



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE REGARDING
THE COMPENSATION POLICY FOR THE BOARD DIRECTORS OF MAPFRE S.A.

Madrid, February 6, 2020

1. GUIDELINES FRAMEWORK

In accordance with Article 529 novodecies of the Spanish Companies Act, *"the compensation policy for board directors will follow the remuneration system established by company statutes and will be approved by shareholders at the Annual General Meeting at least every three years as a separate point on the agenda."* In accordance with that Article *"the proposed compensation policy for the Board of Directors will be justified and must be accompanied by a specific report from the Appointments and Remuneration Committee."* The policy "will remain in force for the three years following that in which it was approved at the Annual General Meeting."

In accordance with the above, Article 23 of the Company Bylaws and Article 11.1.f) of the Regulations of the MAPFRE S.A. Board of Directors, the Appointments and Remuneration Committee has the authority to "propose to the Board of Directors the compensation policy for board directors [...], as well as individual remuneration and the other terms and conditions of the Executive Board Directors' contracts, ensuring their observance."

This document constitutes the legal report justifying the proposed compensation policy for board directors that will be submitted for the approval of the Board of Directors to be raised, if appropriate, at the Annual General Meeting.

2. APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for the coordinated development of appointments and compensation policy regarding the board directors.

In the performance of its functions, the Committee periodically carries out a comparative study of the remuneration of the members of the Board of Directors of IBEX 35 companies, the results and conclusions of which were taken into account when creating the compensation policy referred to in this report.

Acting on the recommendation of the Board of Directors, the Annual General Meeting of March 8, 2019 approved the Compensation Policy for Board Directors for the 2019–2021 period. Notwithstanding the above, the Committee considers it necessary to adopt a new compensation policy in order to reflect new modalities of short-term variable remuneration.

3. GENERAL PRINCIPLES OF THE COMPENSATION POLICY FOR BOARD DIRECTORS

The preparation of the compensation policy for board directors took into account the following:

- Applicable regulations:

The Appointments and Remuneration Committee has verified that the policy is in line with the provisions of Articles 217, 529.17.1, 529.18.1 and concordant sections of the Spanish Companies Act, as well as Article 275 of the European Commission's Delegated Regulation 2015/35 which supplements Directive 2009/138 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

- GENERAL PRINCIPLES

The policy referred to in this report is based on the following principles which, in the case of the Executive Board Directors, are the same as those for executive personnel at the Company and the Group:

- a) Priority of the creation of value and profitability in the medium- and long-term over short-term results.
- b) Reasonable proportionality between the company's economic situation and the market standards of comparable companies.
- c) Alignment with the company's sales and risk management strategy, risk profile, objectives, and risk management practices.
- d) Appropriate and efficient risk management within the established risk tolerance limits.
- e) Attraction and retention of talent.
- f) Appropriate compensation for dedication, qualification and responsibility.
- g) Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- h) Deferred payment of a significant portion of the variable remuneration.
- i) Possibility of ex-post adjustments to the variable remuneration.
- j) Avoidance of conflicts of interest.

4. TERM OF THE COMPENSATION POLICY FOR BOARD DIRECTORS

If approved by the Annual General Meeting, the policy referred to in this report will remain in force during fiscal years 2020, 2021 and 2022. Any amendments thereof will require the prior authorization of the Annual General Meeting in accordance with the stipulations of the current legislation.

5. PROPOSED RESOLUTION

The Appointments and Remuneration Committee at MAPFRE S.A. held a meeting on February 6, 2020 and considered that the remuneration principles and systems applicable to both the remuneration of board directors in their position as such and, where applicable, for the performance of executive functions, that are set out in the compensation policy for board directors is in line with the provisions of the Spanish Companies Act and, in particular, Articles 217 and 529 sexdecies through 529 novodecies, inclusive, and that the provisions in force regarding Solvency II are adequate to allow the Group to attain its objectives.

As a result, the Committee adopted the following resolutions at the aforementioned meeting:

- To submit the Compensation Policy for Board Directors of MAPFRE S.A. for the period 2020–2022 to the Board of Directors so that it may be presented at the Annual General Meeting as a separate point on the agenda.
- To prepare this report regarding the compensation policy for board directors, the approval of which is proposed.
