



MAPFRE



AUDIT COMMITTEE

STATEMENT OF ACTIVITIES 2015

February 2016



CONTENTS

1. AUDIT COMMITTEE	3
2. STATEMENT OF ACTIVITIES 2015	6
3. POST YEAR END EVENTS	17



1. AUDIT COMMITTEE

MAPFRE has had an Audit Committee since 2000, and its powers and governing regulations are contained in the Company Bylaws of MAPFRE S.A., as well as in more detail in the Regulations of the Board of Directors of MAPFRE S.A.

The composition of the Audit Committee as at December 31st, 2015 is as follows:

<u>Name</u>	<u>Type of Director</u>
Mr. Luis Iturbe Sanz de Madrid (Chairman)	Independent
Mr. Andrés Jiménez Herradón (member)	Nominee
Ms. Catalina Miñarro Brugarolas (member)	Independent
Mr. Antonio Miguel- Romero de Olano	Nominee
Mr. Ángel Luis Dávila Bermejo (Secretary)	-----

Likewise, this Committee met in 2015 on the following dates:

- February 9th
- April 28th
- June 22nd
- July 22nd
- November 2nd
- December 15th

The text included in the Regulations of the Board of Directors of MAPFRE S.A. with respect to the functions of the Audit Committee is detailed below:



Article 10. Functions, composition and meetings of the Audit Committee

1. It has the following basic functions:

- a) To report to the Annual General Meeting with regard to issues raised about any matter within its remit.
- b) To oversee the effectiveness of the Company's internal control, internal audit and risk management systems, as well as to discuss with the External Auditor any significant weaknesses detected in the internal control system in the course of an audit.
- c) To supervise the preparation and reporting of regulated financial information, verifying compliance with the legislation in force, the adequate delimitation of consolidation scopes and the correct application of accounting criteria.
- d) To submit proposals to the Board of Directors, for subsequent approval by the Annual General Meeting, for the selection, appointment, re-election and replacement of the External Auditor, as well as with regard to its contractual conditions, and regularly receive information from the External Auditor regarding the audit plan and its execution, while preserving its independence in the exercise of its duties.
- e) To build the necessary relationships with the External Auditor to receive information on those issues that may compromise its independence, for their consideration by the Committee, and any other relationships referring to the development of an accounts audit, as well as those communications envisaged by law with regard to accounts audits and audit rules. Under all circumstances, it shall receive from the External Auditor on a yearly basis a written confirmation of its independence from the entity or entities linked thereto, both directly or indirectly, as well as information on any additional services of whatever nature provided or the corresponding fees received from the said entities by the aforementioned External Auditor, or by the persons or entities linked thereto in accordance with the legislation in force on accounts audits.
- f) To draw up an annual report –before the accounts audit report is issued– delivering an opinion on the independence of the External Auditor. This report shall contain, in any case, an assessment of the provision of the additional services referred to in the previous section, considered both individually and in aggregate, other than those referring to legal audits and related to the independence of the External Auditor or to the regulations governing the audit system.
- g) To ensure that, insofar as possible, the Group's External Auditor takes responsibility for auditing all the companies of which it is composed.
- h) To ensure the independence and efficacy of the Internal Audit function; to propose the selection, appointment, re-election and dismissal of the person responsible for said function, as well as its annual budget; to receive periodical information on its activities, and to verify that the Senior Management takes into account the conclusions and recommendations of its reports.
- i) To inform the Board of Directors in advance of all issues provided for by law, the Company Bylaws and these Regulations, in particular with respect to:
 - Financial information that the Company must disclose on a periodical basis.
 - Creation or acquisition of interests in special purpose vehicles or in entities registered in countries or territories regarded tax havens.



- Operations with stakeholders.
 - j) To establish and supervise a mechanism that allows employees to report in confidence any potentially significant irregularities, especially of a financial and accounting nature, which they may detect within the company.



