

## ANNEX I

### ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF PUBLICLY TRADED COMPANIES

#### ISSUER'S IDENTITY DATA

<b>END DATE OF THE REFERENCED FINANCIAL YEAR</b>	12/31/2017
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<b>Tax ID</b>	A08055741
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#### **COMPANY NAME**

MAPFRE S.A.

#### **REGISTERED OFFICE**

MAJADAHONDA (MADRID), No. 52 CARRETERA DE POZUELO

**ANNUAL REPORT ON THE CORPORATE  
GOVERNANCE OF PUBLICLY TRADED COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
07/01/2011	307,955,327.30	3,079,553,273	3,079,553,273

Indicate if there are different kinds of shares with different rights associated with them:

Yes  No

A.2 State the direct and indirect owners of substantial holdings of the company at the close of the financial year, excluding directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
FUNDACIÓN MAPFRE	0	2,085,104,197	67.708%

Name or company name of the indirect holder of the shares	Through: Name or company name of the direct holder of the shares	Number of voting rights
FUNDACIÓN MAPFRE	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	2,081,803,920
FUNDACIÓN MAPFRE	FUNDACIÓN CANARIA MAPFRE GUANARTEME	3,300,277

State any significant modifications in the shareholding structure that have occurred during the financial year:

A.3 Complete the following tables about the members of the Board of Directors of the company who have voting rights on company shares:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting rights
MR. ANTONIO HUERTAS MEJÍAS	357,485	0	0.01%
MR. ANTONIO NÚÑEZ TOVAR	305,330	0	0.01%
MS. CATALINA MIÑARRO BRUGAROLAS	1,510	10,000	0.00%
MR. IGNACIO BAEZA GÓMEZ	200,000	0	0.01%
MS. ADRIANA CASADEMONT I RUHÍ	0	0	0.00%
MR. JOSÉ ANTONIO COLOMER GUIU	0	2,698	0.00%
MR. GEORG DASCHNER	20,000	0	0.00%
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	23	0	0.00%
MS. MARÍA LETICIA DE FREITAS COSTA	0	0	0.00%
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	69,977	23	0.00%
MR. FRANCISCO JOSÉ MARCO ORENES	20,252	0	0.00%
MR. RAFAEL MÁRQUEZ OSORIO	69,804	0	0.00%
MR. FERNANDO MATA VERDEJO	61,956	0	0.00%
MR. ANTONIO MIGUEL-ROMERO DE OLANO	30,325	2,242	0.00%
MR. ALFONSO REBUERTA BADÍAS	20,346	0	0.00%

Name or company name of the indirect holder of the shares	Through: Name or company name of the direct holder of the shares	Number of voting rights
MS. CATALINA MIÑARRO BRUGAROLAS	OTHER SHAREHOLDERS OF THE COMPANY	10,000
MR. JOSÉ ANTONIO COLOMER GUIU	OTHER SHAREHOLDERS OF THE COMPANY	2,698
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	OTHER SHAREHOLDERS OF THE COMPANY	23
MR. ANTONIO MIGUEL-ROMERO DE OLANO	OTHER SHAREHOLDERS OF THE COMPANY	2,242

<b>Total % of voting rights held by the Board of Directors</b>	0.03%
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Complete the following tables with the members of the company's Board of Directors with voting rights on company shares

A.4 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary commercial traffic and exchange:

A.5 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary commercial traffic and exchange:

A.6 Indicate if any shareholder agreements have been disclosed to the company that affect it under art. 530 and 531 of the Companies Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes  No

Indicate whether the company knows of the existence of concerted actions among its shareholders. If so, describe them briefly:

Yes  No

If there have been any modifications or terminations of said pacts or agreements or concerted actions during the financial year, indicate this expressly.

There were no modifications or terminations of arranged pacts, agreements or actions.

A.7 Indicate whether any person or organization exercises or may exercise control over the company pursuant to article 4 of the Securities Market Act. If so, identify them:

Yes  No

Name or company name
FUNDACIÓN MAPFRE
Observations

A.8 Complete the following tables regarding the company's treasury stock:

**As at the closing date of the financial year:**

Number of direct shares	Number of indirect shares (*)	Total % of the share capital
26,511,106	0	0.86%

**(\*) Through:**

List significant changes occurring during the financial year, pursuant to Royal Decree 1362/2007:

Explain significant changes

- Sale on the market of 3,964,371 shares.

A.9 Describe the terms and conditions of the current General Meeting authorization to the Board of Directors to issue, buy back or transfer treasury stock.

The Board of Directors is currently authorized by the shareholders at the General Meeting to increase the company's share capital once or several times by up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital. The duration of the authorization is five years calculated from the date of the resolution, passed on March 9, 2013.

The Board of Directors is currently authorized by the shareholders at the General Meeting to allow the company to proceed, directly or through subsidiaries, to the derivative acquisition of treasury stock, subject to the following limits and requirements:

- a) Schemes: Acquisition by sale or by any other transaction inter vivos for good and valuable consideration, of shares free of any liens or encumbrances.
- b) Maximum number of shares to be acquired: Shares whose face value, added to the face value of the shares already owned by the company and its subsidiaries, does not exceed 10 percent of the share capital of MAPFRE S.A.
- c) Minimum and maximum acquisition price: 90 percent and 110 percent, respectively, of their listed quotation on the acquisition date.
- d) Duration of the authorization: Five years calculated from the date of the resolution, passed on March 11, 2016. Acquired shares may be used in part or in full as follows: (i) disposal or amortization, (ii) delivery to workers, employees or administrators of the company or its group whenever there is a recognized right to do so directly or as a result of exercising call option rights held thereby as provided for in the last paragraph of article 146, section 1, letter a) of the Recast Text of the Companies Act, and (iii) reinvestment plans involving dividends or similar instruments.

#### A.9.b Estimated floating capital:

	%
<b>Estimated floating capital</b>	31.40

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, if there are any restrictions to the takeover of the company by means of share purchases on the market.

Yes  No

A.11 Indicate whether the General Meeting has approved measures to counteract a public acquisition bid, pursuant to Law 6/2007.

Yes  No

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate if the company has issued securities that are not traded in a regulated community market.

Yes  No

If so, indicate the different kinds of shares and, for each kind of shares, the rights and obligations conferred.

## B GENERAL MEETING

B.1 Indicate and, where applicable, give details, about whether there are any differences from the minimum standards established under the Companies Act with respect to the quorum and constitution of the General Meeting.

Yes  No

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Companies Act with respect to the adoption of corporate resolutions:

Yes  No

Describe any differences from the guidelines established under the Companies Act.

	Reinforced majority different from that established in art. 201.2 of the Companies Act for the cases cited in art. 194.1 of the Companies Act	Other cases of reinforced majority
% established by the company for adopting agreements	0.00	50.01

Describe the differences

Article 201 of the Companies Act establishes that in order to adopt the resolutions referred to in article 194, if capital present or represented exceeds 50 percent, the absolute majority vote will be sufficient to pass the resolution. However, when, at the first call to the meeting, shareholders present or represented at the meeting own more than 25 percent but less than 50 percent of subscribed capital carrying voting rights, the favorable vote by shareholders representing two-thirds of capital present or represented is required to pass the resolution.

At the second call, a minimum of 25 percent of capital is required.

Pursuant to the provisions of article 26 of the Corporate Bylaws, the amendment of the provisions of Title IV "Protection of the Company's General Interest" (articles 26 to 29) can only be amended by a resolution approved with the votes in favor of more than 50 percent of the share capital at the Extraordinary General Meeting specifically called for this purpose.

B.3 Indicate the rules applicable to amendment of the company's articles of association. In particular, indicate the majorities established for the amendment of the articles of association, as well as, where applicable, the rules established for protection of the shareholders' rights in the amendment of the articles of association.

There are no particularities other than those established in the legislation in force for amendment of the company's bylaws, except for the amendment of articles 26 to 29 (Title IV- Protection of the Company's General Interest). As stated in the previous paragraph B.2, a resolution adopted with the favorable vote of more than 50 percent of share capital at the Extraordinary General Meeting called for that purpose is necessary.

B.4 Give attendance data on the General Meetings held during the financial year to which this report refers and those from the previous financial year:

Attendance data					
Date of general meeting	% physically present	% attending by proxy	% voting remotely		Total
			E-voting	Other	
11/03/2016	68.66	13.41	0.00	0.69	82.76
10/03/2017	68.88	13.42	0.00	0.90	83.20

B.5 Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

Yes  No

Number of shares necessary to attend the General Meeting	1,000
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B.6 Section repealed.

B.7 Indicate the address and method of access to the company's website, to the information on corporate governance and other information on General Meetings that must be available to shareholders through the company's website.

Access is as follows: [www.mapfre.com](http://www.mapfre.com)

"Shareholders and investors" section.

## C GOVERNANCE STRUCTURE OF THE COMPANY

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the corporate bylaws:

Maximum number of directors	20
Minimum number of directors	5

C.1.2 Complete the following table on the board members:

Name or company name of the director	Representative	Category of the director	Position on the Board	Date of first appointment	Date of last appointment	Procedure
MR. ANTONIO HUERTAS MEJÍAS		Executive	CHAIRMAN AND CEO	12/29/2006	03/14/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. ANTONIO NÚÑEZ TOVAR		Executive	1st VICE CHAIRMAN	03/05/2011	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MS. CATALINA MIÑARRO BRUGAROLAS		Independent	2nd VICE CHAIRMAN	10/30/2013	03/14/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. IGNACIO BAEZA GÓMEZ		Executive	3rd VICE CHAIRMAN	03/08/2008	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION
MS. ADRIANA CASADEMONT I RUHÍ		Independent	DIRECTOR	03/09/2013	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. JOSÉ ANTONIO COLOMER GUIU		Independent	DIRECTOR	02/09/2016	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION

MR. GEORG DASCHNER		Independent	DIRECTOR	02/10/2015	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ		Independent	DIRECTOR	07/26/2016	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MS. MARÍA LETICIA DE FREITAS COSTA		Independent	DIRECTOR	07/23/2015	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MR. FRANCISCO JOSÉ MARCO ORENES		Executive	DIRECTOR	03/10/2017	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. RAFAEL MÁRQUEZ OSORIO		Nominee Director	DIRECTOR	12/29/2006	12/29/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. FERNANDO MATA VERDEJO		Executive	DIRECTOR	01/01/2017	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. ANTONIO MIGUEL-ROMERO DE OLANO		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MR. ALFONSO REBUELTA BADIÁS		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION

<b>Total number of directors</b>	<b>15</b>
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Indicate which directors have left their seat on the Board of Directors during the period subject to information:

<b>Name or company name of the director</b>	<b>Category of the director on cessation</b>	<b>Termination date</b>
MR. RAFAEL BECA BORREGO	Independent	01/01/2017
MR. RAFAEL CASAS GUTIÉRREZ	Executive	01/01/2017
MR. ANDRÉS JIMÉNEZ HERRADÓN	Nominee director	02/22/2017
MR. ESTEBAN TEJERA MONTALVO	Executive	01/01/2017
MS. ADRIANA CASADEMONT I RUHÍ	Independent	12/31/2017



C.1.3 Complete the following tables on the Board members and their different kinds of directorship:

### **EXECUTIVE DIRECTORS**

Name or company name of the director	Position within company organization
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN AND CEO
MR. ANTONIO NÚÑEZ TOVAR	1st VICE CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	3rd VICE CHAIRMAN
MR. FRANCISCO JOSÉ MARCO ORENES	DIRECTOR
MR. FERNANDO MATA VERDEJO	DIRECTOR

<b>Total number of executive directors</b>	5
<b>% of total board</b>	33.33%

### **NOMINEE EXTERNAL DIRECTORS**

Name or company name of the director	Name or company name of the substantial shareholder represented or proposing his/her appointment
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. ANTONIO MIGUEL-ROMERO DE OLANO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. RAFAEL MARQUEZ OSORIO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. ALFONSO REBUELTA BADÍAS	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY

<b>Total number of nominee directors</b>	4
<b>% of total board</b>	26.67%

### **INDEPENDENT EXTERNAL DIRECTORS**

**Name or company name of the director:**

MS. ADRIANA CASADEMONT I RUHÍ

**Profile:**

HOLDS A DEGREE IN BUSINESS FROM THE AUTONOMOUS UNIVERSITY OF BARCELONA, A DIPLOMA IN COMMUNICATION AND PUBLIC RELATIONS FROM GIRONA UNIVERSITY AND A MASTER'S DEGREE IN STRATEGIC MARKETING FROM ESADE. OCCUPIES SEVERAL SENIOR EXECUTIVE ROLES OF REPRESENTATION AND MANAGEMENT IN AGRO-FOOD COMPANIES AND IN EDUCATIONAL INSTITUTIONS.

**Name or company name of the director:**

MR. JOSÉ ANTONIO COLOMER GUIU

**Profile:**

BUSINESS ADMINISTRATION DEGREE FROM THE SCHOOL OF BUSINESS MANAGEMENT AND ADMINISTRATION - BARCELONA. CHAIRMAN OF THE BOARD OF DIRECTORS OF ADOPEM, S.A. AND MEMBER OF ITS AUDIT, RISK AND APPOINTMENTS AND REMUNERATION COMMITTEES. CHAIRMAN OF THE BOARD OF DIRECTORS OF MICROSERFIN, S.A. AND MEMBER OF ITS AUDIT, RISK, APPOINTMENTS AND REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEES.

**Name or company name of the director:**

MR. GEORG DASCHNER

**Profile:**

PROFESSIONAL CAREER IN MUNICH RE (1965-2014): CHAIRMAN OF MUNCHENER VENEZUELA (1983-1988), CHAIRMAN OF THE SPAIN AND PORTUGAL BRANCH (2000-2003), MEMBER OF THE MANAGEMENT BOARD OF THE MUNICH RE GROUP, IN CHARGE OF THE EUROPE AND LATIN AMERICA BUSINESS AREA (2003-2014).

**Name or company name of the director:**

MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ

**Profile:**

DEGREE AND DOCTORATE IN ECONOMICS AND BUSINESS FROM THE UNIVERSITY OF OVIEDO. MEMBER OF THE ADVISORY COMMITTEE ON CORPORATE REPORTING FOR THE EUROPEAN SECURITIES AUTHORITY AND MEMBER OF THE BOARD OF TRUSTEES FOR THE PRINCESA DE ASTURIAS FOUNDATION AND THE BANCO DE SABADELL FOUNDATION. PROFESSOR OF FINANCIAL ECONOMICS AT THE UNIVERSITY OF OVIEDO AND PROFESSOR OF FINANCE AT CUNEF.

**Name or company name of the director:**

MS. MARÍA LETICIA DE FREITAS COSTA

**Profile:**

DEGREE IN PRODUCT ENGINEERING AND MASTER'S DEGREE IN BUSINESS ADMINISTRATION (MBA). MANAGER OF THE INSPEER CENTER FOR STRATEGIC RESEARCH AND A PARTNER AT PRADA ASSESSORIA.

