

MAPFRE

**AUDIT COMMITTEE
STATEMENT OF ACTIVITIES
2007**

February 2008

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1. AUDIT COMMITTEE

MAPFRE has had an Audit Committee since 2000, and its powers and governing regulations are contained in the MAPFRE Code of Good Governance, which extensively develops the Group's institutional and corporate principles, as well as all the regulations for the governing bodies of the entities that form a part of the said Group.

In compliance with Article 47 of the Financial Systems Reform Measures Act 44/2002 of 22 November, the company, by way of a resolution of the Board of Directors dated 12 March 2003, altered the make-up of the Committee to comply with the legal requirement of being chaired by a non-executive director.

The regulations governing the MAPFRE Audit Committee, contained in the Code of Good Governance, have been widely publicised amongst shareholders and investors since their approval, and they have also been communicated to the National Securities Market Commission.

The composition of the Audit Committee as at 31 December 2007 is as follows:

Name	Type of director
Mr. Luis Iturbe Sanz de Madrid (Chairman)	Independent
Mr. Domingo Sugranyes Bickel (Deputy Chairman)	Executive
Mr. Rafael Beca Borrego	Independent
Mr. Sebastián Homet Duprá	Nominee
Mr. Manuel Jesús Lagares Calvo	Independent
Mr. Antonio Miguel-Romero de Olano	Nominee
Mr. José Manuel González Porro (Member-Secretary)	Executive
Mr. Ángel Luis Dávila Bermejo (Deputy Secretary)	-----

Mr. Luis Iturbe Sanz de Madrid has been the Chairman of the Audit Committee since March 2007, in replacement of Mr. Manuel Jesús Lagares Calvo, in accordance with the system for the limitation of the mandate of the Chairman provided for by Law.

On the occasion of the corporate re-organisation of Grupo MAPFRE, the MAPFRE Extraordinary General Shareholders Meeting held on 29 December 2006 approved an amendment to the corporate by-laws in order to adapt them to the new requirements arising from the configuration of the company as parent company of the entire business group. At the same time, the reference to the existence of the Audit Committee has been maintained in the terms required by Law in accordance as indicated below:

Article 24

“There shall under all circumstances exist an Audit Committee, and the majority of its members, including the Chairman, shall be non-executive directors, who may only be re-elected after one year has elapsed following the expiry of their term of appointment. The Secretary of this Committee shall be Secretary of the Board of Directors. The Committee shall have the following powers:

1. To verify that the Annual Accounts, as well as the half-yearly and quarterly financial statements and other economic information that must be submitted to the regulatory or supervisory bodies, is true, complete and sufficient; that it has been prepared in accordance with the applicable accounting rules and internal guidelines laid down by the MAPFRE General Secretariat; and that it is provided in a timely manner with the correct content.
2. To propose to the Board of Directors, for submission to the Shareholders in General Meeting, the appointment of the company’s External Auditor, and to receive information on the activities of the said External Auditor and on any fact or circumstance that might compromise the independence thereof.
3. To supervise the activities of the Internal Audit Department, for which purpose it shall have full access to its action plans, the results of its work, and the follow-up of any recommendations and suggestions of the external and internal auditors.
4. To be informed of the financial information process and the internal control of the company, and to formulate such observations or recommendations as it may consider pertinent for the improvement thereof.
5. To inform the Shareholders in General Meeting in relation to questions raised about any matter within its remit.

2. STATEMENT OF ACTIVITIES 2007

During 2007, the Audit Committee has been informed of all matters within its remit and has complied with the responsibilities assigned to it by Law, the By-laws, and the MAPFRE Code of Good Governance.

During 2007, the MAPFRE Audit Committee has met on the following dates:

- 5 February
- 23 April
- 24 July
- 29 October
- 19 December

There follows below a summary of the activities of the MAPFRE Audit Committee during 2007, with the activities being grouped around those areas that fall within its remit:

2.1 Economic-financial information

2.2 External audits

2.3 Supervision of the Internal Audit Unit

2.4 Internal control

2.5 Information to the Shareholders General Meeting

2.6 Other matters

2.1. Economic-financial information

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To verify that the Annual Accounts, as well as the half-yearly and quarterly financial statements, and any other economic information that must be filed with the regulatory or supervisory bodies, is true, complete, and sufficient; that it has been drawn up in accordance with the applicable accounting regulations and the criteria laid down internally by the MAPFRE Secretariat-General; and that it is supplied within the time allowed and with the correct content.”

