



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE
TO THE MAPFRE S.A. BOARD OF DIRECTORS
WITH REGARD TO ITS COMPOSITION AND FUNCTIONS IN THE 2016
FISCAL YEAR

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for undertaking the functions of appointment, termination and reelection of Directors and Senior Managers for MAPFRE S.A. and its Group, and for establishing remuneration.

Its regulation is contained in article 23 of the Corporate Statutes and in article 11 of the Board of Directors Regulations.

1. Composition

The Appointments and Remuneration Committee should consist of a minimum of three and a maximum of five Directors, all non-executive and at least two of whom should be Independent Directors. The Chairman should have the condition of Independent Director and the Secretary is that of the Board of Directors.

As of December 31, 2016 the Appointments and Remuneration Committee was composed of the following Directors:

Chairman: Ms. Catalina Miñarro Brugarolas (Independent).

Members: Ms. Adriana Casademont i Ruhí (Independent).
Mr. Luis Hernando de Larramendi Martínez (Nominee)
Alfonso Rebuelta Badías (Nominee)

2. Responsibilities

The Appointments and Remuneration Committee has the following responsibilities assigned in accordance with article 11 of the Regulations for the Board of Directors:

- a) To evaluate the skills, knowledge and experience required on the Board of Directors, defining the functions and capabilities required of the candidates to fill each vacancy accordingly, and assessing the time and engagement necessary for them to perform their duties effectively.
- b) To establish a representation objective for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this objective.
- 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 Annual General Meeting, as well as proposals for reappointment or separation, 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, well-planned.
- f) To propose to the Board of Directors the remuneration policy of Directors and General Managers or anyone who performs senior management duties 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 the appointment of the Fundación MAPFRE Trustees whose appointment is the responsibility of the Company.
- h) To authorize the appointment of External Director for the remaining companies in the Group.

3. Operational framework

As laid down in the Board of Directors Regulations, the Appointments and Remuneration Committee meets whenever necessary in order to perform its functions appropriately, and to this effect the Senior Manager supervising the Human Resources Division will be in attendance.

During the 2016 financial year the Committee met 6 times in which the main topics addressed were as follows:

- **Appointment and reelection of directors:**

In compliance with Director Selection Policy and the Board Renewal Plan approved in 2015, the Appointments and Remuneration Committee completed the selection processes and made proposals to the Board of Directors for the appointment of two new Independent Directors and the reelection of one Independent Director, and reported to the Board of Directors with regard to proposals for the reelection of two Executive Directors and the appointment by co-optation of one Executive Director.

To this effect, the Appointments and Remuneration Committee contributed to the analysis of the requirements of the company and those of the Group and to the assessment of prestige and suitability, avoiding at all times any implicit bias which may imply discrimination, especially with regard to the selection of candidates or one gender or the other.

In each case the Committee assessed the personal and professional qualities of the candidates and took into account the need for a plurality of profiles on the Board to enable suitable balance and diversity in training, experience, gender and nationality.

Furthermore, and in accordance with the provisions established in the regulations currently in force, the Appointments and Remuneration Committee analyzed the suitability of the members of the Board of Directors to be a part of said body, assessing the existence of circumstances that may affect their personal and professional prestige.

In particular, in matters of gender diversity the policy establishes that by 2020 the number of female directors should represent at least 30 percent of the total members of the Board of Directors, having already reached 26.7 percent as of January 1, 2017.

- **Assessment of the Chairman of the Board:**

The Appointments and Remuneration Committee made an evaluation of the Chairmen of the Boards of Directors for MAPFRE S.A. as well as for the main companies in the MAPFRE Group.

After appropriate analysis, the Appointments and Remuneration Committee considered the performance of the Chairman of the Board of MAPFRE S.A. to be very satisfactory, both in this position and as the most senior management representative for the Group, in all its facets: compliance with the main institutional principles laid down in the regulations for good governance; performance in the senior institutional representation functions of the company and management of the activities of the Board of Directors and delegate bodies, inherent in the position of Chairman; and performance in the executive senior management of the Group's activities.

- **Remuneration to Directors:**

In compliance with its assigned responsibilities, the Appointments and Remuneration Committee proposed to the Board of Directors, for submission to the Annual General Meeting, the Compensation Policy applicable to Directors for the 2016-2018 three-year period, which regulates remuneration for Directors both in their condition as such and where appropriate, for the exercise of executive functions. This policy is designed to promote the creation of value, profitability and sustainability in the long term, and is based on the principles of reasonable proportionality with Society's economic situation and with the market standards for comparable companies in terms of suitable and effective risk management, attraction and retention of talent, suitable balance between fixed and variable components and avoidance of conflicts of interest. To these effects, with regard to the remuneration of Executive

Directors, the Compensation Policy includes mechanisms for the deferred payment of accrued variable remuneration, as well as for decrease (*malus clause*) and recovery (*clawback clause*) of the same, and the possibility for part of variable remuneration to be paid in shares.

The above-mentioned Compensation Policy was approved by the Annual General Meeting held on March 11, 2016.

Furthermore, in compliance with the said responsibilities and within the framework of the said Policy, the Appointments and Remuneration Committee made a proposal for the remuneration of Directors in their condition as such, and the contract conditions, including remuneration, for Executive Directors corresponding to the 2016 financial year, for their approval by the Board of Directors.

- **Annual Report on Director Remuneration:**

The Appointments and Remuneration Committee issued a favorable report for the Annual Report on Director Remuneration corresponding to the 2015 financial year, for its submission by the Board of Directors to the Annual General Meeting, and which was approved at the meeting on March 11, 2016.

- **Senior Management Appointments:**

The Appointments and Remuneration Committee analyzed the proposals for appointments and dismissals for MAPFRE S.A. and MAPFRE Group Senior Management, issuing a report on the same to be submitted for approval by the MAPFRE Group administrative bodies corresponding to each case.

- **Contract conditions for members of Senior Management:**

The Committee analyzed, and presented to the Board of Directors, the proposals for the applicable contract conditions, including fixed and variable remuneration, corresponding to the 2016 financial year for

members of Senior Management in the MAPFRE Group, in the terms provided for in the MAPFRE Group Compensation Policy.

In view of the above, the Appointments and Remuneration Committee unanimously agreed to submit this report for the MAPFRE S.A. Board of Directors, on the basis of the same as well as on the assessment report issued by an external consultant whose independence was verified by the Committee before being appointed, to assess the Committee's activities in 2016.

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo