



**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE
TO THE MAPFRE S.A. BOARD OF DIRECTORS REGARDING
ITS COMPOSITION AND FUNCTIONING IN FISCAL YEAR 2019**

The Audit and Compliance Committee is the delegate body of the Board of Directors of MAPFRE S.A. (hereinafter, the "Company") for the undertaking, among other things, of supervisory functions relating to the integrity of finance information and the effectiveness of internal control, internal audit and risk management.

Its governing regulations are contained in Article 22 of the Bylaws and in Article 10 of the Board of Directors' Regulations.

1. Composition

The Audit and Compliance Committee must consist of at least three but not more than five Board Directors, all of whom shall be non-executive, and at least the majority of whom must be Independent Board Directors, and one of whom will be designated in view of his or her knowledge and experience in matters of accounting, auditing or both. Its Chairman should be an Independent Board Director and must be substituted in this position every four years, only being able to be reelected to the post one year after leaving that position. Its Secretary will be that of the Board of Directors.

As on December 31, 2019 the Audit and Compliance Committee was composed of the following Directors:

Name	Position	Category
Ms. Ana Isabel Fernández Álvarez	Chairwoman	Independent
Mr. José Antonio Colomer Guiu	Member	Independent
Mr. Antonio Miguel-Romero de Olano	Member	Nominee
Ms. María del Pilar Perales Viscasillas	Member	Independent

2. Competences

The Audit and Compliance Committee has the following responsibilities assigned in accordance with Article 10 of the Regulations for the Board of Directors:

- 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, to explain how the said audit has contributed to the integrity of the financial information and role that the Committee has played in that process.
- b) To supervise the efficiency of the Company's internal control, internal audit and risk management systems, as well as to discuss with the External Auditor the significant weaknesses in the internal control system detected when carrying out audits, but without compromising the External Auditor's independence. Recommendations or proposals to this end may be presented to the Board of Directors, where applicable, together with the corresponding term for monitoring them.
- c) To supervise the process for drawing up and presenting the mandatory financial information, and to 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, reelection and substitution of the External Auditor, being accountable both for the selection process, as contemplated in the corresponding legislation currently in force, and for the conditions of their hiring, and regularly to gather from them information relating to the audit plan and its execution, while preserving their independence in the performance of their 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 relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account audit 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 detailed and individualized

information concerning the additional services of any type rendered and the professional fees corresponding to these companies received by the 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 ensure that, as far as possible, the External Auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the Internal Audit function; to propose the selection, appointment, reelection and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- i) To give prior notification to the Board of Directors of all matters stipulated by Law, in the Bylaws or this Regulation, specifically with regard to:
 - Financial information that the Company must make public periodically.
 - Creation of or acquisition of shareholdings in special purpose companies or registered in countries or territories considered to be tax havens.
 - Transactions with related parties.
- j) To establish and supervise a mechanism that enables employees to confidentially report any irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.
- k) To verify the application of the established good governance regulations at all times.

- l) 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.
- m) To supervise the adoption of initiatives and measures resulting from inspection reports or actions taken by administrative authorities responsible for supervision and control.

3. Operational framework

As laid down in the Board of Directors' Regulations, the Audit and Compliance Committee usually meets on a quarterly basis, as well as holding ordinary or extraordinary meetings whenever required, attended by the Group Chief Internal Audit Officer.

During the 2019 fiscal year the Committee met 10 times¹, when the main topics addressed were as follows:

- **Information for the Annual General Meeting:**

The Chairman of the Audit and Compliance Committee, and the other members of the Committee, attended the Annual General Meeting held on March 8, 2019. The shareholders did not raise any questions regarding matters within its remit.

- **Economic/financial information**

In accordance with its assigned responsibilities, in 2019 the MAPFRE Audit and Compliance Committee verified the following documentation:

- Management Report and Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for 2018.
- Solvency and Financial Condition Report of the MAPFRE Group and the subsidiaries residing in Spain that carry out insurance and reinsurance activities.

¹ Independently of the above meetings, the Audit and Compliance Committee has adopted resolutions through the written procedure, without a meeting.

- The Integrated Report for 2018, which follows the guidelines and recommendations of the International Integrated Reporting Framework.
- Report on the limited review of intermediate, summarized, consolidated financial statements of MAPFRE S.A. corresponding to the interim period ending on June 30, 2019.

- **Information to the Board of Directors**

The Audit and Compliance Committee gave a favorable report to the Board of Directors on the information that MAPFRE sends to the Spanish National Securities and Exchange Commission (the "CNMV") every quarter. This economic and financial information is reviewed in advance by the Internal Audit Corporate Area.

- **Internal Audit Supervision**

The Audit and Compliance Committee has been informed of the Annual Internal Audit Plan for fiscal year 2019 for MAPFRE and its subsidiaries, which includes the Annual Report for 2018, the Audit Plan for 2019, the structure and budget for the Unit and the training plan for internal auditors.

The Audit and Compliance Committee also received and reviewed the Internal Audit Unit Activity Reports which are issued quarterly by the Corporate Internal Audit Area and which place special emphasis on significant issues arising during the quarter relating to the internal audit reports and internal control. These reports also include monitoring of compliance with the objectives of the Audit Plans, the implementation of the recommendations, information on auditor training and collaboration with the external auditor and other areas within the company. Detailed information was presented monthly to the Committee on the monitoring and progress of the recommendations.

The general directives for the 2020 Internal Audit Plan were also presented and the Committee was notified of the different management appointments in the Services and Internal Audit Units during 2019, as well as the new Internal Audit structure for 2020.

In addition, the Committee was informed of the expected budget for the Internal Audit Unit for the 2019 and 2020 fiscal years and the forecast for 2021 and 2022.

