

SUMMARY OF

Integrated report 2016

AND PROPOSED RESOLUTIONS

Client
Orientation
+ Digital
Transformation

Management
excellence

 **MAPFRE**

Trust
(2) I
%



MAPFRE

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Design:

TAU Diseño

www.taudesign.com

Printing:

Monterreina

Depósito legal: M-7295-2017

The Alternative Performance Measures (MAR) used in in this report, which correspond to those financial measures that are used but not defined or explained in the applicable financial information framework, can be consulted at the following webpage:
<https://www.mapfre.com/corporate/institutional-investors/investors/financial-information/alternative-performance-measures.jsp>.

SUMMARY OF

Integrated report 2016

AND PROPOSED RESOLUTIONS

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Trusted
Global
Insurer }

01

Letter from the chairman and CEO



Dear friend,

At MAPFRE we are firmly committed to making progress toward the highest standards of transparency and corporate good governance, and we work toward making this possible. That is why we are taking a step further in this direction this year, with the publication of our first MAPFRE Integrated Report, which we have drafted following the guidelines of the International Integrated Reporting Council (IIRC) framework. Because we are convinced that business and sustainability cannot be dealt with separately, we are offering you a unique insight into the development of our business, its most significant elements and the imprint that our activity leaves on society which, in line with our vocation of commitment to our people and in the countries, implies an ever more positive impact wherever MAPFRE is present.

2016 was a good year for MAPFRE. Our strategy based on profitable growth allowed us to enhance our figures, both with regard to revenue and premiums, and doing so with the rigor and discipline in underwriting that characterizes us. Furthermore, we were able to significantly reduce our internal costs. All this has led us to close the financial year with an increase in net earnings of close to 10 percent and a combined ratio of 97.4 percent, which is a good indicator of the quality of business, although it is still higher than the level we are aiming for.

We experienced robust growth in Spain, and we have consolidated our strengths in our main markets, including Brazil, where the current economic situation is complex. The United States again produced positive results and 2016 was a magnificent year for Central America and the Dominican Republic, Peru, Uruguay, Turkey and Germany. It was also an exceptional year for MAPFRE RE.

The key financial figures for the year confirm our solid position in all markets. Revenues rose to 27,092 million euros, of which 22,813 million correspond to revenue from premiums. Earnings before tax were 1,805 million euros, 22 percent up on the previous year, and net earnings were more than 775 million euros. And all of this, as already mentioned, with excellent technical and operational management.

And lastly, in relation to Solvency II, it is my pleasure to inform you that all the processes designed by MAPFRE in previous years have meant that this first financial year under the Solvency II European standard has progressed completely normally and in full compliance with our obligations, with our last report showing a solvency ratio of 200 percent, a comfortable level, and one of decidedly high quality given that 93 percent of these funds correspond to TIER 1, and aligned with that applied by the large European insurers.

The key financial figures for the year confirm our solid positions in all markets.

The reader will find all the company's figures available in the report, so hereinafter I will refer mainly to the more qualitative aspects of the year and to our commitment to sustainability. However, with your permission, I would like to conclude this brief statement related to the accounts by emphasizing that today MAPFRE is more solid, more profitable and even better prepared to face the challenges and commitments that we large global insurers undertake.

The integrated report format means that the figures can be accompanied by other qualitative elements that form an important part of the way that MAPFRE understands its business. In this sense, I would like to emphasize that our most immediate return is produced with regard to the 37 million clients who place their trust in us, because an efficient insurer always offers better products and services. But we are also in debt to our shareholders, and it is my pleasure to inform you that earnings per share have risen 8.7 percent, to reach 0.25 euros. The market showed its recognition of the Group's present and future strengths, which led to MAPFRE's shares appreciating 25.4 percent over the course of 2016, against a fall of 2 percent on the IBEX 35, and a drop of 5.6 percent in the benchmark index for insurers (DJ Stoxx Insurance). During 2016, MAPFRE S.A. shareholders received dividends of 400.3 million euros. Lastly, our more than 37,000 employees, more than 84,000 agents and brokers, and the 225,000 providers that MAPFRE collaborates with all over the globe are also beneficiaries of the solidity and solvency of the company.

There is a second, broader return that we produce in society. This manifests itself firstly through our financial contributions, such as the 15,500 million euros that we allocated to claims payments and the 7,264 million euros that we paid over to our providers. But we also contribute through the payment of taxes in the countries where we do business, a figure that rose to almost 707 million euros in 2016, between taxes and social contributions.

Lastly, there is a third area in which MAPFRE makes a contribution: our commitment to the environment and to the legacy we want to leave for future generations.

The market showed its recognition of the Group's present and future strengths, which led to MAPFRE's shares appreciating 25.4 percent over the course of 2016.

In July 2016, MAPFRE approved the Group's 2016-2018 Sustainability Plan with three objectives and 15 lines of action that allow us to broaden aspects relevant to sustainability. These include, among others, the Sustainable Development Agenda 2030, transparency, management of environmental, social and governance factors and risks, known as ESG, both in underwriting and in decisions regarding investment and management of providers, cybersecurity, climate change and diversity management.

MAPFRE continues to appear on the FTSE4Good and IBEX FTSE4Good indices, which measure the behavior of listed companies that encourage sustainable development and respect for Human Rights.

The Carbon Disclosure Project has once again recognized the MAPFRE Group as one of the leading global companies in acting against climate change, including the Group on its Global Climate A list. This list comprises the top 113 global companies worldwide in relation to emissions reduction and the fight against climate change.

We are a company that is advancing, working to fulfill our commitments, that is anticipating the technological and social changes that are transforming society. We have 200 ambassadors for innovation channeling the ideas of the rest of the organization toward our Innovation and Development Offices on the five continents.

We promote both gender and functional diversity, and we have employees of 78 nationalities who we manage as a global workforce; we promote equal opportunities and objectivity in promotions and appointments. We invest in training and promote talent. We invested 18.4 million euros to guarantee that 99.3 percent of the workforce received training in 2016, as we continue to progress toward full compliance with the highest standards of good governance.

We are an inclusive company that promotes the integration of people living with disabilities and we take equally good care of both our employees and our

We are an inclusive company that promotes the integration of people living with disabilities and we take equally good care of both our employees and our clients.

clients. In 2016, more than 30,000 employees benefited from some form of work-life balance measures. Every year 183 million euros is invested in social benefits, and we promote social participation through the MAPFRE Corporate Volunteering Program, which already has 5,756 volunteers worldwide.

Lastly, MAPFRE has a strategic Energy Efficiency and Climate Change Plan to 2020 that includes the commitment to cut greenhouse gas emissions by 20 percent with respect to the Group's carbon footprint in 2013, (which represents a decrease of 14,710,519 kWh and 9,924 tons of CO₂ e).

I invite you to learn more about the MAPFRE reality presented in this Integrated Report. We work to develop our way of relating to the environment in a way that is increasingly transparent and which I hope can be evidenced in this publication.

I would like to end by expressly thanking our shareholders, our clients and in general, everyone who has placed their trust in us and supported us throughout the year. I would also like to express my gratitude to all of MAPFRE's human resources teams (directors, executives, employees, delegates, agents and collaborators), whose efforts and activities helped us to achieve these excellent results.

Sincerely,

A handwritten signature in black ink, appearing to be 'M. S.', with a large, stylized flourish underneath.



A ruler is positioned at the top of the page. Below it, a horizontal line with vertical end caps is labeled "Growth" in a handwritten font. To the right of this line, there are three arrows pointing to the right, arranged in a staggered pattern.

Growth

02

MAPFRE Group

MAPFRE is a global company principally engaged in insurance and reinsurance activities in 45 countries across all five continents.

The Group's parent company is MAPFRE S.A., whose shares are listed on the Madrid and Barcelona Stock Exchanges. MAPFRE S.A. is also a component of the IBEX 35, STOXX Europe 600 Insurance, MSCI Spain, FTSE All-World Developed Europe, FTSE4Good and FTSE4Good IBEX indices.

