

# 7

## Report on Corporate Governance and Internal Control



## Report on Corporate Governance

The present report has been produced by SegurCaixa Holding, S.A. (Sociedad Unipersonal) on a voluntary basis.

### A. Structure of the property

A.1. Breakdown of the most important shareholders in the company at the close of the financial year:

Name or legal name of shareholder	% of equity
Criteria CaixaCorp, S.A.	100%

A.2. Indicate, where necessary, the relationship between the shareholders or significant holdings whether it be through family, commercial, contractual or corporate ties, insofar as it is known to the company, unless it is of little relevance or it is derived from the ordinary commercial activity:

Names or related legal names	Type of relationship	Brief description
(Not applicable)	(-)	(-)

A.3. Indicate, wherever applicable, the commercial, contractual or corporate relationship that exists between the shareholders or significant holdings and the company, unless it is of little relevance or it is derived from the ordinary commercial activity:

Names or related legal names	Type of relationship	Brief description
Criteria CaixaCorp, S.A.	Corporate	Ricardo Fornesa Ribó is the Honorary Chairman of Criteria CaixaCorp, S.A., and the Chairman of the Board of Directors of SegurCaixa Holding S.A. (Sociedad Unipersonal) and of VidaCaixa, S.A. de Seguros y Reaseguros.
Caixa d'Estalvis i Pensions de Barcelona ("la Caixa")	Corporate	"la Caixa" has a 79,45% holding in Criteria CaixaCorp, S.A., which, in turn, is a shareholder of SegurCaixa Holding, S.A. (Sociedad Unipersonal). Juan María Nin Génova is the General Manager of "la Caixa" and Board Member of SegurCaixa Holding, S.A. (Sociedad Unipersonal). Tomás Muniesa Arantegui is Assistant Executive General Manager of "la Caixa", Chief Executive Officer of SegurCaixa Holding, S.A. (Sociedad Unipersonal) and Chairman of the Board of Directors of SegurCaixa, S.A. de Seguros y Reaseguros. Jordi Mercader Miró and D. Javier Godó Muntañola are Vice-chairmen of "la Caixa", and Directors of Criteria CaixaCorp, S.A. and of SegurCaixa Holding, S.A. (Sociedad Unipersonal).

#### Percentage of own shares

There are no own shares.

## B. Structure of the Company's board

### B.1. Board or Administrative Body

B.1.1. List of the maximum and minimum number of Board Members or Members of the Administrative Body envisaged in the Statutes:

Maximum number of Board Members / Members of the Administrative Body	12
Minimum number of Board Members / Members of the Administrative Body	4

B.1.2. Complete the following table on Members of the Board or Administrative body and their corresponding status:

Name or legal name of Member of Board or Administrative Body	Representative	Date of appointment	Status
Ricardo Fornesa Ribó		20.06.2008	Owner director
Juan M <sup>a</sup> Nin Génova		12.11.2007	Owner director
Tomás Muniesa Arantegui		12.11.2007	Owner Director & Executive
Francisco Reynés Massanet		12.11.2007	Owner director
Juan Antonio Samaranch Torelló		21.12.2007	Owner director
José Vilarasau Salat		21.12.2007	Owner director
Jordi Mercader Miró		21.12.2007	Owner director
Manuel Raventós Negra		20.06.2008	Owner director
Javier Godó Muntañola		21.12.2007	Owner director
Miquel Valls Masseda		21.12.2007	Independent

B.1.3. Identify, wherever applicable, the Members of the Board or Administrative Body that hold posts of Administrator or Director in other companies that form part of the Group:

Name or legal name of Director/Member of Board or Administrative Body	Legal Name of Group company	Position
Tomás Muniesa Arantegui	SegurCaixa, S.A. de Seguros y Reaseguros	Chairman
Ricardo Fornesa Ribó	VidaCaixa, S.A. de Seguros y Reaseguros	Chairman

B.1.4. Indicate the aggregate remuneration of the Board Members or Administrative Body earned during the financial year:

During the 2009 financial year, the Board of Directors of the Parent Company received a total fixed remuneration of 1,810 thousand euros.

B.1.5. Identify top management members who are not at the same time Board Members or Executive Members of the Administrative Body, and indicate their total earnings during the financial year:

During the 2009 financial year, the Top Management of the Parent Company received a total fixed remuneration of 3,874 thousand euros.

B.1.6. Indicate whether the Statutes or the Rules of the Board set out a limited mandate for Board Members or Members of the Administrative Body:

YES  NO

Maximum years of mandate, with possibility of re-election	6
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B.1.7. Indicate whether the individual and consolidated annual accounts presented for approval by the Board or Administrative Body are previously certified:

YES  NO

Identify, wherever applicable, the person/s that has/have certified the individual and consolidated annual accounts to be presented for approval by the Board or Administrative Body.

Name or legal name	Position
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B.1.8. Explain the mechanisms, if any, established by the Board or Administrative Body to prevent the individual and consolidated annual accounts drawn up by it from being presented at the Annual Shareholders Meeting or equivalent body with notes in the auditor's report.

To avoid this situation there is an Audit Committee that supervises the drawing up process of the accounts so that there are no notes.

B.1.9. Does the Secretary of the Board or Administrative Body have the rank of Board Member?

YES  NO

B.1.10. Indicate, wherever applicable, the mechanisms established to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies.

- 1) Auditor: the rule of temporary rotation of the audit team is observed.
- 2) Financial analysts: we work with the most reputable companies in the world.  
We usually work with several at the same time.
- 3) Investment banks: we work with the most reputable companies in the world.  
We usually work with several at the same time.

