

# TCFD Report

May 2022

# Index



<b>1. Introduction</b>	<b>4</b>				
<b>2. Governance</b>	<b>6</b>				
<b>2.1. Board of Directors and Delegate Bodies</b>	<b>7</b>				
Board of Directors	7				
Steering Committee and Delegate Committees	8				
<b>2.2. Executive Committee and other Governing Committees</b>	<b>10</b>				
Chairman	10				
Executive Committee	10				
Management committees	10				
Corporate areas and offices	11				
Work Groups	12				
<b>2.3. Risk policies and frameworks</b>	<b>13</b>				
Sustainability and climate change-related policies, plans, and frameworks	13				
		Corporate policies that incorporate sustainability and climate change-related aspects	14		
		<b>2.4. Climate change training programs for employees</b>	<b>15</b>		
		<b>2.5. Public commitments and objectives</b>	<b>16</b>		
				<b>3. Strategy</b>	<b>17</b>
				<b>3.1. Description of climate change risks and opportunities</b>	<b>19</b>
				<b>3.2. Definition of climate change horizons and scenarios to calculate the impact</b>	<b>22</b>
				<b>3.3. Impact of climate change risks on the business</b>	<b>22</b>
				Underwriting and Reinsurance	23
				Investment	25
				Products	25
				<b>3.4. Sustainable strategies</b>	<b>27</b>
				Alignment of underwriting with the 2°C scenario	27
				Alignment of investment with the Principles for Responsible Investment	28
				<b>3.5. Participation in institutional organizations' Working Groups</b>	<b>29</b>



<b>4. Risk management</b>	<b>30</b>
<b>4.1. Risk management governance</b>	<b>31</b>
<b>4.2. Climate change risk identification and assessment procedure</b>	<b>32</b>
Climate change risk identification process	32
Risk assessment process related to climate change	33
Integration of climate change risk into other general risk categories	33
Aggregate exposure and losses attributable to catastrophe risk	34
Tools used in risk assessment	35
<b>4.3. Management of climate change risks and opportunities</b>	<b>36</b>

<b>5. Metrics and objectives</b>	<b>37</b>
<b>5.1. Corporate objectives</b>	<b>38</b>
<b>5.2. Underwriting portfolio metrics and objectives</b>	<b>38</b>
<b>5.3. Investment portfolio metrics and objectives</b>	<b>40</b>
<b>5.4. Internal operations metrics and objectives</b>	<b>43</b>
<b>5.5. Internal carbon price</b>	<b>48</b>

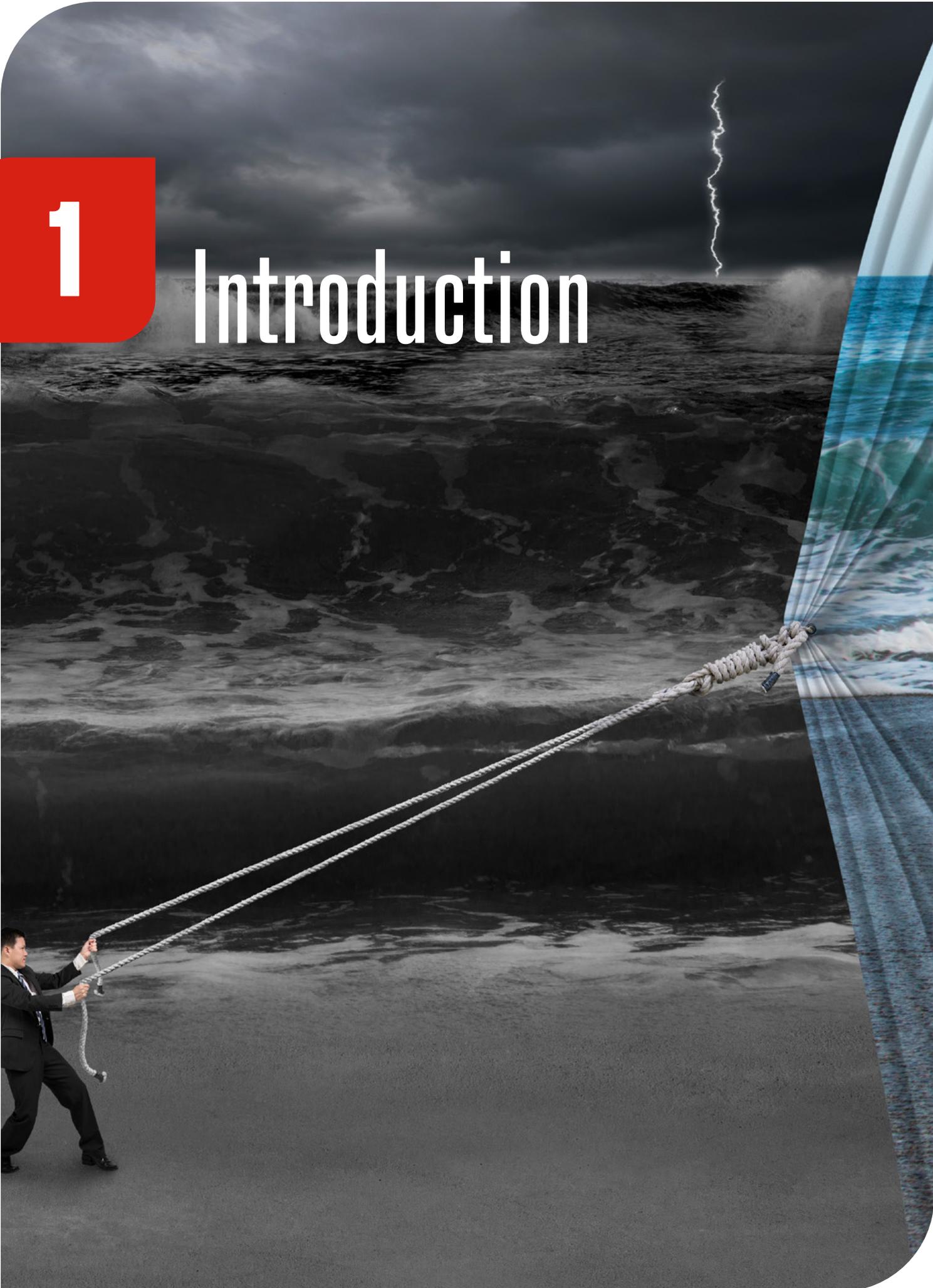
<b>6. APPENDIX</b>	<b>49</b>
<b>I. Sustainable underwriting products and services</b>	<b>50</b>
<b>II. Sustainable investment products</b>	<b>53</b>
<b>III. Advanced metrics and objectives</b>	<b>54</b>

**NAVIGATION CODE**

Previous page	Last page visited	Following page	Home	Print	Search document

1

# Introduction



Climate change is one of the biggest problems facing the world today. Addressing it and transitioning towards a low-carbon economy is therefore a challenge that must be met. At MAPFRE, for more than 85 years, we have been working with a strong commitment to society and pursuing a business model oriented toward sustainable development, focusing on the present while looking forward to the future.

In line with the Paris Agreement, and with the objective of keeping the increase in global temperature below 2°C, we have pledged to rapidly reduce our carbon footprint and disclose information related to climate change in a transparent manner.

We have therefore prepared this report on the company's climate change management,

following the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board. The report is structured around four pillars, described in Figure 1: Governance, Strategy, Risk Management, and Metrics and Objectives. Using this structure proposed by the TCFD, MAPFRE discloses the risks and opportunities of climate change and their integration into the company's business and activities.

We are convinced of the importance of fully disclosing the overall trends that will influence our company's performance in the short, medium and long term. This will enable investors, customers, and other stakeholders to make informed decisions, promoting best business practices and helping to develop a better and more sustainable world.



Figure 1. TCFD Axes. Source: Financial Stability Board – TCFD.

# 2

# Governance



# 2.1 Board of Directors and Delegate Bodies

The structure, composition, and functions of the MAPFRE Group's governing bodies are defined in the Institutional, Business, and Organizational Principles, approved by the Board of Directors of MAPFRE S.A. ("MAPFRE" or the "Company"), together with its corporate bylaws and the Regulations of the Board of Directors.

The following outlines the main functions and responsibilities of the Company's governing bodies:

## BOARD OF DIRECTORS

This body directs, manages, and represents the Company and its subsidiaries, and it has full powers of representation, regulation, and management. It is the MAPFRE Group's topmost decision-making and supervisory body, and it oversees all of its subsidiaries. In particular, the Company's Board of Directors is the body responsible for establishing and supervising the Group's sustainability policy and strategy.

In 2021 the Board of Directors addressed key issues concerning sustainability and climate change on five occasions. During these meetings, the Board reviewed modifications to sustainability-related policies in environmental matters, the code of ethics and other policies affecting stakeholders, the performance of the Sustainability Plan, and the Sustainability Policy.

The responsibilities of MAPFRE's Board of Directors related to sustainability and specifically to climate change can be classified into strategic and monitoring functions:

### STRATEGIC FUNCTIONS

MAPFRE's Board of Directors is the body responsible for approving the Corporate Sustainability Policy and the Group's sustainability strategy. To this end, during fiscal year 2021, it reviewed key issues related to sustainability and climate change on several occasions. In particular, it approved the Sustainability Plan 2022-2024 as a road map for climate change management and the circular economy<sup>1</sup>.

In addition, the MAPFRE Board of Directors is the ultimate body responsible for ensuring the efficiency of the Company's Risk Management System, establishing the risk profile and tolerance limits, and approving its key risk management strategies and policies, including sustainability risks.

In fiscal year 2021, it approved the new Corporate Sustainability and Environmental Report (SFCR), and the Internal Risk and Solvency Assessment (ORSA), where the risks to which MAPFRE may be exposed, including emerging and sustainability risks—among them climate change—are evaluated.

1. [Due to its transversal nature, multiple areas and bodies of the Group helped to develop the Sustainability Plan: the Corporate Environment, Risk, and Actuarial Offices, the Assistance, Global Risks, and Reinsurance Business Units, the Corporate Investment, Operations, Business and Clients, and People and Organization Areas, as well as the countries considered strategic for the company: Spain, Germany, Brazil, the United States, Mexico, Puerto Rico, Peru, Turkey.]