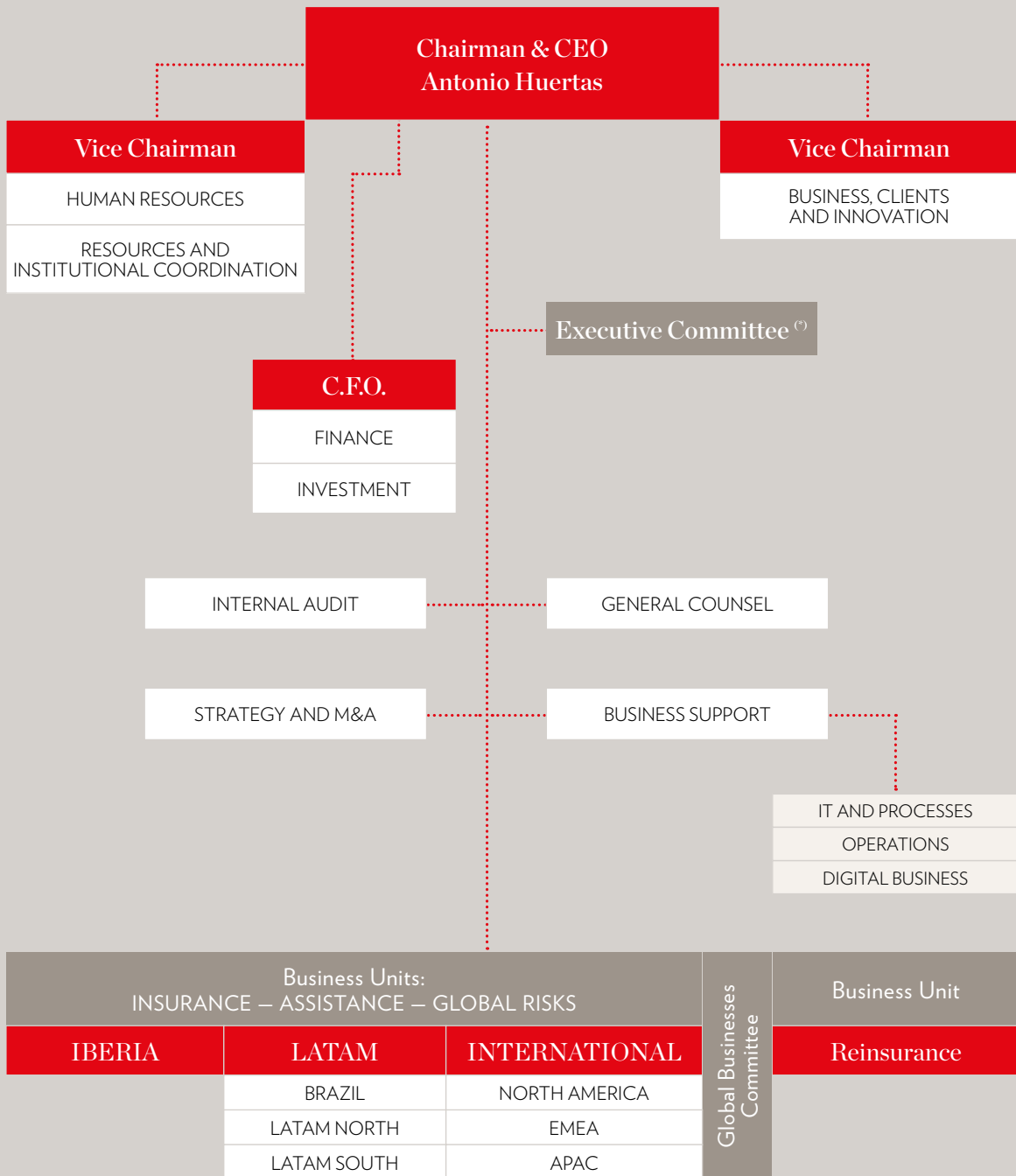
The majority shareholder of MAPFRE S.A. is Fundación MAPFRE, which owns 68.7 percent of the share capital (including treasury shares), thus guaranteeing the Group's independence and institutional stability.

*Commitment
to constant
improvement*



On September 29, 2016 the MAPFRE S.A. Board of Directors approved the following corporate organization chart, which came into force on January 1, 2017:

Organization chart

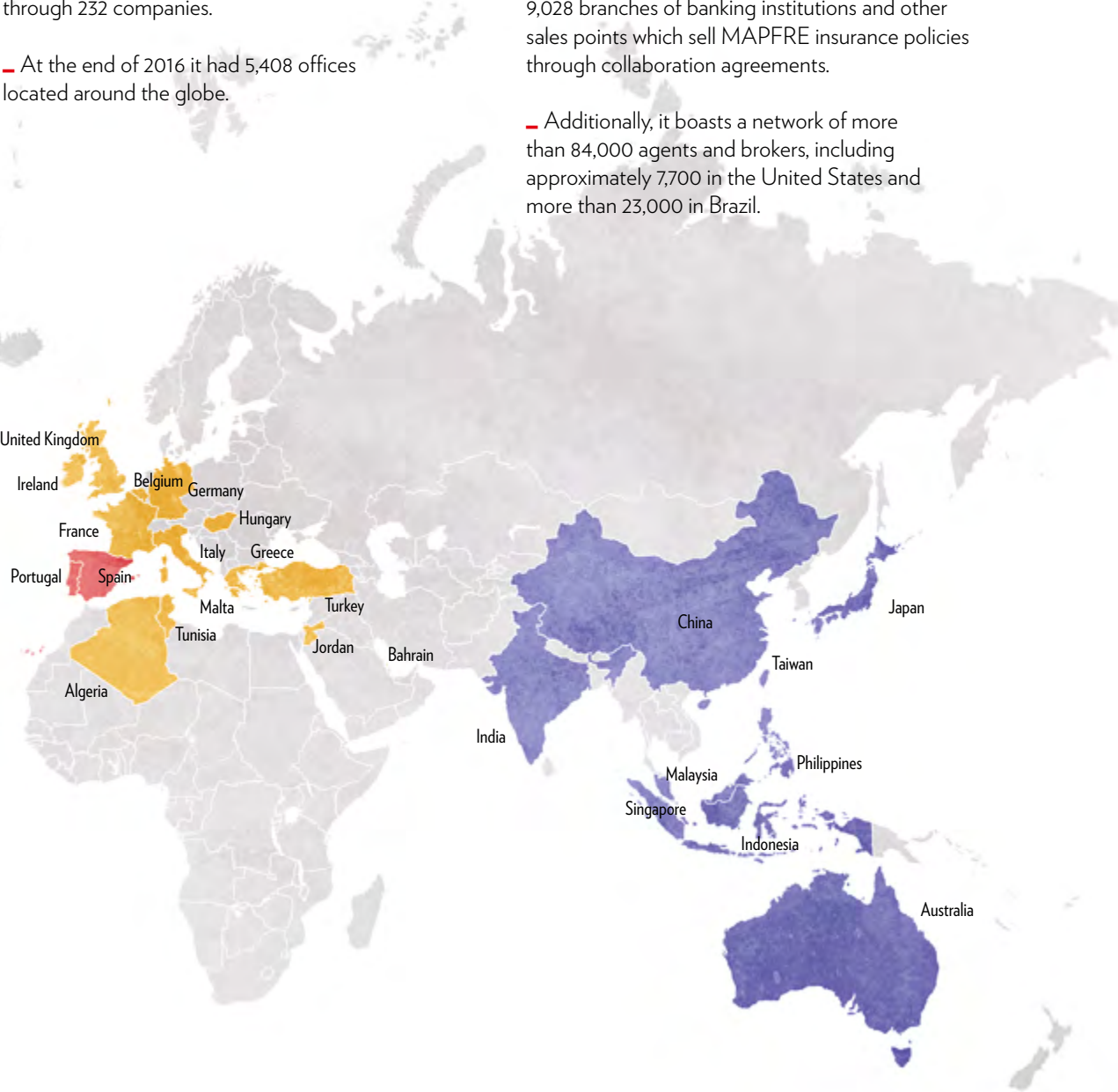


(*) This is the body which, under mandate from the Board of Directors, directly oversees the management of the Business Units and coordinates the Group's different Areas and Units.

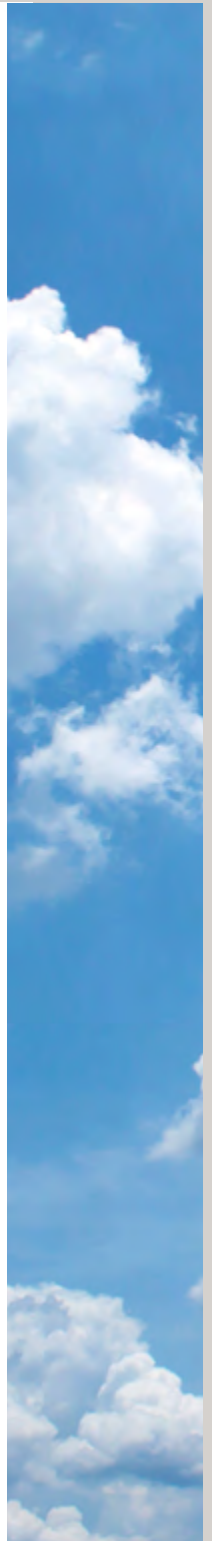
2.1 Deployment

- MAPFRE operates in 45 countries through 232 companies.
- At the end of 2016 it had 5,408 offices located around the globe.

- It also distributes its products through 9,028 branches of banking institutions and other sales points which sell MAPFRE insurance policies through collaboration agreements.
- Additionally, it boasts a network of more than 84,000 agents and brokers, including approximately 7,700 in the United States and more than 23,000 in Brazil.



Global Workforce



→ DIRECT INSURANCE

↔ ASSISTANCE

🌐 GLOBAL RISKS

↻ REINSURANCE

TERRITORIAL AREA

IBERIA

Iberia

Spain → 🌐 ↻

Portugal → ↔ ↻



TERRITORIAL AREA

LATAM

Brazil

Brazil → ↔ ↻

LATAM North

Costa Rica → ↔

El Salvador → ↔

Guatemala → ↔

Honduras → ↔

Mexico → ↔ ↻

Nicaragua → ↔

Panama → ↔

Dominican Rep. → ↔

LATAM South

Argentina → ↔ ↻

Chile → ↔ ↻

Colombia → ↔ ↻

Ecuador → ↔

Paraguay →

Peru → ↔

Uruguay → ↔

Venezuela → ↔ ↻



leadership (2)

→ DIRECT INSURANCE

↕ ASSISTANCE

🌐 GLOBAL RISKS

↻ REINSURANCE

TERRITORIAL AREA

INTERNATIONAL

North America

Canada	↕	↻
USA	→ ↕	↻
Puerto Rico	→ ↕	

APAC

Australia	↕	
China	↕	↻
Philippines	→ ↕	↻
India	↕	
Indonesia	↕	
Japan	↕	
Malaysia		↻
Singapore		↻
Taiwan	↕	