2. STATEMENT OF ACTIVITIES 2015

In 2015, the Audit Committee was informed of all matters within its remit and fulfilled the responsibilities assigned to it by Law, the Company Bylaws and the Regulations of the Board of Directors of MAPFRE S.A. and its Delegated Bodies.

There follows a summary of the activities carried out by MAPFRE's Audit Committee during 2015, with the activities grouped according to the areas that fall within its remit:

2.1. Information reported to the Annual General Meeting

2.2. Internal Control and Risk Management

2.3. Internal Audit Supervision

2.4. Economic and Financial Information

2.5. External Audit

2.6. Information reported to the Board

2.7. Supervision of the mechanism for reporting irregularities

2.8. Other matters



2.1. Information reported to the Annual General Meeting

According to the Regulations of the Board of Directors of MAPFRE S.A., the Audit Committee has the following function:

*“To report to the **Annual General Meeting** with regard to questions raised about any matter within its remit”.*

The Chairman of the Audit Committee attended the Annual General Meeting held in 2015 (*Ordinary Annual General Meeting held on March 13th*). The shareholders raised no questions about any matter within its remit.

2.2. Internal Control and Risk Management

The Regulations of the Board of Directors of MAPFRE S.A. set out the powers of the Audit Committee with regard to Internal Control and Risk Management, which are as follows:

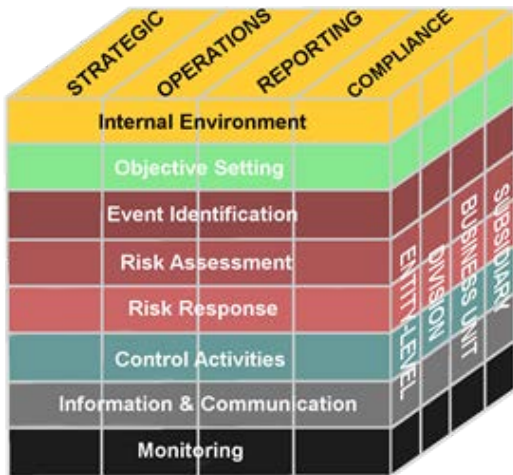
*“To oversee the effectiveness of the Company’s **internal control**, internal audit and **risk management systems**, as well as to discuss with the External Auditor any significant weaknesses detected in the internal control system in the course of an audit.”*

With regard to the review of the Internal Control System:

- A report on the level of compliance with the internal control-related actions undertaken in previous years was presented to the Audit Committee. (*Meeting date: 22.06.2015*).
- The Audit Committee was informed of the content and assessment of the internal control reports that, once approved by their respective Boards of Directors, were submitted to the Directorate General for Insurance and Pension Funds (DGSFP), together with the annual accounting and statistical documentation for financial year 2014. In this presentation, the methodology used to assess the internal control system, as well as the differences introduced with respect to the previous year, have been reported. (*Meeting date: 22.06.2015*).



- With respect to the Internal Control System for Financial Information (ICSFR), the Audit Committee received from E&Y the Auditor’s Report “Information referring to the Internal Control System over Financial Reporting” corresponding to 2014, which summarizes the internal control procedures established by MAPFRE S.A. in relation to the annual financial information. *(Meeting date: 09.02.2015).*



With regard to the revision of Risk Management and Solvency II:

- The Committee was presented with a summary of the results of the works carried out by the Internal Control Area on the Monitoring of Risks and Controls of the MAPFRE GROUP and the Global Corporate Areas, as well as the GROUP’s Annual Internal Control Plan for 2016, which details the development of specific internal control actions and commitments to be addressed by said Area in accordance with the GROUP’s Internal Control Policy. *(Meeting date: 15.12.2015).*

Likewise, at said meeting a summary of the works and activities carried by Internal Audit in 2015 in relation to the review and supervision of risks was presented as well.