### MONITORING OF OBJECTIVES

MAPFRE's Board of Directors is the body responsible for monitoring the development and fulfillment of the Group's Sustainability Plan, for which purpose it is periodically informed of the progress and level of achievement of the Group's commitments under said Plan. In particular, it was informed of the degree of compliance with the Sustainability Plan 2019–2021, approved by the Board of Directors and focused on the major global and social challenges we face: climate change, the circular economy, inclusion and talent, financial and insurance education, the economics of aging, and the UN Agenda 2030. The objectives proposed by the Sustainability 2019–2021 were 98 % fulfilled.

Furthermore, the Board of Directors is the body responsible for monitoring compliance with the limits set in the Risk Appetite Policy, approved by the Board itself, which establishes the level of risk that the Group is willing to assume. For these purposes, MAPFRE's governing bodies receive information regarding the quantification of the main risks to which the Group is exposed, as well as information on the capital resources available to provide the necessary coverage, and compliance with the established risk appetite limits. Among these risks are catastrophe risks, which could be affected by climate change.

Finally, MAPFRE is (i) analyzing the different methodologies available for the application of climate change scenarios, with the aim of determining the impact on both insurance liabilities and the asset portfolio due to physical and transition risks, and (ii) identifying the necessary data for their application and its availability, analyzing the information sources and the content of the variables generated by the climate change scenarios.

## STEERING COMMITTEE AND DELEGATE COMMITTEES

MAPFRE's Board of Directors includes a Steering Committee and three Delegate Committees (Audit and Compliance Committee, Appointments and Remuneration Committee, and Risk and Sustainability Committee) and it establishes their roles as well as that of the Steering Committee.

### STEERING COMMITTEE

This is the Board of Directors' delegate body with responsibility for coordinating and permanently supervising the management of the Company and its subsidiaries and operations, so as to make the necessary decisions for its correct functioning. It has the general capacity of decision and has been expressly delegated all the powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Company's Board of Directors.

**The MAPFRE Board of Directors is the ultimate body responsible for ensuring the efficiency of the Company's Risk Management System**

### AUDIT AND COMPLIANCE COMMITTEE

This body's functions include reporting to the Annual General Meeting on any issues that arise in relation to matters within its remit, overseeing the efficiency of internal control and the process for preparing and presenting financial and non-financial information. This includes all aspects associated with climate change, submitting proposals to the Board of Directors for the appointment of an external auditor and building an appropriate relationship with the latter, and ensuring the independence and efficiency of the Internal Audit function. It is also the body responsible for supervising the proper application of good governance standards and external and internal regulations at the Company and the Group, including all policies related to sustainability and climate change.

### APPOINTMENTS AND REMUNERATION COMMITTEE

This body is responsible for coordinating the implementation of the assignment and remuneration policy for directors and senior executives of the Group.

### RISK AND SUSTAINABILITY COMMITTEE

This delegate body of the Board of Directors supports and advises the Board when defining and evaluating the Group's risk management policies, when determining susceptibility to risk and the risk strategy, and when defining and supervising the corporate sustainability policy and sustainability strategy.

In particular, the Risk and Sustainability Committee has the following responsibilities:

- To support and advise the Board of Directors when defining and evaluating the Group's risk policies and when determining susceptibility to risk and the risk strategy.
- To assist the Board of Directors in overseeing the application of the risk strategy.
- To study and evaluate risk management methods and tools, carrying out monitoring on the models applied in terms of results and validation.
- To support and advise the Board of Directors when defining and evaluating the Group's sustainability strategy and policy, ensuring that they are aimed at responding to the expectations of the company's stakeholders and value creation.
- To assist the Board of Directors in monitoring the company's performance in terms of sustainability.
- To promote, guide, and supervise the Group's principles, commitments, objectives, and strategy in terms of sustainability.
- Any other responsibilities which may be assigned by the Board of Directors or attributed to it in the Regulations of the said body.

For further information about the delegate bodies of the Board of Directors, please visit the corporate website at [www.mapfre.com](http://www.mapfre.com).

## 2.2 Executive Committee and other Governing Committees

MAPFRE's business model is subject to strict control and supervision at all levels: local, regional, and global. In turn, it allows for broad delegation of the execution and development of the competencies allocated to the teams and their leaders, ensuring in any event that the most important decisions at all levels undergo in-depth analysis, before and after their execution, by all management teams.

Executive responsibilities in matters of sustainability and climate change are distributed among the senior management, the various committees, and the work groups that handle the different functions to be performed, enabling MAPFRE to meet its objectives in these matters:

### CHAIRMAN

MAPFRE's Chairman met three times in 2021 with the Chairwoman of the Corporate Sustainability Committee and the Group Head of Sustainability to discuss issues related to sustainability; the review and definition of the new Sustainability Plan 22-24, the environmental commitments in underwriting and investment, and the company's carbon footprint. Furthermore, in the exercise of his functions, the Chairman and CEO has held regular meetings with MAPFRE RE, responsible for reinsurance within the Company, in order to monitor catastrophic risks.

### EXECUTIVE COMMITTEE

This body, which reports to the Steering Committee, is responsible for developing and executing the Committee's decisions, preparing proposals for decisions and plans for approval by the latter, and adopting ordinary management decisions within its scope of responsibility at any given time, within the powers granted aimed at coordinated and synergistic management of the MAPFRE Group's day-to-day operations.