EMEA

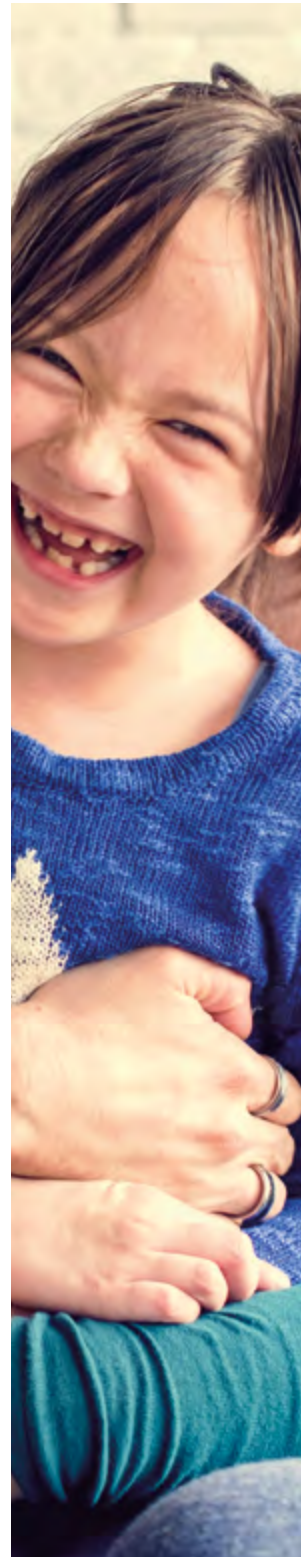
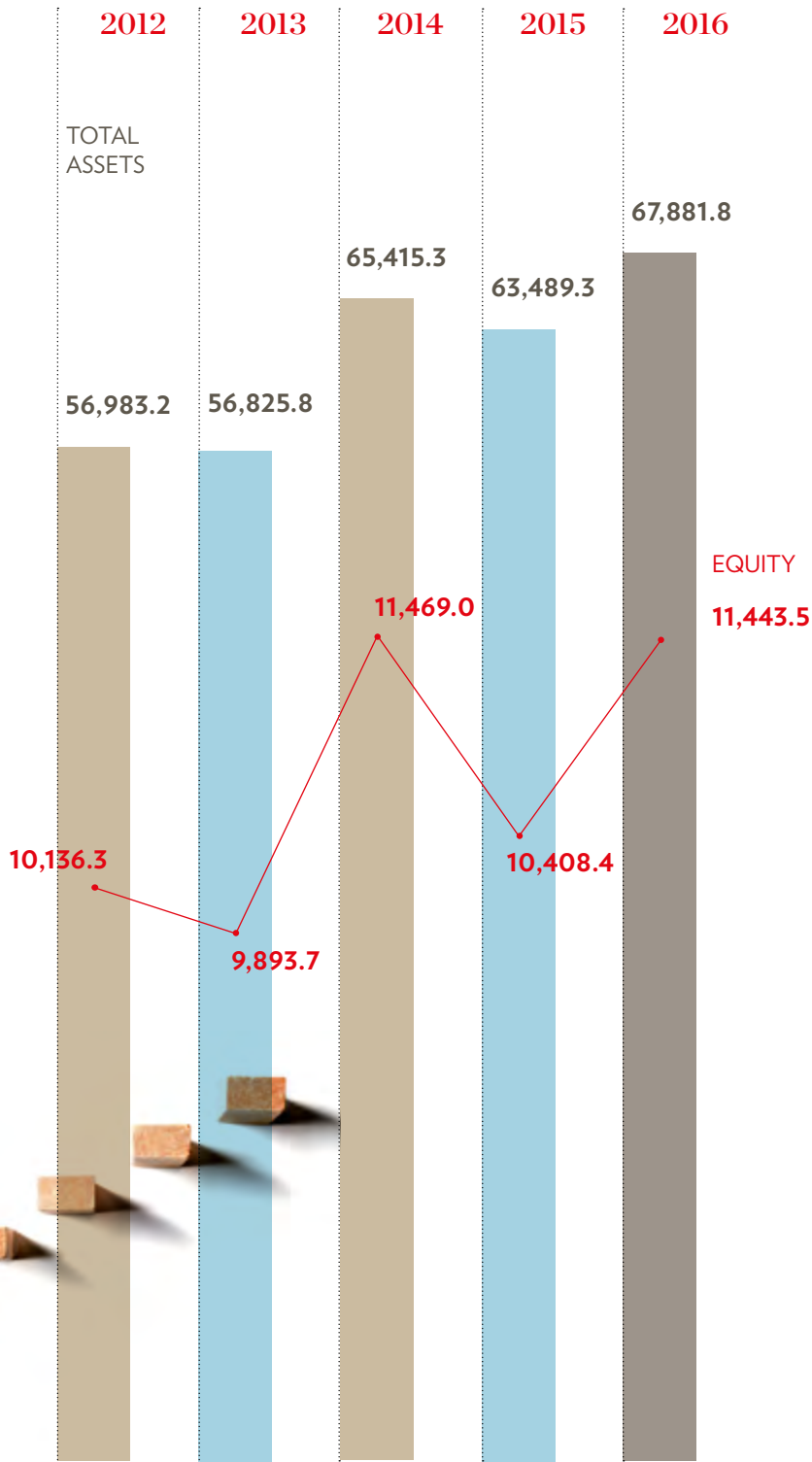
Germany	→ ↕	🌐	↻
Algeria	↕		
Bahrain	↕		
Belgium	↕		↻
France	↕	🌐	↻
Greece	↕		
Hungary	↕		
Ireland	↕		
Italy	→ ↕	🌐	↻
Jordan	↕		
Malta	→ ↕		
United Kingdom	↕	🌐	↻
Tunisia	↕		
Turkey	→ ↕		



2.2 Key figures

ASSETS AND EQUITY

Figures in millions of euros



Commitment (2)



MAPFRE's
equity reached

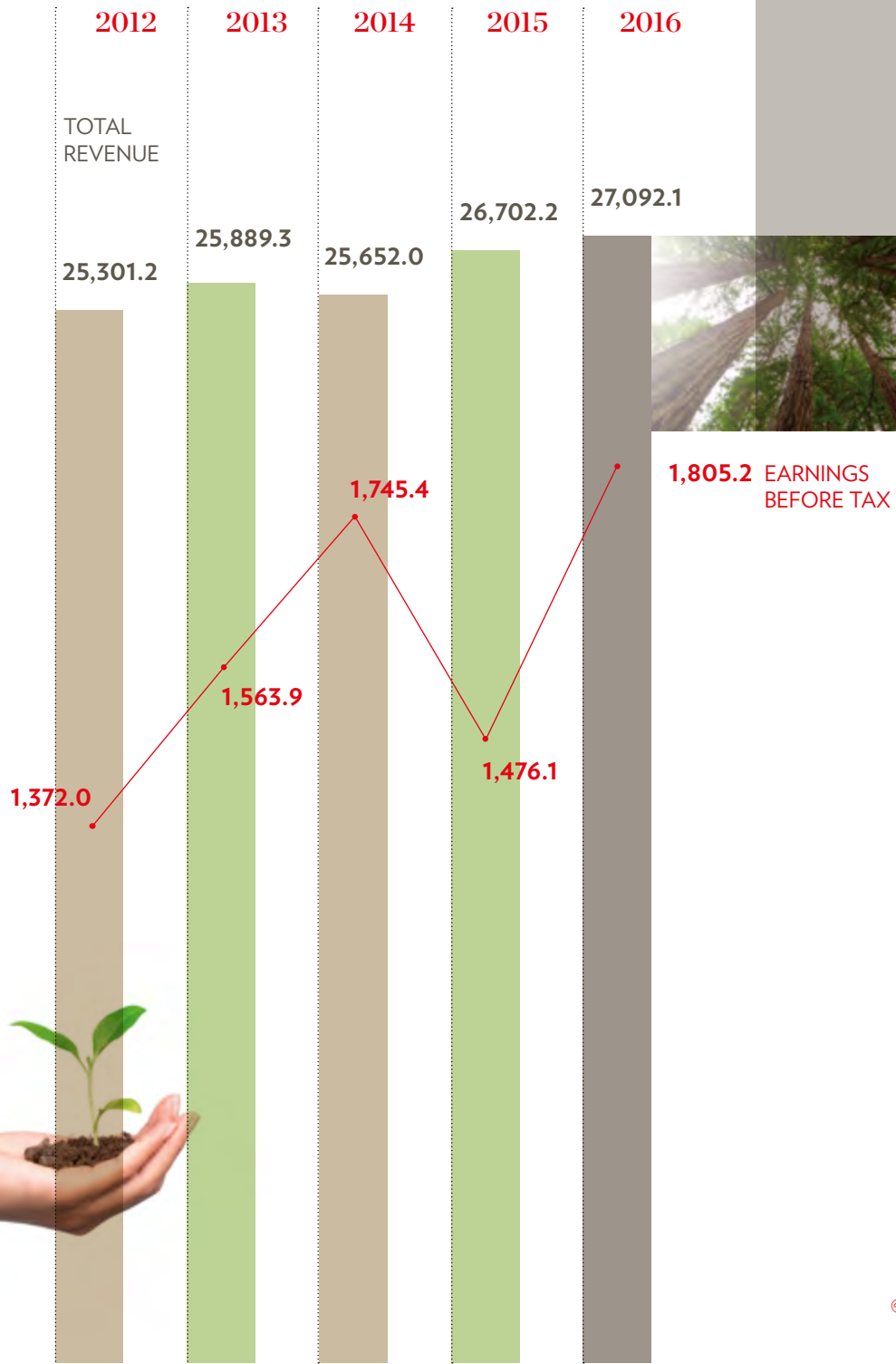
11,443
MILLION EUROS

BALANCE SHEET	2012	2013	2014	2015	2016
Property, investments and cash	39,763.7	40,374.7	48,673.0	46,264.6	49,556.0
Property (including for own use)	2,414.3	2,330.9	2,392.0	2,267.7	2,277.8
Financial investments	33,576.3	33,833.1	41,951.4	40,159.2	42,541.0
Cash	1,018.0	1,162.8	1,188.6	989.1	1,451.1
Technical provisions	37,976.0	38,742.6	46,444.9	45,061.0	47,240.1
Equity	10,136.3	9,893.7	11,469.0	10,408.4	11,443.5
Total assets	56,983.2	56,825.8	65,415.3	63,489.3	67,881.8