In accordance with these principles, the MAPFRE Audit Committee has verified the following information in 2007:

- The Management Report and 2006 Individual and Consolidated Annual Accounts for MAPFRE and its subsidiary companies. (*Meeting date: 05.02.2007*)
- The information submitted quarterly by MAPFRE to the National Securities Market Commission (CNMV). (*Meeting dates: 05.02.2007; 23.04.2007; 24.07.2007, and 29.10.2007*)

This economic-financial information is reviewed in advance by the Internal Audit Directorate-General which issues a report highlighting the fact that MAPFRE's Intermediate Financial Statements are drawn up in accordance with the same criteria as for the Annual Accounts and that they are reasonable, objective, and verifiable, and that the principle of prudence always prevails over any other. Furthermore, any economic transactions between Group companies are examined.

- The information drawn up by MAPFRE for investors and analysts, which is reviewed and examined by the Audit Committee prior to its release. (*Meeting dates: 05.02.2007; 23.04.2007; 24.07.2007, and 29.10.2007*)

2.2. External Audit

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

"To propose to the Board of Directors, for submission to the Shareholders in General Meeting, the appointment of the External Auditor of the company, as well as to receive information on the performance thereof and with regard to any facts or circumstances which may compromise its independence."

With regard to the External Audit, the said Code also provides as follows:

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

- *The Board of Directors shall seek to formulate the accounts definitively, such that there is no possibility of reservations on the part of the External Auditors. However, where the Board should consider that its reasoning ought to prevail, it shall explain the content and scope of the discrepancy publicly.”*

In this regard, during 2007 the MAPFRE Audit Committee:

- Agreed to propose to the MAPFRE Board of Directors that the re-election of Ernst & Young as accounts auditor for financial year 2007 should be included on the Agenda for the 2007 Shareholders General Meeting. Likewise, it has approved the budget for the external auditing of the Individual and Consolidated Annual Accounts for financial year 2007. *(Meeting date: 19.12.2007)*
- With the aim of ensuring the independence of the external auditor, the Audit Committee has carried out a quarterly supervision of the fees invoiced by the main firm of auditors for services other than the auditing of the Annual Accounts. Likewise, the Audit Committee has supervised the relationship between the fees paid to the auditing firm and its total revenues, which percentage, according to the MAPFRE Code of Good Governance, should not exceed 5%. For financial year 2007, this percentage was 0.03%. *(Meeting dates: 5.02.2007; 23.04.2007; 24.07.2007; 29.10.2007)*
- Has received information on the work to be performed in the process for the external auditing of the 2007 consolidated annual accounts for MAPFRE S.A., which includes the individual auditing of over 40 national and 70 foreign entities, in addition to the auditing of approximately 42 pension and investment funds managed by MAPFRE entities, and the limited review of other subsidiary companies. *(Meeting date: 29.10.2007)*

The said report sets forth a general overview of the auditing process, and describes the documents to be prepared and the appropriate communication system, as well as the make-up of the working team.

- Has received, examined, and requested additional information from the firm Ernst & Young with regard to the preliminary reports on the 2007 Annual Accounts for MAPFRE and its subsidiary companies and for Bankinter Vida. *(Meeting date: 19.12.2007)*

These preliminary reports are issued by the auditors for all MAPFRE subsidiary companies with regard to the Intermediate Financial Statements of the company as at 30 September and their purpose is to detect sufficiently in advance any matter that, were it not to be settled satisfactorily on a timely basis and in proper form, might give rise to reservations in the external auditor report.