### MANAGEMENT COMMITTEES

Within the MAPFRE Group, there are numerous committees, areas, offices, and working groups with functions and responsibilities related to sustainability and climate change. These bodies are located in the different business units and countries; and among them are:

#### SUSTAINABILITY OPERATING COMMITTEE

This body, which reports to MAPFRE's Executive Committee, is responsible for providing support in matters related to sustainability, formulating the appropriate proposals in this area, and supervising the correct execution of the agreements adopted in relation thereto. Its main functions include proposing the Group's sustainability strategy and Sustainability Plan to the Executive Committee for submission, where appropriate, to the corresponding governing bodies, and

ensuring that said plan is oriented towards value creation. It is also responsible for periodically assessing the Group's situation in terms of Sustainability; monitoring risks and opportunities associated with environmental, social, and corporate governance factors that may have an impact on the Group's business and investments; and monitoring the international sustainability initiatives and the commitments made by MAPFRE at any given time. Furthermore, where appropriate, it has the function of proposing adherence to any new initiatives related to this area of action that are relevant to the Group to the corresponding governing bodies.

### SECURITY AND ENVIRONMENT COMMITTEE

It is responsible for ensuring that the Group's business objectives and needs are fulfilled through appropriate safety and environmental risk management. At the same time, it guarantees that this function is considered as a component of corporate business processes.

### GLOBAL BUSINESS COMMITTEE

This is the advisory body of the Executive Committee for all aspects related to the monitoring of MAPFRE's business and strategy for both new and existing operations, in which underwriting is implicit.

### UNDERWRITING POLICY COMMITTEE

Together with the Global Business Committee, this committee is in charge of ensuring that the Underwriting Policy is correctly applied, analyzing and proposing the operating standards for ESG-related exclusions in the underwriting processes for the Group's insurance operations.

Among this committee's functions is verifying the Group companies' compliance with the underwriting commitments.

### INVESTMENT RISK COMMITTEE

The Group's asset manager, MAPFRE Asset Management, S.G.I.I.C, S.A. (MAPFRE AM), also has an Investment Risk Committee that analyzes portfolio composition, assesses ESG criteria and any disputes that may arise, and applies the grounds for exclusion approved by MAPFRE.

## CORPORATE AREAS AND OFFICES

Addressing the aspects related to sustainability, and specifically climate change, requires the participation of multiple specialized areas that incorporate these aspects into the strategy and into appropriate risk management, while ensuring their correct integration into the business and the Company's internal operations.

The following are some of the areas and departments that perform functions related to climate change:

### GROUP SUSTAINABILITY OFFICE

This is the area responsible for the operation, coordination, and design of the sustainability strategy. It participates in several internal committees, such as MAPFRE AM's Risk Management Committee, and in various internal and external working groups to address sustainability issues.

### GROUP RISK OFFICE

This is responsible for identifying and evaluating risks, including emerging and sustainability risks. Among other functions, it supervises and monitors the effectiveness of the Group's Risk Management and Internal Control systems. It also calculates the level of solvency and risk control and handles the monitoring and notification of risk exposure.

### GROUP SECURITY OFFICE

This area oversees the strategy, objectives, legal compliance, and risks related to the environment and climate change in the short, medium, and long term in a transversal manner and in relation to the MAPFRE Group's operations.

### GROUP ACTUARIAL OFFICE

The Group Actuarial Office is responsible for assessing the impact of climate change in relation to pricing, the calculation of technical provisions, and measurement of the insurance risk.

### CORPORATE INVESTMENT AREA

It is responsible for the efficient management of the company's financial asset portfolio while ensuring compliance with the principles for responsible investment (PRI) established by the organization.

### MAPFRE RE NATURAL PERILS AREA

MAPFRE RE has a technical area specialized in natural catastrophic risks that is responsible for identifying and evaluating the acute physical risks that affect it, as well as for providing support to the group in the evaluation of natural catastrophic risks in damage portfolios.