Figures in millions of euros

REVENUE AND EARNINGS

Figures in millions of euros



Profitable / Responsible  (3)



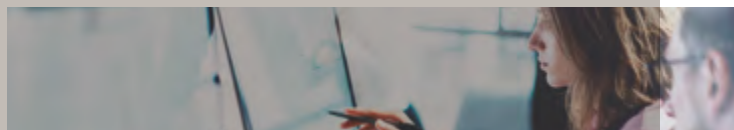
MAPFRE's total revenues rose

to **27,092**
MILLION EUROS



Written and accepted premiums totaled

22,813
MILLION EUROS



INCOME STATEMENT	2012	2013	2014	2015	2016
Total revenue	25,301.2	25,889.3	25,652.0	26,702.2	27,092.1
Written and accepted premiums	21,579.8	21,835.5	21,815.5	22,311.8	22,813.2
Non-Life	15,478.5	16,277.7	16,370.1	17,441.3	17,699.8
Life	6,101.3	5,557.8	5,445.4	4,870.5	5,113.3
Earnings from Non-Life business	1,237.2	1,150.4	1,243.2	911.0	1,191.8
Earnings from Life business	414.5	498.9	660.3	699.2	746.9
Earnings from other activities	(279.7)	(85.4)	(158.0)	(134.1)	(133.5)
Earnings before tax	1,372.0	1,563.9	1,745.4	1,476.1	1,805.2
Earnings	665.7	790.5	845.1	708.8	775.5
Managed savings	31,035.1	33,614.1	40,817.5	37,917.3	38,488.3

Figures in millions of euros

↑ ↑ risk management

MANAGEMENT RATIOS	2012	2013	2014	2015	2016
Non-Life					
Claims ratio net of reinsurance	67.4%	67.0%	68.0%	70.0%	70.0%
Expense ratio net of reinsurance	28.0%	29.1%	27.8%	28.6%	27.4%
Combined ratio net of reinsurance	95.4%	96.1%	95.8%	98.6%	97.4%
Return on equity (ROE)	9.0%	10.1%	10.0%	8.0%	8.8%

STOCK MARKET PERFORMANCE	2012	2013	2014	2015	2016
Capitalization at December 31 (millions of euros)	7,129.2	9,586.6	8,662.8	7,119.9	8,930.7
Number of shares outstanding	3,079,553,273	3,079,553,273	3,079,553,273	3,079,553,273	3,079,553,273
PER	10.7	12.1	10.3	10.0	11.5
Earnings per share (euros)	0.22	0.26	0.27	0.23	0.25
Price/Book value	0.91	1.22	0.95	0.83	0.98
Dividend per share (euros)	0.12	0.12	0.14	0.14	0.13
Dividend yield (%)	6.1	4.4	4.7	4.9	5.8
Average number of shares traded	9,459,267	9,727,802	11,711,993	9,937,097	9,032,451
Average daily effective value (million euro)	18.51	26.26	34.56	28.46	20.36



MAPFRE is a global company principally engaged in insurance and reinsurance activities in 45 countries across all five continents.



STANDARD & POOR'S		
COMPANY	2016	2015
MAPFRE S.A. Debt issuer rating	BBB+ Outlook stable	BBB+ Outlook stable
MAPFRE S.A. Subordinated debt	BBB- Outlook stable	BBB- Outlook stable
MAPFRE GLOBAL RISKS Financial strength rating / counterparty	A Outlook stable	A Outlook stable
MAPFRE RE Financial strength rating / counterparty	A Outlook stable	A Outlook stable

A.M. BEST		
COMPANY	2016	2015
MAPFRE RE Financial strength rating	A Outlook stable	A Outlook stable
MAPFRE GLOBAL RISKS Financial strength rating	A Outlook stable	A Outlook stable

MOODY'S		
COMPANY	2016	2015
MAPFRE GLOBAL RISKS Financial strength rating	A3 Outlook stable	A3 Outlook positive
MAPFRE ASISTENCIA Financial strength rating	A3 Outlook stable	A3 Outlook positive





Trust + experience + Commitment

03

Business model and strategy

←
strengths → ↑ ↑

3.1. Business model

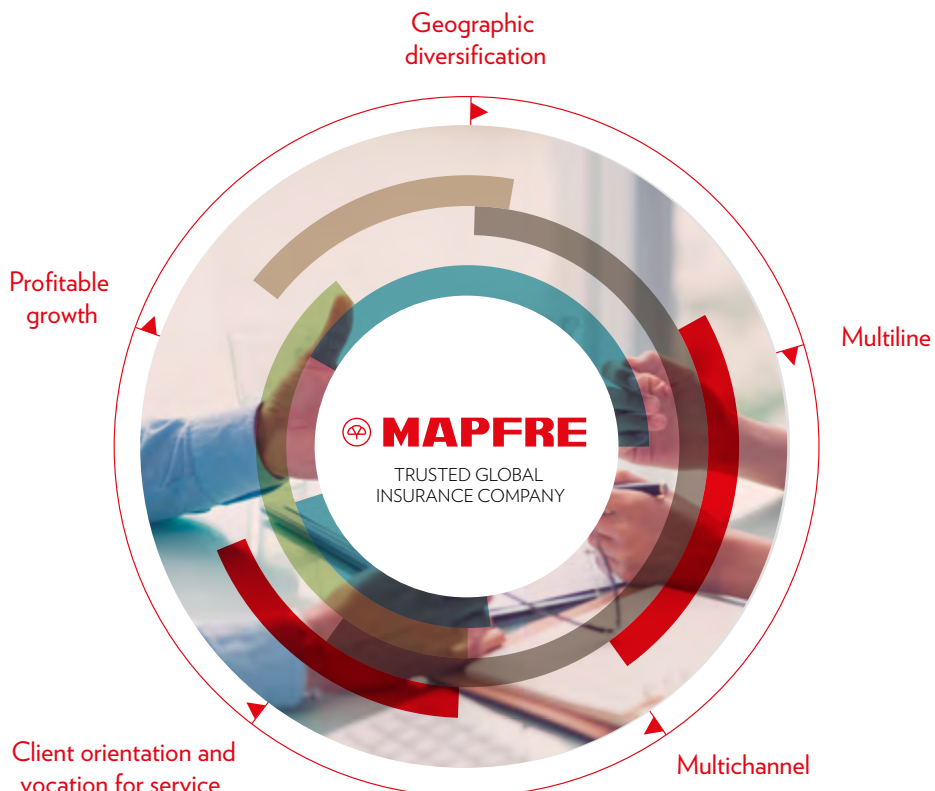
MAPFRE's Vision is to be THE TRUSTED GLOBAL INSURANCE COMPANY, a concept that refers not only to its geographical presence but also to the wide range of insurance, reinsurance and service products that it promotes around the globe. The Group aspires to lead the markets in which it operates through a proprietary, differentiated management model based on profitable growth, a clear and purposeful orientation to both individual and corporate clients, a multichannel focus, and a profound vocation for service.

MAPFRE's stated Mission is to be a multinational team that strives constantly to improve services and develop the best possible relationships with clients, distributors, providers, shareholders and society in general.

This commitment to continuous improvement is underpinned by the following Values, which assist in developing the mission and in order to achieve the company's vision: Solvency, Integrity, Vocation for Service, Innovation for Leadership and Committed Team.

The resources that MAPFRE deploys to create sustained value are its main assets and correspond to the following capital types: Financial, Productive, Human, Intellectual, Social and Relational and Natural Capital.

Based on its worldwide presence, MAPFRE has identified eight types of stakeholders: Employees and their legal representatives; Clients and insured parties; Distributors, brokers, collaborators; Providers; Shareholders, investors and partners; Society in general; Regulatory and supervisory bodies and Communication media.



3.2. Strategy

The Governing Bodies of the Group approved the global strategic initiative framework for 2016-2018 and have for the main part observed continuity of recent years' planning. The most relevant aspects are described below:

Client orientation

MAPFRE will forge ahead with the development and implementation of client segmentation, and will continue to measure client experience with a view to gaining and renewing the trust of clients.



Digital transformation

The aim of this initiative is to adapt MAPFRE to the social and technological realities of the new digital age.



Excellence in technical and operational management

Most of the countries in which MAPFRE operates have introduced regulatory changes as a result of the new solvency framework. Consequently, we will need to continue striving for excellence in the management and control of our risks in order to guarantee the solvency and profitability of our units.