## B.2. Board or Administrative Body Committees

B.2.1. List the Committees of the Board or Administrative Body:

	N° of members
Executive Committee	4
Audit Committee	3

## B.2.2. List the Committees of the Board or Administrative Body and their members:

### EXECUTIVE COMMITTEE

Name or legal name	Position
Ricardo Fornesa Ribó	Chairman
Juan M <sup>º</sup> Nin Génova	Member
Tomás Muniesa Arantegui	Member
Francisco Reynés Massanet	Member

### AUDIT COMMITTEE

Name or legal name	Position
Francisco Reynés Massanet	Chairman
Manuel Raventós Negra	Member
Miquel Valls Masseda	Member

**B.2.3. Write a description of the rules of organisation and operation, as well as the responsibilities attributed to each of the Committees of the Board or Administrative Body. Wherever applicable, describe the powers of the Chief Executive Officer.**

#### B.2.3.1. Board of Administration

The powers of the Board are set out in article 19 of the Company Statutes, namely:

- a) To adopt all the agreements and functions required to carry out the company objective.
- b) To carry out and formalize the agreements of the General Shareholders Meeting.
- c) To draw up and put into practice all the Regulations deemed necessary to run the business, offices, buildings and administrations of the Company and reform them whenever deemed appropriate.
- d) To accept or reject operations.
- e) To hold, organise and authorise all types of acts, duties and contracts, including those related to the acquisition, disposal and encumbrance of fixed and intangible assets, and grant leases that can be registered.
- f) To dispose of company funds in order to apply them to the running, administration and management of the business and operations of the Company.
- g) To provide all classes of sureties and guarantees and pledge and mortgage its assets, in all cases as a guarantee for the obligations of the Company and third parties.
- h) To authorize all types of activities in the Company, in particular the General Shareholders Meetings and Management Meetings.
- i) To appoint and dismiss personnel, establishing their conditions and attributions, salaries, commissions, bonuses and extraordinary rewards, even appointing and revoking powers of attorney, correspondents, advisors, attorneys, agents and similar, agreeing their remuneration, obligations and powers.
- j) To represent the Company before all types of authority, bodies and tribunals, undertaking whatever actions are within its power or abandoning them at any time, as well as submitting the matters the Company is interested in to settlement, conciliation, and arbitrators.
- k) To establish and withdraw deposits, compete, intervene and bid in all sorts of auctions and tenders, and to open and close accounts in any type of credit establishment, including Banco de España (Bank of Spain) and the Caja General de Depósitos (Spanish Government Depositary).
- l) Sign, issue, endorse and accept, discount and guarantee letters of exchange or promissory notes, letters of payment and other commercial documents or mercantile bills.

- m) To approve inventories, balance sheets and accounts that have to be submitted to the Annual Shareholders Meeting and annually present the Annual Report to the Annual Shareholders Meeting, proposing, if that be the case, the distribution of profit, amortisations and the setting up of whatever reserve funds it deems necessary.
- n) To propose to the Annual Shareholders Meeting the payment of passive dividends, should they exist, on the shares in circulation, until they are fully paid out and the distribution of interim dividends against profits during the course of the financial year.
- o) To delegate its powers to a person or persons it deems appropriate, through a power of attorney.
- p) To propose to the Extraordinary General Shareholders Meeting the transformation, modification, merger or dissolution of the Company.
- q) And any other powers not reserved by law or by the Statutes at the General Shareholders Meeting.

#### B.2.3.2. Chief Executive Officer

There is a Chief Executive Officer, Tomás Muniesa Arantegui, who has been delegated all the powers of the Board of Directors, except for those which cannot be delegated by law.

#### B.2.3.3. Executive Committee

The Board of Directors appoints an Executive Committee made up of four members of the Board of Directors. The Committee appoints a Chairman among its members. The Committee has been delegated all the powers of the Board of Directors, except for those which cannot be delegated by law.

The Secretary of the Executive Committee is also the Secretary of the Board of Directors.

#### B.2.3.4. Audit Committee

The Board of Directors appoints an Audit Committee among its members.

The Audit Committee will be formed by a minimum of three and a maximum of five Board Members. The non-executive Members must always be the majority.

The Audit Committee will appoint its Chairman from among the non-executive Members. The Chairman must change every four years but can be re-elected Chairman after one year from the date of resignation. The Committee will also appoint the Secretary, who may not be a Member of the Committee, and in the absence of such an appointment or in the case of the appointed party being absent, the Secretary of the Board may act as such.

The Audit Committee meets as often as is necessary to perform its functions and it is summoned by order of its Chairman, on his own initiative or at the request of the Chairman of the Board, or by two Members of the Committee. The Audit Committee is validly constituted when those participating or their representatives form the majority of its Members.

The agreements are adopted by majority of the participating Members, either present or represented.

The Audit Committee has the following competencies:

- 1) To report to the General Shareholders Meeting on questions related to matters within its remit raised by shareholders.
- 2) To propose to the Board, for its submission to the Annual Shareholders Meeting, the appointment of external auditors.
- 3) Supervision of internal auditing services..
- 4) Knowledge of the company's financial information process and internal compliance systems, whenever they are established.
- 5) Contact with the external auditors to receive information on matters that may put their independence at risk and any other matters related to the development process of the audit, as well as other communications foreseen in the legislation on account auditing and on the technical regulations of auditing.

#### B.2.4. Indicate the number of meetings held by the Audit Committee during the financial year:

Number of meetings	1
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## C. Associated transactions

C.1. List the significant transactions which have resulted in a transfer of resources or obligations between the group company or companies and the shareholdings or most significant holdings of the company:

Name or legal name of the most significant shareholder	Name or legal name of the group company or companies	Type of relationship	Type of transaction	Amount (thousands of euros)
"la Caixa"	VidaCaixa S.A.	Shareholder	Credited interests	1,805
"la Caixa"	VidaCaixa S.A.	Shareholder	Revenue from share sales	92
"la Caixa"	VidaCaixa S.A.	Shareholder	Insurance premiums	193,488
"la Caixa"	VidaCaixa S.A.	Shareholder	Sales commissions	-101,088
"la Caixa"	SegurCaixa S.A.	Shareholder	Sales commissions	-37,258

C.2. List the significant transactions which have resulted in a transfer of resources or obligations between the group company or companies and the administrators or members of the administrative body, or directors of the company.

Not applicable.