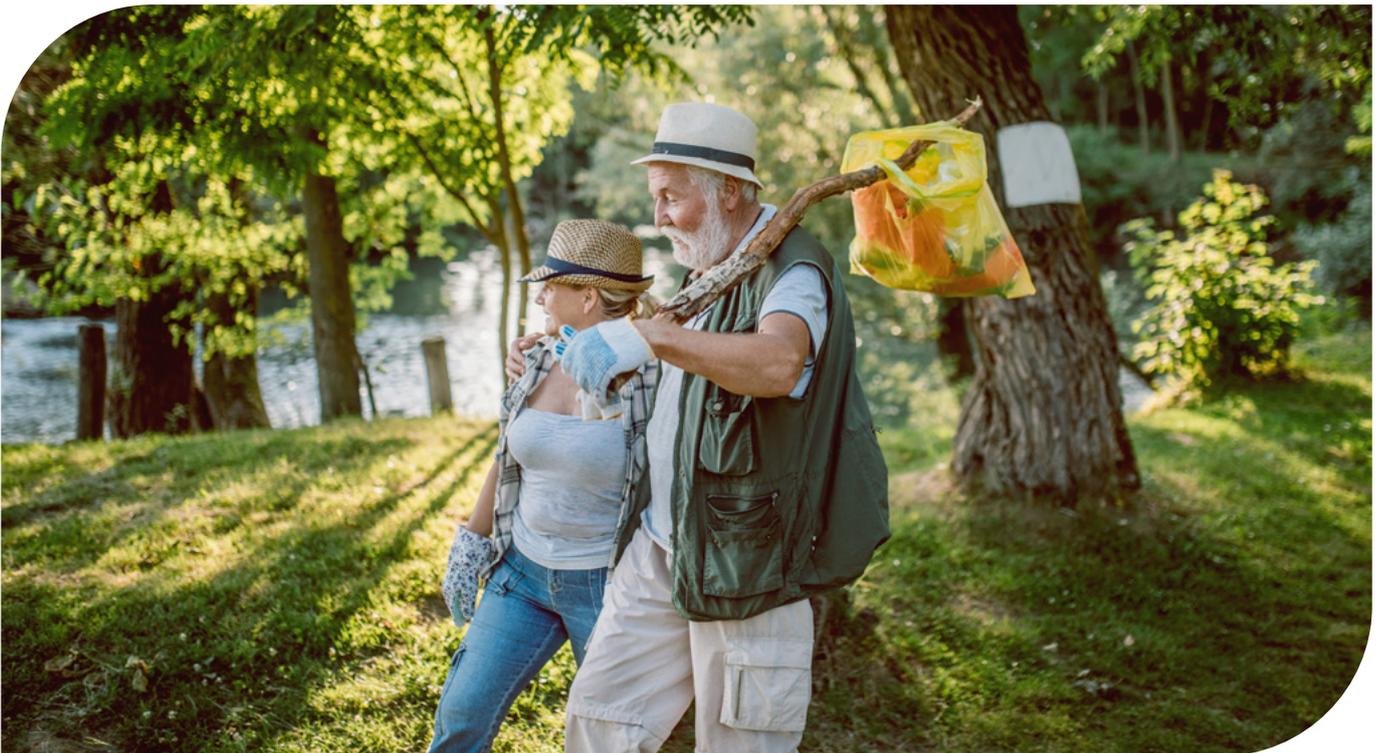
### CORPORATE STRATEGY AND M&A AREA

The Corporate Strategy team identifies the key focal points and areas of opportunity in the countries where MAPFRE operates based on the work of each country's business units and main corporate areas, which analyze the environment and trends in their scope of action. This analysis serves as a basis to define its strategic priorities in the market.

The Corporate Areas (Internal Audit, Strategy and M&A, Finance and Resources, Investment, Business and Clients, Operations, People and Organization, External Relations and Communication, General Counsel and Legal Affairs, Operational Transformation, Technology and Operations) have competences, within their scope of action, for all MAPFRE companies worldwide in terms of developing, implementing, and monitoring global, regional, and local corporate policies.

## WORK GROUPS

MAPFRE also has internal work groups to perform functions related to the Company's climate change risk management, such as the Eco-efficiency Work Group and the Investment Portfolio Carbon Footprint Work Group.



## 2.3 Risk policies and frameworks

MAPFRE has developed a series of policies on sustainability and climate change geared towards ensuring the success of its sustainability plans and objectives. The company has also needed to align its targets with climate change strategies, for which some of its existing policies have been modified.

### SUSTAINABILITY AND CLIMATE CHANGE-RELATED POLICIES, PLANS, AND FRAMEWORKS

MAPFRE has a set of policies, frameworks, and plans in place to further its sustainability and climate change related-objectives while ensuring alignment between its commitments and the Paris Agreement, described as follows:

#### SUSTAINABILITY POLICY

- Establishes the reference framework for any MAPFRE Group company to develop and promote socially responsible behavior, including climate-related aspects.
- Includes more comprehensive criteria on ESG issues (including climate change), international commitments, and the company's action strategy related to stakeholders.

#### GROUP ENVIRONMENT POLICY

- Responsible for the integration of the environment in the business, the promotion of environmental responsibility, the preservation of biodiversity, the prevention of pollution, the efficient management of resources and the adaptation and mitigation of climate change.

#### RESPONSIBLE INVESTMENT FRAMEWORK

- Integrates ESG criteria (including climate change) into all investment processes, both for own portfolios and those of third parties, considering the criteria defined by the applicable regulations and market trends.
- In 2021, the company began to apply these new responsible investment standards (exclusion of investment in certain industries, etc.).

#### SUSTAINABILITY PLAN 2022-2024

- Sustainability road map focused on the major global and social challenges: climate change, circular economy, inclusion and talent, financial and insurance education, the economics of aging, and the United Nations 2030 Agenda.

#### ENVIRONMENTAL FOOTPRINT PLAN 2021-2030

- Includes all the key lines of action to reduce the Group's carbon footprint by at least 50 % by 2030.
- These lines of action are grouped as follows: energy efficiency, sustainable buildings, carbon footprint, sustainable mobility, water management, circular economy, green procurement and natural capital management, and biodiversity preservation.

## CORPORATE POLICIES THAT INCORPORATE SUSTAINABILITY AND CLIMATE CHANGE-RELATED ASPECTS

The Group policies and frameworks that have been adapted to include sustainability and climate change-related aspects include:

### PROCUREMENT RULES

- The Company has a purchasing policy in place that incorporates economic, environmental, social, and governance criteria, as well as mandatory compliance principles that must be upheld in all completed contracts. The rules require providers to adhere to similar principles and values to those of the Group when conducting their business, and to comply with the laws and regulations of each country.

### INVESTMENT POLICY

- This is the main regulatory framework that regulates investment management processes and their control.
- The MAPFRE Group's investment policy has been geared towards ensuring sustainable development. Incorporating ESG and climate change criteria, it applies to both MAPFRE-owned investments and those comprising collective investment instruments for sale to third parties that are managed by MAPFRE.

### UNDERWRITING POLICY

- Integrates environmental, social, and governance issues into the underwriting processes of the Group's insurance operations approved by the Board of Directors.

## 2.4 Climate change training programs for employees

MAPFRE offers an employee training program on ESG factors, and specifically on mitigation and adaptation to climate change risks. This program related to climate change offers the following courses:

- Members of the Board of Directors receive training on risk management. In 2021, 100 % of the external directors received a total of 92 hours of training on regulatory, technological, operational, and reputational risks, including climate change risks.
- “A walk through corporate social responsibility” is a course that was launched in 2018 and which has so far been completed by 13,470 employees. The program explores topics such as the model for sustainable value creation, good governance, social and environmental responsibility, and contribution to society.
- “MAPFRE and the environment” is a course launched that was launched in 2017 and which has so far been completed by 14,539 employees. It focuses on topics related to the Group’s Environmental Policy, integration of the environment into business, environmental management, climate change, and promoting environmental responsibility in society.
- ESG Training CESGA Certification, aimed at training the Investment, Audit, Finance, and Sustainability teams to independently carry out evaluations and make investment decisions in which ESG criteria are applied. Between 2019 and 2021, 36 people were certified worldwide.

Elsewhere, with the aim of specializing investment teams and financial advisors, between 2019 and 2021, 518 financial advisors (employees and intermediaries) were certified in ESG Essentials, a certification granted by the European Federation of Financial Analysts Societies.

- The Group Actuarial Office offers monthly training webinars directed at teams involved in measuring the impacts of climate change, the dissemination of actuarial studies related to climate change, and the implications that ESG factors will have for the actuarial profession.

MAPFRE manages this positioning internally through “Eureka,” a shared knowledge platform where all employees worldwide can connect and share knowledge and best practices, including issues related to sustainability, the environment, and risks. It also uses other communication tools, such as the Global Intranet and apps aimed at employees.

Externally, on the corporate website and in other Group publications, as well as in most of its public statements, climate change, the commitment to sustainability, activity reports, and other related information are part of the company’s usual content addressed to all its stakeholders.

# 2.5 Public commitments and objectives

Our company's strong commitment to climate change and sustainable development both internationally and locally is reflected in our voluntary compliance with benchmark global and local initiatives in this area, in which we actively participate. In this regard, MAPFRE has committed to the following initiatives and organizations:

## INITIATIVES AND COMMITMENTS



## INDEXES



FTSE4Good

Sustainability Yearbook  
Member 2022

S&P Global

**+Info** For further information, please visit the detailed global commitments section on the MAPFRE website <https://www.mapfre.com/compromisos-globales/>

# 3

# Strategy



MAPFRE has integrated all considerations regarding climate change risks into its corporate strategy since the development and launch of the Sustainability Plan 2019–2021. This continues with the new Plan 2022–2024, which defines a responsible way of doing business in both underwriting and investment and is transversally aligned with the development of the Strategic Plan 2022–2024.

We are therefore working to adapt our financial planning to climate change, considering both the risks and the opportunities and taking the necessary action to transform ourselves into a low-carbon company, as well as to build and strengthen our resilience and adaptability to the risks of climate change and climate-related natural disasters.

The Company is reaffirming its commitment to sustainability across all areas of the organization and reinforcing its position as a business committed to social responsibility, the environment, and society in general, in addition to managing climate change risk.

The Company must address and manage the main climate change-related risks it faces, giving continuity to its business plan through the following mitigation actions:

- Appropriate modeling, which will help to define premiums and rates for reinsurance companies in order to address the increase in natural disasters due to climate change. MAPFRE operates in some countries that are highly prone to natural disasters (earthquakes, hurricanes, etc.), a type of risk requiring special treatment and ongoing management and mitigation measures:
  - Permanent review of the technical underwriting conditions, the pricing of risks with exposure to weather events, as well as reinsurance protection or programs.
  - Catastrophic exposure control and accumulation monitoring carried out by MAPFRE RE, which advises the Group's insurance companies on the treatment of these risks.

- Compilation of internal information on claims caused by natural risks (hail, flooding, windstorms, etc.) and the necessary market information for catastrophe risk modeling in order to adequately assess the climate change risk. The constant and rapid change in profiles, habits, technologies, and services that consumers demand, including those related to aspects of climate change, drive the necessity to be capable of quickly adapting the configuration of products and services on offer, which requires having available the necessary resources to perform advanced data analytics.