Culture and human talent

With the objective of developing and building a human team with the talent and skills necessary to tackle the strategic challenges ahead, we are undertaking a worldwide initiative to identify the talent already available in the organization and the new profiles needed.






$$\{coherence\} + \frac{\text{Economic Reality}}{\text{Social Reality}}$$

04

Business performance

4.1. General information

Group companies wrote and accepted premiums, excluding items eliminated on consolidation, worth 24,829.4 million euros in 2016, up 3.5 percent on the previous year. Consolidated premiums amounted to 22,813.2 million euros, up 2.2 percent during the year. Consolidated revenues amounted to 27,092.1 million euros, up 1.5 percent and was distributed by activity type as follows:

	2016	2015	% 16/15
Written and accepted premiums	22,813.2	22,311.8	2.2%
Financial income	3,762.3	3,866.7	(2.7%)
Revenues from non-insurance companies and other	516.6	523.7	(1.4%)
Total consolidated revenues	27,092.1	26,702.2	1.5%

Figures in millions of euros

The following table shows the performance of managed savings, including both the technical provisions of Life insurance companies and the Life provisions of multiline insurance companies:



	2016	2015	% 16/15
Life technical provisions	29,172.7	28,104.7	3.8%
Pension funds	4,684.1	5,076.2	(7.7%)
Investment funds and others	4,631.4	3,349.9	38.3%
Subtotal	38,488.3	36,530.8	5.4%
Adjustments by shadow accounting	(4,261.7)	(3,932.6)	8.4%
Total	34,226.6	32,598.2	5.0%

Figures in millions of euros

Management ratios

The combined ratio measures the impact on premiums of the management costs and claims ratio for the period. In 2016 this ratio was 97.4 percent, representing a decrease of 1.2 percentage points compared to the previous year.

Return on shareholders' equity (ROE)

Return on equity (ROE), which represents the relationship between net profit attributable to the parent company (deducting the share of external partners) and average shareholders' equity, was 8.8 percent (8 percent in 2015).

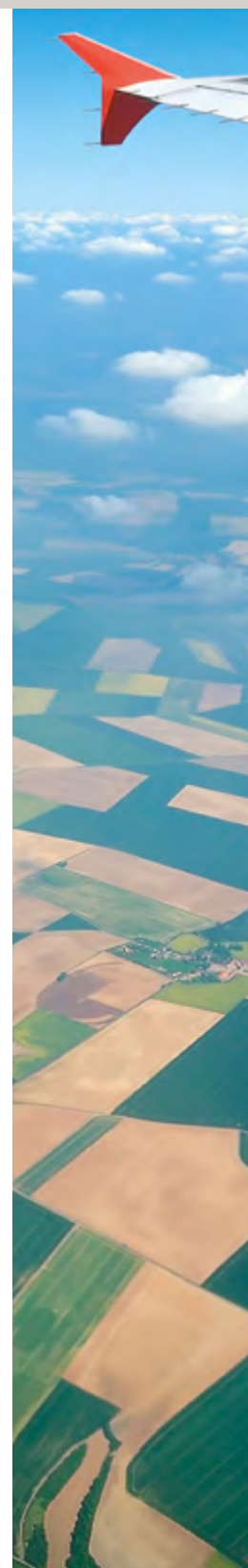
4.2. Information by Territorial Area

The trends in total revenue, written and accepted premiums, and results are shown below for each Territorial Area and the Reinsurance Business Unit.

TOTAL REVENUE	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	9,201.3	8,683.3	6.0%
BRAZIL	5,214.8	5,481.5	(4.9%)
LATAM NORTH	1,477.6	1,942.4	(23.9%)
LATAM SOUTH	2,259.7	2,304.7	(2.0%)
NORTH AMERICA	3,106.1	2,968.2	4.6%
EMEA	2,780.5	2,200.3	26.4%
APAC	149.2	136.1	9.6%
MAPFRE RE	4,937.7	4,661.0	5.9%

PREMIUMS	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	7,139.4	6,696.7	6.6%
BRAZIL	4,587.4	4,814.2	(4.7%)
LATAM NORTH	1,343.2	1,849.6	(27.4%)
LATAM SOUTH	1,921.6	2,030.4	(5.4%)
NORTH AMERICA	2,902.4	2,776.8	4.5%
EMEA	2,570.8	1,981.7	29.7%
APAC	129.9	114.6	13.4%
MAPFRE RE	4,234.7	3,731.9	13.5%

EARNINGS B.T.M	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	582.3	494.8	17.7%
BRAZIL	144.4	153.4	(5.9%)
LATAM NORTH	38.8	42.4	(8.5%)
LATAM SOUTH	15.2	49.4	(69.2%)
NORTH AMERICA	80.0	(32.7)	---
EMEA	(102.8)	(2.4)	---
APAC	(20.3)	(3.4)	---
MAPFRE RE	186.1	152.6	22.0%







Solvency +

05

Corporate Governance



Service Vocation

5.1. Governance System

MAPFRE adopts a three-pronged approach to its business management:

Corporate Governance

Company structure

Executive organization

Corporate Governance

The Board of Directors is the Company's main decision-making and supervisory body as well as the supervisory body of all the subsidiary companies, while day-to-day management is carried out by the Company's management and executive bodies and by the relevant management bodies of the aforementioned subsidiary companies.

The composition of the governing bodies resulting from the resolutions that are expected to be adopted on March 10, 2017 is as follows:

Board of Directors		Steering Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	Risk Committee
CHAIRMAN AND CEO	Antonio Huertas Mejías ⁽¹⁾	Chairman			
FIRST VICE CHAIRMAN	Antonio Núñez Tovar ⁽¹⁾	First Vice Chairman			
SECOND VICE CHAIRWOMAN	Catalina Miñarro Brugarolas ⁽³⁾	Second Vice Chairwoman	Chairwoman	Member	
THIRD VICE CHAIRMAN	Ignacio Baeza Gómez ⁽¹⁾	Member			
BOARD MEMBERS	Adriana Casademont i Ruhí ⁽³⁾		Member	Member	
	José Antonio Colomer Guiu ⁽³⁾			Chairman	Member
	Georg Daschner ⁽³⁾	Member			Chairman
	Ana Isabel Fernández Álvarez ⁽³⁾				Member
	Maria Leticia de Freitas Costa ⁽³⁾				
	Luis Hernando de Larramendi Martínez ⁽²⁾	Member	Member		
	Francisco José Marco Orenes ⁽¹⁾				
	Rafael Márquez Osorio ⁽²⁾	Member		Member	Member
	Fernando Mata Verdejo ⁽¹⁾				
	Antonio Miguel-Romero de Olano ⁽²⁾	Member		Member	Member
SECRETARIES	Ángel L. Dávila Bermejo	Secretary	Secretary	Secretary	
	Jaime Álvarez de las Asturias Bohorques Rumeu				Secretary

Honorary Chairmen

Julio Castelo Matrán
José Manuel Martínez Martínez

Executive Committee

CHAIRMAN	Antonio Huertas Mejías
MEMBERS	Antonio Núñez Tovar
	Ignacio Baeza Gómez
	Aristóbulo Bausela Sánchez
	Alfredo Castelo Marín
	José Manuel Inchausti Pérez
	Francisco José Marco Orenes
	Fernando Mata Verdejo
	Eduardo Pérez de Lema
	Elena Sanz Isla
Jaime Tamayo Ibáñez	
Wilson Toneto	
SECRETARY	Ángel L. Dávila Bermejo

⁽¹⁾ Executive directors

⁽²⁾ Nominee external directors

⁽³⁾ Independent external directors

The remuneration of directors is determined in accordance with the provisions of regulations applicable to corporations, the corporate bylaws of the Board of Directors, and the decisions adopted by the Annual General Meeting.

The Group's Institutional, Business and Organizational Principles determine its conduct as a company and help to run sustainable businesses in every country where the company operates.

The company makes available to employees a set of policies, regulations, procedures, protocols and other reference documents, both corporate and local, which serve as a guide to determine the behavior that is expected of all those who work for or collaborate with MAPFRE.

Company Structure

MAPFRE employs a simple, efficient and decentralized company structure which enables it to fulfill its business objectives in an appropriate manner.

Executive Organization

With regard to its executive organization, MAPFRE uses a management model which is underpinned by strict control and oversight at every level: local, regional and global.

5.2. Ethics and Social Responsibility

Main compliance and prevention measures

MAPFRE has many compliance and prevention measures in place, among which we highlight:

COMPLIANCE

The principal objective of this function is to ensure that the Group operates within the legal and regulatory framework that governs its activities, thus minimizing legal and noncompliance risks, in order to preserve its solvency, integrity and reputation while supporting the Group in achieving its strategic objectives.

ETHICS COMMITTEE

Responsible for ensuring the application of the Code of Ethics and Conduct, which lays down the rules of conduct governing the behavior and actions of employees and their relationships with third parties, creating a climate of trust in the workplace, favoring personal and professional development as well as respect for basic human and labor rights, free from any type of exploitation, intimidation, harassment or discrimination.



MAPFRE employs a simple, efficient and decentralized company structure which enables it to fulfill its business objectives in an appropriate manner.

→ Internal control ←

WHISTLEBLOWER CHANNELS

There are two types of channels for use by employees:

– **The Financial and Accounting Whistleblower Channel** (www.mapfre.com/CDF) allows Group employees to confidentially report to the Audit Committee of MAPFRE S.A. any potentially significant financial and accounting irregularities they observe within the company.

– **The Ethical Whistleblower Channel** (www.mapfre.com/Etica) allows employees who have queries about the implementation of the Code, or who observe a situation that might constitute a breach or violation of any of the ethical principles or standards of conduct set out in the Code, to report them in strict confidence to the Ethics Committee.

INTERNAL CONTROL

Internal control involves everyone and aims to improve internal operations by monitoring potential risks that could compromise the achievement of strategic objectives. The aim is to make reasonably sure that the Group's objectives are achieved with regard to operational efficiency and effectiveness, reliability of accounting and financial records, and compliance with external and internal rules and regulations.

PREVENTION OF MONEY LAUNDERING

MAPFRE is permanently vigilant in detecting and reporting to the appropriate bodies any suspicious operation carried out with the aim of laundering resources derived from criminal activities. As such, it has established the appropriate human and organizational resources, the actions of which are supervised by the Group's Prevention of Money Laundering Committee, all in accordance with the provisions of Law 10/2010 and its Implementation Regulations.