**Name or company name of the director:**

MS. CATALINA MIÑARRO BRUGAROLAS

**Profile:**

DEGREE IN LAW. STATE ATTORNEY ON LEAVE OF ABSENCE.

Total number of independent directors	6
total % of the board	40.00%

Indicate whether any director classified as independent receives from the company, or from its Group, any amount or earning for an item other than the director's remuneration, or maintains or has maintained during last financial year a business relationship with the company or with any company from its Group, whether on his behalf or as a significant shareholder, director or senior management member of a company that maintains or has maintained such a relationship.

No director classified as independent receives, from the company or the Group, any amount or benefit for an item other than director's remuneration.

If so, include a reasoned statement from the Board on the reasons why it considers that this director may perform his functions as an independent director.

## OTHER EXTERNAL DIRECTORS

Identify other external directors and explain in detail the reasons for which they cannot be considered nominee or independent directors, as well as their affiliations with the company, its management or its shareholders:

Indicate any changes that may have occurred during the period in the type of category for each director:

C.1.4 Complete the following table with information relating to the number of female directors during the last four financial years, as well as the category of these female directors:

	Number of Directors				% of the total of each type of director			
	2017	2016	2015	2014	2017	2016	2015	2014
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Nominee director</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	4	4	3	2	66.67%	57.14%	42.86%	33.33%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	4	4	3	2	26.67%	23.53%	16.67%	11.11%

C.1.5 Explain the measures which, where applicable, have been adopted to include a balance presence of men and women on the Board of Directors.

<b>Explanation of the measures</b>
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The Institutional, Corporate and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE on June 24, 2015, expressly provide that the Board of Directors of MAPFRE shall develop a plan for filling vacancies to ensure the suitability of applicants thereto, based on their skills and professional and geographical origins, as well as a sufficient presence of members of both genders.

Similarly, it is established that the competent bodies of Group companies will ensure that, when vacancies arise, equal opportunities are guaranteed for candidates regardless of their gender, and they must seek to achieve an effective presence of directors of both genders.

Furthermore, the Director Selection Policy expressly establishes that, during the selection process, any kind of implicit biases will always be avoided, which may involve discrimination and, in particular, biases that interfere with the selection of persons of either gender. It also includes the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors.

C.1.6 Explain the measures which, where applicable, the Appointments Committee has agreed so that the procedure for filling Board vacancies has no implicit bias against women candidates, and the company makes a conscious effort to include women with the target profile among the candidates for Board seats

<b>Explanation of the measures</b>
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The Appointments and Remuneration Committee must ensure that during the candidate selection process any kind of implicit biases are always avoided, which may involve discrimination and, in particular, those biases that interfere with the selection of persons of either gender.

In 2015 the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors establishing the steps to follow in the period 2015-2020 to adapt the structure of the Board of Directors to the new legal requirements and recommendations contained in the Code of Good Governance of the Spanish National Securities and Exchange Commission (the "CNMV").

When, in spite of the measures which, where applicable, have been adopted, there are few or no female directors, explain the reasons that justify this.

<b>Explanation of the reasons</b>
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Not applicable

C.1.6 b Explain the conclusions of the Appointments Committee on the verification of compliance with the director selection policy. In particular, explain how this policy is promoting the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors.

<b>Explanation of the conclusions</b>
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MAPFRE's Director Selection Policy aims to ensure that the proposals for nomination and re-election of directors are based on a preliminary analysis of the Board of Directors needs, and to promote a diversity of knowledge, experiences and gender on the Board. It expressly sets out the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors. In line with this commitment, on December 21, 2017 Ms. María Pilar Perales Viscasillas was appointed as an independent director, with effect from January 1, 2018, in place of Ms. Adriana Casademont i Ruhí, who resigned from her position on the board with effect from December 31, 2017.

In addition, as indicated in the above section C.1.6, the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors with specific measures to promote the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors.

The Appointments and Remuneration Committee considers that the company adequately complied with the Director Selection Policy during 2017. In view of the reduction in the number of board members during the year, the percentage of female directors rose from 23.53 percent in 2016 to 26.67 percent in 2017.

C.1.7 Explain the method of representation on the Board of shareholders with significant shareholdings.

The shareholders with significant shareholdings (see section A.2 of this report) have nominee directors appointed on the company's Board of Directors. Details of the external nominee directors are provided in the previous section C.1.3.

C.1.8 Explain, where applicable, the reasons why nominee directors have been appointed at the behest of shareholders whose shareholding is less than 3 percent of the capital:

Indicate whether formal petitions for a seat on the Board have been ignored from shareholders whose holding is equal to or higher than others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored:

Yes  No

C.1.9 Indicate if any director has stood down before the end of their term in office, if they explained their reasons to the Board and through which channels, and if they sent a letter of explanation to the entire Board. Explain the reasons they gave:

**Name of director:****MR. ESTEBAN TEJERA MONTALVO**

Stood down from the Board of Directors when he retired.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

**MR. RAFAEL CASAS GUTIÉRREZ**

Stood down from the Board of Directors when he retired.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

**MR. ANDRÉS JIMÉNEZ HERRADÓN**

Stood down from the Board of Directors in compliance with the company's Code of Good Governance on reaching the mandatory five-year limit for former executives.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

**MR. RAFAEL BECA BORREGO****Reason for termination:**

Stood down from the Board of Directors for personal and professional reasons which prevented him from fulfilling his functions with the required dedication.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

C.1.10 Indicate, where applicable, any powers delegated to the managing director(s):

C.1.11 Identify, where applicable, any members of the Board holding posts as directors or managers in other companies that form part of the listed company's group:

Name or company name of the director	Company name of the Group company	Position	Do they have executive functions
MR. ANTONIO HUERTAS MEJÍAS	MAPFRE INTERNACIONAL, S.A.	CHAIRMAN AND CEO	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE VIDA. S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	CHAIRMAN	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE INMUEBLES S.G.A., S.A.	JOINT AND SEVERAL ADMINISTRATOR	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A	CHAIRMAN	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MS. CATALINA MIÑARRO BRUGAROLAS	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN	YES

MR. IGNACIO BAEZA GÓMEZ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	CHAIRMAN	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MS. ADRIANA CASADEMONT I RUHÍ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	DIRECTOR	NO
MR. JOSÉ ANTONIO COLOMER GUIU	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.U.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. MARIA LETICIA DE FREITAS COSTA	BB MAPFRE SH1 PARTICIPAÇÕES, S.A.	DIRECTOR	NO
MS. MARIA LETICIA DE FREITAS COSTA	BB MAPFRE SH2 PARTICIPAÇÕES, S.A.	DIRECTOR	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE VIDA. S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	2nd VICE CHAIRMAN	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	2nd VICE CHAIRMAN	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MR. FRANCISCO JOSE MARCO ORENES	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. RAFAEL MÁRQUEZ OSORIO	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE VIDA. S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MR. ANTONIO MIGUEL- ROMERO DE OLANO	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	VICE CHAIRMAN	NO
MR. ALFONSO REBUELTA BADIÁS	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.U.	VICE CHAIRMAN	NO
MR. ALFONSO REBUELTA BADIÁS	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO

C.1.12 List, where applicable, any directors of the company that sit on the Board of Directors of other companies publicly traded in Spain outside the Group, of which the company has been informed:

Name or company name of the director	Company name of the Group company	Position
MS. CATALINA MIÑARRO BRUGAROLAS	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, explain whether the company has established rules on the number of boards on which its directors may sit:

Yes  No

Explanation of the rules
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According to article 4 of the MAPFRE Regulation of the Board of Directors, no director can simultaneously be a member of more than five Boards of Directors of companies that do not form part of the Group, except for personal or family companies.

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	8,718
Amount corresponding to the rights accumulated by current directors regarding pensions (thousands of euros)	19,376
Amount corresponding to the rights accumulated by former directors regarding pensions (thousands of euros)	0

C.1.16 Identify the members of senior management who are not also executive directors, and indicate the total remuneration earned by them during the financial year:

Name or company name	Position
MR. ÁNGEL LUIS DÁVILA BERMEJO	GENERAL COUNSEL - GENERAL MANAGER OF LEGAL AFFAIRS
MR. JOSÉ LUIS GURTUBAY FRANCIA	DEPUTY GENERAL MANAGER OF THE CORPORATE STRATEGY AND M&A AREA
MR. JOSÉ MANUEL MURIES NAVARRO	GENERAL MANAGER OF INTERNAL AUDIT
MR. JOSÉ LUIS JIMÉNEZ GUAJARDO-FAJARDO	GENERAL MANAGER OF THE CORPORATE INVESTMENT AREA
MS. ELENA SANZ ISLA	GENERAL MANAGER OF THE CORPORATE HUMAN RESOURCES AREA

Total remuneration of senior management (in thousands of euros)	2,570
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C.1.17 Indicate, where applicable, the identity of Board members who also sit on Boards of Directors of companies of significant shareholders and/or companies in their group:

Name or company name of the director	Company name of the significant shareholder	Position
MR. ANTONIO HUERTAS MEJÍAS	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	CHAIRMAN AND CEO
MR. IGNACIO BAEZA GÓMEZ	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR
MR. FERNANDO MATA VERDEJO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR
MR. ANTONIO NÚÑEZ TOVAR	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR

List, where applicable, the relevant affiliations other than those considered in the above paragraph, which link members of the Board of Directors to significant shareholders and/or companies in their group:

C.1.18 Indicate whether during the financial year there has been any change in the Board of Directors Regulations.

Yes  No

Description of modifications
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On February 7, 2017 the Board of Directors agreed to modify, with effect from March 10, 2017, articles 10 and 12 of its Regulations, governing the Audit Committee and the Risk and Compliance Committee, respectively, in order to attribute the compliance and corporate governance powers of the Risk and Compliance Committee to the Audit Committee, and also to change the name of the former to the Risk Committee and of the latter to the Audit and Compliance Committee.

C.1.19 Indicate procedures for selection, appointment, re-election, evaluation and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Persons to whom the position of MAPFRE S.A. director is offered, or of a subsidiary company, must first make an accurate and complete declaration of their relevant personal, family, professional and business circumstances, specifically indicating the following: (I) persons or companies that are, with respect to him/her, the condition of linked persons as provided for in current legislation; (ii) any circumstances that may imply a cause of incompatibility in accordance with the laws, the corporate bylaws or the Board of Directors Regulations, or a conflict of interest; (iii) any other professional obligations, in case they interfere with the commitment required for the position; (iv) any criminal proceedings in which he/she appears as a defendant or accused party; and (v) any other fact or situation affecting him/her and that may be relevant to his/her performance as a director. This declaration must be made on the form provided for such purposes by MAPFRE, and shall include an express acceptance of the regulations set out in the corporate bylaws and other internal regulations, as well as in current legislation.

Any person who holds the position of director must be of renowned prestige in his/her professional and business area, and hold all necessary professional qualifications or experience as provided by law for financial institutions or insurance companies subject to supervision by public authorities.

Specifically, people cannot be members of the Board of Directors if they hold significant shares in, or provide professional services to, competing businesses of the company or of any company of the Group, or if they work as employees, managers, or administrators of them, unless they are granted express authorization from the Board of Directors.

- Proposals for the appointment or reappointment of independent directors must be preceded by a proposal from the Appointments and Remuneration Committee.

The proposed reappointment of such directors must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- The formulation of proposals for appointment or reappointment by the Board of Directors must be preceded:

a) In the case of nominee directors, by a suitable proposal of the shareholder backing their appointment or reappointment.



b) In the case of executive directors, as well as the secretary, whether or not a director, by a suitable proposal from the Chairman of the Board.

Both types of proposals must also be preceded by the corresponding report from the Appointments and Remuneration Committee.

- The proposed reappointment of nominee and executive directors must be subject to a prior report issued by the Appointments and Remuneration Committee, which must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- In any case, the proposals for appointment and reappointment of directors must be accompanied by an explanatory report from the Board which assesses the responsibility, experience and merits of the candidate.

The Board of Directors will not propose to the General Meeting that any independent director be removed from office before the end of the term for which the director has been elected unless the Board of Directors considers, based on a report from the Appointments and Remuneration Committee, that there are grounds for doing so. In particular, the removal proposal shall be deemed justified when the director has failed to comply with the duties inherent to the position, has not complied with any requirement set forth for independent directors, or has incurred in an insuperable conflict of interest according to the provisions of current legislation.

#### C.1.20 Explain how the annual assessment of the Board has led to significant changes in its international organization and in the procedures that apply to its activities:

Description of modifications
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In 2016 the Board of Directors engaged a well-respected independent expert to assist it in evaluating its own performance as well as the performance of the Board committees and the Chairman of the Board. Based on the result of the annual self-assessment, in 2017 the Board of Directors implemented the following measures:

- The level of participation of all Board members in the meetings of the governing bodies was increased, reducing the time spent on presentations and increasing the time allocated for debate and, to that end, issuing meeting documentation even more in advance of the meetings.
- The strategic portion of the Board's meetings was reinforced to allow more time for discussing strategic issues and encourage debate.
- More time was allowed for analyzing and discussing business matters, as well as for following up on the strategic plan and the necessary analysis of regulatory issues.

#### C.1.20.b Describe the evaluation process and the evaluated areas undertaken by the Board of Directors assisted, where appropriate, by an external consultant with respect to diversity in its composition and responsibilities, the operation and composition of its committees, the performance of the Chairman of the Board and the chief executive of the company, and the performance and contribution of each director.

In accordance with the provisions of the Regulations of the Board of Directors of MAPFRE, the Board undertakes an annual assessment of the quality of its work, the performance of the Chairman and CEO based on the report drawn up for this purpose by the Appointments and Remuneration Committee, and the operation of its Committees and Steering Committee. Where appropriate, it proposes an action plan to correct any deficiencies detected.

During the first half of 2018 the Steering Committee and the Audit and Compliance, Appointments and Remuneration, and Risk Committees will prepare their respective self-assessment reports on their composition and operations during 2017. Likewise, the Board of Directors will assess its own composition and operations during 2017 as well as those of its Committees and Steering Committees based on the aforementioned reports.

Meanwhile, following the report of the Appointments and Remuneration Committee, the Board of Directors evaluated the performance of the MAPFRE Chairman and CEO in 2017, concluding that it was very favorable in all aspects.

#### C.1.20.c List, where appropriate, the business relationships maintained by the advisor or any company in the group with the company or any company in its group.

None

#### C.1.21 Indicate the circumstances under which directors are obliged to resign.

In accordance with the corporate bylaws, the Board of Directors Regulation and the MAPFRE Group's Institutional, Business and Organizational Principles, all members of the Board of Directors will formally resign their post at the age of 70. The Chairman, Vice Chairmen and directors who perform executive functions, and the secretary of the Board must retire from office on reaching 65 years of age or, on any earlier date according to the terms and conditions of their respective contracts, submitting the corresponding resignations, but they may continue as members of the Board without any executive duties for a maximum of five years in the same conditions as external nominee directors.