- The Committee was submitted the report that describes the result of the forward looking assessment of own risks (“FLAOR”) of MAPFRE S.A. This document is one of the requirements established by the DGSFP regarding the measures for the adaptation to the Solvency II Directive. (Meeting date: 15.12.2015).
- Likewise, it was also presented with the document “Qualitative Information at the Preparatory Phase of MAPFRE S.A. and its Subsidiaries”, which was sent to the DGSFP in July, in accordance with the interim measures to facilitate the progressive adaptation of insurance undertakings to Solvency II. This document includes information on the system of governance, capital management, valuation of assets and liabilities for Solvency II purposes as at 31.12.14 and the reporting policy of the company. (Meeting date: 22.07.2015).

2.3. Internal Audit Supervision

The Regulations of the Board of Directors of MAPFRE S.A. establish the following power of the Audit Committee:

- ✓ *“To oversee the effectiveness of the Company’s internal control, **internal audit** and risk management systems, as well as to discuss with the External Auditor any significant weaknesses detected in the internal control system in the course of an audit.”*
- ✓ *“To ensure the independence and efficacy of the Internal Audit function; to propose the selection, appointment, re-election and dismissal of the person responsible for said function, as well as its annual budget; to receive periodical information on its activities, and to verify that the Senior Management takes into account the conclusions and recommendations of its reports.”*

- The Audit Committee approved the 2015 Annual Internal Audit Plan for MAPFRE and its subsidiary companies, which includes the 2014 Annual Report, the 2015 Audit Plan, the structure and budget of the Unit, as well as the training plan for internal auditors. It also includes a section about audit cost ratios against MAPFRE’s total Income and Expenses, cost per auditor, number of auditors with respect to the total number of employees at MAPFRE, average number of training hours per auditor and cost per internal audit hour. (Meeting date: 09.02.2015).
- The Audit Committee received, reviewed and approved the Activities Reports of the Internal Audit Unit, which the Corporate Internal Audit Area issues every quarter and which place special emphasis on those material issues that have occurred during the quarter relating to the internal audit reports and internal control. Likewise, it received, reviewed and approved the fulfillment of the objectives established in the Annual Internal Audit Plan, follow-up of the recommendations implemented following the proposals of the Audit Services and



Units, training of the internal auditors, co-operation with the external auditor and with other areas or departments of Group companies, and monitoring of the Unit's budget. (Meeting dates: 28.04.2015; 22.07.2015; 02.11.2015).

Likewise, the general guidelines of the 2016 Internal Audit Plan in relation to the adoption of the Solvency II Directive were presented. (Meeting date: 02.11.2015).

- The Committee was informed of the various appointments undertaken during the course of 2015 in the Internal Audit Services and Units, as well as of the situation of the internal audit function in the entities in Germany and Italy. Moreover, it was presented with the proposal for the modification of the current structure of the International IAS and its IAUs. (Meeting dates: 28.04.2015; 22.06.2015; 22.07.2015; 02.11.2015; 15.12.2015).
- In accordance with one of the objectives in the Internal Audit Strategic Plan, which requires the performance of a “Quality Assurance” review in its Audit Units and Services, the Audit Committee was informed of the implementation and results of this review carried out by the Global Institute of Internal Auditors, together with that in Spain, regarding MAPFRE's Internal Audit area in BRAZIL and CHILE. (Meeting dates: 02.11.2015; 22.07.2015).



The purpose of this evaluation, as was the case for the evaluation carried out in preceding years at MAPFRE's Internal Audit area in PERU, COLOMBIA, TURKEY and the USA is to verify whether the Internal Audit Activity conforms to the “International Standards for the Professional Practice of Internal Auditing”, ascertain the perception of this Activity amongst the Senior Management, Management, members of the Audit Committee and External Auditors, and recommend improvements. The results of the evaluation have been very satisfactory in both cases, concluding that the Internal Audit Areas in these countries “Generally meets” with the International Standards for the Professional Practice of Internal Auditing, which is the highest score awarded.