PROTECTION OF EMPLOYEES FROM MORAL AND SEXUAL HARASSMENT IN THE WORKPLACE

MAPFRE has implemented a harassment protocol and prevention mechanisms in every country in which it operates. These are designed to avoid harassment situations, but if these should arise, there are suitable procedures for dealing with and rectifying the issue.

PREVENTION OF FRAUD AND CORRUPTION

A number of procedures exist to combat fraud, which is understood to be any action taken or omission committed intentionally and dishonestly, when taking out insurance, reporting an incident or accrediting the damage caused, and during the processing of the same, with the intention of obtaining unjust enrichment from the insurance company.

SECURITY

Security at MAPFRE focuses among other aspects on protecting workers, safeguarding client and other stakeholder information, and ensuring the sustainability of its operations and the services it provides.

INTERNAL AUDIT

This independent and objective assurance and consultation function helps the organization comply with its objectives by providing a systematic and disciplined approach to evaluating and improving the efficiency of risk management, internal control and corporate governance processes.

(2)

Sustainability

Corporate Social Responsibility (CSR) at MAPFRE

For MAPFRE, being responsible implies contributing to sustainable development and creating economic and social value for the company and the stakeholders with whom it relates or on whom it impacts. This commitment is realized by means of two tools:

CORPORATE SOCIAL RESPONSIBILITY POLICY

This policy is intended to allow Corporate Social Responsibility at MAPFRE to be perceived as a way of:

- Achieving MAPFRE's corporate interests and its strategic objectives.
- Managing the company in line with the values defined by MAPFRE: solvency, integrity, vocation for service, innovation for leadership and committed team. These must be present in every business project undertaken.
- Establishing stable and equitable relationships with the company's stakeholders, especially those defined in the corporate mission: shareholders, employees, providers, distributors, clients, and society in general.
- Managing the risks and business opportunities arising from the changes in the environment in which MAPFRE conducts its business, assuming the impact it generates on society and the environment by maximizing the positive aspects and minimizing the negative ones.
- Transmitting the company's social values in every territory in which it is present, reconciling the value of its operational activities with the value of the nonprofit activities it undertakes.

MAPFRE GROUP 2016-2018 SUSTAINABILITY PLAN

This plan is a way of contributing to the sustainable development of the company, applied to various areas (financial/good governance, social and environmental) in accordance with its own principles and values, beyond what is established by the law in these areas.

BASIC OUTLINE OF THE PLAN

Objectives

1.

To be perceived by our stakeholders, as a transparent company in operations and ethics, and committed to the environment in which it carries out its business using innovative actions.

2.

To be perceived by our organization as an ethical and attractive company that generates opportunities and ensures its diversity using values of solidarity that have an effect on the company.

3.

To be perceived by clients and providers as a company that complies with its commitments and which acts with integrity in its relationships.

Lines of work

- L1** Human rights and Sustainable Development Agenda 2030.
- L2** Transparency.
- L3** Individual shareholders and investors specializing in sustainability - ASG*.
- L4** Integration of social and environmental aspects when innovating insurance solutions.
- L5** Opportunities and risks involving reputation, finances, ASG* when taking decisions prior to assuming risk. Development and recruitment of new sustainable businesses.
- L6** Information security and cybersecurity.
- L7** Environment: climate change.
- L8** Include ASG criteria* in investment decisions.
- L9** Promote behaviors and attitudes that prevent corruption and internal fraud.

* ASG: ambiental, social y de gobernanza

- L10** Diversity, equality and non-discrimination (primarily concerning women and disabled persons).
- L11** Volunteering.

- L12** Client satisfaction.
- L13** Social and environmental criteria as positive factors in the approval and selection of providers.
- L14** Digitalization of assignment, communications and control processes involving automobile and home services providers.
- L15** Global Procurement Process.

Projects

Specific projects

People responsible for their development

Identification of impacted stakeholders

Monitoring indicators



The Plan was approved in June 2016 by the CSR Committee and presented to the Board of Directors in July. Even with only five months of effective work last year, execution began on all proposed lines and projects, and is progressing within the established schedules, and as such, it can be said that the plan has got off to a very satisfactory start.

5.3. Risk Management

MAPFRE establishes the risk level which the Group is prepared to assume in order to meet its business objectives without any significant deviations, even in adverse situations. That level, which defines limits and sub-limits per risk type, comprises the Risk Appetite of the MAPFRE Group.

The MAPFRE GROUP Risk Management Policy is based on a Group-wide Risk Management System that calls for the integrated management of each and every business process, adapting the risk level to the established strategic objectives.



The different types of risks are grouped under four areas, or categories, as explained below:

FINANCIAL AND CREDIT RISK

INSURANCE ACTIVITY RISKS

OPERATIONAL RISK

STRATEGIC AND CORPORATE GOVERNANCE RISK

Environmental, social and governance risks (ESG) form part of the Group's Risk Management System, integrated into the previously mentioned categories and therefore included in the company's business activities.



All proposed lines and projects included in our Sustainability Plan are progressing within the established schedules.



Innovation



Includes interest rate, liquidity, exchange rate, market and credit risks.

Groups together, separately for Life and Non-Life, premium shortfalls, adequacy of technical provisions, and reinsurance risks.

Includes 23 types of risk grouped into the following areas: actuarial, legal, technological, personal, collaborators, procedures, information, fraud, market and material assets.

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, and competition risks.





→ → Digital Transformation 

06

Principal assets

√ Transparency ↑ ↑

Value creation for an organization is achievable when the company determines its different types of capital and identifies the main areas to work on and the stakeholders impacted or potentially impacted.

Value creation is not static, and projects are therefore undertaken within a time frame of several years, aligned with the Strategic Plan.

6.1. Financial capital

The economic resources which the company owns and uses to pursue its business, either obtained through financing or generated through operations and/or investments.

This capital creates value for all stakeholders, especially shareholders and investors and society in general (bearing in mind the economic value generated and distributed).

The MAPFRE share

The share price performance during the 2016 fiscal year is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 year	3 years	5 years
MAPFRE	25.4%	(6.8%)	18.1%
DJ Stoxx Insurance	(5.6%)	18.2%	102.3%
IBEX 35	(2.0%)	(5.7%)	9.2%

The trends in MAPFRE's earnings per share (EPS) during the same period are shown below:

	2016	2015	2014	2013	2012
EPS (euros)	0.25	0.23	0.27	0.26	0.22
Increase	8.7%	(14.8%)	3.8%	18.2%	(31.3%)

The final dividend for fiscal year 2016 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2016 earnings amounts to 0.145 euros per share before tax, giving a payout ratio of 57.6 percent.

What are we working on?

■ Shareholders' equity

Consolidated equity reached 11,443.5 million euros, against 10,408.3 million euros in 2015.

■ Investments

On December 31, 2016 investments and liquid funds had a book value of 49,556.1 million euros, up 7.1 percent on the previous year.

■ Financing operations

Overall, the Group's consolidated financial and subordinated debt had a book value of 2,202.9 million euros, a net increase of 430.3 million euros during the year.



This capital creates value for clients and insured parties, distributors, providers and society in general.

6.2. Productive capital

Tangible assets or goods and services used by the company to pursue its activities.

This capital creates value for clients and insured parties, distributors (agents, delegates and brokers), providers and society in general.



What are we working on?

▣ Multichannel distribution and customer service

The following table shows the 2016 breakdown of offices and intermediaries by Territorial Area:

	IBERIA	LATAM	INTERNATIONAL
Offices			
Direct and indirect	3,078	1,831	481
Bancassurance	3,181	5,847	-
Intermediaries			
Agents	10,176	14,977	10,479
Delegates	2,666	5,803	100
Brokers	5,365	33,102	1,358

▣ Service centers for clients

In order to address client needs and guarantee the best possible service, the Group has the following service centers:

SERVICE CENTERS	Number	Countries
Own appraisal centers	1,324	16
Automobile service centers	30	3
Automobile diagnosis units	22	8
Research and development centers	6	6
Own healthcare polyclinics	17	3
Clinics	2,547	11
Dental clinics	8	1
Corporate business management centers	37	6

■ Digital business

MAPFRE joined the digital movement several years ago and launched various initiatives such as MAPFRE Internet, the Network within the Network platform and Verti (Spain) as well as acquiring InsureandGo and Direct Line (Italy and Germany).

The MAPFRE Group has implemented Digital Business in 22 different countries, operating under different brands (MAPFRE Digital, Verti, InsureandGo, and others).

■ Providers

MAPFRE works with more than 225,000 providers, differentiating between service providers and support providers.

SERVICES (SPECIFIC)

Those that provide services related to insurance contracts or services offered by the Group's insurance companies or subsidiaries to its clients.

Total N°	Cost (millions of euros)
206,086	2,674.8

SUPPORT (GENERAL)

Those whose services are provided for the company and its management activities rather than for insured parties. These include travel agencies, consulting firms, audit firms, property management companies, marketing and advertising agencies, printing services, etc.

Total N°	Cost (millions of euros)
19,375	1,272.4

■ Quality

In 2016 the II and III NPS measurement wave took place, involving a representative sample of MAPFRE's portfolio. These waves each covered 17 countries, 18 companies and 23 lines, with a volume of about 70 percent of the Group's total non-life premiums.

In 2016 the Quality Observatory performed the first measurement of the internal NPS (iNPS) regarding the level of client experience with the reinsurance services rendered by MAPFRE RE to all Group companies.

6.3. Human capital

Skills, knowledge, abilities and experience of the people employed by the organization.

This capital creates value for employees, clients and society in general.