All directors must resign from their directorship on the Board of Directors and any office held, such as on the Committees and Steering Committee, and tender their formal resignation should the Board of Directors deem it pertinent, in the following cases:

- a) Whenever they are removed from the executive office associated with their appointment as members of these governing bodies.
- b) Should they become subject to any disqualification or prohibition laid down at law.
- c) If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
- d) If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors.
- e) When they are affected by circumstances in which their remaining on any such management bodies might cause damage to the company's credit or reputation, or place its interests at risk. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director.
- f) If the reasons (if any expressly exist) for which they were appointed cease to apply.

Resignation from these positions must be formally tendered in a letter addressed to all members of the Board of Directors.

Directors who, at the time of their appointment, do not hold any executive position or perform any executive functions in the company, or in another Group company, will not be able to perform any executives functions unless they first resign their directorship, even though they may subsequently remain eligible for the position.

Nominee directors must also tender their resignation when the shareholder that appointed them sells its shareholding.

When a shareholder reduces its shareholding, a proportionally equivalent number of nominee directors that it has appointed must resign.

MAPFRE's independent directors must also tender their resignation when they have held office for 12 years in a row.

#### C.1.22 Section repealed.

C.1.23 Are reinforced majorities required, aside from legal majorities, for any type of resolution?

Yes  No

If so, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board.

Yes  No

Requirements description
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In accordance with the provisions of article 5 of the Regulations of the MAPFRE Board of Directors, the position of Chairman must go to an executive director who has the status of most senior management representative, and such a designation requires the favorable vote of two thirds of the members of the Board of Directors.
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C.1.25 Indicate whether the Chairman has a casting vote:

Yes  No

<b>Circumstances requiring a casting vote</b>
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In general, the Chairman has a casting vote in the event of a tie.

C.1.26 Indicate whether the bylaws or the Board regulations establish any age limit for directors:

Yes       No

Age limit for Chairman: 65 years

Age limit for managing director: 65 years

Age limit for director: 70 years

C.1.27 Indicate whether the bylaws or the Board regulations establish any limit for independent directors' term of office, other than that established in the regulations:

Yes       No

C.1.28 Indicate whether the bylaws or the regulations of the Board of Directors establish specific regulations for delegating votes on the Board of Directors, how to do it, and in particular, the maximum number of delegations a director may have, as well as whether any limit has been established regarding the categories in which it is possible to delegate, beyond the limits imposed by legislation. If so, describe such regulations briefly.

There are no specific regulations for delegating votes on the Board of Directors.

C.1.29 Indicate the number of meetings the Board of Directors has held during the financial year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, attendance shall mean proxies given with specific instructions.

<b>Number of board meetings</b>	10
<b>Number of board meetings not attended by the Chairman</b>	0

If the Chairman is an executive director, indicate the number of meetings held, unattended or without representation, by any executive directors and chaired by the coordinating director

<b>Number of meetings</b>	0
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Indicate the number of meetings the Board's different Committees have held during the financial year.

Committee	No. of Meetings
STEERING COMMITTEE	3
AUDIT AND COMPLIANCE COMMITTEE	11
APPOINTMENTS AND REMUNERATION COMMITTEE	7
RISK COMMITTEE	5

C.1.30 Indicate the number of meetings the Board of Directors has held during the financial year with the attendance of all its members. In calculating this number, attendance shall mean proxies given with specific instructions:

<b>Number of meetings attended by all directors</b>	10
<b>% of attendances over total votes during the year</b>	100%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were certified beforehand:

Yes  No

Where applicable, identify the person(s) who certified the individual and consolidated annual accounts to be drawn up by the Board:

<b>Name</b>	<b>Position</b>
MR. FERNANDO MATA VERDEJO	GENERAL MANAGER OF THE CORPORATE FINANCE AREA
MR. JOSÉ MANUEL MURIES NAVARRO	GENERAL MANAGER OF INTERNAL AUDIT
MR. CARLOS BARAHONA TORRIJOS	ASSISTANT GENERAL MANAGER OF CONTROL AND FINANCIAL INFORMATION

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated accounts that it draws up from being presented to the General Meeting with reservations in the audit report.

The company has never issued financial statements with a qualified auditor's report.

The company has Corporate Finance, General Counsel and Internal Audit Areas to oversee all aspects of the annual accounts, as well as the MAPFRE Audit and Compliance Committee, which is a delegate body that was created by the Board for this purpose and granted supervisory powers in 2000.

According to article 25 of the Regulation of the Board of Directors of MAPFRE, the Board of Directors must always draw up the annual accounts so that the external auditor has no reservations or provisos regarding them. Nonetheless, when the Board considers that it must maintain its criteria, the Chairman of the Audit and Compliance Committee will publicly explain the content and scope of the discrepancies that may have led to these reservations or provisos.

C.1.33 Is the Board secretary a director?

Yes  No

If the secretary does not have the status of director, complete the following table:

<b>Name or company name of the secretary</b>	<b>Representative</b>
MR. ÁNGEL LUIS DÁVILA BERMEJO	

C.1.34 Section repealed.

C.1.35 Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the ratings agencies.

In addition to abiding by statutory provisions, the company has decided to voluntarily propose compliance with a number of general guidelines that clearly and precisely aim to achieve and uphold the necessary independence of the external auditors in such regard as is advocated by the MAPFRE Board of Directors Regulations, which set out the following criteria in respect of the relationship with external auditors:

The relationship of the Board of Directors with the company's external auditor shall be maintained through the Audit and Compliance Committee.

The Board of Directors shall refrain from hiring any auditing firms that receive or that will receive annual fees from the Group, where the amount for all items exceeds 5 percent of its total annual revenue; and it shall report, in the annual public documentation, the total fees that the Group paid the external auditor for the various services it provided.

Apart from the Audit and Compliance Committee's powers and functions as specified in the bylaws and the Board of Directors Regulations, the Audit Committee will be informed at least once every six months of all services rendered by the external auditor and their corresponding fees.

Every year, the Audit and Compliance Committee will assess the accounts auditor, the scope of the audit and the external auditor's independence, considering whether the quality of the audit control measures is adequate and any services other than accounts audit services are compatible with the auditor's independence.

In accordance with the provisions of the Internal Code of Conduct regarding listed securities issued by MAPFRE, which sets out the procedures relating to the publication of relevant information, the financial analysts will not be provided with any relevant information that is not available to the public at large.

C.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

Yes  No

Outgoing auditor	Incoming auditor

If there were disagreements with the outgoing auditor, explain the grounds.

Yes  No

C.1.37 Indicate whether the audit firm does other work for the company and/or its Group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees in the total fees charged to the company and/or its Group:

Yes  No

	Company	Group	Total
<b>Amount for work other than audit (thousands of euros)</b>	296	1,519	1,815
<b>Amount of work other than audit / total amount billed by the audit firm (in %)</b>	39.34	20.58	22.31

C.1.38 Indicate whether the audit report on the annual financial statements for the previous

financial year contained reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

Yes  No

C.1.39 Indicate the number of financial years during which the current audit firm has been doing the audit of the financial statements for the company and/or its Group without interruption. Indicate the percentage of the number of financial years audited by the current auditing firm to the total number of financial years in which the annual financial statements have been audited:

	Company	Group
Number of financial years running	3	3
Number of financial years audited by current audit firm / number of financial years the company has been audited (in %)	10.71%	10.71%

C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain external advisory services:

Yes  No

**Details of the procedure**

According to the provisions of the Regulations of the Board of Directors of MAPFRE, and for the purpose of assisting the directors in the exercise of their functions, the directors may request external advice, at the company's expense, whenever special circumstances arise that warrant this. Any such engagement of experts must necessarily be related to specific problems of special import and complexity that arise during the exercise of the office of director.

The request for advice must be addressed to the Chairman or the secretary of the Board of Directors and may be vetoed by the Board of Directors, if it is established that:

- a) It is not necessary for the proper performance of the functions entrusted to the directors.
- b) The cost is unreasonable, bearing in mind the significance of the problem and the company's assets and revenues.
- c) The technical assistance sought may be adequately provided by experts and technicians already employed by the company or Group.

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the management bodies in sufficient time:

Yes  No

**Details of the procedure**

The Chairman takes appropriate measures to ensure that the directors receive sufficient information on the matters on the agenda prior to the meeting. This aspect is subject to a specific analysis by the Board of Directors of the company in its annual self-evaluation session.

C.1.42 Indicate and, where applicable, give details on whether the company has established rules obliging directors to inform and, where applicable, to resign in those cases that may harm the company's credit and reputation:

Yes  No

<b>Explain the rules</b>
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The directors must place their office(s) at the disposal of the Board of Directors, both as directors and any other position they might hold on any Committee or Steering Committees thereof, and formalize any resignation, should the Board deem it necessary, in the following cases:

- Whenever they are removed from the executive office associated with their appointment as a member of these governing bodies.
- Should they become subject to any disqualification or prohibition laid down under law.
- If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
- If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors.
- When they are affected by circumstances that might harm the company's credit or reputation or place its interests at risk were they to remain on these governing bodies. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director.
- If the reasons (if any expressly exist) for which they were appointed cease to apply.

C.1.43 Indicate whether any member of the Board of Directors has informed the company of being sued or having any court proceedings opened against him or her for any of the offenses listed in article 213 of the Companies Act:

Yes  No

Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision reached as to whether or not the director should remain on the Board or, where applicable, explain the actions carried out by the Board of Directors until the date of this report or that it has planned to carry out.

C.1.44 List the significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid, and its effects.

There are no significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid.

C.1.45 Identify in aggregate and indicate in detail, the resolutions between the company and its administration and management or employees who receive compensations, ring-fence or guarantee clauses, when these resign or are unfairly dismissed, or when the relationship comes to an end on the occasion of a public takeover bid or other type of operation.

**Number of beneficiaries: 0**

**Type of beneficiary:**

[Description of type of beneficiaries]

**Description of the resolution**

The term of the contracts of the executive directors is related to their time as a director. Removal from this position entails the lifting of the suspension of the relationship prior to the appointment as such. The executive directors must be exclusively engaged in their position, and there are no contractual conditions relating to post-contractual non-competition agreements and permanence.

The early termination of the previous relationship entails compensation under the terms established by the Workers' Statute in relation to unfair dismissal, except when there is good cause for dismissal. In the event of early termination by decision of the company, it shall inform the director of his/her removal three (3) months prior to the date of termination.

Contracts that regulate prior relationship establish the termination of this relationship on January 1 of the year after which the director reaches the age of 60, unless annual extensions are implemented at the initiative of the company until the date on which the executive reaches the age of 65, as a maximum.

There are no clauses relating to signing bonuses.

Indicate whether these contracts must be disclosed and/or approved by the company or Group governing bodies:

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorizing the clauses</b>	<b>Yes</b>	<b>No</b>

	<b>Yes</b>	<b>No</b>
Is the General Meeting informed of the clauses?		<b>X</b>

## C.2 Board of Directors' Committees

C.2.1 List all the Board of Directors' committees, their members and the percentage of executive, nominee, independent and other external directors that compose them:

### **STEERING COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Category</b>
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN	Executive
MR. ANTONIO NÚÑEZ TOVAR	1st VICE CHAIRMAN	Executive
MS. CATALINA MIÑARRO BRUGAROLAS	2nd VICE CHAIRWOMAN	Independent
MR. IGNACIO BAEZA GÓMEZ	MEMBER	Executive
MR. GEORG DASCHNER	MEMBER	Independent
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	Nominee director
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL- ROMERO DE OLANO	MEMBER	Nominee director

<b>% of executive directors</b>	37.50%
<b>% of nominee directors</b>	37.50%
<b>% of independent directors</b>	25.00%
<b>% of other external Directors</b>	0.00%



Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

It is the delegate body of the Board of Directors, responsible for senior management and permanent oversight of the strategic and operational aspects of the company's ordinary business affairs and those of its subsidiaries. It also makes any decisions necessary for proper operation. It has the general capacity of decision and has been expressly delegated all the powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

A maximum of 10 members, all members of the Board of Directors. Its Chairman, First and Second Vice Chairmen and secretary will automatically be members of the Board. Members must be appointed with a favorable vote from two-thirds of the members of the Board of Directors.

In 2017 the Steering Committee was responsible for approving appointments and removals from the company and the Group, authorizing the transactions of subsidiary and investee companies, approving the real estate transactions of the Group, being familiar with relationships with official bodies and the main contentious issues of the Group's companies, and being familiar with the purchase of MAPFRE shares by members of governing and management bodies, among other things.

Indicate whether the composition of the Executive or Steering Committee reflects the participation of the different directors on the Board according to their category:

Yes  No

**If not, explain the composition of the Executive or Steering Committee**

The company has its own standard, establishing it as a delegate body with marked executive nature and composed of the majority of the executive directors, as well as three external nominee directors and two independent directors.

### **AUDIT AND COMPLIANCE COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Category</b>
MR. JOSÉ ANTONIO COLOMER GUIU	CHAIRMAN	Independent
MS. ADRIANA CASADEMONT I RUHÍ	MEMBER	Independent
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	Nominee director
MS. CATALINA MIÑARRO BRUGAROLAS	MEMBER	Independent

<b>% of nominee directors</b>	40.00%
<b>% of independent directors</b>	60.00%
<b>% of other external directors</b>	0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

The Audit and Compliance Committee has the following responsibilities:

- a) To apprise the General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in said process.
- b) To supervise the efficacy of internal controls at the company, internal audits and risk management systems, including fiscal systems, as well as discussing with the external auditor any significant weaknesses identified in the internal control system in the course of audits.
- c) To supervise the process for drawing up and presenting the mandatory financial information, and present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.
- d) To bring before the Board of Directors the proposals for the selection, appointment, re-election and substitution of the external auditor, being accountable for the selection process as contemplated in the pertinent legislation in force, as well as the conditions of his/her hiring and regularly gather from him/her information regarding the audit plan and its execution.

- e) To establish appropriate relationships with the external auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account audit legislation and auditing standards.
- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the external auditor has been compromised.
- g) To ensure that, as far as possible, the external auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the internal audit; to propose the selection, appointment, reappointment and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- i) To inform the Board of Directors in advance on all matters provided in the law, the corporate bylaws and Board of Directors Regulations.
- j) To establish and supervise a mechanism that enables employees to communicate confidentially any irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.
- k) To verify the application of the established good governance regulations at all times.
- l) To supervise compliance with internal and external regulations, especially with internal codes of conduct, regulations and procedures for the prevention of money laundering and financing terrorism, as well as making proposals for their improvement.
- m) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.

The Committee is made up of a minimum of three and a maximum of five members, all of which must be non-executive, and the majority of which must be independent directors, one of which must be designated based on his or her knowledge and experience in the area of accounting or auditing or both. Overall, the members of the Committee should have the pertinent technical knowledge in relation to the company's sector of activity. Its chairman must be an independent director and they must be substituted in this position every four years, only to be reelected to the post one year after leaving that position. The secretary of this Committee will be the secretary to the Board of Directors. The Internal Audit General Manager of the Group shall attend the meetings as a guest.