C.3. List the significant transactions with other companies belonging to the same group, wherever these have not been eliminated during the process of drawing up the consolidated financial statements and do not form part of the normal business activity of the company with regard to its object and conditions:

Not applicable.

C.4. Identify, wherever applicable, the situation of conflicts of interest in which the Board Members or Members of the Administrative Body of the company find themselves, according to article 127 of the LSA (Law on Joint Stock Companies).

There are no situations of conflict of interest.

C.5. Explain the mechanisms set up to detect, determine and solve the possible conflicts of interest between the company or its Group and its Board Members or Members of the Administrative Body or Directors.

The documents required by article 127 of the Law on Joint Stock Companies have been completed and this information is included in the Annual Report.

## D. Systems of Risk Control

D.1. A general description of the risk control policy of the company and/or its group, listing and evaluating the risks covered by the system, together with an explanation of the suitability of such systems to the profile of each type of risk.

See section below, "Internal Control Systems of the SegurCaixa Holding Group" in the same chapter of the Annual Report of SegurCaixa Holding.

D.2. Indicate the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

See D.1.

D.3. In the event of some of the risks that affect the company and/or group taking place, indicate the circumstances that caused them and whether the control systems worked.

With regard to the systems of risk control for investments and as a result the correct functioning of the established internal control systems, no losses through deterioration of value were recorded during the 2009 financial year for any class of financial assets.

**D.4. Indicate if there is a committee or other governing body ordered to set up and supervise these control systems and explain what their functions are.**

An Audit Committee, appointed by the Board of Directors, supervises the internal control systems of the company.

## **E. General Shareholders Meeting or equivalent body**

**E.1. State the quorums to constitute the Annual General Meeting or equivalent body established in the Statutes. Describe how it differs from the minimum rule envisaged in the Law on Joint Stock Companies, or in the regulation applied to it.**

The current status of the Company is unipersonal. However, the Company Statutes contain the general system for quorums specified in the Law on Joint Stock Companies.

**E.2. Explain the system for adopting company agreements. Describe how this differs from the system envisaged in the Law on Joint Stock Companies, or in the regulation applied to it.**

There is no difference to the general system stipulated in the Law on Joint Stock Companies.

**E.3. List the rights of the shareholders in relation to the General Shareholders Meeting or equivalent body.**

The rights of the shareholders in relation to the General Shareholders Meeting are those set out in Royal Decree 1564/1989, of 22 December, which approves the revised text on the Law on Joint Stock Companies.

In accordance with the Statutes of SegurCaixa Holding, S.A. (Sociedad Unipersonal) and the rules of the Law on Joint Stock Companies, the following rights are specified:

- The right to decide by majority vote matters within their remit.
- Rights to separate and challenge in the terms set out in the Law.
- The right of the shareholder to obtain from the Company, immediately and at no cost, the documents that have to be submitted for their approval and, wherever applicable, the auditors report on the accounts.
- The shareholders, whose shares are registered in the Shares Register five days prior to the date the General Shareholders Meeting is to take place, have a right to attend.
- The shareholders with a right to attend have the right to be represented.
- Shareholders representing 5% of the company capital may request the administrative body to call a Shareholders Meeting, indicating the matters for discussion in said request.
- The right to one vote per share.

**E.4. Indicate briefly the agreements adopted at the Annual Shareholders Meetings or equivalent bodies held in the same year as this report refers to and the percentage of votes with which the agreements were adopted.**

Attendance statistics of General Shareholders Meetings during the financial year:

All the Shareholders Meetings were universal, with all the shareholders in attendance.

List of Ordinary and Extraordinary Shareholders Meetings of SegurCaixa Holding, S.A. (Sociedad Unipersonal) in 2009:



02-02-2009	ESM	Change of company name to SegurCaixa Holding, S.A., instead of CaiFor, S.A.
19-06-2009	OSM	Approval of the individual accounts of the 2008 financial year and application of the result. Approval of the consolidated accounts of the 2008 financial year. Approval of the management of the Board of Directors. Reelection of 2009 auditors. Enlargement of company capital by the sum of 70,000,002.55 euros, plus the corresponding issue premium for 14,093,178.55 euros.
02-11-2009	ESM	Increase in capital with issue premium through non-monetary contribution.
23-11-2009	ESM	Reclassification of the issue premium to the legal reserve.

#### E.5. Indicate the address and way of accessing the content of corporate governance in your web page.

The company's Report on Corporate Governance can be accessed via the following URL address: [http://www.segurcaixaholding.com/info\\_corporativa/gobierno\\_corporativo.html](http://www.segurcaixaholding.com/info_corporativa/gobierno_corporativo.html), or by accessing the website of SegurCaixa Holding, S.A. ([www.segurcaixaholding.com](http://www.segurcaixaholding.com)), "Corporate Information" and "Corporate Governance" section.

## F. Degree of compliance with Corporate Governance recommendations

Indicate the degree of compliance of the company with the recommendations of the Unified Code on Good Governance.

In cases of non-compliance, explain the recommendations, rules, practices or criteria applied by the company.

1. The Statutes of listed companies should not limit the maximum number of votes that can be issued by a single shareholder, nor contain other restrictions which prevent gaining control of the company through the acquisition of its shares in the market.

Compliance  Explanation

SegurCaixa Holding, S.A. (Sociedad Unipersonal) is not a listed company.

2. When a parent company and a subsidiary company are listed, both should define in public and with precision:

a) The respective areas of activity and possible business relations between them, in addition to those of the listed subsidiary with other Group companies.

b) The mechanisms envisaged to resolve any possible conflicts of interest that may arise.

Compliance  Partial compliance  Explanation  Not applicable

3. While not expressly demanded by commercial laws, operations which involve a structural modification of the company, in particular the ones listed below, should be submitted to the General Shareholders Meeting for approval:

a) The transformation of listed companies into holding companies, through "subsidiarisation" or the incorporation within subsidiary companies of essential activities carried out until now by the company itself, despite the latter having full control over them.

b) The acquisition or transfer of essential operational assets, where this involves an effective modification of the business object.

c) Operations whose effect is equivalent to the liquidation of the company.