General information

	Woman	Men
Executives	38.6%	61.4%
New hires	56.9%	43.1%
Average age	39.5	40.4
Average length of service	8.6	9.6
Permanent contract	96.2%	96.9%
Unwanted turnover	9.5%	8.1%

+ *We promote diversity*

55%



Workforce
December 2016

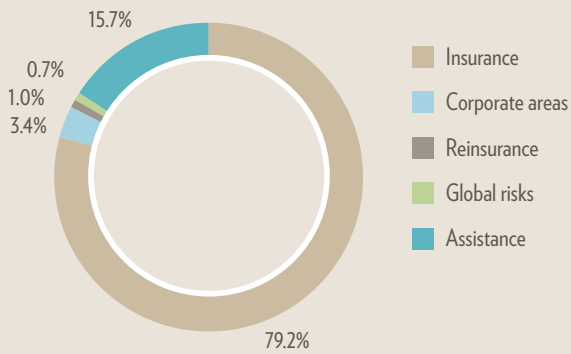
37,020

Average workforce
2016

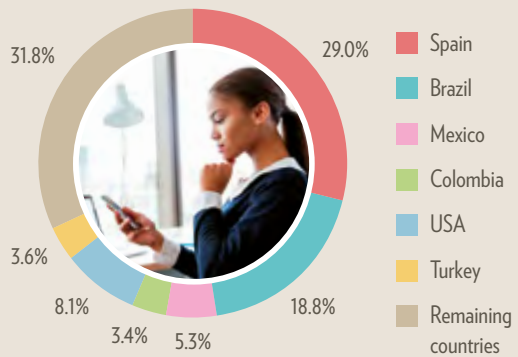
37,763

45%

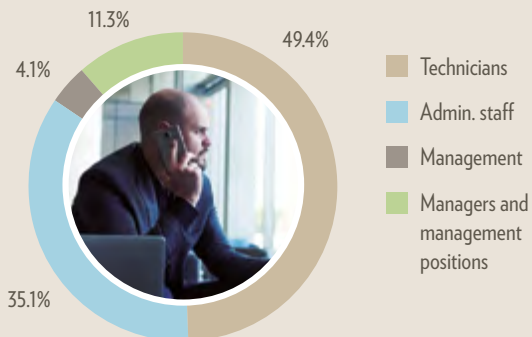
Workforce by line of business



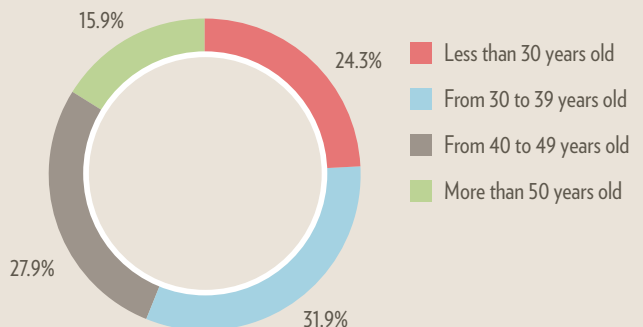
Workforce by country



Workforce by job position level



Workforce by age





What are we working on?

■ Talent management and mobility

MAPFRE has implemented a project for managing the organization's strategic talent, and all employees around the world are eligible. Furthermore, internal mobility for all employees is promoted to assist them with increasing their employability, as well as providing access to geographic mobility through various programs. There were 4,004 functional mobility movements during 2016.

■ Knowledge paths

The company promotes learning and knowledge management for employees through the Knowledge Paths project and the Corporate University. The University is present in every country in which MAPFRE operates and accessible to all employees. Over the course of 2016, training was provided to 99.3 percent of the workforce through 1,466,918 hours of training, with a corresponding investment of 18.4 million euros.

■ Diversity

MAPFRE has a global equality policy and there is public commitment to both gender diversity and functional diversity. Accordingly, by 2018 women will occupy at least 40 percent of managerial and executive positions worldwide.

MAPFRE is also firmly committed to the employment of people with disabilities, and by 2018 this collective will account for 2 percent of its workforce.

With regard to generational diversity, the Group is working on traditional and reverse mentoring, creating collaboration spaces to share intergenerational knowledge.

■ Organization and new ways of working

MAPFRE has created a single job function and job map for global use which assists in defining both the strategic profiles and relevant knowledge within the organization.

The company has a global compensation policy and an objective-based management process providing recognition for all employees, thereby guaranteeing equality, internal and external competitiveness in each of the markets, and it forms part of the internal development program for employees.

■ Employee experience

Employee satisfaction and commitment are key elements for MAPFRE, and are pursued through three lines of action: the employee and the company, the employee and their boss, and the employee and their well-being.

MAPFRE measures employee commitment through the Great Place To Work survey, in which 83 percent of employees participate, and 78 percent of them regard the company to be an excellent place to work.



6.4. Intellectual capital

Knowledge-based intangible assets that favor both intellectual property and knowledge of systems, procedures and protocols.

This capital creates value for clients, employees, society in general and shareholders.



What are we working on?

■ Innovation

The Group has 17 Innovation and Development Offices across all five continents representing all the Business Units (Insurance, Global Risks, Asistencia and Reinsurance). Meanwhile, a network of more than 200 innoagents worldwide act as ambassadors of innovation, channeling the ideas of the rest of the organization toward their innovation and development offices. At the close of 2016 the Group had a portfolio of more than 100 innovation projects in various phases of execution.

■ Digital transformation

MAPFRE's digital transformation is underpinned by the digitalization of the relationship with omnichannel clients and the digitalization of operations. It comprises four phases: Understanding, Definition, Alignment and Implementation.

The Digital Direct Business Plan aims to promote the development of existing operations and launch new digital operations.

■ Cybersecurity

In an increasingly digital environment, it is crucial to protect all information transmitted, stored or processed, acting in a diligent manner to introduce preventive mechanisms and detect and respond to cyber attacks or business interruption incidents. MAPFRE's cybersecurity protocol forms part of the corporate protection model, based on risk management and the complete protection of assets, including employees, processes, facilities, and information systems.

6.5. Social and relational capital

Relationships of trust generated with stakeholders, contribution to the development and well-being of the community, and other intangible assets related to the brand and reputation.

This capital creates value for all stakeholders, especially for employees, clients, providers, distributors, shareholders and society in general.



What are we working on?

■ Promotion of equitable and stable relationships with stakeholders

MAPFRE believes that the engagement and commitment of stakeholders to the company are attained by building relationships that engender trust between the parties. This relationship enables us to identify and meet stakeholder expectations, bearing in mind their legitimate interests while pursuing our business activities.

■ Creation of value in stakeholder relationships

MAPFRE is currently engaged in three key projects for the development of these relationships with stakeholders: Materiality, the Transparency Plan, and the previously mentioned MAPFRE Group 2016-2018 Sustainability Plan.



Materiality

The identification of relevant matters through the materiality process is an exercise in dialogue that the company engages in, which allows it to identify sustainability expectations and interests on the part of the stakeholders with which it has the closest relationships.

This year MAPFRE replaced the overall materiality matrix with an individual materiality analysis for each stakeholder to thus establish and develop ad hoc actions for each one of them.



Active transparency plan

MAPFRE has implemented an Active Transparency Plan with the objective of increasing the company's accessibility and providing greater understanding of its business. In short, the plan aims to turn transparency into a recognizable corporate asset.

After analyzing the best practices and diagnosing the current situation, an action plan comprising 25 internal and external improvement measures was drawn up in 2016.

Transparency practices aim to ensure that all stakeholders receive the company information they need to make their decisions, and that they receive it in a timely and easily digestible manner.



↑ Inclusive Company ↑

■ Commitment to the environment in which we pursue our business

MAPFRE's commitment to the environment is articulated through three lines of action:

1. Public commitment through the benchmark international sustainability initiatives to which the following, among others, belong: United Nations Global Compact, United Nations Environment Program Finance Initiative (UNEPFI), Principles for Sustainable Insurance (PSI) and the Paris Pledge for Action.

On the international stage, MAPFRE was included on the Climate Disclosure Project's Global A-List in 2016, for having achieved the highest rating (A) as regards performance in mitigation and adaptation to climate change, and transparency of information reported.

2. Conveying the company's social value in each country in which it is present.

FINANCIAL CONTRIBUTION TO THE SOCIETY

Of the consolidated revenues of 27,092 million euros, MAPFRE has made an economic contribution to society through its activity over the year of 25,904 million euros, of which 15,500 million euros correspond to claims paid, 7,264 million euros in payments to providers and 707 million euros in the payment of taxes and social contributions.

Furthermore, through its insurance activities, MAPFRE makes commitments to its insured parties in exchange for the management of resources that are invested in assets, particularly financial assets.

We promote training
↗ ↕ ↖

SOCIAL AND ENVIRONMENTAL CONTRIBUTIONS

DIRECT/INDIRECT EMPLOYMENT	37,020 direct employees, of which 96.5 percent have permanent contracts; more than 84,000 agents, delegates and brokers, and more than 225,000 providers.
TRAINING AND INTERNSHIPS	18.4 million euros invested.
GENDER DIVERSITY	38.6 percent of employees in management/leadership positions are women.
FUNCTIONAL DIVERSITY	The Global Disability Program has been implemented in 28 countries.
CULTURAL DIVERSITY	78 nationalities work together at the Group.
GENERATIONAL DIVERSITY	Generation Z: 1,740 employees; Generation Y: 10,213 employees; Generation X: 15,503 employees; Baby Boomers: 9,083 employees; Veterans: 481 employees.
HEALTHY AND SAFE COMPANY	81.4 percent of the workforce is represented on joint management-employee health and safety committees.
WORK-LIFE BALANCE	More than 30,000 employees benefited from some form of work-life balance measure.
VOLUNTEERING	More than 5,700 MAPFRE volunteers took part in the Fundación MAPFRE volunteering program.
INNOVATION	32 insurance products and services were launched on the market in 2016.



