

AUDIT COMMITTEE

STATEMENT OF ACTIVITIES 2010

February 2011





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1. AUDIT COMMITTEE

MAPFRE has had an Audit Committee since 2000, and its powers and governing regulations are contained in MAPFRE's 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 belonging thereto.

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 Governance Code published that year by the Spanish Securities and Exchange Commission (CNMV).

The regulations governing the Audit Committee of MAPFRE S.A. set forth 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 2010 were as follows:

<u>Name</u>	<u>Type of Director</u>
Mr. Francisco Vallejo Vallejo (Chairman)	Independent
Mr. Filomeno Mira Candel (Vice-Chairman)	Nominee (representing the main shareholder)
Mr. Rafael Marquez Osorio (Member)	Nominee (representing the main shareholder)
Ms. Francisca Martín Tabernero (Member)	Independent
Mr. Jose Antonio Moral Santín (Member)	Nominee (representing the main shareholder)
Mr. Ángel Luis Dávila Bermejo (Secretary)	-----

Pursuant to article 17 of the "Regulations of MAPFRE's Board of Directors and its delegated bodies", approved in July 2008, the members of the Audit Committee shall be appointed for a maximum of four years, and shall only be re-elected after one year has elapsed following the expiry of their term of appointment.

Accordingly, on 29th December 2010 the following people ceased to serve as members of the Committee: Mr. Luis Iturbe Sanz de Madrid (Chairman), Mr. Rafael Beca Borrego (member), Mr. Sebastián Homet Duprá (member), Mr. Manuel Jesús Lagares Calvo (member) and Mr. Antonio Miguel-Romero de Olano (member).



The Spanish Securities and Exchange Commission (CNMV) was informed of the new composition on 29th December 2010 by means of a Relevant Fact.

In MAPFRE's by-laws, Board Regulations and 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 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 MAPFRE's 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.”*

The Board Regulations expressly adds to the Audit Committee's basic duties listed above the following: “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 2010

In 2010 the Audit Committee has been informed of all matters within its remit and has complied with the responsibilities assigned to it by Law, as well as by MAPFRE's By-laws and Good Governance Code.

During 2010, the Audit Committee of MAPFRE S.A. met on the following dates:

- 2nd February
- 28th April
- 29th June
- 21st July
- 25th October
- 22nd December

There follows a summary of the activities of the Audit Committee of MAPFRE S.A. during 2010, with the activities grouped according to 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 MAPFRE's 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 Audit Committee of MAPFRE S.A. has verified the following information in 2010:

- The 2009 Management Report and Individual and Consolidated Annual Accounts of MAPFRE S.A. and its subsidiaries. *(Meeting date: 02.02.2010).*
- The report on the limited review of the summarised consolidated interim financial statements of MAPFRE, S.A. for the interim period ended 30th June 2010. *(Meeting date: 21.07.2010).*
- The information submitted quarterly by MAPFRE to the Spanish Securities and Exchange Commission (CNMV). *(Meeting dates: 02.02.2010; 28.04.2010; 21.07.2010 and 25.10.2010).*

This economic and financial information is reviewed in advance by the Internal Audit Department, which issues a report highlighting the fact that MAPFRE's Interim 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, if any, 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: 02.02.2010; 28.04.2010; 21.07.2010 and 25.10.2010).*



2.2. External Audit

According to MAPFRE's 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 Audit Committee of MAPFRE S.A., 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, MAPFRE S.A.'s External Auditor should be responsible for auditing 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.*
- *MAPFRE's 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 relevant fact, with a fully-transparent explanation of the reasons for this decision, and where pertinent, reporting on any disagreements with the outgoing auditor.”*



In this regard, in 2010 MAPFRE's Audit Committee:

- Resolved to designate the firm Ernst & Young as accounts auditor for the financial year 2010. *(Meeting date: 02.02.2010).*
- Authorised the change in the external auditor for the 2010 Annual Accounts of MAPFRE's subsidiaries in Mexico. The accounts auditor of these companies is from now on Ernst & Young, replacing Deloitte. *(Meeting date: 02.02.2010).*
- Likewise, it also authorised the change in the external auditor for the Annual Accounts of MAPFRE PARAGUAY for two consecutive years. The regulations in this country require external auditors to be changed every three years, and therefore the firm Price Waterhouse Coopers (PWC) is currently the accounts auditor of this company instead of Ernst & Young. *(Meeting date: 25.10.2010).*
- Approved the budget for the external auditing of the Individual and Consolidated Annual Accounts of MAPFRE S.A. and its controlled companies for financial year 2010. *(Meeting dates: 25.10.2010 and 22.12.2010).*
- Authorised the payment of additional fees to Ernst & Young corresponding to the deviations of hours resulting from the revision of the Tronweb application at MAPFRE ARGENTINA and the accounts auditing of some subsidiaries in this country. *(Meeting date: 21.07.2010).*
- 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, a percentage that, according to MAPFRE's Code of Good Governance, should not exceed 5%. For financial year 2010, this percentage was 0.05%. *(Meeting dates: 02.02.2010; 28.04.2010; 21.07.2010; 25.10.2010).*
- The Audit Committee has received the Plan prepared by Ernst & Young concerning the 2010 Annual Accounts. *(Meeting date: 25.10.2010).*

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

Likewise, the results of the survey carried out by Ernst & Young on the level of satisfaction regarding the services provided to the MAPFRE Group, have been presented in the 2009 accounts audit.

- The Audit Committee was informed of the recent enactment of Law 12/2010, of 30th June, which introduces changes to the legislation on corporate, accounts auditing and stock exchange issues, detailing those that affect the composition rules as well as the basic powers of the Audit Committee. *(Meeting date: 25.10.2010).*



- Received and examined additional information from the firm Ernst & Young with regard to the preliminary reports on the 2010 Annual Accounts of MAPFRE and its subsidiaries. (*Meeting date: 22.12.2010*).

These preliminary reports are issued by the auditing firm for all MAPFRE subsidiary companies with regard to the corporate Interim Financial Statements as at 30th September and they are aimed at detecting sufficiently in advance any matter that, should it not to be settled satisfactorily on a timely basis and in proper form, it might give rise to a qualified external auditor report.

- Presented the 2010 Half-yearly Review Plan as well as the draft of the limited review report on the summarised consolidated interim financial statements of MAPFRE, S.A. corresponding to the interim period ended 30th June 2010. (*Meeting date: 21.07.2010*).
- Authorised Ernst & Young to carry out several independent assessments and issue certain accounting certifications which were required to undertake the corporate restructuring to be implemented in Brazil in order to integrate the businesses of MAPFRE and Banco do Brasil.

Likewise, it informed and authorised certain services provided by Ernst & Young Argentina with regard to the criteria for the calculation of technical reserves at MAPFRE ART. (*Meeting date: 21.07.2010*).

- The external auditor has attended the meetings of the Audit Committee for those matters relating to the audit of the Annual Accounts, the reports of the limited review as at 30th June 2010 and the preliminary reports of the audit of the Annual Accounts. (*Meeting dates: 02.02.2010; 28.04.2010; 21.07.2010 and 25.10.2010*).
- 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 various organisations.

In order to verify the information and contribute to the principle of transparency, Ernst & Young has been engaged to verify this report. In 2010, the Audit Committee was informed of and verified MAPFRE's Social Responsibility Report for 2009. It was also informed of the corresponding report on recommendations and areas for improvement. (*Meeting dates: 02.02.2010 and 28.04.2010*).

- Approved the fees proposed by Ernst & Young for issuing the report on the verification of the 2010 Corporate Social Responsibility Report. (*Meeting dates: 25.10.2010 and 22.12.2010*).



2.3. Supervision of the Internal Audit Unit

According to MAPFRE's 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 2010 for MAPFRE and its subsidiary companies, which includes the 2009 Annual Report, the 2010 Audit Plan, the structure and budget for the Unit, as well as 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: 02.02.2010).
- The Audit Committee has received, reviewed and approved the Activities Reports of the Internal Audit Unit that the Internal Audit General Management 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 objectives of the Annual Internal Audit Plan, follow-up of the recommendations implemented following the proposal of 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: 28.04.2010; 21.07.2010, 25.10.2010).

Likewise, the Audit Committee has also been informed of the level of compliance with the objectives included in the 2010 Internal Audit Plan as at 18th December 2010. (Meeting date: 22.12.2010).

- The Audit Committee has been informed of the progress of the Remote Auditing Project, which is aimed at controlling the business operations in a preliminary stage without requiring to send auditing staff. (Meeting date: 28.04.2010).
- The Audit Committee has approved the 2011–2013 Internal Audit Strategic Plan, which includes the Unit's Objectives and Strategies. (Meeting date: 22.12.2010).

Likewise, compliance with the Strategic Plan for the 2010–2012 period as at 30th June 2010 and December 2010 has been followed up. (Meeting dates: 21.07.2010; 22.12.2010).