In addition, the finance sector is one of the industries most impacted by regulations at national and international levels. For this reason, we must rigorously monitor the publication of new regulations; furthermore, regulations in the ESG field, including those related to climate change, have had a growing importance in recent years.

MAPFRE is currently exposed to regulations that govern both the disclosure of information and the activities performed by its business units in the area of sustainability management:

- Regarding the disclosure of non-financial information, the EU Non-Financial Reporting Directive (NFRD) 2014/95, and its transposition in Spain into Law 11/2018, promotes transparency by requiring companies to provide homogeneous data on sustainability and environmental aspects. MAPFRE has therefore included information on these topics in its reports since 2018, in order to meet these requirements.
- The new EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) impacts MAPFRE's assets and their management. Investment products have been impacted by the new regulation, and MAPFRE Asset Management has therefore created several specific funds that meet the new European requirements for sustainable finance disclosure.

- Additionally, the company is exposed to Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment, which amends Regulation (EU) 2019/2088, as reported in section 5.3 Investment portfolio metrics and objectives.
- Furthermore, EIOPA has published numerous sets of guidelines and analyses in recent years on how companies must integrate climate change risks into their current processes, such as the Opinion on the supervision of the use of climate change risk scenarios in ORSA, dated April 19, 2021.

## 3.1 Description of climate change risks and opportunities

MAPFRE constantly analyzes elements that, should they arise, could impact business. This analysis considers ESG factors, as these enable additional information to be gathered on social movements and transformations, and the expectations of stakeholders and the market that affect the organization. A proper analysis of ESG factors, and how they might affect the business in the short, medium and long term, will show their relationship to the company and possible inclusion in the list of risks drawn up by the company and in the adoption of prevention and mitigation measures.

Climate change risk arises from the long-term change in the average weather patterns that have shaped local, regional, and global climates around the world. This risk would be mainly reflected in extreme weather events (tropical cyclones, flooding, forest fires, etc.), in economic uncertainty due to various changes (regulatory, technological, social, etc.), in the transition to a low-carbon economy, and in environmental liability claims when climate change risks are not prevented, mitigated, or disclosed.

Climate change risks fall into two broad categories: physical risks and transition risks. Based on the above-mentioned categories, there follows a breakdown of the climate change risks identified by MAPFRE.

**RISKS**

	Insurance underwriting portfolio	Insurance underwriting portfolio	Investment portfolio (Asset owner)	Investment portfolio (Asset manager)
<b>List of risks</b>	Acute physical risk: Increase in severity and frequency of extreme weather events.	Current regulatory risk: Mandates and regulation of existing products and services.	Reputational risk: Changes in consumer preferences.	Market Risk: Reduced risk of stranded assets considered when making investment decisions.
<b>Time horizon</b>	Medium term	Short term	Medium term	Medium term
<b>Main potential financial impact</b>	Increase in liability for insurance claims.	Decrease in revenue due to reduced demand for products and services.	Decrease in asset value or useful life, leading to depreciation, asset impairment, or early divestment of existing assets.	Decrease in asset value or useful life, leading to depreciation, asset impairment, or early divestment of existing assets.
<b>Impact magnitude</b>	High	Medium	Medium-High	Medium-High
<b>Probability</b>	Very probable	Very probable	Probable	Very probable

**Details**

As a global insurance company, MAPFRE and its customers located around the world are exposed to the physical risks that climate change may generate. Changes in the physical parameters of the atmosphere increase the probability and severity of damage caused by extreme weather events. As MAPFRE operates in countries where the possibility of catastrophes (flooding, tropical cyclones, snowfall, etc.) is high, it must pay particular attention to these risks. Damage caused by natural disasters leads to the payment of compensation by MAPFRE to its customers, which, depending on its amount, may have a significant impact on its balance sheet. In addition, MAPFRE has buildings, offices, and employees all over the world that may also be affected by the increased frequency and intensity of natural disasters.

The decarbonization of the economy, following the Paris Agreement, could change our way of life in Europe due to the development of ambitious and greener strategies such as the European Green Deal, the EU Taxonomy for Sustainable Investments, the regulation on Circular Economy, disclosures related to Natural Capital, etc. In Spain, the Climate Change and Energy Transition Law seeks to transform the use of private vehicles to boost green mobility. This regulation will be decisive in furthering urgent changes in mobility with the aim of electrifying it. Under these "new mobility" standards, certain journeys will be banned, such as driving polluting vehicles into large city centers. These changes are prompting customers to change their ways of moving around and purchasing goods and services.

The number of sustainable products on the market has multiplied in recent years, and the growth of green assets has increased significantly. Sustainable value considers environmental, social, and governance (ESG) factors that are attractive to investors. One of MAPFRE's objectives from a financial perspective is to manage its assets in accordance with its commitments and risks assumed. To this end, it applies the Principles of Responsible Investment in the management of its real estate portfolio, with consideration for energy efficiency and environmental sustainability criteria. This principle is reflected and permanently promoted in the management of the Group's real estate assets and new real estate investments, through sustainable building certifications and management systems under ISO standards (ISO 14001 and ISO 50001).

