Cross and the Intercultural Foundation under the slogan 'Put your mobile where it is most needed'. Customers and employees can deposit their mobile phones which are no longer being used in one of the 742 special containers installed in the MAPFRE work centres. Once the containers are full, a specialised company takes care of removing and transporting them to a company in charge of analysing and selecting salvageable phones and components.

The campaign has two main goals: to contribute to environmental protection given the fact that the mobile phones not in use are collected to be reused or recycled; and carry out an important social activity, given that the amount obtained from the sale of these phones shall be designated to some projects of social interest and development, which both organisations undertake for disadvantaged sectors of the community.

### **Environmental scholarships and sponsorships**

The conservation and preservation of the environment are part of the activities of the MAPFRE Foundations. In this context, is worthy of special mention the specialised scholarships given to graduate students for research in areas such as climate change and waste management.

The MAPFRE Foundations have also undertaken studies and prepared environmental guides to promote environmental management in society. An example are '*The Basic Guide to developing Local Agenda 21 in the rural environment*' or the '*Guide to Sewage Management in municipalities and small and medium size communities*'.

MAPFRE SEGUROS DE BRASIL has been ranked 'Best Insurance Company' by the magazine *Isto é Dinheiro* in the Social and Environmental Responsibility section.