Compliance  Partial compliance  Explanation

4. The detailed proposals of agreements to be adopted at the General Shareholders Meeting, including the information referred to in recommendation 28, should be made public at the moment the Meeting is publicly announced.

Compliance  Explanation

Given that it is not a listed company, and only has one shareholder, the proposals of agreements to be adopted at the General Shareholders Meeting are not published.

5. At the General Shareholders Meeting, matters which are substantially independent should be voted on separately, so that shareholders can exercise their voting preferences separately. In particular, said rule should apply to:

a) The appointment or ratification of Board Members, which should be voted for individually.

b) In the case of Statute modifications, each article or group of articles that is substantially independent.

Compliance  Partial compliance  Explanation

6. Companies should split the vote, so that financial intermediaries which appear legitimised as shareholders, but who act on behalf of various clients, can issue their votes according to the instructions of these clients.

Compliance  Explanation

Not applicable. The current status of the Company is unipersonal.

7. The Board of Directors should carry out its duties with diligence and impartiality, treat all shareholders in the same manner and act in the interest of the company, understood as maximising the financial worth of the company in a sustained manner.

The company should also ensure that in its relations with stakeholders it respects the laws and regulations, complies with its obligations and contracts in good faith, respects the uses and good practices of the sectors and regions in which it carries out its activities, and observes any additional principles of social responsibility it has voluntarily accepted.

Compliance  Partial compliance  Explanation

8. As a core element of its mission, the Board of Directors should take responsibility for approving the company strategy and the detailed organisation for implementation this, in addition to supervising and monitoring that the Management fulfils the objectives established and respects and object and social interest of the company. To such end, the Board of Directors has sole authority to approve:

a) The general policies and strategies of the company, and in particular:

- i) The strategic business plan, as well as the annual management objectives and budget.
- ii) The investment and finance policy.
- iii) Defining the structure of the group of companies.
- iv) The policy of corporate governance.
- v) The policy of corporate social responsibility.
- vi) The remuneration policy and the performance evaluation of top management.

- vii) The risk control and management policy, in addition to the periodic monitoring of internal information and control systems.
  - viii) The dividends and own portfolio policy, and in particular its limits.
- b) The following decisions:
- i) On the proposal of the top executive of the company, the appointment and possible dismissal of top management, in addition to their compensation clauses.
  - ii) The remuneration of directors, and, in the case of executives, the additional remuneration for their executive duties and other conditions, which must comply with their contracts.
  - iii) Financial information which, given its listed status, the company must publish on a periodic basis.
  - iv) Investments and operations of all types which, given the large sums involved or their special characteristics, are of a strategic nature, except for those whose approval corresponds to the General Shareholders Meeting.
  - v) The creation or acquisition of holdings in special purpose companies or those domiciled in countries or regions with the status of tax havens, in addition to any other transactions or operations of a similar nature which, given their complexity, may compromise the transparency of the group.
- c) The operations which the company carries out with directors, significant shareholders or shareholders represented on the Board, or with persons associated to the same ("associated transactions").

Said authorisation by the Board of Directors shall not, however, be required in associated transactions which simultaneously fulfil the three following conditions:

- 1) They are undertaken in compliance with contracts whose conditions are standardised and are generally applied to several clients.
- 2) They are undertaken at established prices or rates of a general nature by a party acting as a supplier of the goods or service in question.
- 3) Their amount does not exceed 1% of the annual turnover of the company.

It is recommended that the Board of Directors approves associated transactions subject to a favourable report by the Audit Committee or, wherever applicable, whatever party has been instructed to perform said function, and for the Directors affected by them, in addition to not exercising or delegating their vote, to remain outside the meeting room while the Board of Directors deliberates and votes on them.

Compliance  Partial compliance  Explanation

9. The Board of Directors should have enough members to perform its function in an efficient and participative manner, and it is recommended that its size be between five and fifteen members.

Compliance  Explanation

10. Owner and independent directors should represent a broad majority in the Board of Directors and the number of executive directors should be the minimum necessary, bearing in mind the complexity of the company group and the shareholding percentages of the executive directors in the company capital.

Compliance  Partial compliance  Explanation

11. In the case of external directors that cannot be considered either owner director or independent director, the company should explain this situation and his/her relationship, either with the company or its directors, or with its shareholders.

Compliance  Explanation  Not applicable

12. Among the external directors, the ratio between the number of owner directors and independent directors should reflect the proportion that exists between the company capital represented by owner directors and the remaining capital.

Said proportion criteria may be relaxed, so that the weighting of owner directors is greater than the one corresponding to the total percentage of capital they represent.

- 1) In companies with high capitalisation in which shareholdings with the legal status of significant are negligible or non-existent, although shareholders exist with blocks of shares with a high absolute value.
- 2) In the case of companies in which there is a plurality of shareholders represented in the Board of Directors, and there are no relationships between them.

Compliance  Explanation

13. The number of independent directors should represent at least one third of the total.

Compliance  Explanation

There is only one independent director.

14. The character of each director should be explained by the Board of Directors to the General Shareholders Meeting, which should effect or ratify his/her appointment, and confirm or, wherever applicable, review it annually in the Annual Report on Corporate Governance, subject to verification by the Nominations Commission. This Report should also explain the reasons for appointing owner directors at the request of shareholders whose shareholding is less than 5% of the capital; and, wherever applicable, explain why formal requests for a presence on the Board of Directors have been denied to shareholders whose shareholding is equal to or greater than others who have been appointed owner directors.

Compliance  Partial compliance  Explanation

The nature of each director is explained by the Board of Directors to the General Shareholders Meeting, although no Nominations Commission exists.

15. When the number of female directors is negligible or zero, the Board of Directors should explain the reason for this and the measures taken to remedy this situation, and, in particular, when new vacancies become available, the Nominations Commission must ensure:

- a) The selection processes do not suffer from any implicit bias that prevents the selection of female directors.
- b) The company will deliberately seek, and include among the potential candidates, women who fulfil the required professional profile.