- Has received and considered the preliminary reports issued by Deloitte on the Balance Sheet and the Profit and Loss Account as at 30 September 2007 for the Caja Madrid Group Companies, Banco de Servicios Financieros Caja Madrid-Mapfre, Caja Madrid Bolsa, S.V., Gesmadrid SGIIC, and Caja Madrid Pensiones Entidad Gestora de Fondos de Pensiones, companies in which Corporación MAPFRE has a significant shareholding. *(Meeting date: 19.12.2007)*
- The external auditor has attended the meetings of the Audit Committee for those matters relating to the audit of the Annual Accounts and preliminary reports on the audit of the Annual Accounts. *(Meeting dates: 05.02.2007, 29.10.2007, and 19.12.2007)*
- Has received and considered the Satisfaction Survey on the Services provided by the External Auditor. This survey has been carried out for the sixth successive year amongst people from the various companies that underwent a full audit of their Annual Accounts in 2006. The information considered was as follows: global analysis and evolution of services rendered, and action plans to improve the quality of services. *(Meeting date: 29.10.2007)*
- With the aim of establishing a common framework for the standardised reporting of the different principles and matters relating to Corporate Social Responsibility, the GLOBAL REPORTING INITIATIVE (GRI) guide came into being in 1997 with the collaboration of the UNEP (United Nations Environment Programme) and CERES (Coalition of Socially Responsible Economies). This guide is currently the most widespread and acknowledged methodology amongst the different organisations.

In contrast with other companies in the Spanish business market, and in accordance with its business strategy, MAPFRE Group has implemented the commitments and principles on Corporate Social Responsibility in accordance with GRI methodology. For the third year running, and as an integral part of the annual documentation drawn up, MAPFRE will publish a Social Responsibility Report. With the aim of verifying the information and contributing to the principle of transparency, Ernst & Young has been commissioned to verify this report. In 2007, the Audit Committee was informed of and verified the MAPFRE Social Responsibility Report corresponding to financial year 2006, which report in turn contained a very wide-ranging description of the non-profit activities of a social nature that MAPFRE performs through its foundations. It was also informed of the corresponding report on recommendations and areas for improvement. *(Meeting dates: 05.02.2007 and 23.04.2007)*

- Has approved the fees proposed by Ernst & Young for issuing the report on the verification of the 2007 Social Responsibility Report, which covers the following countries in the said year: Argentina, Brazil, Mexico, and Colombia. *(Meeting date: 19.12.2007)*

2.3. Supervision of the Internal Audit Unit

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To supervise the activities of the Internal Auditing Service, for which purpose it shall have full access to its action plans, the results of its work, and monitoring of the recommendations and suggestions of the internal and external Auditors”.

- As a result of the corporate re-organisation and of the new structure of the Governing Bodies at MAPFRE approved at the end of 2006, the Audit Committee approved the integration of the MAPFRE RE and MAPFRE ASISTENCIA Auditing Services, thereby creating a new MAPFRE RE-ASISTENCIA Internal Auditing Service. *(Meeting date: 23.04.2007)*

Subsequently, and with the aim of adapting the Internal Auditing structure to the major challenges facing MAPFRE in the coming years, the Audit Committee approved the amendment of the Internal Auditing structure at GRUPO MAPFRE which, amongst other changes, entailed the creation of the MAPFRE SAI INTERNACIONAL, the creation of the SAI DE TECNOLOGÍAS DE LA INFORMACIÓN (TI), and the increase in the next three years of the investment heading in order to equip Internal Auditing with the latest technological advances. *(Meeting date: 29.10.2007)*

With these changes, the MAPFRE Internal Auditing Unit now has five Internal Auditing Services (SAI) located at the top of the Operating Units, and thirteen Internal Auditing Units (UAI) located in the main Latin-American countries, the Philippines, Turkey, and Portugal, which are all co-ordinated by the Auditing Directorate-General, which is directly responsible to the MAPFRE Chief Executive and to the MAPFRE Audit Committee.