In 2017 the Audit and Compliance Committee was responsible for issuing an opinion on the annual accounts for fiscal year 2015, for supervising the efficacy of the company's internal control, for the internal audit and the risk management systems of the company and the Group, for reporting on transactions with significant shareholders and senior management, for approving extra fees from the external auditor, for reporting on the relationship with the external auditor, for learning of appointments in Internal Audit and for being familiar with the quarterly financial information presented to the Spanish National Securities and Exchange Commission, and for ensuring the correct application within the company and Group of the good governance rules and external and internal regulations.

Identify the director who is a member of the Audit Committee and who is designated based on his/her knowledge and experience in the area of accounting or auditing or both, and state the number of years that the chairman of this Committee has held the position.

<b>Name of the director with experience</b>	MR. JOSÉ ANTONIO COLOMER GUIU
<b>No. of years of the chairman in the position</b>	2

### **APPOINTMENTS AND REMUNERATION COMMITTEE**

Name	Position	Category
MS. CATALINA MIÑARRO BRUGAROLAS	CHAIRWOMAN	Independent
MS. ADRIANA CASADEMONT I RUHÍ	MEMBER	Independent
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	Nominee director
MR. ALFONSO REBUELTA BADIÁS	MEMBER	Nominee director
<b>% of nominee directors</b>		50.00%
<b>% of independent directors</b>		50.00%
<b>% of other external directors</b>		0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for the coordinated development of appointment and remuneration policy regarding the directors and senior management of the Group. It has the following responsibilities:

- a) To evaluate the balance of skills, knowledge and experience required on the Board, defining the functions and capabilities required of the candidates to fill each vacancy accordingly and deciding the time and dedication necessary for them to properly perform their functions.
- b) To establish a representation target for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this target.
- c) To bring before the Board of Directors the appointment proposals of independent directors for them to be designated by cooptation or for them to be subject to the decision of the General Meeting, as well as proposals for reappointment or removal, and to report on cases related to proposals that affect the remaining directors.
- d) To notify proposals for the appointment and termination of senior managers and their basic contractual conditions.
- e) To examine and organize the succession of the Chairman of the Board, and where appropriate, to make the corresponding proposals to the Board so that this succession is orderly and well-planned.
- f) To propose to the Board of Directors the remuneration policy for directors and general managers or anyone who performs senior management functions under the direct control of the Board, the Steering Committee or the Managing Directors, as well as individual remuneration and other conditions of the contracts of executive directors, ensuring their enforcement.
- g) To propose to the Board of Directors the candidates for Fundación MAPFRE trustees whose appointment is the responsibility of the company.
- h) To authorize the appointment of external directors in the other Group companies.

The Committee is made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director. The secretary of the Board of Directors will also be the secretary of the Committee.

In 2017 the Appointments and Remuneration Committee was responsible for reporting on the appointments and removals of directors and executives, reporting on the chairman's actions during fiscal year 2016, bringing before the Board of Directors the re-election proposals concerning the independent directors, approving the salary remuneration of senior management positions for fiscal year 2017, authorizing the granting of pension commitments, and approving the granting of management contracts.

## **RISK COMMITTEE**

Name	Position	Category
MR. GEORG DASCHNER	CHAIRMAN	Independent
MR. JOSÉ ANTONIO COLOMER GUIU	MEMBER	Independent
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MEMBER	Independent
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	Nominee director

<b>% of nominee directors</b>	40.00%
<b>% of independent directors</b>	60.00%
<b>% of other external directors</b>	0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

This delegate body of the Board of Directors supports and advises the Board on the definition and evaluation of the Group's risk management policies and on the determination of susceptibility to risk and the risk strategy. It has the following functions:

- a) To support and advise the Board of Directors on the definition and evaluation of the Group's risk policies and on the determination of susceptibility to risk and the risk strategy.
- b) To assist the Board of Directors in overseeing the application of the risk strategy.
- c) To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.

The Committee will be made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director.

The Board of Directors must designate a secretary, a position which need not be filled by a director.

In 2017 the Risk Committee was responsible for reviewing the policies approved by the company in connection with Solvency II and determining the susceptibility to risk and the risk strategy.

C.2.2 Complete the following table with information related to the number of directors who have belonged to Board of Directors' Committees for the last four financial years:

	Number of directors							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
STEERING COMMITTEE	1	12.5%	1	10.00%	1	10.00%	1	11.11%
AUDIT AND COMPLIANCE COMMITTEE	2	40.00%	2	40.00%	1	25.00%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00%	2	50.00%	1	25.00%	1	20.00%
RISK COMMITTEE	1	20.00%	0	0%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

Committee name

STEERING COMMITTEE

Brief description

The Steering Committee is regulated in the bylaws and the Board Regulations.

These are available on the company's website, [www.mapfre.com](http://www.mapfre.com), in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Regulated in the bylaws and the Board Regulations.

These are available on the company's website, [www.mapfre.com](http://www.mapfre.com), in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

In 2017 the regulations of this committee as described in the bylaws and the Board of Directors Regulations were amended to include the corporate governance powers previously attributed to the Risk Committee.

The Audit and Compliance Committee has been publishing an annual report on its activities since 2005, which is made available to shareholders at the Ordinary General Meeting.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Provided for in the bylaws and regulated in the Board of Directors Regulations. These are available on the company's website, [www.mapfre.com](http://www.mapfre.com), in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

The company has been publishing an annual report on its remuneration policy since 2008, which is put to a vote on a consultative basis and as a separate point on the agenda at the Ordinary General Meeting.

Committee name

RISK COMMITTEE

Brief description

Provided for in the bylaws and regulated in the Board of Directors Regulations.

These are available on the company's website, [www.mapfre.com](http://www.mapfre.com), in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

In 2017 the regulations of this committee as described in the bylaws and the Board of Directors Regulations were amended to transfer to the Audit and Compliance Committee the corporate governance powers previously attributed to the Risk Committee.

C.2.6 Section repealed.

## **D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

### **D.1 Explain, where applicable, the procedure for approving related-party and intra-group transactions.**

#### **Procedure for reporting the approval of related-party transactions**

MAPFRE has a policy for managing conflicts of interest and related-party transactions with significant shareholders and senior representative or management positions, which regulates the procedure to be followed in relation to related-party transactions.

The Board of Directors shall be familiar with the transactions conducted by the company, directly and indirectly, with directors, with significant shareholders or shareholders represented on the Board of Directors, or with individuals associated with them, and these transactions shall require authorization by the Board of Directors, after receiving a report from the Audit and Compliance Committee, unless they are transactions that are part of the normal or ordinary activities of the parties concerned, which are undertaken under normal market conditions and for amounts that are insignificant or irrelevant to the company.

Significant shareholders, directors and senior management must inform the secretary of the Board of Directors of MAPFRE in writing regarding any transaction that they or individuals associated with them (in this last case, whenever the affected person is aware of it) intend to conduct with MAPFRE or with any other company of its Group and which constitutes a related-party transaction subject to authorization by the Board of Directors.

The notification must include sufficient information on the aspects of the transaction to make it possible for MAPFRE to properly identify it.

### **D.2 List any significant transactions between the company or its Group companies and the company's significant shareholders which are relevant due to their amount or subject matter:**

Name or company name of the significant shareholder	Name or company name of the company or Group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	MAPFRE S.A.	Corporate	Dividends and other profits distributed	304,776
CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	MAPFRE S.A.	Contractual	Interest paid	24

D.3 List the transactions between the company or Group companies and the company's directors or executives which are relevant due to their amount or subject matter.

D.4 Report on the significant transactions in which the company has engaged with other companies belonging to the same group, as long as they are not eliminated in the process of drawing up the consolidated financial statements and are not part of the company's usual trade with respect to its purpose and conditions.

In any case, report any intra-group transaction carried out with companies established in countries or territories which have the consideration of tax haven:

D.5 Indicate the amount of the transactions conducted with other related parties.

0 (million euros).

D.6 List the mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its Group, and its directors, executives and/or significant shareholders.

All directors and managers must make a prior declaration at the time of their appointment with regard to these matters. Furthermore, they are required to update this declaration on a regular basis, and whenever a potential situation of conflict arises.

Additionally, the internal code of conduct and policy for managing conflicts of interest and related transactions with significant shareholders and senior representative or management positions regulate the special obligations relating to potential conflicts of interest.

The Board of Directors has the final decision on these issues. There is a special procedure for the approval of resolutions with regard to matters where there is a potential conflict of interest with a director. The director in question must refrain from attending or participating in these decisions.

D.7 Is there more than one of the Group's companies listed in Spain as a publicly traded company?

Yes

No

Identify listed subsidiaries in Spain:

## Listed subsidiary company

FUNESPAÑA, S.A.

Type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other Group companies;

Yes

No

**Define any business dealings between the parent company and the listed subsidiary, and between it and other Group companies.**

The business dealings with FUNESPAÑA, S.A., its subsidiary All Funeral Services, S.A and its other Group companies mainly involve the provision of burial services related to the burial insurance coverage issued by MAPFRE ESPAÑA, Compañía de Seguros y Reaseguros, S.A., a subsidiary company of MAPFRE S.A.

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other Group companies:

**Mechanisms to resolve possible conflicts of interest**

The relational framework agreement between MAPFRE and FUNESPAÑA establishes abstention duties for the executive positions in the MAPFRE Group or FUNESPAÑA Group that form part of the governing body of another company belonging to another group. In addition, the provisions relating to conflicts of interest established in the internal code of conduct in respect of listed securities issued by MAPFRE are applicable.

## **E** RISK CONTROL AND MANAGEMENT SYSTEMS

### E.1 Explain the scope of the company's risk management system, including taxation.

The consolidated group of insurance companies has a Risk Management System (RMS) based on the integrated management of each and every business process and in accordance with the risk level and established strategic objectives. The different types of risks have been grouped under four areas, or categories, as described below:

- Financial and Credit Risks: This includes interest rate, liquidity, exchange rate and credit risks.
- Insurance Activity Risk: This groups together, separately for Life and Non-Life, the risk of premium shortfalls and insufficient technical provisions.
- Strategic and Corporate Governance Risks: This includes business ethics and corporate governance risks as well as risks related to the organizational structure, alliances, mergers and acquisitions derived from the regulatory environment, including those of a tax nature, and competition risks.
- Operational Risk: This includes possible losses arising from the inadequacy or malfunction of internal processes, personnel or systems, or arising from external events (not including risks arising from strategic decisions or reputational risk).

Operational risk includes compliance risk, which entails the risk of sanctions and material financial losses as a result of the failure to comply with laws and other regulations, rules, internal and external standards or administrative requirements. Tax risk is considered to be a category of compliance risk in that it includes the risk of conflicting interpretations of tax law and the determination of market prices in transactions between related companies.

- The governing bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established risk appetite limits and other specific risk policies.

### E.2 Identify the bodies of the company which are responsible for the preparation and implementation of the risk management system, including taxation.

The Regulations of the Board of Directors of MAPFRE set out the functions and responsibilities of the MAPFRE governing bodies and their committees and steering committees related to the risk management system.

The Board of Directors has the responsibility, which may not be delegated, to determine the general policies and strategies, and in particular the policy to identify, manage and control risks, including taxes, and monitor internal information and control systems.

The Steering Committee has the general capacity of decision with express delegation in its favor of all powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

The Audit and Committee monitors the effectiveness of the company's internal control, internal auditing and the risk management systems, including taxes.

The Risk Committee is the delegate body of the Board of Directors that supports and advises the Board on the definition and evaluation of the Group's risk management policies and on the determination of its susceptibility to risk and the risk strategy.

Its functions in the framework of the risk management system are as follows:

- To support and advise the Board of Directors on the definition and evaluation of the risk policies of the Group and on the determination of the susceptibility to risk and the risk strategy.
- To assist the Board of Directors in overseeing the implementation of the risk strategy.
- To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.

### E.3 List the main risks, including tax risks, which might affect the achievement of the business objectives.

#### 1. Financial and Credit Risks

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of top-quality fixed-income securities.

Four different types of portfolios are managed within the investment portfolio:

- Those that seek strict immunization from the obligations deriving from insurance contracts.
- Portfolios that cover unit-linked policies made up of assets whose risk is assumed by the policyholders.
- Those that look to exceed the guaranteed return and achieve the highest return for the policyholders within prudential parameters, such as portfolios with profit sharing.
- Open-management portfolios where the active management is only conditioned by legal rules and by internal risk limits.

In the first case, immunized portfolios minimize interest rate risk through matching adjustments and immunization techniques based on the matching of flows and duration.

In the second case, portfolios that cover the unit-linked policies are made up of financial instruments whose risk is assumed by the policyholders.

A certain degree of market risk is accepted in the remaining portfolios, as set out below:

- The management variable for interest rate risk is modified duration, which is conditioned by the limits established in the investment plan approved by the Board of Directors of MAPFRE S.A. for open-management portfolios, and the modified duration of liabilities in the event of long-term commitments to policyholders.
- The exposure to exchange rate risk is minimized in the case of insurance liabilities. For investment management reasons, the exposure to this type of risk may not exceed the fixed percentage established in the annual investment plan.
- Investments in shares are subject to a maximum limit of the investment portfolio.
- The risk limitations are established in easily-observable quantitative terms of variables. However, a risk analysis in probabilistic terms is carried out in accordance with past volatility and correlations.

With regard to credit risk, the policy is based on applying criteria of prudence in line with the issuer's solvency and seeking a high degree of geographical correspondence between the issuers of the assets and the commitments. The fixed-income and equity investments are subject to limits per issuer.

The credit risk management policy establishes limits according to the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating. There is also a system for monitoring and reporting credit risk exposure.

The Security Committee reviews the main exposures to insurance and reinsurance counterparties.



## 2. Insurance Activity Risk

The organization of MAPFRE, specializing in various business lines, requires them to be highly autonomous in the management of their business, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of incident.

The adequacy of premiums is an element of particular importance and its determination is supported by specific software applications.

Claims processing and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the different companies and their amount is validated by an independent party that did not participate in the calculation. The prevalence of the personal injuries business at MAPFRE, with rapid liquidation of claims, and the relative insignificance of long-term risks insured, such as asbestos or professional liability, are elements mitigating the risk of insufficient technical provisions.

MAPFRE operates in countries highly prone to disasters (earthquakes, hurricanes, etc.), which calls for special treatment of these types of risk. Companies exposed to this type of risks have specialized analyses on catastrophe exposure, usually drawn up by independent experts, which estimate the extent of the losses in the event of a catastrophe occurring. Underwriting catastrophic risks is undertaken based on this information and the economic capital available to the underwriter. Where appropriate, the equity exposure to these types of risk is mitigated by taking out specific reinsurance coverage.

In this respect, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophe risk market. Every year this company determines the global catastrophic capacity that it assigns to each territory and establishes the maximum underwriting capacity per risk and event. It also has risk retrocession protection programs to cover deviations or increases in catastrophe claims in different territories.