- The Audit Committee approved the document that contains the “Proposed Modifications to MAPFRE’s Internal Audit Structure”. This new structure is mainly aimed at adapting the Internal Audit area to the recent changes to the Corporate and management structure of MAPFRE S.A., responding to the challenges to be faced by Internal Audit and reinforcing its management structure. (*Meeting date: 22.12.2010*).

2.4. Internal Control

According to MAPFRE’s 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 previous years 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: 29.06.2010*).
- Furthermore, reports have been issued on the Spanish insurance companies controlled by the MAPFRE Group and on MAPFRE S.A. These reports, which have been drafted based on a new model, focus on any procedures or controls that do not work properly, the implications thereof 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 2009. Information on the assessment methodology used in these reports has been submitted. (*Meeting date: 29.06.2010*).

- The Audit Committee has been informed about the follow-up as at April 2010 of the project “Internal Control and Audit at MAPFRE América”, which was approved in 2007 and has already been completed. It includes a general description of the project, the working schedule, the actions undertaken, information concerning the Internal Audit Units (IUAs), the estimated and actual investment, the next planned actions and the conclusions to date. (*Meeting date: 28.04.2010*).

This project will be implemented soon at MAPFRE INTERNACIONAL. A document was presented referring to the expansion of this project to the



subsidiaries of MAPFRE INTERNACIONAL, and the project's objectives, main premises, planned stages, practical actions for its implementation, as well as the estimated investment were reported. (*Meeting date: 21.07.2010*).

- The Audit Committee received a document on the “Internal Control of Financial Information of Publicly Listed Companies” referring to the report prepared by the Internal Control Work Group set up by the Spanish Securities and Exchange Commission (CNMV). (*Meeting date: 28.04.2010*).

2.5. Information to the Annual General Meeting

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

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

The Chairman of the Audit Committee attended the Annual General Meeting held in 2010 (*Annual General Meeting held on 6th March*). The shareholders did not ask any questions on matters within its remit.

2.6. Other matters

In 2010 the Audit Committee has been informed of the following matters:

- MAPFRE's Audit Committee Activities Report for 2009. (*Meeting date: 02.02.2010*).
- The Audit Committee was informed of the 2009 report on the calculation of the economic capital of MAPFRE S.A. by fixed factors, which includes consolidated data as at 30th June and 30th September 2010, as well as detailed information referring to the GROUP's Divisions and Units. (*Meeting dates: 28.04.2010, 25.10.2010 and 22.12.2010*).
- Authorised that the firm Audelco was commissioned to audit the Workplace Safety System of the following companies: Centros Médicos de las Islas Canarias, S.A., Clínica Castelló, S.A., Hosclimap, S.A. and Igualservicios Huesca, S.L. (*Meeting date: 02.02.2010*).



- Approved the renewal of the firm SATEC to carry out the audits to monitor compliance with the Regulations on Security Measures LOPD, as well as compliance with the Spanish Data Protection Act (LOPD) itself at MAPFRE's companies. (*Meeting date: 22.12.2010*).



3. POST YEAR END EVENTS

On 1st February 2011, the Audit Committee of MAPFRE S.A.:

- Resolved to propose to the Board of Directors of MAPFRE S.A. that the re-election of Ernst & Young as accounts auditor for financial year 2011 should be included in the Agenda for the 2011 AGM.
- Reviewed and examined the 2010 Individual and Consolidated Annual Accounts, MAPFRE's Individual and Consolidated Management Report and the 2010 Corporate Social Responsibility Report, and gave a favourable opinion to MAPFRE's Board of Directors on the Economic Information for financial year 2010.
- Approved the 2011 Internal Audit Plan, which includes the 2010 Annual Report and Internal Audit Plan, and also the 2011 Budget for the Audit Unit.
- Reviewed and examined the 2010 report of MAPFRE S.A. for the Spanish Securities and Exchange Commission (CNMV).
- Issued a report on the interdependence of accounts auditors pursuant to the 4th Final Provision, section two, of Law 12/2010, of 30th June, which amends Law 19/1988, of 12th July, of Accounts Auditing, Law 24/1988, of 28th July, of the Stock Exchange, and Recast Spanish Law on Public Limited Companies approved by Royal Decree 1564/1989, of 22nd December, so that it is adapted to Community Law.
- In accordance with the provisions of the Code of Good Tax Practices, it received information from the person responsible for tax issues about the policies followed during the year.

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