Finally, the Audit and Compliance Committee has agreed to update the Internal Audit Statute and has transferred responsibility for updating the Internal Audit Policy up to the level of the Board of Directors.

- **Internal control and risk management**

The internal control evaluation reports on MAPFRE Group insurance and reinsurance companies relating to fiscal year 2018 and prepared by the Internal Audit Corporate Area were presented to the Audit and Compliance Committee.

With regard to the Internal Financial Information Control System (SCIIF), the Audit and Compliance Committee received an Audit Report from KPMG entitled "Information relating to the System for the Internal Control over Finance Information" corresponding to 2018, which summarized the internal control procedures established by MAPFRE S.A. with regard to annual financial information.

The Committee was also provided with the Own Risk and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (FCR) and the Quantitative Reporting Templates (QRTs).

Moreover, in relation to the revision of Risk Management and Solvency II, the Committee was informed of the most important aspects implemented by Internal Audit as part of its supervisory functions of the risk management system, such as the audits on Solvency II and internal control, and the risk-based audit plan.

- **External auditing**

The Audit and Compliance Committee was informed of the budget for the external audit of the Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for the 2019 fiscal year, and approved the payment of extraordinary fees to KPMG as a result of the diversion of hours employed in the auditing of the annual accounts for the 2018 fiscal year corresponding to a number of MAPFRE companies. In the same way, the Committee authorized additional services provided by KPMG in a number of MAPFRE companies and the total amount for the fees to be received for the same.

KPMG presented the 2019 annual Accounts Audit Plan to the Audit and Compliance Committee, which included the work schedule, the scope of the

Group Audit, the members of the work team, preliminary assessment of risks and the accounting and regulatory changes affecting the review period. Moreover, KPMG presented to the Committee the Preliminary Memorandum of the Audit of the Annual Accounts for fiscal year 2019. These preliminary reports are issued by the audit firm for all subsidiaries of MAPFRE on the Interim Financial Statements of the Company as on September 30.

Furthermore, and with the aim of guaranteeing the independence of the external auditor, the Audit and Compliance Committee undertook quarterly monitoring of the fees invoiced by the main audit company for services other than auditing Annual Accounts and supervised the relation between the fees paid to the audit company and the total revenue for the former, which according to MAPFRE S.A. Board of Directors Regulations should not exceed 5 percent.

The external auditor KPMG attended the meetings of the Audit and Compliance Committee to discuss matters relating to the audit of the Annual Accounts, the limited review reports at June 30, 2019 and the preliminary reports prior to the audit of the accounts, as well as matters concerning the limited review process of the Solvency and Financial Condition Report of the MAPFRE Group and the subsidiaries residing in Spain that engage in insurance and reinsurance activities.

Furthermore, and with the aim of verifying the information and contributing to the principle of transparency in matters of Corporate Social Responsibility, the external auditor, KPMG, was responsible for verifying the non-financial information in MAPFRE's Integrated Report corresponding to the 2018 fiscal year; this report was verified by the Committee. In addition, the Committee was informed of the fees proposed by KPMG for issuance of the report verifying the non-financial information in the 2019 Integrated Report.

- **Related-party transactions**

The Audit and Compliance Committee published a report on related-party transactions in 2018, to be made available to shareholders at the General Meeting.

The Committee also analyzed beforehand related-party transactions carried out in 2019 between MAPFRE Group companies and large shareholders and Senior Representative or Management positions at MAPFRE, under

the terms established in the legislation currently in force. In all cases the Committee prepared the relevant report that was provided to the Board of Directors for its approval, if appropriate, of the related-party transactions.

- **Regulatory and legal compliance**

The Committee was provided with a report on regulatory compliance actions in 2018 and the verification plan for 2019.

Similarly, the Committee was informed of the degree of compliance by MAPFRE Group with the Corporate Policies and the policies adopted as a result of the guidelines framework established by Solvency II.

Moreover, the Committee was provided with information on the degree of compliance with and development of the Penal Prevention Model.

Finally, the Audit and Compliance Committee submitted the updating of the Compliance and Outsourcing Policies to the Board of Directors.

- **Supervision of a mechanism for notifying irregularities**

The Audit and Compliance Committee was informed of the activities carried out in 2018 by the Financial and Accounting Complaints Channel.

- **Other issues**

In addition to those previously described, the Audit and Compliance Committee also addressed the following matters during 2019:

- Fiscal Policies applied in 2018, in compliance with the recommendations contained in the Tributary Good Practice Code.
- Main issues addressed and agreements reached by the Audit Committees for MAPFRE subsidiaries.
- Assessment of the composition and functioning of the Committee during the 2018 fiscal year in accordance with that established in Recommendation No. 36 of the Good Governance Code for listed companies in the Spanish National Securities and Exchange Commission (the "CNMV"), with unanimous agreement on the qualification of its composition and functioning this year as very satisfactory.

- Treasury stock operations undertaken in the 2019 financial year.
- Information on legislative developments and accounting criteria for the preparation of mandatory financial information.

4. 2019 assessment

The assessment has been carried out with the assistance of the external consultant Deloitte Legal, S.L.P., and the report made by that consultant on the basis of the review of the corporate information, of the self-assessment questionnaires conducted by each Board Director and of the interviews held with each of them has been taken as a reference.

The result of the process of assessment of the Audit and Compliance Committee's composition and functions in 2019 was very positive, subject to the following suggestion for improvement:

- To continue developing programs to update the knowledge of Board Directors on matters related to their specific needs.

In view of the above, the Audit and Compliance Committee has unanimously agreed to submit this report to the MAPFRE S.A. Board of Directors for them to assess the functioning of the Committee during the 2019 fiscal year based on its contents together with those of the assessment report issued by the external consultant.

Madrid, February 10, 2020
Committee Secretary

Ángel L. Dávila Bermejo