3. United Nations Sustainable Development Agenda 2030 and Human Rights Objectives.

Part of MAPFRE's commitment to sustainable development is contributing to Agenda 2030. It has accordingly included a specific line of work in the Group's Sustainability Plan 2016-2018 and two main objectives have been proposed: (1) determine MAPFRE's positioning with respect to the Sustainable Development Objectives and (2) measure our contribution to those objectives.



Since 2013, MAPFRE has been measuring its reputation annually. Its standing for 2016 was strong/robust.



Other intangible assets associated with the brand and reputation

BRAND

The positioning of the brand is defined based on the company's business strategy, its Vision and its corporate Values. This establishes transversal significance (across businesses and countries) of the concepts of Globality and Trust so that we can ensure our differentiation in each market.

The latest "Best Spanish Brands" ranking, which is drawn up every two years by the Interbrand consultancy, shows in its latest study that the brand increased by 28% compared to the previous measurement (2013), which moved the brand up three places to position number nine.



REPUTATION

Since 2013, MAPFRE has been gauging its reputation among the general public every year, using the Reputation Institute's Reprtrak methodology, which examines the following seven aspects: range of products, innovation, work environment, integrity, citizenship, leadership, and finance. In 2016 MAPFRE's reputation was rated as strong/robust on the specific scale for the insurance industry.

For internal reputation management, other monitors such as MERCO (Corporate Reputation Business Monitor) are taken into account.

6.6. Natural capital

Appropriate management of natural resources, and contribution to climate change mitigation and biodiversity conservation.

This capital creates value for all stakeholders especially for employees, clients, providers, distributors, shareholders and society in general.



What are we working on?



■ SIGMAYE

The Corporate Environmental Policy is implemented in every Group company through the SIGMAYE (Triple Corporate Integrated Environmental, Energy and Carbon Footprint Management System). More than 10,620 employees worldwide currently work in SIGMAYE-certified buildings.

In 2016 a total of 150 environmental diagnoses, inspections and audits were carried out, representing 28.61 percent of all assets subject to environmental controls.

ENVIRONMENTAL MANAGEMENT

CARBON FOOTPRINT

ENERGY MANAGEMENT

Climate change

MAPFRE's Energy Efficiency and Climate Change Strategic Plan for 2020 includes the commitment to cut greenhouse gas emissions by 20 percent with respect to the Group's carbon footprint in 2013 (this represents a decrease of 14,710,519 kWh and 9,924 tons of CO₂ e).

MAPFRE determines, quantifies and evaluates the carbon footprint caused by its activities.



CARBON FOOTPRINT TABLE (Tm CO ₂ eq)	2015	2016
Scope 1	14,042.93	13,445.24
Scope 2	26,903.41	19,267.39
Scope 3	12,493.90	10,566.80
TOTAL CO ₂ eq emissions	53,440.24	43,279.42
TOTAL CO ₂ eq emissions/employee	1.53	1.28

Biodiversity

MAPFRE is a member of the "Biodiversity Pact" launched by the Spanish Companies and Biodiversity Initiative. Under the slogan "Without biological diversity there is no economic diversity", this initiative recognizes the importance of this matter and its relevance to climate change management.

The activities conducted thus far include collaboration agreements with different organizations to contribute to the development of projects for the preservation of endangered species and their habitats.

Excellence ++

Proposed resolutions



Resolutions proposed for the Annual General Meeting of MAPFRE S.A. to be held on March 10, 2017.

01. To approve the individual and consolidated Annual Accounts for the financial year 2016.
02. To approve the final results for 2016 proposed by the Board of Directors and consequently distribute a total dividend of 0.145 euros pre-tax, per share. Part of this dividend, to the amount of 0.06 euros pre-tax per share, was anticipated by agreement adopted by the Board of Directors on 8th November 2016. The remaining amount up to the agreed total (that is, 0.085 euros pre-tax per share), will be paid on the date determined by the Board of Directors within the period from May 1 to June 30, 2017. The amount corresponding to the treasury stock shares will be applied in proportion to the remaining shares.
03. To approve the management of the Board of Directors in 2016.
04. To reelect for a further four years the director Adriana Casademont i Ruhí, as an independent board member.
05. To ratify the appointment of board member Ana Isabel Fernández Álvarez, appointed by the Board of Directors on July 26, 2016, via the co-option procedure, and re-elect her for a period of four years, as independent director.

Said proposals have been brought before the Board of Directors, through the Appointments and Remuneration Committee and shall be deemed approved, if applicable, notwithstanding compliance with bylaws and standards of good governance.
06. To ratify the appointment of board member Fernando Mata Verdejo, appointed by the Board of Directors on September 29, 2016, with effect from January 1, 2017, via the co-option procedure,

and to reelect him for a period of four years, as independent director.

07. To appoint director Francisco José Marco Orenes as executive director for a period of four years.

These proposals were approved in a report from the Appointments and Remuneration Committee and shall be deemed approved, if applicable, notwithstanding compliance with bylaws and standards of good governance.

08. To change the title “Section 2. Audit Committee” in the Corporate Statutes to that of “Section 2. Audit and Compliance Committee”.
09. To amend Article 22 of the Corporate Statutes, which will be worded as follows:

The Audit and Compliance Committee will comprise at least three but not more than five Directors, all of whom shall be non-executive, and at least the majority of whom must be Independent Directors, and one of whom will be designated in view of his or her knowledge and experience in matters of accountancy, 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 Chairperson shall 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 will be that of the Board of Directors, and a Vice Secretary may be appointed, a position that need not be filled by a Director.

This Committee will have the following responsibilities:

- a) *To apprise the Annual 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 efficiency of the internal control of the company, internal audit and risk management systems, as well as debate the significant weaknesses in the internal control system detected when carrying out audits with the external auditor without compromising the independence thereof. For such purposes, and as the case may be, they may present recommendations or proposals to the Board of Directors and the corresponding term for the tracking thereof.*
- c) To supervise the process of 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 information regarding the auditing plan and its execution, in addition to preserving his or her independence in the performance of his or her duties.*
- 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 related to the accounts auditing process, and, whenever pertinent, authorizations of services other than the ones prohibited in the terms contemplated in the pertinent legislation in force for auditing accounts, regarding regulations concerning independence, and all other communications as stipulated under account auditing legislation and auditing standards. In any case, they must receive annual written confirmation from the External Auditor of their independence from the company or companies directly or indirectly linked to it, as well as the detailed and individualized information concerning the additional services of any type rendered and those professional fees received corresponding to these companies by said External Auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation in force.*
- 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. This report, in any case, must contain the reasoned evaluation of the provision of each and every one of the additional services to which the above letter makes reference, individually considered and jointly, apart from those concerning legal audits and in relation to the independent status or with the regulatory statutes for account auditing activity.*
- g) To report in advance to the Board of Directors regarding all issues covered by Law, in these Articles and in the Rules of the Board of Directors, and in particular about the financial information that the Company must make public periodically, about the creation or acquisition of shares in special purpose companies or with their registered address in countries or regions that are considered to be tax havens, and regarding transactions with linked parties.*
- h) To verify the application of the established good governance regulations at all times.*
- i) 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.*
- j) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.*
- k) Any other responsibilities which may be assigned by the Board of Directors or attributed to it in the Regulations of the said body.*

10. To change the title “Section 4. Risk and Compliance Committee” in the Corporate Statutes to that of “Section 4. Risk Committee”.

11. To amend Article 22 of the Corporate Statutes by removing paragraphs d), e) and f), which will now be worded as follows:

The Risk Committee will consist of at least three, but no more than five members, all of them non-executive. The Board of Directors will appoint a Chairman and a Secretary for the Committee, as well as a Vice Secretary where appropriate, these positions do not need to be filled by a Director.

This Committee will have the following responsibilities:

a) To support and advise the Board of Directors in the definition and evaluation of the Group’s risk policies and in the determination of susceptibility to risk and risk strategy.

b) To assist the Board of Directors in overseeing the application of the risk strategy.

c) To be familiar with and value the methods and tools for risk management, monitoring the models applied regarding results and validation.

d) Any other responsibilities which may be assigned by the Board of Directors or attributed to it in the Regulations of the said body.

12. To amend Article 15 of the Regulations for the Annual General Meeting which will be worded as follows:

“Article 15. Presence at the Meeting of the Risk and Compliance Committee

The President of the Audit and Compliance Committee, or in their absence, another of its members, shall report to the Annual General Meeting on matters there presented by the

shareholders in matters which are the responsibility of said Committee.”

13. To countersign the Annual Report regarding Remuneration of the Directors that is submitted, in an advisory capacity, to the Annual General Meeting, with the favorable report of the Appointments and Remuneration Committee.

14. To authorize the Board of Directors to delegate the vested powers conferred by the Annual General Meeting, as provided for under article 249 bis of the Revised Text of the Spanish Corporations Act, regarding the previous agreements to the Steering Committee, with express powers of substitution for each and every member of the Board of Directors.

15. To delegate the broadest powers to the President and the Secretary of the Board of Directors so that either one of them indistinctly may appear and proceed with the execution and formalization in public deed of the present agreements by means of the issuing of the pertinent public and private documents as required for their inclusion in the Mercantile Register. They shall be granted express authority to make any modifications, clarifications, rectifications and corrections that are deemed necessary or required to adapt the agreements to the requirements of the Registrar and thus obtain full registration thereof, or the partial registration provided for in Article 63 of the Regulation of the Mercantile Register.

16. To authorize the Board of Directors to clarify and interpret the previous agreements.

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