Compliance  Partial compliance  Explanation  Not applicable

There are no female directors on the company's Board of Directors, although the selection procedures for members of the Board of Directors do not suffer from any bias that prevents the selection of women for said posts within the company.

16. The Chairman, being responsible for the efficient operation of the Board of Directors, should make sure that directors receive sufficient information in advance and encourage debate and active participation among directors during Board Meetings, while safeguarding his/her freedom of posture and expression; and also organise and coordinate with the chairmen of the corresponding Committees the periodic evaluation of the Board of Directors and, wherever applicable, the Chief Executive Officer or top executive.

Compliance  Partial compliance  Explanation

17. Whenever the Chairman of the Board of Directors is also the top executive of the Company, he should authorise one of the independent directors to call meetings of the Board of Directors or include new points on the agenda, to coordinate or echo the concerns of external directors, and to channel through the Board of Directors the evaluation of its Chairman:

Compliance  Partial compliance  Explanation  Not applicable

18. The Secretary of the Board of Directors should ensure that the activities of the Board:

- a) Comply with the content and spirit of the Law and its regulations, including those approved by the governing bodies.
- b) Comply with the Company Statutes, with Regulations of the General Shareholders Meeting, those of the Board of Directors and any other company regulations.
- c) Take into consideration the recommendations on good governance contained in the present Unified Code, which the company has accepted.

And, to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and dismissal should be notified by the Nominations Commission and approved by the full Board of Directors, said procedure and appointment being recorded in the Regulations of the Board of Directors.

Compliance  Partial compliance  Explanation

The company complies with the above, except for the fact that there is no Nominations Commission or Regulations of the Board of Directors.

19. The Board of Directors should convene regularly in order to perform its duties efficiently, adopting the calendar of dates and subjects established at the beginning of the financial year, each Director being able to propose other points on the agenda not initially envisaged.

Compliance  Partial compliance  Explanation

20. Non-attendance of directors should be restricted to unavoidable circumstances and quantified in the Annual Report on Corporate Governance. And if representation is impossible, instructions should be provided.

Compliance  Partial compliance  Explanation

21. Whenever the directors or the Secretary express concerns regarding any proposal or, in the case of directors, regarding the progress of the company and such concerns are not resolved in the Board of Directors, they should be recorded in the minutes at the request of the party who expressed them.

Compliance  Partial compliance  Explanation  Not applicable

22. Once a year, the full Board of Directors should evaluate:

- a) The quality and efficiency of the operation of the Board of Directors.
- b) Based on the report submitted by the Nominations Commission, the execution of the duties of the Chairman of the Board and the top executive of the company.
- c) The operation of its Committees, based on the report which they submit.

Compliance  Partial compliance  Explanation

The Board of Directors regularly evaluates the efficiency of its operation. No Nominations Commission exists.

23. All directors should exercise their right to gather any additional information they consider necessary on subjects within the remit of the Board of Directors. And, except where stated to the contrary in the Statutes or Regulations of the Board of Directors, address their request to the Chairman or Secretary of the Board of Directors.

Compliance  Explanation

24. All directors should have the right to obtain from the company the required advice for the exercise of their functions. And the company should determine the appropriate channels for the exercise of said right, which in special circumstances may include external advice at the company's expense.

Compliance  Explanation

25. Companies should establish a training course which provides new directors with quick and sufficient information on the company, in addition to its rules of corporate governance. And also offer directors skills update courses when circumstances so advise.

Compliance  Partial compliance  Explanation

All new directors are verbally informed of the Company's operation in the Board of Directors meeting.

26. And companies should insist that directors dedicate the necessary time and effort to their role in order to perform it in an efficient manner and, consequently:

- a) Directors should notify the Nominations Commission of their other professional obligations, in case these interfere with the dedication required.
- b) Companies should establish rules on the number of committees their directors may form part of.

Compliance  Partial compliance  Explanation

Since no Nominations Commission exists, directors cannot notify it of their other professional obligations. However, every year the Company receives from each director the mandatory information contained in article 127 ter of the Law on Joint Stock Companies.

27. The proposed appointment or re-election of directors submitted to the General Shareholders Meeting by the Board of Directors, in addition to their provisional appointment through co-optation, should be approved by the Board of Directors:

- a) On the proposal of the Nominations Commission, in the case of independent directors.
- b) Subject to a report of the Nominations Commission, in the case of other directors.

Compliance  Partial compliance  Explanation

Since no Nominations Commission exists, the proposed appointment or re-election of Board Directors to the General Shareholders Meeting is not channelled through said Committee.

28. Through their websites, companies should publish and maintain up to date the following information on their directors:

- a) Professional profile and biography.
- b) Other boards of directors they belong to, irrespective of whether these are listed companies.
- c) An indication of the category of director they belong to, stating, in the case of owner directors, the shareholder they represent or are related to.
- d) Date of initial appointment as company Board Director, and dates of subsequent appointments.
- e) Company shares and share options owned.

Compliance  Partial compliance  Explanation

Complies with the recommendation. However, the company website does not include information relative to section a).

29. Independent directors should not remain as such for a continued period in excess of 12 years.

Compliance  Explanation

30. Owner directors should resign when the shareholder they represent sells their entire shareholding. And should do likewise, by the corresponding number, when said shareholder reduces their shareholding to a level which demands a reduction in the number of its owner directors.

Compliance  Partial compliance  Explanation

31. The Board of Directors should not propose the dismissal of any independent director before compliance of the statutory period for which he/she was appointed, except where there is just cause, in the view of the Board of Directors, subject to a report by the Nominations Commission. In particular, just cause will be deemed to exist whenever the director has breached the obligations inherent to the post or incurred in any of the circumstances described in caption 5 of section III of the definitions in this Code.

The dismissal of independent directors may also be proposed from the outcomes of Public Acquisition Offers, mergers or other similar company operations which require a change in the structure of the Board of Directors originating from the proportionality criteria indicated in Recommendation 12.