- As regards the budgets of the Internal Audit Unit, the Committee received the forecast for 2015, the Budget for 2016, as well as the forecasts for 2017 and 2018. (Meeting date: 02.11.2015).
- The Global Audit Information Network 2015, a market research on the internal audit function in which MAPFRE's Corporate Internal Audit Area participated once again, was submitted to the Committee. (Meeting date: 22.07.2015).
- The Audit Committee was informed about the Business Intelligence tool in the Internal Audit Area, the main objectives of which is to provide a tool for the measurement and analysis of internal audit productivity, provide and exploit the



area's management information and its recommendations, and serve as a platform for all other projects of the Continuous IAU. (Meeting date: 22.06.2015).

- The Committee was presented with the Strategic Plan 2015-2017 of the Corporate Internal Audit Area, which was prepared following the guidelines for its alignment with the Strategic Plan of MAPFRE S.A. (Meeting date: 28.04.2015).
- The Audit Committee and the Board of Directors of MAPFRE S.A. approved the amendment of the Internal Audit Charter and Policy, which includes new issues and regulatory changes, both internal and external. (Meeting date: 15.12.2015).
- The Committee approved the fees of the consulting firm SATEC for the performance of audits in relation to the Data Protection Act (LOPD) in MAPFRE companies in Spain for the period 2016-2017. (Meeting date: 09.02.2015).

2.4. Economic and Financial Information

According to the Regulations of the Board of Directors of MAPFRE S.A., the Audit Committee has the following function:

*“To supervise the preparation and reporting of regulated **financial information**, verifying compliance with the legislation in force, the adequate delimitation of consolidation scopes and the correct application of accounting criteria.”*

According to this function, MAPFRE's Audit Committee verified the following information in 2015:

- The 2014 Management Report and Individual and Consolidated Annual Financial Statements of MAPFRE S.A. and its subsidiaries. (Meeting date: 09.02.2015).
- The report on the limited review of the summarized consolidated interim financial statements of MAPFRE S.A. for the interim period ended 30th June 2015. (Meeting dates: 22.06.2015; 22.07.2015).
- The information drawn up by MAPFRE for investors and analysts, which is previously reviewed and examined by the Corporate Audit Area and later by the Audit Committee prior to its release. (Meeting dates: 09.02.2015; 28.04.2015; 22.07.2015 and 02.11.2015).



2.5. External Audit

According to the Regulations of the Board of Directors of MAPFRE S.A., the following are basic functions of the Audit Committee:

- ✓ *“To submit proposals to the Board of Directors, for subsequent approval by the Annual General Meeting, for the selection, appointment, re-election and replacement of the **External Auditor**, as well as with regard to its contractual conditions, and regularly receive information from the External Auditor regarding the audit plan and its execution, while preserving its independence in the exercise of its duties.”*
- ✓ *“To build the necessary relationships with the External Auditor to receive information on those issues that may compromise its independence, for their consideration by the Committee, and any other relationships referring to the development of an accounts audit, as well as those communications envisaged by law with regard to accounts audits and audit rules. Under all circumstances, it shall receive from the External Auditor on a yearly basis a written confirmation of its independence from the entity or entities linked thereto, both directly or indirectly, as well as information on any additional services of whatever nature provided or the corresponding fees received from the said entities by the aforementioned External Auditor, or by the persons or entities linked thereto in accordance with the legislation in force on accounts audits.”*
- ✓ *“To draw up an annual report –before the accounts audit report is issued– delivering an opinion on the independence of the External Auditor. This report shall contain, in any case, an assessment of the provision of the additional services referred to in the previous section, considered both individually and in aggregate, other than those referring to legal audits and related to the independence of the External Auditor or to the regulations governing the audit system.”*
- ✓ *“To ensure that, insofar as possible, the Group’s External Auditor takes responsibility for auditing all the companies of which it is composed.”*



To this effect, during 2015 MAPFRE's Audit Committee:

- Approved the budget for the external audit of the Individual and Consolidated Annual Financial Statements of MAPFRE S.A. and its subsidiaries for financial year 2015, and authorized KPMG to provide additional services at MAPFRE in Colombia and in the HR area of MAPFRE S.A. (*Meeting date: 02.11.2015*).
- Furthermore, the Committee approved the payment of extraordinary fees to E&Y, which were the result of a deviation in the number of hours devoted to audit MAPFRE ASISTENCIA's annual individual and consolidated financial statements for 2014, as well as at MAPFRE USA due to other services. (*Meeting dates: 22.07.2015 and 02.11.2015*).
- Was presented a comparative study of the fees paid to the external auditor in 2014 by MAPFRE and all other IBEX 35 companies, as well as by the main Non-Life European insurance groups. (*Meeting date: 22.06.2015*).
- With the aim of ensuring the independence of the external auditor, the Audit Committee carried out a quarterly supervision of the fees invoiced by the main audit firm for services other than the audit of the Annual Financial Statements. Likewise, the Audit Committee supervised the relationship between the fees paid to the audit firm and its total revenues, a percentage that, according to the Regulations of the Board of Directors of MAPFRE S.A., should not exceed 5%. For financial year 2015, this percentage stood at 0.05%. (*Meeting dates: 09.02.2015; 28.04.2015; 22.07.2015 and 02.11.2015*).
- The 2015 Half-yearly Review Plan, as well as the draft limited review report on the summarized consolidated interim financial statements of MAPFRE S.A. corresponding to the interim period ended June 30th, 2015 were presented to the Audit Committee. (*Meeting date: 22.07.2015*).
- Received and examined additional information from KPMG with regard to the preliminary reports on the 2015 Annual Financial Statements of MAPFRE and its subsidiary companies (*Meeting date: 15.12.2015*).

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

- The Audit Committee received the External Audit Plan prepared by KPMG for the 2015 Annual Financial Statements. (*Meeting date: 02.11.2015*).

Said report provides an action agenda, the scope of the Group's audit, the composition of the task force, the preliminary assessment of risks and the accounting and regulatory changes that affect the period reviewed.



- The external auditor attended the meetings of the Audit Committee for those matters relating to the audit of the Annual Financial Statements, the reports of the limited review as at June 30th, 2015 and the preliminary reports of the audit of the Annual Financial Statements. (*Meeting dates: 09.02.2015; 28.04.2015; 22.07.2015 and 02.11.2015*).
- In order to verify the information and contribute to the principle of transparency in the field of Corporate Social Responsibility, Ernst & Young was commissioned to verify MAPFRE's 2014 Annual Social Responsibility Report. The Audit Committee was informed of, and verified, this report. (*Meeting date: 09.02.2015*).
- Approved the fees proposed by KPMG for issuing the report on the verification of the 2015 Corporate Social Responsibility Report. (*Meeting date: 02.11.2015*).

2.5. Information reported to the Board

According to the Regulations of the Board of Directors of MAPFRE S.A. and its Delegated Bodies, the Audit Committee has the following function:

“To inform the Board of Directors in advance of all issues provided for by Law, the Company Bylaws and these Regulations, in particular with respect to:

- *Financial information that the Company must disclose on a periodical basis.*
- *Creation or acquisition of interests in special purpose vehicles or in entities registered in countries or territories regarded tax havens.*
- *Operations with stakeholders.”*

- The information submitted quarterly by MAPFRE to the Spanish Securities and Exchange Commission (CNMV). (*Meeting dates: 09.02.2015; 28.04.2015; 22.07.2015 and 02.11.2015*).

This economic and financial information is reviewed by the Corporate 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 applied to the Annual Financial Statements, that they are reasonable, objective and verifiable, and that the principle of prudence always prevails over any other.



2.7. Supervision of the mechanism for reporting irregularities

The Regulations of the Board of Directors of MAPFRE S.A. and its Delegated Bodies establish the following power of the Audit Committee:

*“To establish and supervise a mechanism that allows employees to **report in confidence any potentially significant irregularities**, especially of a financial and accounting nature, which they may detect within the company”*

- The Audit Committee was informed of the activity of the Channel for Reporting Financial and Accounting Complaints in 2014. (Meeting date: 09.02.2015).

