



MAPFRE

AUDIT COMMITTEE

STATEMENT OF ACTIVITIES 2009

February 2010



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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 Group.

At the meeting held on 3rd July 2008, the Board of Directors of MAPFRE, S.A. approved the change made to the Code of Good Governance in force until then, in order to bring it into line with the new corporate structure adopted in 2006 and to update its rules, taking into account the recommendations of the Unified Code of Governance published that year by the Spanish Securities and Exchange Commission (CNMV).

The regulations governing the MAPFRE Audit Committee, set out 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 Spanish Securities Exchange Commission (CNMV).

The members of the Audit Committee as at 31st December 2009 were as follows:

<u>Name</u>	<u>Type of Director</u>
Mr. Luis Iturbe Sanz de Madrid (Chairman)	Independent
Mr. Rafael Beca Borrego (Member)	Independent
Mr. Sebastián Homet Duprá (Member)	Nominee (representing the main shareholder)
Mr. Manuel Jesús Lagares Calvo (Member)	Independent
Mr. Antonio Miguel-Romero de Olano (Member)	Nominee (representing the main shareholder)
Mr. José Manuel González Porro (Member-Secretary)	Executive
Mr . Ángel Luis Dávila Bermejo (Vice-Secretary)	-----

In the company's by-laws, the Board Regulations and the MAPFRE Code of Good Governance, the reference to the existence of the Audit Committee has always been maintained in the terms required by Law as indicated below:

Article 24^o of the Bylaws of MAPFRE, S.A.

“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 will be the Secretary of the Board of Directors. This 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 they are provided on time and with the correct content.*
- 2. To submit proposals to the Board of Directors for submission to the Annual General Meeting regarding the appointment of an External Auditor for the company, and to be given information on his conduct in office and about any matter or circumstance that might affect his/her independence.*
- 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 acquainted with the company's financial information and internal control process, and to make any observations or recommendations it may deem pertinent for the purposes of improving it.*
- 5. To inform the Annual General Meeting about any matter that falls within its jurisdiction.”*

Article 17 of the new Board Regulations, approved on 20th July 2008, expressly adds the following duty to the Audit Committee's duties listed above: “To issue an annual report on its duties and the activities performed during the financial year, for submission to the Annual General Meeting” which is why this document has been issued.



2. STATEMENT OF ACTIVITIES 2009

During 2009, 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 2009, the MAPFRE Audit Committee met on the following dates:

- 3rd February
- 11th May
- 29th June
- 21st July
- 22nd October
- 22nd December

There follows a summary of the activities of the MAPFRE Audit Committee during 2009, with the activities grouped around the areas that fall within its remit:

- 2.1. Economic and Financial Information**
- 2.2. External Audit**
- 2.3. Supervision of the Internal Audit Unit**
- 2.4. Internal Control**
- 2.5. Information to the Annual General Meeting**
- 2.6. Other matters**



2.1. Economic and Financial Information

According to the MAPFRE Code of Good Governance, the Audit Committee has the following powers:

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

In accordance with these principles, the MAPFRE Audit Committee has verified the following information in 2009:

- The 2008 Management Report and Individual and Consolidated Annual Accounts for MAPFRE S.A. and its subsidiary companies. (*Meeting date: 03.02.2009*).
- The report on the limited review of the consolidated summarised interim financial statements of MAPFRE, S.A. for the interim period ended 30th June 2009. (*Meeting date: 21.07.2009*).
- The information submitted quarterly by MAPFRE to the Spanish Securities and Exchange Commission (CNMV). (*Meeting dates: 03.02.2009; 11.05.2009; 21.07.2009 and 22.10.2009*).

This economic and financial information is reviewed in advance by the Internal Audit Department, 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 financial transactions between Group companies are examined, where appropriate.

- 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: 03.02.2009; 11.05.2009; 21.07.2009 and 22.10.2009*).



2.2. External Audit

According to the MAPFRE Code of Good Governance, the Audit Committee has the following powers:

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

The Code also states the following with regard to the External Audit:

- *“Relations between MAPFRE and the External Auditors of the Group Companies are channelled through the MAPFRE S.A. Audit Committee, which is responsible for drawing up proposals for the appointment, extension and replacement thereof.*
- *As a general rule, and unless there should exist reasons to the contrary, the MAPFRE S.A. External Auditor should be responsible for the auditing of all Group companies.*
- *Those auditing firms that receive or that would receive annual fees from the Group the sum of which, under all headings, exceeds 5% of their total annual revenues shall be excluded.*
- *The annual public documentation shall report on the overall fees that the Group companies have paid to the External Auditors, with a breakdown of those corresponding to the Annual Accounts and those earned for other services, which should comply with the rules in force in order to ensure the independence of the Auditors.*
- *The MAPFRE Board of Directors shall always seek to draw up the Annual Accounts in such a way as to avoid a qualified report by the External Auditors. However, where it considers that its view should prevail, both the Chairman of the Audit Committee and the External Auditors shall publicly explain the content and scope of the discrepancies that have given rise to the said qualified report.*
- *A change to the External Auditor shall be reported to the Spanish Securities and Exchange Commission (CNMV) as a significant event, with a fully-transparent explanation of the reasons this has occurred, and where pertinent, reporting on any disagreements with the outgoing auditor.”*



In this regard, during 2009 the MAPFRE Audit Committee:

- Resolved to designate Ernst & Young as auditor for financial year 2009. *(Meeting date: 03.02.2009).*
- Authorised to change the external auditor for the 2009 Annual Accounts of the company MAPFRE BHD (DOMINICAN REPUBLIC). The accounts auditor of this company is currently the firm Ernst & Young instead of Price Waterhouse Coopers. *(Meeting date: 22.12.2009).*
- Approved the budget for the external auditing of the Individual and Consolidated Annual Accounts of MAPFRE SA and its controlled companies for financial year 2009. *(Meeting dates: 22.10.2009 and 22.12.2009).*
- 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 auditing firm 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, percentage of which, according to the MAPFRE Code of Good Governance, should not exceed 5%. For financial year 2009, this percentage was 0.05%. *(Meeting dates: 3.02.2009; 11.05.2009; 21.07.2009; 22.10.2009).*
- The Audit Committee has received the plan prepared by Ernst & Young concerning the work to be performed in the process for the external auditing of the consolidated annual accounts for MAPFRE S.A., which includes the individual auditing of over 61 national and 101 foreign entities, in addition to the auditing of approximately 48 pension funds and 27 mutual funds managed by MAPFRE entities. *(Meeting date: 22.10.2009).*

The report offers an overview of the auditing process and describes the documents to be prepared and the appropriate communication system, as well as the members of the audit team.

Likewise, the results of the survey carried out by Ernst & Young on the level of satisfaction regarding the services provided by the MAPFRE Group have been presented in the 2008 accounts audit.

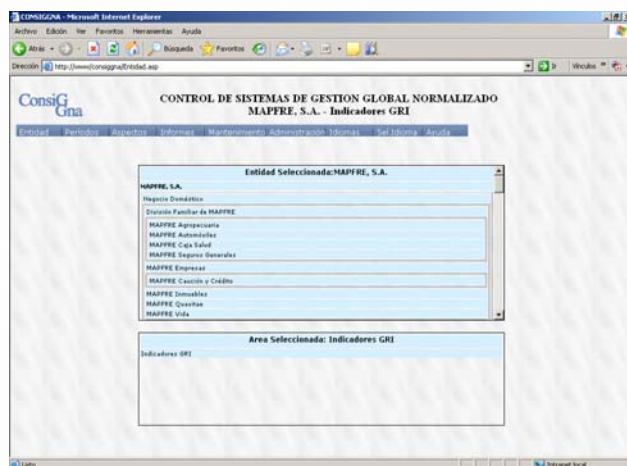
- Authorised the payment of additional fees to Ernst & Young corresponding to deviations from the hours used to audit the 2008 Annual Accounts, both in the previous or preparation stage and in the final stage. *(Meeting date: 22.10.2009).*
- Received and examined additional information from the firm Ernst & Young with regard to the preliminary reports on the 2009 Annual Accounts for MAPFRE and its subsidiary companies. *(Meeting date: 22.12.2009).*



These preliminary reports are issued by the auditing firm 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 a qualified external auditor report.

- Presented the 2009 Half-yearly Review Plan and the draft of the limited review report on the consolidated summarised interim financial statements of MAPFRE, S.A. corresponding to the interim period ended 30th June 2009. (*Meeting date: 21.07.2009*).
- In order to achieve a more comprehensive view of the fees paid by MAPFRE to its external auditor Ernst & Young – specifically in comparison with the companies included in the IBEX 35 and to the main European Insurance Groups –, a “Comparative Study of External Audit Fees as regards the Companies in the IBEX 35 and the main European Non-Life Insurance Groups in 2008” has been carried out by using the public information available on the web pages of the companies or at the Spanish Securities and Exchange Commission (CNMV). The Audit Committee received and examined this document. (*Meeting date: 21.07.2009*).
- The external auditor has attended the meetings of the Audit Committee for those matters relating to the audit of the Annual Accounts, the reports on the limited review as at 30th June 2009 and preliminary reports on the audit of the Annual Accounts. (*Meeting dates: 3.02.2009; 11.05.2009; 21.07.2009; 22.10.2009*).
- With the aim of establishing a common framework for the standardised reporting of the different Corporate Social Responsibility principles and matters, 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