Compliance  Explanation

32. Companies should establish rules that oblige directors to report and, wherever applicable, resign in circumstances which may damage the credit and reputation of the company, and in particular inform the Board of Directors of any lawsuits in which they appear as defendants, in addition to the subsequent outcome of the same.

If a director is prosecuted or has been committed for trial for any of the offences indicated in article 124 of the Law on Joint Stock Companies, the Board of Directors should examine the case as soon as possible and in view of the specific circumstances, decide whether it is appropriate or otherwise for the director to continue in the post. All of the above should be set out and justified in the Annual Report on Corporate Governance.

Compliance  Partial compliance  Explanation

33. All directors should express their opposition in clear terms whenever they consider that a decision proposal submitted to the Board of Directors may be contrary to company interests. This also applies to independent and other directors not affected by the potential conflict of interest, in the case of decisions which may harm the shareholders not represented on the Board of Directors.

When the Board of Directors adopts significant or repeated decisions against which the director has expressed serious reservations, said director should reach the appropriate conclusions and, if they decide to resign, explain the reasons in the letter referred to in the following recommendation.

This Recommendation also applies to the Secretary of the Board of Directors, in spite of not having director status.

Compliance  Partial compliance  Explanation  Not applicable

34. When a director does not complete their mandate, owing to resignation or another reason, they should explain the reasons in a letter to be sent to all members of the Board of Directors. Without prejudice to said resignation being reported as a relevant fact, the reason for the resignation should be stated in the Annual Report on Corporate Governance.

Compliance  Partial compliance  Explanation  Not applicable

35. The remuneration policy approved by the Board of Directors must, at least, cover the following issues:

a) The fixed sum, with a breakdown, wherever applicable, of the expenses for participating in the Board and its Committees and an estimate of the fixed annual remuneration resulting from the same.

b) Variable sums, including, in particular:

- i) Types of directors to which they apply, in addition to an explanation of the relative import of variable remunerative concepts compared to fixed ones.
- ii) Results evaluation criteria on which any rights to remuneration in shares, share options or any other variable component are based.
- iii) Basic parameters and basis of any system of annual bonuses or other benefits not paid in cash.
- iv) An estimate of the total sum of variable remuneration resulting from the proposed remuneration plan, according to the degree of compliance of the hypothesis or targets which are taken as a reference.

c) Main characteristics of the benefits systems (for example, complementary pensions, life insurance and similar), with an estimate of their amount or equivalent annual cost.

d) Conditions which must respect the contracts of those exercising top management functions, such as executive directors, including the following:

- i) Duration.
- ii) Advance notice periods.
- iii) Any other clauses relating to recruitment bonuses, in addition to redundancy or protection clauses for early termination of the contractual relationship between the company and the executive director.

Compliance  Partial compliance  Explanation

36. The remuneration of executive directors should be limited through the issue of company or group company shares, share options or instruments referenced to share values and variable remuneration linked to performance of the company or benefits systems.



This recommendation does not apply to the issue of shares on the condition that directors keep them until dismissal or resignation from the post of director.

Compliance  Explanation

The remuneration of executive directors does not include any of the above elements.

37. The remuneration of external directors should be what is necessary in order to reward the dedication, qualification and responsibility demanded by the post, but not so high that it compromises their independence.

Compliance  Explanation

38. Remuneration based on company results should take into account any reservations stated in the auditors report that reduce the same.

Compliance  Explanation  Not applicable

39. In the case of variable payments, the remuneration policy should incorporate the required technical precautions to guarantee that such payments are related to the professional effort of their beneficiaries and are not merely derived from the general evolution of the market or the sector of activity of the company, or from similar circumstances.

Compliance  Explanation  Not applicable

40. The Board of Directors should submit to the General Shareholders Meeting for voting, as a separate point on the agenda, and for information purposes, a report on the remuneration policy of directors. Said report should be made available to the shareholders, either separately or in any other manner deemed appropriate by the company.

Said report should focus on the remuneration policy approved by the Board of Directors for the current year, and, wherever applicable, the policy envisaged for future years. It should cover all issues referred to in Recommendation 35, except for those which may lead to the disclosure of commercially sensitive information. It should highlight the most significant changes to such policies in respect of the policies applied during the previous financial year with regard to the General Shareholders Meeting. It should also include an overall summary of how the remuneration policy of said past financial year was applied.

The Board of Directors should also report on the role played by the Remuneration Committee in the drafting of the remuneration policy and, where external consultants have been used, the identity of the same.

Compliance  Partial compliance  Explanation

No Remuneration Committee exists and the aforementioned report is not drafted.

41. The Report should list the individual remuneration of the directors during the financial year and include:

- a) A breakdown of the remuneration of each director, including, wherever applicable:
- i) Expenses for attendance and other fixed payments as a director.
  - ii) The additional remuneration as Chairman or member of a committee of the Board of Directors.
  - iii) Any remuneration in the form of profit sharing or bonuses, and the reason they are being granted.
  - iv) Contributions towards the fixed contribution pension plans of directors, or an increase in the consolidated rights of the director, in the case of fixed contribution benefit plans.

- v) Any redundancy payments agreed or paid in the case of resignation or dismissal.
  - vi) Remunerations received as a director of other group companies.
  - vii) Remuneration for the execution of top management duties of executive directors.
  - viii) Any other payment concept different to the above, irrespective of its nature or which group company pays it, especially when it has the status of associated transaction, or where its omission would distort the true image of the total remuneration received by the director.
- b) A breakdown of any share issues, share options or any other financial instrument referenced to share values, which are issued to directors, listing:
- i) The number of shares or options granted during the year, and the conditions for exercising the same.
  - ii) Number of options exercised during the year, indicating the number of shares affected and the exercise price.
  - iii) The number of options pending exercise at the end of the year, indicating their price, date and other exercise requirements.
  - iv) Any modification during the financial year to the conditions for exercising options already granted.
- c) Information on the relationship, during the past financial year, between the remuneration received by the executive directors and the results or other performance measures of the company.

Compliance  Partial compliance  Explanation

However, this is reported in overall, not individual terms.