MAPFRE's policy with respect to reinsurance risk is to cede business to reinsurers with proven financial capacity, which basically means those with a high credit rating (quality grade 2 or higher). Business is ceded to other reinsurers on an exceptional basis after an internal analysis demonstrating the possession of a solvency margin equivalent to the aforementioned classification or if adequate guarantees are provided.

## 3. Operational Risk

Operational risks are identified and assessed through the risk control model, which is based on a dynamic analysis of each company process by process, in which the managers of each area or department assess the potential risks that affect their activities and the effectiveness of the controls related to each process. This control is conducted using risk self-evaluation questionnaires, internal control manuals, inventory controls associated with risks, assessment of their effectiveness, and the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

With respect to tax risks, the performance of the Group in the field of taxation has always been dominated by compliance with current tax legislation in the territories in which it operates, which constitutes a practical application of the institutional principle of ethically and socially responsible taxation.

The tax risks of the Group in each jurisdiction are handled internally by the Administration and Tax Affairs departments, subcontracting tax consulting services with the leading companies in the sector whenever required.

As regards the valuation of transactions between Group companies, significant in terms of global projects, technology and reinsurance, annual reviews and the documentation of individual transactions are conducted in collaboration with an independent expert firm.

## 4. Strategic and Corporate Governance Risks

MAPFRE has always applied ethical principles to its business management and indeed these principles form part of its bylaws and day-to-day activities. In order to streamline this business culture and update the legal governance and management transparency requirements, on June 24, 2015 the Board of Directors of MAPFRE S.A. approved the "MAPFRE Group Institutional, Business and Organizational Principles", the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies. The strict application of these principles is considered the most efficient way to mitigate this type of risk.

### E.4 Identify whether the company has a tolerance level for risks, including tax risks.

The risk appetite document of the MAPFRE Group, approved by the Board of Directors of MAPFRE S.A., establishes the risk level that the Group would be ready to assume to attain its business objectives with no relevant deviations, even in adverse situations. That level, which defines limits and sub-limits per risk type, constitutes the MAPFRE Group's risk appetite.

As one of its risk management objectives, the MAPFRE Group strives to maintain an admissible amount of shareholders' equity at the consolidated level which is equivalent to a target solvency ratio of 200 percent of the solvency capital required under Solvency II, with a tolerance of 25 percentage points. A secondary risk management objective is to maintain a sufficient level of economic capital at the consolidated level to meet its obligations in accordance with a rating of "A" or higher, or its equivalent.

The prospective capital required of the insurance and reinsurance subsidiaries is generally determined pursuant to an estimation based on the budgets for the following financial year, and it is reviewed on a regular basis during the course of the year in line with risk trends.

For other metrics that quantify the MAPFRE Group's aggregate risk, tolerance levels are established on the basis of a "traffic light" system (green, amber and red).

## E.5 Indicate the risks, including tax risks, which have arisen during the financial year.

In 2017 insurance activity risks materialized as a result of several catastrophic events, including three hurricanes (Harvey, Irma and María) and two earthquakes (Puebla and Chiapas). While these events had a significant effect on the result for the period (with the net impact estimated at 176.4 million euros), reinsurance protection for this type of event proved to be effective because in spite of the number and intensity of these events (which implied additional benefits in excess of 1 billion euros), the Group still complied with the legal solvency requirements and remains within the tolerance limits defined in the risk appetite.

With regard to Financial and Credit Risks, in 2017 the euro appreciated against the currencies of some of the main subsidiaries, such as the U.S. dollar and Brazilian real, which had a negative effect on the Group's shareholders' equity (through negative currency conversion differences) and on the operating results and cash flows in euros from those subsidiaries.

## E.6 Explain the response and supervision plans for the company's main risks, including tax risks.

The risk management system is integrated into the company's organization structure through the three-lines-of-defense model, as follows:

- a) A first line of defense made up of employees, management and the operational, business and support areas that assume the risks and are responsible for designing and applying the necessary control mechanisms to mitigate the risks associated with the processes they carry out and to guarantee that they do not exceed the established limits.
- b) As the second line of defense, the Risk Management Function and other assurance functions facilitate and manage the effective implementation of the controls established by the first line of defense and assist the risk owners with the identification process.
- c) The third line of defense is Internal Audit, an independent area that evaluates the risk management, internal control and governance processes within the organization.

The MAPFRE Board of Directors is the ultimate body responsible for ensuring the efficiency of the risk management system, establishing the risk profile and tolerance limits, and approving the main strategies and policies for identifying, managing and controlling risks, including tax risks, and supervising the internal information and control systems.

To guarantee efficient risk management, MAPFRE has developed a set of risk management policies which identify the different types of risks to which it is exposed and establish the acceptable risk appetite, measures to mitigate the impact of the risks identified should they materialize, and the relevant internal information and control systems to use.

In carrying out their functions, the risk management areas coordinate the strategies, processes and procedures necessary to continuously identify, measure, monitor, manage and report the risks to which the company is or may be exposed, as well as their interdependencies.

The Group's General Counsel is responsible for issuing instructions and monitoring compliance with the various regulations affecting the company and the Group. General Counsel also obtains information from the Tax Affairs Department about the tax risks detected in each country.

In any case, the actions to adopt regarding the risks identified are decided by the Board of Directors, which is informed immediately of any risk which:

- Depending how it evolves, may exceed the established risk limits.
- May lead to losses equal to or in excess of the established risk limits.
- May compromise compliance with the solvency requirements or business continuity.

At the operational level, the MAPFRE Group has a corporate business continuity model developed by the Security and Environment Area, the ultimate aim of which is to be able to provide a timely and effective response should a high-impact incident occur, therefore minimizing the damage caused. The model adopts the form of contingency plans that include recovery strategies for each process based on the criticality of the process and situation and the availability of the elements affected (employees, buildings, technology and providers).

## **F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)**

Describe the mechanisms that comprise control systems and risk management in relation to the company's procedure for the issuing of financial information (ICFR).

### F.1 Control environment of the company

Report on the following, indicating the main characteristics:

### F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR; (ii) its implantation; and (iii) its supervision.

The MAPFRE internal control system takes the form of a set of continuous processes for which the MAPFRE S.A. Board of Directors is ultimately responsible. The Board is assisted by the Executive Committee and the executive teams of the different units, companies, corporate areas and other departments as regards the implementation, update and monitoring of the tasks and processes related to compliance with the objectives of the internal control system. The MAPFRE internal control system is implemented across the organization through the three-lines-of-defense model, as indicated in the latest update to the Group's internal control policy, approved by the Board of Directors on December 21, 2017.

The Regulation of the Board of Directors, which was amended and approved on February 7, 2017, with effect from March 10, 2017, includes the functions and responsibilities of the Board of Directors, the Steering Committee and other Board committees (Audit and Compliance, Appointments and Remuneration, and Risk).

The Board of Directors delegates ordinary management to the Steering Committee and to Senior Management, and reserves the approval of risk control and management policies and approval of the periodic follow-up of both internal information and control systems and financial information to be published, owing to its status as a listed company.

The Executive Committee is the body which, under mandate from the Board of Directors, exercises direct supervision over management of the business units and corporate areas and ensures the coordinated actions of the same.

The Audit and Compliance Committee, in its capacity as a delegate body of the Board of Directors, and in relation to the internal information and control systems, is responsible, among other things, for supervising the preparation and presentation of the requisite financial information and presenting recommendations or proposals to the Board of Directors in order to safeguard the integrity of the information. It also regularly reviews the efficacy of internal control and the risk management systems to ensure that the main risks are identified, managed and sufficiently well known.

The document titled "Internal Audit Policy and Charter," which was updated and approved by the Audit and Compliance Committee on November 29, 2017 and by the Board of Directors on December 21, 2017, sets out the main Internal Control System supervisory activities as well as those relating to the Solvency II Directive, conducted by the Audit and Compliance Committee through the Corporate Internal Audit Area, which are listed in section 5.1 of this document.

### F.1.2. Whether there are, particularly relative to the procedure for the preparation of financial information, the following items:

- **Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure; (ii) the clear definition of lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring the existence of sufficient procedures for correct diffusion in the company.**

The regulation on the Institutional, Business and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE S.A. at its meeting on June 24, 2015 and amended on February 7, 2017 with effect from March 10, 2017, is the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies.

The Board of Directors reviews and authorizes the Group's organizational structure and approves the lines of responsibility and authority based on the organizational structure defined. On October 20, 2017 the Board of Directors approved the new management organization chart, which entered into force on January 1, 2018.

The distribution of functions and definition of scopes of activity/authority and of hierarchical levels are undertaken in line with the organizational structure manual approved by the Corporate Human Resources Area.

Concordance between the organization of positions and the hierarchical structure is essential because it maps functions to roles and responsibilities, ensuring that business activities are conducted properly.

The Corporate Finance Area establishes the accounting policies and standards applicable to the Group and is responsible for the coordination between the various business units and corporate areas in relation to the consolidated financial information preparation procedure.

- Code of conduct, approval body, degree of diffusion and instruction, principles and values included (indicating if there are specific mentions to the registry of operations and preparation of financial information), body entrusted with analyzing noncompliance and recommending corrective measures and sanctions.

The Code of Ethics and Conduct approved on December 21, 2017 by the Board of Directors, replaces the previous version approved in 2016, that also replaces the one approved in 2009.

It aims to reflect corporate values and the basic principles that should guide the conduct of MAPFRE and its staff.

Communication campaigns were conducted to ensure that all employees were aware of the code, and it is available to them on the Intranet and the Group's website.

By December 31, 2017, a total of 24,353 employees worldwide had completed the e-learning course on the Code of Ethics and Conduct (approximately 60 percent of the workforce).

The code sets out specific principles that are binding for all employees, regarding the processing of the Group's financial information so as to ensure its confidentiality, integrity and availability in accordance with MAPFRE's information security policy. It also states that all employees are responsible for ensuring that the information provided is accurate, clear and truthful.

To guarantee application of the code, as well as supervision and control of its compliance, the Ethics Committee is entrusted with ensuring its compliance and analyzing and resolving any complaints lodged as a result of its violation. Any employee who has a query about the application of the code, or who observes a situation that might involve a breach or violation of any of the principles and rules of ethics or conduct, must report it to the Ethics Committee, which acts within the scope of its advisory functions or resolves any complaints that may arise regarding breaches of the code.

To notify the Ethics Committee of any queries or complaints, employees have access to an Ethical Whistleblower Channel on the Group's internal portal. The operation of this channel is set out in the Code of Ethics and Conduct.

Every year, the Ethics Committee reports to the Steering Committee on the activities carried out during the financial year.

- Whistleblower channel that allows employees to report financial and accounting irregularities to the Audit Committee, in addition to possible breaches of the code of conduct and irregular activities in the organization, indicating whether any of the information reported is confidential.

In addition to the Ethical Whistleblower Channel indicated in the previous section, there is a Financial and Accounting Whistleblower Channel which allows Group employees to report any potentially significant financial and accounting irregularities they observe to the Audit and Compliance Committee confidentially, via an electronic mailbox or written correspondence to a specific address.

The operating rules of the MAPFRE Group Financial and Accounting Whistleblower Channel, approved by the Audit Committee in 2011 and updated in 2016, are published on the Group's intranet or internal portal.

The Audit and Compliance Committee receives the complaints and reviews and resolves them by addressing each one as it deems appropriate. In order to perform its functions properly, it relies on assistance from General Counsel and the Corporate Internal Audit Area.

In cases of complaints concerning the Group's subsidiary companies which have their own mandatory Whistleblower Channel, the Audit and Compliance Committee and the competent body of the subsidiary company liaise in handling and resolving any complaints received.

The parties involved in the channel have controls for restricting access to the information, and the confidentiality of the whistleblower's identity is assured through the collection of personal data provided in accordance with the requirements of current data protection legislation.

General Counsel issues an annual report for the Audit and Compliance Committee outlining the activities conducted through the Whistleblower Channel and the final result of the complaints made.

- Regular training and refresher programs for staff involved in the preparation and review of financial information, as well as evaluation of the ICFR, covering at least the accounting rules, internal control and risk management.

MAPFRE has a Global Training Model that is the basis of the Corporate University. This university is organized into Schools of Knowledge, which encompass all of the training programs that are developed locally and globally.

Among the Technical Knowledge Schools, further progress was made on the creation of the Finance School with the aim of providing all employees in all the finance areas with the necessary knowledge to ensure efficient financial and risk management, a key aspect of MAPFRE's growth. The training content of this school is based on the following pillars:

- Risk Management
- Management, Administration and Accounting Control
- Corporate Finance
- Investments

In 2017 MAPFRE organized several training programs in Spain on financial, risk and internal control issues, representing a total of 4,029 training hours delivered to 1,945 participants.

The Iberia Regional Area launched the financial certification training plan for the MAPFRE sales network, taught by Escuela FEF (Fundación Estudios Financieros).

Under the terms of the agreement signed by MAPFRE and FEF, a large group of sales professionals around Spain will have access to a high-level program that will train them as financial advisors recognized by the Spanish National Securities and Exchange Commission, as required under MIFID II. This training adds great value to the MAPFRE sales network by providing cutting-edge, complete and practical knowledge that will significantly help sales efforts related with savings and investments.

At the close of 2017, 186 employees and 179 brokers had received certification. Another 268 employees are currently enrolled on the course and will complete the program in March 2018.

With a duration of 150 hours, the program uses a blended system: face-to face and video training, web support and forums.

With regard to e-learning, it is worth mentioning the "Internal Control Rules" course which all Group employees must take. In 2017 there were 3,850 course registrations. In the last nine years, a total of 63,057 employees and brokers have taken this course.

In 2015, a new e-learning course on the Regulatory Compliance Function was developed and incorporated into the eCampus platform. The purpose of this course is to share information on this function, its features, objectives and responsibilities and the importance of implementing the Compliance Function in organizations to minimize the risk of legal and regulatory noncompliance to which they are exposed. In 2017, 535 employees received 535 training hours through this course.

In 2017 an e-learning course on Solvency II was developed for employees worldwide. Available in the three corporate languages (Spanish, English and Brazilian Portuguese), this online training program will be rolled out in 2018.

Internal Audit training also continued in 2017, aiming to provide all professionals in MAPFRE audit areas around the world with the knowledge necessary to perform internal audits and to share established management tools and best practices.

With regard to business auditors, an international seminar for audit managers from all countries was held in May 2017 and attended by 35 employees. The main aims of this seminar, which is held every two years, is to discuss topics related to the audit function and business management in every country, as well as the latest developments in the insurance market and in the business lines in which MAPFRE operates.

Additionally, in November 2017 a training seminar was held for auditors in Spain and Portugal, attended by 67 employees. In this case, the contents focused mainly on aspects related to the Global Risks business unit, Solvency II, smart automation, accounting regulations, data protection issues and macroeconomic aspects of the insurance industry.

With regard to the preparation of financial information, General Counsel and the Corporate Finance Area issued memos containing instructions and updates on applicable regulations. The heads of the finance divisions also have specific models and instructions for preparing financial information, provided in the Consolidation Manual (which includes applicable accounting rules and policies), and the accounting models that are updated on an annual basis.