On occasion of the creation of the SAI INTERNACIONAL DE MAPFRE, the Audit Committee approved a rule establishing standard procedures for those units for which this SAI provides its services. *(Meeting date: 19.12.2007)*

- On occasion of the amendment of the Internal Auditing structure, the Audit Committee approved the updating of the *“Internal Auditing Schedule”*, which document contains the structure, aims, relationship framework, and rights and duties of the MAPFRE Internal Auditing Area, as well as the code of ethics for the internal auditors and the key references on which the activities of Internal Auditing are based. *(Meeting date: 19.12.2007)*
- Likewise, the Audit Committee approved the updating of the *“Internal Auditing Career Plan”*, which document lays down the criteria and policies governing the

selection, training, evaluation, promotion, and remuneration of the internal auditors. *(Meeting date: 19.12.2007)*

- The Internal Audit Unit has its own integrated and common computer program for all internal auditors, called Auditm@p, which is furthermore used to provide on-line information to the Audit Committee. As from June 2004, the Auditm@p application has featured a special module with relevant information for the Audit Committee.
- The Audit Committee has authorised the Annual Internal Audit Plan for financial year 2007 for MAPFRE and its subsidiary companies, which includes the 2006 Annual Report, the 2007 Audit Plan, the structure and budget for the Unit, and a training plan for the internal auditors. Likewise, it contains a section dedicated to Systems Auditing, which sets out the tasks envisaged for 2007, and indicates that some of them will be carried out by way of outsourcing with the firms Price Waterhouse Coopers, KPMG, and Deloitte, in continuation of the strategy commenced in previous years. *(Meeting date: 05.02.2007).*
- The Audit Committee has received, reviewed, and approved the Activity Reports relating to the Internal Audit Unit that are issued quarterly by the Internal Auditing Directorate-General and which place a special emphasis on relevant matters that have occurred during the quarter relating to the internal audit reports and internal control. Likewise, it has also received, reviewed, and approved the compliance with targets in the Annual Internal Audit Plan, follow-up of implementation of recommendations proposed by the Audit Services and Units, training of the internal auditors, co-operation with the external auditor and with other areas or departments of the Group companies, and the follow-up of the budget for the Unit. *(Meeting dates: 23.04.2007; 24.07.2007; 29.10.2007, and 19.12.2007)*
- The Audit Committee has approved the Internal Audit Strategic Plan for the 2008 – 2010 period, which document includes the Unit's Aims and Strategies. *(Meeting date: 19.12.2007)*

Likewise, a follow-up of compliance with the Strategic Plan for the 2007 – 2009 period has been carried out on two occasions. *(Meeting dates: 24.07.2007 and 19.12.2007)*

- The Audit Committee has received information on the internal audits undertaken at the Banking Distribution Offices (ODB) by the Caja Madrid Audit Unit. These offices, which are dedicated to the Distribution of Grupo Caja Madrid Banking products form a part of the overall agreements between Grupo Caja Madrid and MAPFRE. *(Meeting dates: 05.02.2007, 23.04.2007, 24.07.2007, and 29.10.2007)*

- The Audit Committee has approved the performance of a selection procedure for internal Auditors in Spain to be led by the MAPFRE Human Resources Directorate-General with the co-operation of the Internal Auditing Directorate-General. *(Meeting date: 24.07.2007)*
- With the aim of improving training in financial matters, the Spanish Financial Analysts Institute and the Financial Studies Foundation have designed an 18-month on-line course for MAPFRE auditors on analysis and corporate finance. The Audit Committee was informed of the characteristics, syllabus, and calendar of the said course. *(Meeting date: 19.12.2007)*

2.4. Internal Control

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To be informed of the process of financial information and internal control of the company, and to draw up the observations or recommendations that it considers suitable for their improvement”.

- According as is stated in the MAPFRE Strategic Plan, the Auditing Directorate-General shall be responsible for “updating the internal control models for all Units and Companies, in accordance with the legal requirements and those that may be established internally, and for promoting the implementation in all countries of a common internal review model in accordance with the standards”.