42. Wherever a Delegate or Executive Committee exists (hereinafter, "Delegate Committee"), the holding structure of the different classes of directors should be similar to that of the Board itself and its secretary should be the Board secretary.

Compliance  Partial compliance  Explanation  Not applicable

43. The Board of Directors should always be aware of the matters dealt with and the decisions adopted by the Delegate Committee, and all members of the Board of Directors should receive a copy of the minutes of Delegate Committee meetings.

Compliance  Explanation  Not applicable

44. The Board of Directors should establish, in addition to the Audit Committee required by the Law on the Stock Market, one or two separate Committees for Appointments and Remuneration.

The rules for the composition and operation of the Audit Committee and the Nominations Commission and/or Remuneration Committee should be set out in the Regulations of the Board of Directors, and should include the following:

- a) The Board of Directors should appoint the members of said Committees, taking into consideration the skills, aptitudes and experience of the directors and the task of each Committee, and discuss its proposals and reports. The Committees should report on its activities and the work carried out to the Board of Directors at the first Board meeting after it has convened.
- b) Said Committees should be made up exclusively of at least three external directors. The above is understood to be without prejudice to the attendance of executive directors or top managers, when expressly agreed by Committee members.
- c) Its Chairmen should be independent directors.
- d) It may request external consultancy, whenever it considers this necessary to carry out its duties.

e) Minutes should be drafted at its meetings, a copy of which should be sent to all members of the Board of Directors.

Compliance  Partial compliance  Explanation

No Nominations Commission or Remuneration Committee exist. The article of the Company Statutes which regulate the Audit Committee establishes a majority of non-executive directors, rather than the exclusivity of external directors.

45. Supervision of the internal codes of conduct and the rules of corporate governance should be attributed to the Audit Committee, to the Nominations Commission or, if they exist separately, to those of Corporate Compliance or Governance.

Compliance  Explanation

46. The members of the Audit Committee, and in particular its Chairman, should be appointed taking into consideration their skills and experience in accountancy, auditing or risk management.

Compliance  Explanation

47. Listed companies should dispose of an internal audit function which, under the supervision of the Audit Committee, oversees the correct operation of the information and internal control systems.

Compliance  Explanation

48. The manager of the internal audit function should present its annual work plan to the Audit Committee, notify it directly of any incidents that occur in the course of its duties and issue it with a report on its activities at the end of each financial year.

Compliance  Partial compliance  Explanation

49. The risk control and management policy should, at least, identify the following:

- a) The different types of risk (operational, technological, financial, legal, reputation, etc.) facing the company, including among the financial and economic risks, contingent liabilities and other risks off the balance sheet.
- b) The establishment of a level of risk considered acceptable by the company.
- c) The measures envisaged to limit the impact of the risk identified, should they materialise.
- d) The information and internal control systems to be used to control and manage the aforementioned risks, including contingent liabilities or risks off the balance sheet.

Compliance  Partial compliance  Explanation

50. The Audit Committee shall be responsible:

1. With regard to information and internal control systems:

- a) For supervising the drafting process and the accuracy of financial information relating to the company and, wherever applicable, to the group, checking compliance with statutory regulations, the appropriate delimitation of the consolidation scope and the correct application of accounting criteria.

- b) Periodically reviewing the internal control and risk management systems, in order to identify, manage and report the principal risks in an appropriate manner.
- c) Ensuring the independence and efficiency of the internal audit function, proposing the selection, appointment, re-election and dismissal of the internal audit manager, proposing the budget of this service, receiving periodic information on its activities, and checking that the top management take the conclusions and recommendations of its reports into consideration.
- d) Establishing and supervising a mechanism which allows employees to report, confidentially and, if considered appropriate, anonymously, on potentially relevant irregularities, in particular financial and accounting irregularities, they have observed in the company.

2. With regard to the external auditor:

- a) Submitting to the Board of Directors its proposals for the selection, appointment, re-election and replacement of the external auditor, in addition to the recruitment conditions of the same.
- b) Regularly receiving from the external auditor information on the audit plan and the results of its implementation, and checking that top management takes its recommendations into consideration.
- c) Guaranteeing the independence of the external auditor, and to such effect:
  - i) The company should report as a relevant fact to the National Securities and Exchange Commission (CNMV) any change of auditor, accompanied by a declaration on the existence of possible disagreements with the outgoing auditor and, wherever they exist, the content of the same.
  - ii) Ensure that the company and the auditor comply with current regulations concerning the rendering of non-auditing services, the limits of concentration of the auditor's business and, in general, all other regulations established to guarantee the independence of the auditors.
  - iii) In cases where the external auditor resigns, examine the circumstances that have given rise to this.
- d) In the case of groups, encourage the auditor of the group to take responsibility for the audits of the companies that make up the group.

Compliance  Partial compliance  Explanation

No mechanism for confidential and anonymous reporting of irregularities observed by employees has been established.

51. The Audit Committee may summon any employee or director of the company to appear before it, even in the absence of any other director.

Compliance  Explanation

52. The Audit Committee should inform the Board of Directors prior to adopting the following decisions on the issues contained in Recommendation 8:

- a) Financial information which, given its listed status, the company must publish on a periodic basis. The Committee should ensure that interim accounts are prepared adopting the same accounting criteria as for annual accounts, and to this end, consider the suitability of a limited review by the external auditor.
- b) The creation or acquisition of holdings in special purpose companies or those domiciled in countries or regions with the status of tax havens, in addition to any other transactions or operations of a similar nature which, given their complexity, may compromise the transparency of the group.

c) Associated transactions, except where this function of prior notification has been attributed to a Committee other than those of supervision and control.

Compliance  Partial compliance  Explanation

The Board of Directors has not officially delegated points b) and c) to the Audit Committee.

53. The Board of Directors should ensure that it submits the accounts to the General Shareholders Meeting without reservations and qualifications in the auditor's report, and that, in the exceptional circumstances in which they exist, both the Chairman of the Audit Committee and the auditors clearly explain to the shareholders the content and scope of such reservations and qualifications.