## F.2 Financial information risk assessment

Report on at least the following:

### F.2.1. The main characteristics of the risk identification process, including error or fraud risks, in relation to:

- Whether the process exists and is documented.

MAPFRE has a risk management system (hereinafter, RMS) that applies to Group companies, in accordance with the internal regulations of each of the risk categories considered.

The description of the RMS is included in Section E. Risk Control and Management Systems of this Corporate Governance Report.

Regarding the risk control system, risk factors are identified for each of the processes that the Group considers to be critical, which are classified into 23 risk types. Among the risk factors listed for each process, one is always included on the registration and accounting of financial information.

These risk factors are associated with the key figures for the main items in financial statements. In this process of identifying the key figures, quantitative and qualitative factors (complexity of transactions, risk of fraud and other aspects) were considered.

The Group also updates and monitors its Risk Control System through specific questionnaires on controls and risk, implementing corrective measures where necessary.

- Whether the procedure covers all financial information objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.

The risks that cover the objectives of existence and occurrence, integrity, assessment, presentation, breakdown and comparability, and rights and obligations of financial information are identified through the process of preparing the quarterly questionnaire on internal controls of financial information.

The purpose of this procedure is to identify and verify that controls are effective during the preparation of financial information, provide documentary evidence of the controls carried out by the company during the cash, consolidation, accounting and tax processes and of the result of their application, and act as an internal communications channel for

sharing relevant information regarding the issue of financial information.

The procedure through which the Administration and Finance areas of the main companies provide documentary evidence, under a simple, streamlined system, of the main activities carried out and the controls run during the process of preparing financial information at MAPFRE insurance companies during the quarterly and annual closes, was reviewed in 2016.

- The existence of a procedure for identifying the consolidation scope, bearing in mind, inter alia, the possible existence of complex corporate structures, instrumental companies or those with a special purpose.

The MAPFRE Consolidation Manual, prepared by the Corporate Finance Area, describes the process for identifying the scope of consolidation, which encompasses all the companies of the Group and is updated on a monthly basis.

The Consolidation Division provides the Consolidation Team Leader of each subgroup with the list of companies included in the scope of consolidation, along with the direct and indirect participation percentages and the consolidation method that applies. Any modification to the information provided must be reported to the Consolidation Division, which will make a decision on the modification after analyzing the reasons given.

The functional structure and the tasks assigned to the process managers are reflected in the Consolidation Manual.

- Whether the procedure takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect financial statements.

Risk control takes into account the different types of operational, technological, financial, legal, reputational and environmental risks, as well as the risks inherent in the insurance and reinsurance business.

In this process, each risk factor, where appropriate, is linked to the section of the financial statements that would be affected if the potential risk became a reality, the main sections being: premiums, provisions, financial returns, acquisition expenses, administration expenses and benefit expenses.

Risk control is promoted in the Group, both in Spain and abroad, through the Riskm@p software application, which is developed internally by MAPFRE and which aids in the creation of company risk maps. These maps analyze the significance and probability of occurrence of different risks. The management model is based on a dynamic analysis by processes, in which the managers of each area or department identify and assess the potential risks that affect business and support processes, as well as key economic figures, among other aspects, by completing self-evaluation questionnaires.

- Which of the company's governing bodies oversees the process?

The powers of the Audit and Compliance Committee with regard to the information and internal control systems include periodically reviewing the control internal systems and the risk identification and management systems. The Internal Control System and Risk Management System are reviewed at least once a year.

With regard to the ICFR report, the external audit reviews and analyzes its content and issues its own report on the consistency or impact of the information that pertains to it.

The ICFR report and the report prepared during the external audit are overseen by the Audit and Compliance Committee before they are presented to the Board of Directors.

### F.3 Control activities

Indicate whether at least the following are in place and describe the main characteristics:

- F.3.1. Procedures for reviewing and authorizing financial information and the ICFR description (to be published in securities markets), indicating responsible personnel, as well as descriptive documentation on activity and control flows (including those related to fraud risk) of the different types of transactions that could have a material effect on the financial statements, including the procedure for accounting closes and the specific review of relevant opinions, estimates, assessments and projections.

The financial reports on the annual accounts and biannual and quarterly information prepared by the Corporate Finance Area are submitted to the Audit and Compliance Committee first and then to the Board of Directors.

In the case of individual and consolidated annual accounts, the Chief Financial Officer, the Internal Audit General Manager and the executive responsible for preparing these accounts certify their accuracy and integrity to the Board of Directors.

The closing calendar, prepared by the Internal Accounting Control and Supervision Division, lists the main activities of the process of consolidating and preparing the annual and biannual accounts and the corresponding controls, providing deadlines for compliance.

The different Group companies report financial information through their assigned representatives, which the Corporate

Finance Area consolidates to prepare the reports. During the consolidation process, controls are in place to detect any errors liable to significantly affect the financial statements;

The Audit and Compliance Committee supervises the following information:

- The management report and individual and consolidated annual accounts of MAPFRE S.A. and its subsidiaries.
- The report on the limited review of the intermediate summarized consolidated financial statements of MAPFRE S.A. corresponding to the intermediate period ending on June 30 of each financial year.
- The information that MAPFRE S.A. sends to the Spanish National Securities and Exchange Commission (the "CNMV") every quarter. This economic-financial information is reviewed first by the Corporate Internal Audit Area, which issues a report in which it emphasizes that the intermediate financial statements of MAPFRE S.A. were prepared by applying the same criteria as that applied to annual accounts and that these criteria are reasonable, objective and verifiable.
- The information prepared by MAPFRE S.A. for investors and analysts, which is reviewed and analyzed by the Audit and Compliance Committee before publication.
- Solvency II Pillar 2 and Pillar 3 documents: ORSA (Own Risk and Solvency Assessment), SFCR (Solvency and Financial Condition Report) and RSR (Regular Supervisory Report).

Additionally, as indicated in the previous section, each quarter the companies complete the questionnaire on internal controls of financial information. This questionnaire includes documented evidence of the activities and controls performed with regard to the main financial information processes.

In addition to the procedures indicated above, during the risk control process, internal control manuals and other descriptive documents are prepared that contain procedures and activities and the parties involved in them, identifying the associated risks and the controls for mitigating them, including those related to fraud risk and the accounting close process.

The Board of Directors bases its estimates and assumptions on hypotheses about the future and on uncertainties that basically refer to the technical provisions; losses from the impairment of certain assets; the calculation of provisions for risk and expenses; the actuarial calculation of retirement liabilities and commitments; the useful life of intangible assets and of property, plant and equipment items; and the fair value of certain non-listed assets.

The estimates and assumptions used are included in the accounting close instructions, are reviewed regularly, and are based on historical experience and on other factors that may be considered more reasonable at the time. If the review leads to changes in estimates in a given period, their effect is applied during that period and, if applicable, in subsequent periods.

### **F.3.2. Internal control policies and procedures for information systems (inter alia, safe access, change control, operation, operational continuity and separation of functions) that concern the company's relevant procedures in relation to the preparation and publication of financial information.**

The Corporate Security and Environment Division, which reports to the Corporate Resources and Institutional Coordination Area, led by the First Vice Chairman, works directly with regulations related to information security.

In particular, the measures established are defined in an Information Security Document System (ISDS) or Information Security Regulations (ISR), organized according to the objectives defined in the Information Security Plan (PSI) approved by the Management Committee in 2004.

The information systems are subject to three types of security procedures and controls: preventive, informative and reactive, resulting in the publication of standards, the monitoring of networks and systems, and the review of any measures and controls in place.

Among other aspects, the Information Security Regulations (ISR) set out the following: information systems must be tracked and monitored through inventory procedures to identify the resources and the information that they contain; verification of the identity of the people who use them; and the use of passwords in keeping with the password strength criteria laid down in the regulations, which help maintain the appropriate separation of functions.

To facilitate compliance with the obligations established in the ISR, MAPFRE has a General Control Center (which acts as a Computer Emergency Response Team (CERT) and belongs to the international network known as FIRST or Forum of Incident Response and Security Teams). This center monitors activity in the networks and in the Group's information systems, and it is the body responsible for responding to potential security incidents.

Additionally, every year the Corporate Security and Environment Division implements a calendar of security checks to verify the security controls in place and discover any vulnerabilities in the information systems.

The Corporate Security Policy, approved by the Board of Directors of MAPFRE S.A. in 2015, and the rules and standards of these Information Security Regulations are all published on the global intranet to enable all employees to access them.

The Group also has a business continuity policy, governance framework and methodology defining the framework and



actions necessary to guarantee the correct functioning of operations in the event of a high-impact incident and minimize the damage caused.

Every year the Corporate Internal Audit Area verifies the correct functioning of the internal control system of the main computer systems, whose scope includes general IT controls, the IT control environment and all applicable controls.

### F.3.3. Internal control policies and procedures designed to supervise the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may have a material effect on financial statements.

All services subcontracted to third-parties are articulated through specific contracts and the contracting units or areas directly supervise the providers, except in the case of exceptional services (that are not recurring over time), which due to their reduced amount, duration and lesser importance are processed through the system based on the provider's offer.

Providers are selected on the basis of objective criteria that assess factors such as quality, price, provider infrastructure, market recognition and, in particular, membership of the groups of associates that collaborate with the Group's companies and their track record in terms of service quality.

Compliance with prevailing legislation in the various countries and the implementation of security measures where warranted are prerequisites. Other highly rated attributes include response times, after-sales service, geographic reach and the added value they can contribute.

The Resources and Institutional Coordination Area is currently deploying a global service procurement and contracting plan in every country. The plan includes different categories, one of which is the external services category for services that have a potential financial impact stemming from the required evaluation, calculation or valuation. The external services currently include those related to auditing, advising and property valuation.

In implementing this plan, in 2013 the Steering Committee approved the Procurement Regulations which contain the principles and basic criteria for the procurement of goods and services by all Group companies, irrespective of their geographic location and type of business. The Corporate Resources and Institutional Coordination Area also has in place a Procurement Procedure, defined internally, which complements the Procurement Regulations. This procedure was updated in 2017 and entered into force on January 1, 2018.

In general, providers are approved and contracted by the Procurement Area, and once the contract has been formalized it is the requester who ensures that the service is delivered correctly and in accordance with current legislation.

However, in the case of external services that are subcontracted for value estimation and require specific technical expertise (corporate transactions, asset and portfolio valuation, etc.), it is the areas themselves that contract and oversee the service directly since they have personnel qualified to assess the capacity and qualifications of the provider and the conclusions reflected in the reports issued.

Currently, the main providers that are contracted repeatedly have been approved and, in accordance with the Procurement Procedure, the aim is to approve all recurring providers or providers with special relevance for the MAPFRE Group.

## F.4 Information and Communication

Indicate whether at least the following are in place and describe the main characteristics:

### F.4.1. A specific function responsible for defining, keeping accounting policies up-to-date (accounting policies area or department) and resolving queries or disputes derived from their interpretation, maintaining continuous communication with those responsible for operations in the organization, as well as an updated manual of accounting policies that is communicated to the units through which the company operates.

The Internal Accounting Control and Supervision Division, which reports to the Corporate Finance Area, is responsible for updating accounting policies and applicable rules that concern the Group's financial information, and for resolving queries and disputes derived from their interpretation.

This division also maintains a close and fluid relationship with the financial divisions of the different companies and with the corporate areas, to which it communicates formally established accounting procedures and rules.

The Group's subsidiaries receive the information about the applicable procedures and regulations through the parent companies of the subgroups, which receive the instructions directly from the Internal Accounting Control and Supervision Division.

The Internal Accounting Control and Supervision Division updates the individual and consolidated annual accounting models used by the various Group companies, which include accounting policies and breakdowns of information to be presented. The



Consolidation Division of the Corporate Finance Area defines instructions on accounting policies and breakdowns for preparation of the Group's consolidated information using the consolidation manual.

At least once a year, and during the last quarter of the financial year, the annual accounting models and the consolidation manual are reviewed and any changes are reported to the parties involved. However, whenever there are changes that affect periods of time of less than one year, these changes are reported immediately.

#### F.4.2. Mechanisms for the capture and preparation of financial information with standard formats, for application and use by all units of the company or the Group, that support the main financial statements and notes, as well as information provided on the ICFR.

Since March 2010, the financial information of the MAPFRE Group companies has been managed using the corporate consolidation application, a tool that constitutes a centralized database (common and single data repository). This application has been programmed to automatically execute the consolidation entries and process controls, which guarantees that the criteria set out in the consolidation manual are applied uniformly to all the automatic entries and minimizes the likelihood of errors.

Within the procedure for preparing financial information, the consolidation certificates constitute the channel of communication about the information required in the consolidation procedure or in the preparation of consolidated financial statements. The certificates are reviewed and updated at least one a year.

Based on the information contained in the consolidation certificates and using the accounting model prepared by the Internal Accounting Control and Supervision Division, the Consolidation Division prepares the annual accounts and all the other financial statements.

The Internal Accounting Control and Supervision Division is responsible for preparing the ICFR-related report. To do this, it identifies the areas involved in the financial information preparation process, sends them instructions on how to complete the report, and at least once a year asks them to update the support documentation for the actions performed.

## F.5 Supervision of the system's operation

Report on the following, indicating the main characteristics:

#### F.5.1. The supervision activities of the ICFR conducted by the Audit Committee and whether the company has an internal audit function that includes supporting the committee in its supervision of the internal control system, including the ICFR. At the same time, the scope of evaluation of the ICFR conducted during the financial year and the procedure whereby the person responsible for executing the evaluation notifies the results, whether the company has an action plan defining possible corrective measures, and whether its impact on financial information has been taken into account.

MAPFRE S.A. has an Corporate Internal Audit Area which since 2014 has comprised six Internal Audit Departments located in Spain (Iberia Insurance, LATAM Insurance, International Insurance, Reinsurance, Asistencia and Global Risks, and Information Technologies), a Continuous Internal Audit Unit in Spain and 25 internal audit units and departments in the countries, which are fully independent and review and evaluate the suitability and correct functioning of all Group procedures, as well as the Internal Control System.

The structure of MAPFRE's Corporate Internal Audit Area depends functionally on the Board of Directors of MAPFRE S.A. through the Audit and Compliance Committee (delegate body of the Board) and on the Chairman of the Board in particular.

The managers of the audit departments and units depend (functionally and hierarchically) on the General Manager of Internal Auditing.

The Audit and Compliance Committee supervises the financial information described in the previous Section F.3.1 of this report, and also approves the Internal Audit Plan and monitors it on a quarterly basis.

The Audit Plan outlines the supervisory work that the Corporate Internal Audit Area will carry out during the next financial year, the content and scope of which are established in terms of the risks identified, requests received and own experience. The plan is managed uniformly through a single Group-wide technological platform that allows the information to be processed in accordance with the access levels established for the different responsibilities.

The MAPFRE Group Internal Audit Policy and Charter establishes the following functions, among others, for the Corporate Internal Audit Area:

- ✓ To supervise the suitability and efficacy of the Internal Control System and other elements of the Governance System, which is centered on:
  - Evaluating the suitability, sufficiency and efficacy of elements of the Internal Control System.

- Evaluating the Risk Management System (RMS), based on the integrated management of all the business processes and adaptation of the risk level to MAPFRE's strategic objectives by reviewing, at least, the risk quantification and qualification processes stated in the Solvency II Directive. The Own Risk and Solvency Assessment (ORSA), which is mandatory for each insurance company or group of insurance companies, is one of the main aspects of the work to be carried out.
  - Evaluating the suitability and performance of the key functions set out in the governance system provided for in the Solvency II Directive.
  - Contributing to good corporate governance by verifying compliance with the rules established by the MAPFRE Group's Institutional, Corporate and Organizational Principles and the Solvency II Directive.
- ✓ To evaluate the reliability and integrity of accounting and individual and consolidated information and other economic information prepared by MAPFRE S.A., its subsidiaries, business units, territorial areas, regional areas and corporate areas, as well as the validity, sufficiency and application of the accounting and legal principles and rules.

The evaluation and assessment of the MAPFRE Internal Control System conducted by the Internal Audit Corporate Area follows a pre-established methodology based on variables such as the review of the IT internal control, the assessments of the audits conducted during the year and compliance with recommendations, which are first approved by the Audit and Compliance Committee. The result of this review is reflected in an annual report on the effectiveness of internal control procedures. Whenever appropriate, individual recommendations are made to the company with a view to improving the internal control system and then the Audit and Compliance Committee monitors their compliance.

Every year the Audit and Compliance Committee holds a meeting on internal control to analyze the assessments and any recommendations issued by the Corporate Internal Audit Area on the Internal Control System (which includes the ICFR).

The Corporate Internal Audit Area checks the internal control system for the main IT systems, as indicated in section 3.2 above.

The Corporate Internal Audit Area also analyzes the work it has conducted over the year and its impact on the financial statements.

Likewise, as part of the audit procedures performed to validate the annual financial statements, the external auditor issues a memorandum of recommendations after his/her interim visit, which is presented to the Audit and Compliance Committee.

**F.5.2. Whether there is a procedure for discussion whereby the account auditor (pursuant to the provisions of the NTAs), the internal audit function and other experts can notify senior management and the Audit Committee or company directors of any significant weaknesses in internal control identified during procedures to review the annual accounts or others that may have been commissioned. Also indicate whether there is an action plan that endeavors to correct or mitigate the weaknesses observed.**

The previous section F.5.1 indicates the procedure used by Internal Audit to report assessments of aspects relating to internal control.

Communication with the external auditor is very frequent and fluid in the MAPFRE Group. Both at the beginning, during and at completion of work to review the company's annual accounts by the external auditors, planning, follow-up and coordination meetings are held and attended by the external auditors, internal auditors, General Counsel and the Corporate Finance Area. Additionally, on completion of the work a meeting is held with the General Manager of Internal Audit to discuss the results and conclusions detected. If there are any action plans to correct or mitigate the weaknesses observed, which also include the responses prepared by the division to implement the recommendations put forward by the external auditors, these plans are presented to the Audit and Compliance Committee. The external auditor attends the Audit and Compliance Committee when the agenda includes issues regarding the review of the annual and half-yearly accounts, their preliminary review, and whenever required on account of other issues.

## F.6 Other relevant information

There is no other relevant information about the ICFR that has not been included in this report.

## F.7 External auditor report

Indicate:

**F.7.1. Whether the ICFR information sent to the markets has been reviewed by the external auditor. If so, the company should attach the relevant report as an annex. Otherwise, state the reasons.**

The ICFR information has been reviewed by the external auditor, whose report is attached as an annex.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code for listed companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have enough information to assess the conduct of the company. No general explanations will be accepted.

1. The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by purchasing their shares on the market.

Complies

Explain

2. When a dominant and a subsidiary company are publicly traded, both should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other companies of the Group.  
b) The mechanisms in place to resolve possible conflicts of interest.

Complies

Complies in part

Explain

Not applicable

3. During the Ordinary General Meeting, in addition to broadcasting the Annual Corporate Governance Report, the Chairman of the Board must inform the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company and, in particular:

- a) The changes that have occurred since the last Ordinary General Meeting.  
b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if applicable, the alternative rules that it applies on these matters.

Complies

Complies in part

Explain

4. The company shall define and promote a new policy on communication and contact with shareholders, institutional investors and proxy advisors that is fully respectful of the rules against market abuse and treats all shareholders in the same position equally.

The company shall make this policy public through its website, including information relating to the way in which it has been put into practice and identifying the interlocutors or those responsible for this happening.

Complies

Complies in part

Explain

5. At the General Meeting, the Board of Directors shall not put forward a proposal for delegating powers to issue shares or convertible values excluding the right of first refusal, for more than 20 percent of the capital at the time of delegation.

When the Board of Directors approves any issuance of shares or convertible bonds, excluding the right of first refusal, the company shall publish the reports on this exclusion, referred to by corporate legislation, on its website immediately.

Complies     Complies in part     Explain

6. The listed companies that prepare the reports indicated below, whether on a mandatory or voluntary basis, shall publish them on their website with sufficient notice before the Ordinary General Meeting is held, even if their distribution is not mandatory:
- a) Report on the independence of the auditor.
  - b) Report on the operation of the Audit Committee and the Appointments and Remuneration Committee.
  - c) Report of the Audit Committee on related operations.
  - d) Report on the corporate social responsibility policy.

Complies     Complies in part     Explain

7. The company shall broadcast the General Meetings live on its website.

Complies     Explain

8. The Audit Committee shall ensure that the Board of Directors avoids presenting accounts to the General Meeting without limitations or reservations in the audit report. When this is not possible, both the chairman of the Audit Committee and the auditors must clearly explain the content and scope of these limitations or reservations.

Complies     Complies in part     Explain

9. On its website, the company shall make publically and permanently available the requirements and procedures that it will accept to support the ownership of shares, the right to attend the General Meeting and voting or proxy voting.

These requirements and procedures will promote attendance and the exercising of rights of the shareholders and must be applied in a non-discriminatory manner.

Complies     Complies in part     Explain

10. When, prior to the General Meeting, any entitled shareholder has exercised the right to complete the agenda or present new proposals for resolution, the company:
- a) Shall immediately broadcast these new and additional proposals for resolution.
  - b) Shall publicize the model attendance card or proxy form or distance vote with the necessary modifications so that they can vote on the new points in the agenda and proposed alternatives for resolution in the same terms as those proposed by the Board of Directors.
  - c) Shall submit all of those points and proposed alternatives to voting and apply the same voting rules as those set by the Board of Directors, including, in particular, the presumptions or inferences on how to vote.

d) Following the General Meeting, it shall communicate the breakdown of the vote on those additional points or proposed alternatives.

Complies       Complies in part       Explain       Not applicable

11. If the company plans to pay attendance premiums for the General Meeting, it shall establish a general policy on those premiums previously and this policy must be permanent.

Complies       Complies in part       Explain       Not applicable

12. The Board of Directors shall perform its functions with a unified purpose and independent judgment, treat all shareholders in the same position equally and be guided by corporate interest, understood as a profitable business that is sustainable in the long term and that promotes the continuation and maximization of the economic value of the company.

In the pursuit of corporate interest, in addition to compliance with the laws and regulations and a behavior based on good faith, ethics and in compliance with the commonly accepted uses and good practices, it shall seek to reconcile, as appropriate, corporate interest with the legitimate interests of its employees, providers, clients and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and the environment.

Complies       Complies in part       Explain

13. The Board of Directors shall be of the required size to permit its efficient and participatory operation, meaning that it is advisable for it to comprise between five and 15 members.

Complies       Explain

14. The Board of Directors shall approve a director selection policy which:

- a) Is specific and reasonable.
- b) Ensures that the appointment or reappointment proposals are based on a prior analysis of the needs of the Board of Directors.
- c) Promotes diversity of knowledge, experience and gender.

The results of the prior analysis of the needs of the Board of Directors shall be included in the explanatory report of the Appointments Committee that is published when the General Meeting is called, to which the ratification, appointment or reappointment of each director is submitted.

The director selection policy shall promote the objective for the number of directors in year 2020 to represent at least 30 percent of the total members of the Board of Directors.

The Appointments Committee shall verify the compliance with the director selection policy annually and shall inform on this in the Annual Corporate Governance Report.

Complies       Complies in part       Explain

15. The nominee and independent directors shall constitute a large majority of the Board of Directors, and the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the percentage of shares held in the company by the executive directors.

Complies

Complies in part

Explain

16. The percentage of nominee directors of the total number of non-executive directors should not be greater than the ratio between the company capital represented by these directors and the rest of the capital.

This criterion can be relaxed:

- a) In large cap companies where there are few equity stakes that are legally considered as significant.
- b) In companies with a plurality of shareholders represented on the Board of Directors who are not related.

Complies

Explain

17. Independent directors should account for at least half of the total number of directors.

However, when the company is not high cap, or when, even though it is, it has one or several shareholders acting in unison controlling more than 30 percent of the share capital, the number of independent directors should represent at least a third of all directors.

Complies

Explain

18. Companies shall publish the following director particulars on their website and keep them permanently updated:

- a) Professional experience and background.
- b) Other boards to which they belong, whether or not listed companies, as well as other paid activities performed, whatever their nature.
- c) An indication as to whether the directorship is executive, indicating shareholder-nominated or independent; in the case of nominee directors, stating the shareholder they represent or to whom they are affiliated.
- d) The date of his/her first and subsequent appointments as a company director, as well as later reappointments.
- e) Company shares, and share options, of those which are held.

Complies

Complies in part

Explain

19. The Annual Corporate Governance Report, following verification by the Appointments Committee, shall disclose the reasons for the appointment of nominee directors at the behest of shareholders controlling less than three percent of capital; and it should explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others appointed for a nominee directorship.

Complies

Complies in part

Explain

Not applicable

20. Nominee directors must resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the number of such nominee directors should be reduced accordingly.

Complies       Complies in part       Explain       Not applicable

21. The Board of Directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the Board of Directors, based on a report from the Appointments Committee. In particular, it must be understood that there is just cause when the director takes on new positions or contracts new obligations that prevent him/her from devoting the necessary time to the performance of the functions of a director, fails to comply with the work inherent to his/her position or is involved in any of the circumstances that cause the loss of his/her independent status, in accordance with that established in applicable legislation.

The removal of independent directors can also be proposed as a result of public takeover bid, merger or similar corporate actions that cause changes in the capital structure of the company, when these changes in the structure of the Board of Directors are supported by the proportionality criteria, indicated in recommendation 16.

Complies       Explain

22. Companies shall establish rules obliging directors to inform the Board of Directors of any circumstance that might undermine the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes stated in corporate law, the Board of Directors should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board of Directors should also disclose all of this in the Annual Corporate Governance Report.

Complies       Complies in part       Explain

23. The directors should clearly express their opposition when they consider that a resolution submitted to the Board of Directors may go against the corporate interest. In particular, independent directors and other directors unaffected by the potential conflict of interest should challenge any decision that could go against the interests of shareholders lacking representation in the Board of Directors.

When the Board of Directors adopts important or reiterated resolutions on issues about which a director has expressed serious reservations, it must draw the pertinent conclusions. If chosen to resign, the reasons for this must be set out in the letter referred to in the following recommendation.

This recommendation should also apply to the secretary of the Board of Directors, even if the secretary is not a director.

Complies       Complies in part       Explain       Not applicable

24. If leaving office before the end of his/her term, whether due to resignation or other reasons, the director should explain the reasons in a letter sent to all members of the Board of Directors. Whether or not such resignation is filed as a significant event, the reasons for leaving must be



explained in the Annual Corporate Governance Report.

Complies       Complies in part       Explain       Not applicable

25. The Appointments Committee must ensure that non-executive directors have sufficient time available to perform their functions correctly.

The Board regulations establish the maximum number of company directorships that can form part of their directors.

Complies       Complies in part       Explain

26. The Board of Directors should meet with the necessary frequency to perform its functions properly, and at least eight times a year, following the schedule of dates and matters established at the beginning of the financial year, to which each director may propose the addition of other items individually.

Complies       Complies in part       Explain

27. Directors should keep their absences to a bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When they have to be absent, they should delegate their representation with instructions.

Complies       Complies in part       Explain

28. When directors or the company secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board of Directors, the person expressing them may request that they be recorded in the minutes.

Complies       Complies in part       Explain       Not applicable

29. The company must establish the appropriate channels for the directors to obtain precise advice for the fulfilment of their functions, including, if the circumstances demand it, external advice at the company's expense.

Complies       Complies in part       Explain

30. Irrespective of the knowledge demanded of the directors to perform their functions, companies also offer refresher programs, when the circumstances so advise.

Complies       Explain       Not applicable

31. The agenda of the sessions must clearly indicate the points about which the Board of Directors must make a decision or a resolution that enables the directors to study or previously obtain the information required for this to take place.

When, in exceptional circumstances, as a matter of urgency, the director wishes to submit decisions or resolutions that are not part of the agenda to the Board of Directors, prior and express consent must be obtained from the directors present, which must be duly recorded in the minutes.



Complies

Complies in part

Explain

32. The directors must be informed periodically on the transactions of the shareholders and the opinions that the significant shareholders, investors and ratings agencies have on the company and Group.

Complies

Complies in part

Explain

33. The Chairman, responsible for the efficient operation of the Board of Directors, as well as for performing the legal and bylaw functions that are attributed to it, must prepare and submit a schedule of dates and matters to discuss to the Board of Directors, organize and coordinate the periodic evaluation of the Board, as well as, where applicable, the chief executive of the company. He/she will also be responsible for managing the Board and the efficiency of its performance, ensuring that enough time is devoted to discussing strategic matters, and must consent to and review the refresher programs for each director, when the circumstances so advise.

Complies

Complies in part

Explain

34. When there is a lead director, the bylaws or regulations of the Board of Directors, as well as the powers that are legally entitled, he/she is assigned the following: to chair the Board of Directors in the absence of the Chairman and Vice Chairmen, if applicable, voice the concerns of the non-executive directors, maintain contact with investors and shareholders to be aware of their points of view in order to form an opinion on their concerns, particularly in relation to the corporate governance of the company, and coordinate the succession of the chairman.

Complies

Complies in part

Explain

Not applicable

The company complies with the entire recommendation, except with respect to assigning the lead director with the power to chair the Board of Directors in the absence of the Chairman, to maintain contact with investors and shareholders, and to coordinate the succession of the Chairman. The Regulations of the Board of Directors assigns the Lead Director the powers to request the Board of Directors to be convened, or the inclusion of new points in the agenda from a Board meeting already convened, coordinate and bring together the non-executive directors and, if required, direct the periodic evaluation of the Chairman of the Board of Directors.

In accordance with the Board of Directors Regulations, in the absence of the Chairman and Vice Chairmen, the oldest director is called upon to chair the meeting. However, the Lead Director is also the Second Vice-Chairman of the Board and, accordingly, is entrusted with chairing meetings in the absence of the Chairman and the First Vice-Chairman.