For the fifth year running, and as an integral part of its annual documentation, MAPFRE has drawn up the 2009 Social Responsibility Report according to version G3 of the GRI guidelines. It should be noted that MAPFRE implemented in 2007 its “Consigna” IT Management tool for handling its corporate Social Responsibility indicators, which provides enough data to guarantee the quality and materiality of 90% of the indicators required by the Global Reporting Initiative. Starting this year, the MAPFRE Social Responsibility Report will





include, in addition to the insurance business indicators for Spain, those referring to Argentina, Brazil, Colombia and Mexico.

In order to verify the information and contribute to the principle of transparency, Ernst & Young has been engaged to verify this report. In 2009, the Audit Committee was informed of and verified the MAPFRE Social Responsibility Report for 2008. It was also informed of the corresponding report on recommendations and areas for improvement. (*Meeting dates: 03.02.2009 and 11.05.2009*).

- Approved the fees proposed by Ernst & Young for issuing the report on the verification of the 2009 Social Responsibility Report. (*Meeting dates: 22.10.2009 and 22.12.2009*).

2.3. Supervision of the Internal Audit Unit

According to the MAPFRE Code of Good Governance, the Audit Committee has the following powers:

“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”.

- The Audit Committee has approved the Annual Internal Audit Plan for financial year 2009 for MAPFRE and its subsidiary companies, which includes the 2008 Annual Report, the 2009 Audit Plan, the structure and budget for the Unit, and a training plan for the internal auditors. It also presents a section about audit cost ratios against the total Income and Expenses of MAPFRE, the cost per auditor, number of auditors versus the total number of employees at MAPFRE, the average number of training hours per auditor and the cost per internal audit hour. (*Meeting date: 03.02.2009*).
- The Audit Committee has received, reviewed and approved the Internal Audit Unit's Activity Reports which the Internal Audit General Directorate issues every quarter and that place special emphasis on material issues matters that have occurred during the quarter relating to the internal audit reports and internal control. It has also received, reviewed and approved the compliance with the Annual Internal Audit Plan targets, 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: 11.05.2009; 21.07.2009, 22.10.2009*).



Likewise, the Audit Committee has also been informed of the level of compliance with the targets included in the 2009 Internal Audit Plan as at 17th December 2009 (*Meeting date: 22.12.2008*).

- The Audit Committee has approved the Internal Audit Strategic Plan for the 2010 – 2012 period, which includes the Unit’s Targets and Strategies. (*Meeting date: 22.12.2009*).

Likewise, compliance with the Strategic Plan for the 2009 – 2011 period has been followed up. (*Meeting date: 21.07.2009*).

- In order to formalise and disseminate the internal audit policy within the MAPFRE Group companies, the Audit Committee approved the “Internal Audit Policy for Internal Audit Services (IASs)” as well as the “Internal Audit Policy for Internal Audit Units (IAUs)”. The approved manuals summarise and explain the Internal Audit activity; the Internal Audit Plan, the classification of Audit works, types of reports and recommendations, as well as other matters that may affect the Internal Audit. (*Meeting date: 21.07.2009*).

- The Audit Committee approved the “IT Audit Project at MAPFRE”, which is aimed at meeting the IT audit needs from the viewpoint of MAPFRE’s organisation, analysing in detail its current structure and assessing the various scenarios for IT audit management.

A document has been presented which details the targets and reasons for this project and describes the advantages and disadvantages of the

possible scenarios, as well as the reasons that justify the scenario chosen. (*Meeting date: 22.10.2009*).



- The Audit Committee approved the document that includes the “Status Proposal for MAPFRE Internal Audit Unit Directors”, which states the reasons for preparing this document and proposes the measures to formalise the status of these directors. (*Meeting date: 22.12.2009*).



2.4. Internal Control

According to the MAPFRE Code of Good Governance, the Audit Committee has the following powers:

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

- A report on the level of compliance with the actions related to internal control undertaken in 2007 has been presented to the Audit Committee; it should be highlighted that all companies have complied or will comply within the stipulated period with the agreed action plans. (Meeting date: 29.06.2009).