Compliance  Partial compliance  Explanation

54. The majority of members of the Nominations Commission –or Appointments and Remuneration Committee, where they are combined– should be independent directors.

Compliance  Partial compliance  Explanation

This recommendation is not adopted, since there is no Nominations Commission or Remunerations Committee.

55. In addition to the functions indicated in the above Recommendations, the Nominations Commission shall be responsible for:

- a) Evaluating the skills, knowledge and experience required in the Board of Directors, thus defining the required functions and skills in the candidates to cover each vacancy, and evaluating the time and dedication required for them to carry out their duties in an appropriate manner.
- b) Examining and organising, in a manner deemed appropriate, the succession of the Chairman and the top executive and, wherever applicable, making proposals to the Board of Directors so that said succession takes place in an orderly and well-planned manner.
- c) Reporting the appointments and dismissals of top management proposed by the top executive to the Board of Directors.
- d) Reporting to the Board of Directors the issues of a varied nature indicated in Recommendation 14 of this Code.

Compliance  Partial compliance  Explanation  Not applicable

56. The Nominations Commission should consult the Chairman and top executive of the company, in particular when this involves issues concerning executive directors.

Any director should also be able to ask the Nominations Commission to consider potential candidates to cover director posts, wherever they are considered suitable.

Compliance  Partial compliance  Explanation  Not applicable

57. In addition to the functions indicated in the above Recommendations, the Remuneration Committee shall be responsible for:

- a) Proposing to the Board of Directors:
  - i) The remuneration policy of directors and top management.
  - ii) The individual remuneration of executive directors and all other conditions in their contracts.
  - iii) The basic conditions in the contracts of top managers.

b) Ensuring compliance with the remuneration policy established by the company.

Compliance  Partial compliance  Explanation  Not applicable

58. The Remuneration Committee should consult the Chairman and top executive of the company, in particular when this involves issues concerning executive directors and top management.

Compliance  Explanation  Not applicable

## G. Other information of interest

This Report on Corporate Governance was approved by the Board of Directors of the company on the 26 March 2010.

# Internal Control systems of the SegurCaixa Holding Group

## Introduction

Through its subsidiaries, the Group carries out its insurance and social security activities in a regulated market where there are frequent updates of regulations, specific both to insurance and pension funds and other matters applicable to these, such as tax, labour or financial.

Due to the considerable growth of the SegurCaixa Holding Group, as well as the technical sophistication and extension of the managed products, a need is generated to operate using an integrated system of highly-mechanised processes and procedures which are constantly updated.

Taking these circumstances into consideration, and in order to guarantee fulfilment of all the objectives approved by the Board of Directors, and to provide accurate and timely information to the market, the SegurCaixa Holding Group has defined and developed a thorough internal control system throughout its structure.

## Covered Risks

The first step on the way to developing an effective and suitable internal control system for the organisation is to identify, classify and evaluate the risks of the Group.

In this sense, SegurCaixa Holding considers the following risk categories:

**Operational Risk:** The Group works on the constant identification of direct and indirect risks of incurring losses due to mistakes in internal processes, systems, human resources, environmental changes or fraud.

Within this category of risk, special attention is given to the inherent risks in investments, given that it is the area that supports the business of the Group.

**Credit Risk:** Systematic control of the risk of incurring losses through a failure on the part of debtors to meet their payment obligations, and possible losses in value due to changes in their financial solvency.

**Market Risk:** Controlling the risk of suffering losses from variations in the interest rate, the exchange rate or the value of variable income.

**Technical or Subscription Risk:** Exhaustive control of the technical-actuarial risk, given that the technical reserves are the most significant item of the liabilities of the Group.

## System of Internal Control

The Board of Administration, as the maximum decision-making and representative body of the SegurCaixa Holding Group, is responsible for defining of the internal control policy of the Group, through the functions carried out by the different Delegate Committees into which it is organised. The management, which is responsible for implementing said policy, has all the necessary tools and qualified personnel to achieve this.

In general terms, the most significant mechanisms and internal control systems implemented by the SegurCaixa Holding Group to guarantee the proper control and management of the identified risks are as follows:

### a. Operational Risk

The development and constant updating of an operational risk map enables the different identified risks to be listed, categorised and prioritised, as well as assigned to the key processes of the Group.

Preparation and continuous adaptation of the regulations and the internal procedures for the different companies in the Group, with the aim of homogenising and unifying policy, and guaranteeing a suitable degree of Internal Control in all the developed processes.

Implementation and follow-up of automated control systems, designed to control the risks of data registration.

Implementation and follow-up of management control systems, with the aim of maintaining a continuous supervision of the economic-financial highlights, as well as the evolution of the strategic objectives and approved budgets, which can detect and, wherever applicable, correct significant deviations that affect the fulfilment of the plan.

Analysis of the impact on the profits and the assets of the investments in new products or new lines of business.

Maintenance of a strict segregation of functions between the management of the investment portfolios or front office, and the back office, whose main function is to confirm the operations.

Implementation and follow-up of control systems of investment risks and liquidity, which cover the process of the investment operation as a whole.

Development of control systems of asset and liability matching and fulfilment of the specific regulating rule.

#### b. Credit Risk

The definition and monitoring of a credit policy for investment portfolios, in other words, the credit rating of investments in the portfolio, considering the associated long-term and short-term risks, based on high quality rating scales.

#### c. Market Risk

The periodic calculation of market risk -"Value at Risk", VaR- for portfolios subject to the liquidation value of the holding, defined as the maximum expected loss over a time horizon of one day and with a 95% confidence limit, resulting from changes in the interest rate, the exchange rate or the value of fixed-income securities.

The analysis of the contribution to the VaR -marginal VaR- of certain assets that could contribute to controlling it or strengthening it.

#### d. Technical or Subscription Risk

The preparation and follow-up of a Technical Score Card, with the aim of keeping the synthetic vision of the technical evolution of the products of the Group up to date.

Definition and follow-up of the Subscription Policy.

Definition and follow-up of the Tariff Policy.

Definition and follow-up of the Reinsurance Policy.