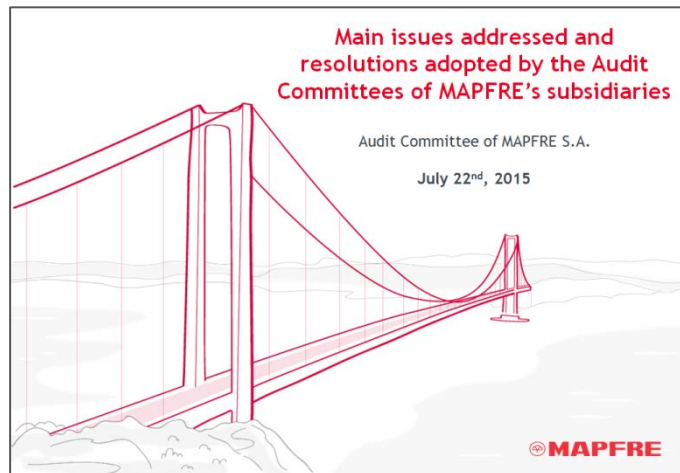




2.8. Other matters

In 2015, the Audit Committee was informed of the following matters:

- MAPFRE's Audit Committee Activities Report for 2014. *(Meeting date: 09.02.2015).*
- The taxation policies followed in 2014, in accordance with the recommendations contained in the Code of Good Tax Practice. *(Meeting date: 09.02.2015).*
- The main issues addressed and resolutions adopted by the Audit Committees of MAPFRE's subsidiaries corresponding to the first half of 2015. *(Meeting dates: 09.02.2015; 22.07.2015).*



- The Audit Committee assessed the composition and operation of the Committee during 2014 in accordance with recommendation 36 in the Code of Good Governance of listed companies issued by the CNMV, and unanimously considered that its composition and operation during said year were very satisfactory. *(Meeting dates: 22.06.2015; 22.07.2015).*



3. POST YEAR END EVENTS

On February 8th, 2016, MAPFRE's Audit Committee:

- Reviewed and examined the 2015 Individual and Consolidated Annual Financial Statements, MAPFRE's Individual and Consolidated Management Report and the 2015 Corporate Social Responsibility Report, and gave a favorable opinion to MAPFRE's Board of Directors on the Economic Information for financial year 2015.
- Likewise, reviewed the document on the Internal Control System over Financial Reporting (ICSFR) that is part of the 2015 Corporate Governance Report, together with the report by KPMG referring to the review thereof.
- Approved the 2016 Internal Audit Plan, which includes the 2015 Annual Report and Internal Audit Plan, as well as the 2016 Budget of the Audit Unit.
- Reviewed and examined MAPFRE S.A.'s 2015 Report for the Spanish Securities and Exchange Commission (CNMV).
- Issued a report on the Independence of the external auditors pursuant to: the Fourth Final Provision, section two, of Law 12/2010, of June 30th, which amends Law 19/1988, of July 12th, of Financial Statements Auditing; Law 24/1988, of July 28th, of the Stock Exchange; and the Recast Spanish Law on Public Limited Companies approved by Royal Decree 1564/1989, of December 22th, so that it is adapted to Community Law.
- The external auditor (KPMG) has issued a document in which it confirms its independence from any MAPFRE companies or entities directly or indirectly linked thereto, informing of any additional services of whatever nature provided to these companies by them or by people linked to KPMG in keeping with the legislation in force on accounts audits.
- In accordance with the provisions of the Code of Good Tax Practices, it received information from the individual responsible for tax issues about the policies followed during the year.
- Reviewed the main issues addressed and resolutions adopted by the Audit Committees of MAPFRE's subsidiaries in 2015.

---ooo000ooo---