



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON THE  
REMUNERATION POLICY OF MAPFRE S.A. DIRECTORS

Madrid, 4th February 2016

## **1. REGULATORY FRAMEWORK**

In accordance with article 529 novodecies of the Spanish Companies Act, *“the Directors’ remuneration policy shall adhere to the applicable statutory remuneration system and be approved by the Annual General Meeting at least every three years as a separate item in the agenda”*. Likewise, according to said article *“the proposed remuneration policy of the Board of Directors shall be duly justified and supported by a specific report of the Appointments and Remuneration Committee”*. The policy *“shall be in force during the three years following that in which it was approved by the General Meeting”*.

In line with the foregoing, article 23 of the Company Bylaws and article 11.1.f) of the Regulations of the Board of Directors of MAPFRE S.A. establish, among the functions of the Appointments and Remuneration Committee, the capacity to *“propose to the Board of Directors the remuneration policy to be applied to Directors [...], as well as the individual remuneration and all other contractual conditions of Executive Directors, ensuring that they are duly observed”*.

This document represents the legal report that justifies the proposed Directors’ remuneration policy which will be submitted to the Board of Directors for approval and, where required, presented to the Annual General Meeting.

## **2. APPOINTMENTS AND REMUNERATION COMMITTEE**

The Appointments and Remuneration Committee is the delegated body of the Board of Directors for the coordinated development of the appointments and remuneration policy that should be applied to Directors.

At the date of this report the Committee is composed of four members, all of them non-executive, and two of whom are Independent Directors, being its Chairman one of the latter.

The Committee meets as often as necessary in order to properly carry out its functions. It met seven times in 2015 and once in 2016 as of the date of this report.

Likewise, during 2015 the Committee conducted a comparative study on the remuneration of the members of the Boards of Directors of IBEX 35 companies, and its results and conclusions were borne in mind when preparing the remuneration policy referred to in this report.

## **3. FUNDAMENTALS OF THE DIRECTORS’ REMUNERATION POLICY**

In the preparation of the Directors’ remuneration policy, the following aspects were considered:

- Applicable regulation:

The Appointments and Remuneration Committee has verified that the policy adheres to articles 217, 529.17.1, 529.18.1 and other similar provisions in the Spanish Companies Act, as well as to article 275 of the Delegated Regulation 2015/35 of the European Commission, which complements Directive 2009/138 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II).

- General principles:

The policy referred to herein is based on the following principles, which in the case of Executive Directors are consistent with those applied to the management staff of the entity and its group:

- a) Priority to value creation and profitability in the medium and long term over the achievement of short-term results.
- b) Reasonable proportionality to the company's economic situation and the market standards of similar companies.
- c) Consistency with the sales and risk management strategy, its risk profile, its objectives and management practices.
- d) Adequate and effective management of risks, without exceeding the risk tolerance limits established.
- e) Talent attraction and retention.
- f) Compensation aligned with dedication, qualification and responsibility.
- g) Adequate proportion of fixed and variable components in order to avoid an excessive reliance on variable components.
- h) Deferred payment of a substantial part of the variable remuneration.
- i) Possibility of making ex-post adjustments to the variable remuneration.
- j) Avoidance of conflicts of interest.

#### **4. VALIDITY OF THE DIRECTORS' REMUNERATION POLICY**

Should it be approved by the Annual General Meeting, the policy subject to this report shall be valid during 2016, 2017 and 2018. Any amendment thereto shall require the prior authorization of the General Meeting in accordance with applicable legislation.

## **5. PROPOSED RESOLUTIONS**

The Appointments and Remuneration Committee of MAPFRE S.A., at its meeting held on 4th February 2016, considered that the remuneration principles and systems applicable to both the remuneration of Directors in their capacity as such and, where required, the performance of executive functions, contained in the Directors' remuneration policy adhere to the provisions in the Spanish Companies Act and, in particular, to articles 217 and 529 sexdecies to 529 novodecies, both included, and other applicable provisions on Solvency II, and that they are adequate for the achievement of the Group's objectives.

In view of the foregoing, the Committee adopted the following resolutions during the aforementioned meeting:

- Submit to the Board of Directors the remuneration policy that should be applied to the Directors of MAPFRE S.A., so that it is presented to the Annual General Meeting as a separate item in the agenda.
- Prepare this report on the Directors' remuneration policy and propose its approval.

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