



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

Madrid, February 1, 2018

1. REGULATORY CONTEXT

In accordance with Article 529 r of the Companies Act, *"the compensation policy for directors will follow the remuneration system established by company statutes and will be approved by shareholders at a 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 *"will remain in force for the three years following that in which it was approved by shareholders at a general meeting"*.

In accordance with the above, Article 23 of the Company Statutes 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 directors [...], as well as individual remuneration and the other terms and conditions of the Executive Directors' contracts, ensuring their observance"*.

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

At the date of this report, the Committee comprises four members, all of whom are non-executive directors and two are independent directors, including the Chair.

The committee meets whenever necessary to ensure the correct exercise of its functions and responsibilities, and seven meetings were held in 2017 and one in 2018 to date.

Over the past few years, the Committee carried out a comparative study of the remuneration of Members of the Board of Directors of IBEX 35 Companies, the results and conclusions of which were taken into account in creating the compensation policy referred to in this report.

3. GENERAL PRINCIPLES OF THE COMPENSATION POLICY FOR DIRECTORS

The preparation of the compensation policy for 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 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 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 remuneration for dedication, qualification and responsibility.
- g) Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- h) Deferral of payment of a significant portion of the variable remuneration.
- i) Possibility of ex-post adjustments to variable remuneration.
- j) Avoidance of conflicts of interest.

4. TERM OF THE COMPENSATION POLICY FOR DIRECTORS

If approved by shareholders, the policy covered by this report will remain in force in 2019, 2020 and 2021. Any change in the policy will require prior authorization by shareholders in accordance with current legislation.

5. PROPOSED RESOLUTION

The Appointments and Remuneration Committee at MAPFRE S.A. held a meeting on February 1, 2018 and considered that the remuneration principles and systems applicable to both the remuneration of directors in their position as such and, where applicable, for the performance of executive functions, that are set out in the compensation policy for directors is in line with the provisions of the Companies Act and, in particular, Articles 217 and 529 o through 529 r, inclusive, and that the provisions in force regarding Solvency II are adequate to attain the Group's objectives.

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

- To submit the director compensation policy of MAPFRE S.A. for the period 2019-2021 to the Board of Directors so that it may be presented to shareholders at an Annual General Meeting as a separate point on the agenda.
- To prepare this report regarding the directors' compensation policy, the approval of which is proposed.