During 2007, the team that was set up in 2006 in Spain for this purpose has continued to work on this subject and has completed the work on standardising the internal control systems at MAPFRE AUTOMÓVILES and MAPFRE VIDA, and it is now standardising those for the rest of the Companies in the Family Division and MAPFRE EMPRESAS. The Audit Committee has been informed of this new project from the start and has been informed of all progress and follow-up reports. *(Meeting dates: 23.04.2007; 24.07.2007)*

- The Audit Committee has been informed of and approved the project for training all employees in matters of internal control, which is to take the form of an e-learning course, which was already carried out at MAPFRE BRASIL and which is to be rolled out gradually at all Group companies. *(Meeting date: 23.04.2007)*
- The Audit Committee has been informed of the development of a new module in the Riskmap operating-risk application, where the controls are linked to the risks. *(Meeting date: 24.07.2007)*

- Likewise, the Audit Committee has been informed of the project envisaged with regard to internal control for the main subsidiaries of MAPFRE AMÉRICA. *(Meeting date: 19.12.2007)*

2.5. Information to the Shareholders General Meeting

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To report to the Shareholders in General Meeting on any questions arising regarding matters within its remit”.

The Chairman of the Audit Committee has attended the Shareholders General Meetings held during financial year 2007 (*Annual General Meeting held on 26 March; Extraordinary General Meeting held on 4 July*). The shareholders did not ask any questions on matters within its remit.

2.6 Other matters

During 2007 the Audit Committee has been informed of the following matters:

- MAPFRE Audit Committee Activities Report, corresponding to financial year 2006. *(Meeting date: 05.02.2007)*
- Matters dealt with and resolutions approved by the Audit Committees of MAPFRE’s subsidiaries in Peru, Puerto Rico, El Salvador, Colombia, Mexico, Brazil, Chile, Venezuela, and the Philippines. *(Meeting dates: 05.02.2007, 24.07.2007, and 29.10.2007)*
- The MAPFRE Risks Manager presented the MAPFRE risks-management report for financial year 2007 to the Audit Committee, which reported on the following items: *(Meeting dates: 05.02.2007 and 23.04.2007)*
 - calculation of the MAPFRE economic capital by fixed factors as at December 2006,
 - estimate of the MAPFRE economic capital following the acquisitions made in 2007,
 - calculation of the capital excess or deficit at all Units of the Group,
 - situation of the implementation of the capital models at the Units,
 - results of the project commenced by UNESPA and in which three MAPFRE entities have participated in order to obtain calibrated risk factors for determining the required capital solvency (CSR),

- evolution of the operating risk maps at the various entities both in Spain and abroad.
- The MAPFRE Risks Manager presented an analysis to the Audit Committee of the quantitative impact that *Solvencia II* will have on MAPFRE (QUIS3), as well as the methodology for estimating the market and insurance risks. *(Meeting date: 29.10.2007)*
- The Audit Committee has approved the selection of two specialist firms in order to carry out the compulsory audits verifying compliance with the security measures Regulations on data protection envisaged for financial years 2007 and 2008. Previously, a detailed report was given on the tendering process, which was co-ordinated by the Internal Auditing Directorate-General. Likewise, a report was given at the end of the year on the results of the audits carried out during the year. *(Meeting dates: 05.02.2007 and 19.12.2007)*
- The Audit Committee authorised the acquisition and implementation of the software solution known as CONSIGGNA, for which the licence and consultancy is provided by Ernst & Young, for the management of the data to be included in the Social Responsibility Report, for meeting the information requirements with regard to stock-market indices, amongst others, and to facilitate, in general, the management of the environment. *(Meeting date: 05.02.2007)*
- The Audit Committee authorised MAPFRE INMUEBLES to implement the PEDRA application, owned by Ernst & Young, for the Prevention of Money Laundering. *(Meeting date: 19.12.2007)*

3. SUBSEQUENT EVENTS

On 5 February 2008, the MAPFRE Audit Committee:

- Reviewed and examined the Annual Accounts for financial year 2007 (Individual and Consolidated), the MAPFRE Individual and Consolidated Management Report, and the Corporate Social Responsibility Report, and gave a favourable report to the MAPFRE Board of Directors on the Economic Information for financial year 2007.
- Approved the 2008 Internal Auditing Plan which includes the 2007 Annual Report and the Internal Auditing Plan and the 2008 Budget for the Auditing Unit.
- Reviewed and examined the MAPFRE report for the National Securities Market Commission.

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