- Furthermore, reports have been issued on the Spanish insurance companies controlled by the MAPFRE Group (MAPFRE FAMILIAR, MAPFRE VIDA, BAKINTER S. VIDA, CCM VIDA Y PENSIONES, UNIÓN DUERO VIDA, MAPFRE EMPRESAS, MAPFRE CAUCIÓN Y CRÉDITO, MAPFRE ASISTENCIA and MAPFRE RE) and on MAPFRE S.A. These reports, which have been drafted



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based on a new model, focus on any procedures or controls that do not work properly, their implications and, where necessary, put forward the measures deemed appropriate for correcting them.

The Audit Committee was informed of the contents and assessment of these reports which, after being approved by the respective Boards of Directors, were submitted to the Directorate General for Insurance and Pension Funds, together with the annual accounting and statistical documentation for the financial year 2008. Information on the assessment methodology used in these reports has been submitted. *(Meeting date: 29.06.2009).*

- The Audit Committee has approved the updated document that includes the “Internal Control Policy” established at MAPFRE, which is aimed at laying down the main rules, procedures and guidelines that must be followed throughout the MAPFRE Group as regards Internal Control, as well as at defining formally the guidelines of the Governance Model required to maintain the best possible internal control system. *(Meeting date: 22.12.2009).*
- The Audit Committee has been informed on the follow-up to the “Internal Control and Audit in America” project that it approved in 2007, with the main purpose of supervising the quality of the Internal Control components according to the COSO II-ERM model, by testing the adequacy of the business and activities at the various MAPFRE direct insurance companies in Latin America. This project boosts the use of IT tools to develop automated testing and remote auditing.

The Committee was given a document with the general description of the project, the working schedule, information from the Internal Audit Units (IUAs), the estimated and actual investment, the next scheduled actions and the conclusions to date. *(Meeting date: 11.05.2009).*

2.5. Information to the Annual General Meeting

According to the MAPFRE Code of Good Governance, the Audit Committee has the following powers:

“To inform the Annual General Meeting about any matter that falls within its jurisdiction”.

The Chairman of the Audit Committee attended the Annual General Meeting held in 2009 (Annual General Meeting held on 7th March). The shareholders did not ask any questions on matters within its remit.



2.6. Other matters

During 2009 the Audit Committee has been informed of the following matters:

- MAPFRE Audit Committee Activities Report for 2008. (*Meeting date: 03.02.2009*).
- The MAPFRE Group commissioned Towers Perrin to make an independent review of the adequacy of the loss reserves as at 31st December 2008 at the Group insurance companies: MAPFRE FAMILIAR (motor, property and personal insurance lines), MAPFRE EMPRESAS and MAPFRE CAUCIÓN Y CRÉDITO, as well as the estimated amount to be activated on 31st December 2008 according to the expected recoveries in the credit line of the latter company. The Audit Committee received the results of these review works. (*Meeting date: 11.05.2009*).

It also requested Towers Perrin to review the mathematical reserves at MAPFRE VIDA, MAPFRE CAJA MADRID VIDA, MUSINI VIDA, BANKINTER Seguros de Vida, UNIÓN DUERO VIDA and CCM Vida y Pensiones, in order to determine the adequacy of the calculation and its adaptation to the legislation in force. The report with the results of these works has been submitted to the Audit Committee. (*Meeting date: 21.07.2009*).

- The Audit Committee received the report on the calculation of MAPFRE S.A.'s economic capital in 2008 by fixed factors and data as at 30th June 2009, as well as the detailed information for the Group's Divisions and Units. It also received the 2008 operational risk report, which provides information about the activities performed during the financial year, the risk maps plotted in Spain and overseas, the criticality index by companies and risk areas, the types of risk by area and the activities scheduled for 2009 and 2010. (*Meeting dates: 11.05.2009, 22.10.2009 and 22.12.2009*).



3. POST YEAR END EVENTS

On 2nd February 2010, the MAPFRE Audit Committee:

- Resolved to propose to the MAPFRE Board of Directors that the re-election of Ernst & Young as accounts auditor for financial year 2010 should be included In the Agenda for the 2010 AGM.
- Reviewed and examined the Individual and Consolidated Annual Accounts for 2009, the MAPFRE Individual and Consolidated Management Report and the 2009 Corporate Social Responsibility Report, and gave a favourable opinion to the MAPFRE Board of Directors on the Economic Information for financial year 2009.
- Approved the 2010 Internal Audit Plan, which includes the 2009 Annual Report and Internal Audit Plan and also the 2010 Budget for the Audit Unit.
- Reviewed and examined the 2009 MAPFRE S.A. report for the Spanish Securities and Exchange Commission (CNMV).

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