

BOARD OF DIRECTORS REPORT ON THE PROPOSALS FOR THE AMENDMENT OF  
THE CORPORATE STATUTES RELATING TO THE: NEW DENOMINATION OF  
SECTIONS 2 AND 4 OF CHAPTER 6 OF TITLE III AND THE AMENDMENT OF ARTICLES  
22 AND 24

Madrid, February 7, 2017

## I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSALS

This report was prepared by the MAPFRE S.A. Board of Directors. ("**MAPFRE**"), in compliance with the provisions of article 286 of the Consolidated Text for the Capital Companies Act with regard to the proposals for the (i) new denomination of Sections 2 and 4 of Chapter 6 of Title III; and the (ii) amendment of articles 22 and 24 of MAPFRE's Corporate Statutes relating to the regulation of the Audit Committee and the Risk and Compliance Committee, respectively.

The MAPFRE Board of Directors feels it is appropriate that powers in matters of compliance should be attributed to the Audit Committee, and therefore that the current Risk and Compliance Committee should only address matters concerning risk management,

This new configuration will make the Risk and Compliance Committee, which will now be called the Risk Committee, more effective as it will be exclusively enabled to address questions in matters of risk management and therefore to do so with greater depth.

Furthermore, following the example of a large number of IBEX 35 companies, responsibility in matters of compliance will be assigned to the Audit Committee, which will now be called the Audit and Compliance Committee.

In this context, and notwithstanding minor adjustments to the wording or adaptations, the following amendments are proposed:

- Assigning the powers of the Risk and Compliance Committee in matters of compliance and corporate governance to the Audit Committee.
- To change the name of the Risk and Compliance Committee to that of Risk Committee.
- To change the name of the Audit Committee to that of Audit and Compliance Committee.

## II. AGREEMENTS PROPOSED

- To change the title "Section 2. Audit Committee" in the Corporate Statutes to that of "Section 2. Audit and Compliance Committee".
- 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 Chairman 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 purpose, 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 corresponding legislation currently in force, as well as the conditions of his/her hiring and regularly gathering from him information relating to the audit plan and its execution, as well as remaining independent in the performance of his or her functions.*
- 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.*
- To change the title "Section 4. Risk and Compliance Committee" in the Corporate Statutes to that of "Section 4. Risk Committee".
  - To amend Article 24 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.*

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