With respect to relationships with shareholders and investors, article 21 of the Board of Directors Regulations establishes that the Board of Directors is responsible for establishing and supervising appropriate communications and relations mechanisms with shareholders and investors, establishing the pertinent communications channels in the Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors. The company considers that this configuration ensures better and more efficient coordination of the company's relationships with its investors and shareholders.

Finally, the Board of Directors' Regulations assign the Appointments and Remuneration Committee the power to examine and organize the succession of the Chairman of the Board, as established in article 529 of the Companies Act.

35. The secretary of the Board of Directors should in particular ensure that Board of Directors has the recommendations on good governance at hand during its actions and decisions applicable to the company. These are contained in this Good Governance Code.

Complies

Explain

36. The Board of Directors should evaluate and adopt an action plan in full once a year, if applicable,

that corrects the weaknesses detected, in relation to:

- a) The quality and efficiency of the operational aspects of the Board of Directors.
- b) The operational aspects and composition of its committees.
- c) The diversity in the composition and responsibilities of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the chief executive of the company.
- e) The performance and contribution of each director, paying special attention to those responsible for the different board committees.

The various committees are evaluated on the basis of the report that they present to the Board of Directors, and for the latter, on the report presented to the Appointments Committee.

Every three years, the Board of Directors will be assisted by an external advisor to perform the evaluation, the independence of whom will be verified by the Appointments Committee.

The business relationships maintained by the advisor or any company in its group with the company or any company in its Group must be indicated in the Annual Corporate Governance Report.

The process and the areas evaluated must be described in the Annual Corporate Governance Report.

Complies     Complies in part     Explain

37. When there is an executive committee, the breakdown of its members by director category should be similar to that of the Board of Directors. The secretary of the Board should also act as secretary to the executive committee.

Complies     Complies in part     Explain     Not applicable

The company considers that it is essential that the majority of executive directors form part of the Steering Committee, in that it is a delegate body of a pronounced executive nature. Nevertheless, three nominee directors and two independent directors also form part of the committee so all types of directors are represented. On January 1, 2017 the number of executive directors on the Steering Committee was reduced from five to three. Accordingly, the proportion of nominee and independent directors has risen considerably, irrespective of the fact that non-executive members represent a broad majority on the Board.

In accordance with the corporate bylaws and the Board of Directors Regulations, the secretary of the Board will automatically be the secretary of the Steering Committee.

38. The Board of Directors should be kept fully informed of the matters discussed and resolutions adopted by the Executive Committee. To this end, all members of the Board of Directors should receive a copy of the Executive Committee's minutes.

Complies     Complies in part     Explain     Not applicable

39. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. The majority of these members should be independent directors.

Complies     Complies in part     Explain

40. Under the supervision of the Audit Committee, there should be a unit that assumes the internal audit function that ensures the proper performance of the information and internal control systems, and functionally operates under the non-executive director of the Board or the Audit Committee.

Complies

Complies in part

Explain

41. The manager of the unit that assumes the internal audit function must present an annual work program to the Audit Committee, report to it directly about any incidents arising during its implementation, and present an activity report at the end of each financial year.

Complies

Complies in part

Explain

Not applicable

42. In addition to the provisions of the law, the Audit Committee has the following functions:

1. In relation to the information and internal control systems:

- a) To supervise the process of preparing the financial information and its integrity for the company and Group, reviewing compliance with regulatory requirements, checking the scope of the consolidation perimeter and making sure that the accounting principles are applied properly.
- b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment, reappointment and removal of the internal audit officer; to propose the budget for the internal audit department; to approve the guidance and work programs, ensuring that the unit's activity primarily focuses on risks relevant to the company; to receive periodic information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- c) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed possible and appropriate, anonymously report any irregularities they notice within the company which may be of potential importance, especially financial and accounting irregularities.

2. With respect to the external auditor:

- a) Should the external auditor resign, to examine the circumstances leading to the resignation.
- b) To ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.
- c) To ensure that the company notifies any change of auditor to the Spanish National Securities and Exchange Commission (the "CNMV") as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.
- d) To ensure that the external auditor holds an annual plenary meeting of the Board of Directors to inform them about the work performed, the accounting situation and any risks to the company.
- e) To ensure that the company and the external auditor respect the prevailing standards on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, other standards established to guarantee auditors' independence.

Complies

Complies in part

Explain

43. The Audit Committee can summon any company employee or executive, even ordering their appearance without the presence of another executive.

Complies

Complies in part

Explain

44. The Audit Committee must be informed of any corporate and structural modifications which the company plans to make so that, in advance of the next Board of Directors meeting, the committee can analyze these modifications and draw up a report about any economic conditions and accounting impact, particularly as regards the proposed exchange ratio.

Complies

Complies in part

Explain

Not applicable

45. The risk control and management policy should specify at least the following:

- a) The different types of risk, both financial and non-financial (operational, technological, legal, social, environmental, political and reputational), faced by the company. In the case of financial or economic risks, the contingent liabilities and other off-balance-sheet risks must be identified.
- b) The risk level that the company considers acceptable.
- c) The measures established to mitigate the impact of the risks identified, should they materialize.
- d) The internal oversight and reporting systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

Complies

Complies in part

Explain

46. Under the direct supervision of the Audit Committee, or, if applicable, a specialized committee of the Board of Directors, there should be an internal risk control and management function performed by a unit or department within the company that is expressly assigned the following functions:

- a) To ensure that the risk control and management systems function properly and, in particular, that they identify, manage and quantify all the significant risks that affect the company.
- b) To actively participate in the development of the risk strategy and important decisions regarding its management.
- c) To ensure that the risk control and management systems mitigate the risks properly and in accordance with the policy defined by the Board of Directors.

Complies

Complies in part

Explain

47. The members appointed to the Appointments and Remuneration Committee—or the Appointments Committee and Remuneration Committee if separate—must have the knowledge, skills and experience appropriate for the functions that they are called to fulfill. The majority of these members should be independent directors.

Complies

Complies in part

Explain

48. The large cap companies have a separate Appointments Committee and a Remuneration Committee.

Complies

Explain

Not applicable

The company considers the issues regarding appointments and remuneration to be closely related, and it is therefore seen as appropriate for them to be analyzed by the same committee.

49. The Appointments and Remuneration Committee must consult with the Chairman of the Board of Directors and the company Chairman and CEO, particularly with respect to matters relating to executive directors.

Any Board member may ask the Appointments Committee to take into consideration any candidates he/she deems suitable to fill a director vacancy.

Complies     Complies in part     Explain

50. The Remuneration Committee must perform its functions independently and, in addition to the functions assigned by law, the following ones:

- a) To propose the basic conditions for the contracts of the top executives to the Board of Directors.
- b) To check compliance with the remuneration policy set by the company.
- c) To periodically review the remuneration policy applicable to directors and top executives, including remuneration systems with shares and their application, as well as to guarantee that individual remuneration is proportional to that paid to the rest of the directors and top executives of the company.
- d) To ensure that possible conflicts of interest do not compromise the independence of the external advice provided to the committee.
- e) To check the information on remuneration of directors and top executives contained in the different corporate documents, included in the annual report on the remuneration of directors.

Complies     Complies in part     Explain

51. The Remuneration Committee must consult with the company Chairman and CEO, especially with respect to matters related to executive directors and top executives.

Complies     Complies in part     Explain

52. The rules governing the composition and operation of the supervision and control committees must be included in the regulations of the Board of Directors and be consistent with those applicable to legally obliged committees in accordance with the previous recommendations, including:

- a) They are formed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors.
- c) The Board of Directors appoints the members of these committees based on their knowledge, skills and experience and the terms of reference of each committee; discusses its proposals and reports; and reports on and defends its activity at the first plenary Board of Directors meeting held after its own meetings.
- d) The committees may engage external advice when it is considered necessary for the performance of their functions.
- e) Minutes must be taken at their meetings and made available to all directors.

Complies     Complies in part     Explain     Not applicable

53. The supervision of compliance with the rules of corporate governance, the internal codes of conduct and the social corporate responsibility policy shall be attributed to one or distributed among several committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialized committee which the Board of Directors, exercising its powers of self-organization, decides to create for the purpose. These committees have the following minimum functions:

- a) Supervision of the company's compliance with its internal codes of conduct and rules of corporate governance.
- b) Supervision of the communication strategy and relationship with shareholders and investors, including the small and medium shareholders.
- c) Periodic assessment of the suitability of the company's corporate governance system to fulfill its mission of promoting the corporate interest and bearing in mind, as applicable, the legitimate interests of the remaining stakeholders.
- d) Review of the company's corporate responsibility policy to ensure that it is aimed at the creation of value.
- e) Monitoring of the corporate social responsibility strategy and practices and evaluation of the degree of compliance.
- f) Supervision and evaluation of the relational processes with other stakeholders.
- g) Evaluation of everything relating to the non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the report process for non-financial and diversity information, in accordance with the applicable regulations and international reference standards.

Complies

Complies in part

Explain

Functions a) and c) expressly correspond to the Audit and Compliance Committee and duty g) to the Risk Committee.

As indicated in recommendation 34, the Board of Directors itself is responsible for establishing and supervising appropriate communication mechanisms and relations with shareholders and investors.

With regard to the responsibilities relating to corporate social responsibility, the company has a Corporate Social Responsibility Committee. This permanent internal body has executive functions and is responsible among other things for approving the social responsibility strategy and proposing specific actions, objectives and deadlines. In accordance with the corporate social responsibility policy, this committee reports annually to the MAPFRE S.A. Board of Directors and/or the relevant Board committee on the degree of compliance with the corporate social responsibility policy and strategy.

54. The corporate social responsibility policy shall include the principles and commitments which the company assumes voluntarily in its relationship with other stakeholders and it should identify at least the following:

- a) The objectives of the corporate social responsibility policy and development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social issues.
- c) Specific practices on matters relating to: shareholders, employees, clients, providers, social issues, the environment, diversity, fiscal responsibility, respect for human rights, and the prevention of illegal conduct.
- d) Methods or systems for monitoring the results of the application of the specific practices indicated above, as well as the associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and corporate conduct.
- f) Channels of communication, participation and dialog with stakeholders.
- g) Responsible communication practices that prevent the manipulation of information and protect honor and integrity.

Complies

Complies in part

Explain

55. The company reports on matters relating to corporate social responsibility in a separate document or within the management report, using one of the internationally accepted methodologies.

Complies       Complies in part       Explain

56. The remuneration of directors must be sufficient to attract and retain directors from the desired profile and reward the commitment, qualification and responsibility demanded by the position, but not so high that the independence of criteria for non-executive directors is compromised.

Complies       Explain

57. The executive directors must receive the variable remuneration relating to the performance of the company and their individual performance, as well as remuneration in the form of shares, options or rights on shares and instruments referenced to the share value and long-term saving systems such as pension plans, retirement systems or other social protection systems.

The delivery of shares will be considered as remuneration for non-executive directors on condition that the shares are held for the duration of the directorship. This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies       Complies in part       Explain

58. In the case of variable remuneration, the remuneration policies must include the limits and specific technical safeguards to ensure that the remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets, the company sector or similar circumstances.

In particular, the variable components of the remuneration:

- a) Are linked to performance criteria that are predetermined and measurable, and these criteria must take into account the risk accepted for achieving a result.
- b) Promote the sustainability of the company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the internal rules and procedures of the company and its policies for risk control and management.
- c) Are defined on the basis of a balance between compliance with short, medium and long-term objectives, permitting remuneration for continued performance over a period of time sufficient to appreciate the contribution to the creation of sustainable value. Accordingly, the elements used to measure performance are not based solely on specific, occasional or extraordinary events.

Complies       Complies in part       Explain       Not applicable

59. The payment of a significant portion of the variable components of remuneration is deferred for a minimum period that is sufficient to verify compliance with the previously established performance conditions.

Complies       Complies in part       Explain       Not applicable

60. Remuneration linked to the company's results takes into account any reservations that are mentioned in the external auditor's report and may compromise the results.

Complies       Complies in part       Explain       Not applicable



61. A significant percentage of the variable remuneration of the executive directors is linked to the delivery of shares or financial instruments referenced to the share value.

Complies  Complies in part  Explain Not applicable

62. Once shares, or options or rights to corresponding shares, are allocated to the remuneration system, directors cannot transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or exercise any options or rights until after a period of at least three years from their allocation.

This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies  Complies in part  Explain  Not applicable

63. The contractual agreements include a clause that allows the company to demand re-payment of variable components of remuneration when payment has not been adjusted to the performance conditions or when it has been awarded on the basis of data which is subsequently shown to be incorrect.

Complies  Complies in part  Explain Not applicable

64. Payments for contract termination do not exceed a fixed amount equivalent to two years' total annual remuneration, and will not be paid until the company has confirmed that the director has met the pre-established performance criteria.

Complies  Complies in part  Explain  Not applicable

For external directors, there is no compensation for leaving the position.

Regarding executive directors, leaving the position means lifting the suspension of the relationship prior to the appointment as executive director.

The early termination of the previous relationship (prior, in all cases, to the approval of the Code of Good Governance for listed companies), except when there is good cause for dismissal, implies compensation under the terms established by the workers' statute in relation to unfair dismissal.

## **H** OTHER USEFUL INFORMATION

1. If there is any relevant aspect regarding corporate governance in the company or in the Group companies that has not been covered in the remaining sections of this report, but that should be included in order to provide more complete and explanatory information about the structure and governance practices of the company or Group, please provide a brief explanation here.
2. This section may also include any other relevant information, clarification or detail related to previous sections of the report so long as they are relevant and not repetitive.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.



3. The company may also indicate if it has voluntarily adhered to other codes of ethical principles or best practices, international, sectoral or of another scope. If this is the case, the code in question and the adherence date must be indicated.

Since July 22, 2010 the company has adhered to and complies with the Code of Good Taxation Practices approved and sponsored by the Forum for Large Companies and the Spanish Tax Agency.

This annual report on corporate governance was approved by the company's Board of Directors at its meeting on 02/07/2018.

Indicate whether any directors voted against the report or abstained.

Yes

No



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28046 Madrid

Auditors' Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Mapfre, S.A. for 2017

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Directors  
Mapfre, S.A.

As requested by the Board of Directors of Mapfre, S.A. (the "Company") and in accordance with our proposal letter dated 26 December 2017, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of Mapfre, S.A. for 2017, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Action Guide referring to the Auditors' Report on Information on Internal Control over Financial Reporting for listed entities*, published on the website of the Spanish Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2017 described in the attached Information concerning the ICFR. Consequently, had additional procedures been applied to those defined in the Action Guide, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to the current Audit Law in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the attached information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the ICFR description, of the standard Annual Corporate Governance Report pursuant to CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit and compliance committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit and compliance committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Spanish Companies Act and CNMV Circular 7/2015 of 22 December 2015 for the purposes of describing ICFR in the Annual Corporate Governance Reports.

KPMG Auditores, S.L.  
(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

8 February 2018