Meeting the objective of limiting global warming to less than two degrees would require us to keep a large proportion of existing fossil fuel reserves in the ground. It is estimated that one-third of oil reserves, half of gas reserves, and more than 80 % of known coal reserves would need to remain unused to meet global temperature targets under the Paris Agreement. The value of "stranded assets" may not be fully reflected in the value of companies that extract, distribute, or rely heavily on fossil fuels, which could result in a sudden drop if this risk is factored in. A variety of factors could lead to assets being stranded. They include new government regulations limiting the use of fossil fuels (such as the carbon price); a change in demand (for example, a shift to renewable energy due to lower energy costs), or even legal action. MAPFRE, as an investor and insurer, is exposed to these stranded asset risks.

But just as climate change may generate risks and negative impacts for MAPFRE, there is the possibility that these changes can be leveraged and represent an opportunity for the company,

leading to a positive financial impact, which is presented in the accompanying chart.

OPPORTUNITIES				
	Insurance underwriting portfolio	Investment portfolio (Asset owner)	Insurance underwriting portfolio	Investment portfolio (Asset manager)
<b>List of opportunities</b>	Products and services Development and/or expansion of low-emissions goods and services	Products and services Change in consumer preferences	Products and services Development of new products or services through R+D+i	Market Improved financial performance of investee companies due to being able to access new markets and develop new products to meet consumer demand
<b>Time horizon</b>	Short term	Short term	Medium term	Short term
<b>Main potential financial impact</b>	Increase in revenue through access to new and emerging markets.	Increase in revenue through access to new and emerging markets.	Increase in revenue due to higher demand for products and services	Increase in revenue due to higher demand for products and services
<b>Impact magnitude</b>	Medium-High	Average	Average	Average
<b>Probability</b>	Very probable	Very probable	Probable	Probable
<b>Details</b>	Spain's commitment to the European Union regarding the decarbonization of the economy with a view to 2050 has already materialized in a draft law on Climate Change and Energy Transition. One of the keys to this law is the transition towards sustainable mobility based on clean energy in transport, which could lead to net zero emissions from passenger cars by 2050. The Climate Change Law will also require the establishment of low-emissions zones in Spanish municipalities with more than 50,000 people by 2023. MAPFRE is firmly and decisively committed to sustainable mobility, and it has therefore focused on developing products and services centered on green vehicles, with the aim of positioning itself strategically in the sector in the short term. Various countries are applying similar regulations that could affect the marketing of products for the MAPFRE companies operating in those regions.	MAPFRE considers it crucial to be close to the customer, adapting to their needs. For this reason, thanks to its business model and strategy, MAPFRE is capable of tackling global challenges by developing innovative products and services, aimed at offering a wider variety of solutions to the growing and changing demands of customers and the society in which it operates. One of MAPFRE's objectives from a financial perspective is to manage its assets in accordance with its commitments and risks assumed. To this end, it applies the Principles of Responsible Investment in the management of its real estate portfolio, with consideration for energy efficiency and environmental sustainability criteria.	Concerns about climate change and the need to disclose performance to stakeholders in a transparent manner are inarguably on the rise. For MAPFRE, there is a risk that clients will change their criteria for selecting insurance companies, and that they will demand policies for adaptation and mitigation in the fight against climate change when taking out insurance policies. Sustainable innovation is therefore an important business opportunity. For this reason, MAPFRE continues working to design sustainable solutions, analyzing market options and moving towards new business models and solutions that arise from digital and technological changes. It does so with the ultimate aim of offering the best solutions and services to current and future customers while helping to build a more sustainable society.	The universe of sustainable investment assets continues to grow exponentially, and the number of available investment products is multiplying. Assets in ESG funds have doubled in the last two years. Sustainable investment considers environmental, social and governance (ESG) factors in portfolio management and makes its own investment case, which is attractive to investors. According to a Bank of America study (2021), in the next two to three decades, between 15 and 20 trillion dollars will be invested in ESG investments (in the US), which will cause the stock market to double in the United States. MAPFRE is committed to developing a range of SRI products that, in addition to being profitable for the client, have a positive impact on society.

## 3.2 Definition of climate change horizons and scenarios to calculate the impact

To analyze and assess the impact generated by climate change risks and opportunities, the Company uses the time horizons defined by EIOPA in the document titled [Methodological principles of insurance stress testing - climate change component](#). However, these horizons will be adapted to reflect any requirements and recommendations that the supervisory bodies announce.

MAPFRE is in the process of developing and analyzing different climate change scenarios, which will allow it to assess the potential losses arising from climate change risks. MAPFRE's objective is to prepare for the consequences of climate change by identifying the associated risks and taking measures to mitigate the resulting impacts.

## 3.3 Impact of climate change risks on the business

MAPFRE's business model and strategy are an example of how the company faces global challenges in terms of sustainability, manages ESG risks, and innovates through the development of insurance products and solutions for the benefit of its customers and the community. Climate change risk management helps it to make important decisions affecting underwriting, acquisitions,

investments, innovation in products and services, and reputation management, essential to earn the trust of our stakeholders and adapt MAPFRE's financial planning process to climate change. MAPFRE is fully committed to responsible investment initiatives and has launched an entire range of products that encompass its environmental, social, and governance (ESG) criteria.

## UNDERWRITING AND REINSURANCE

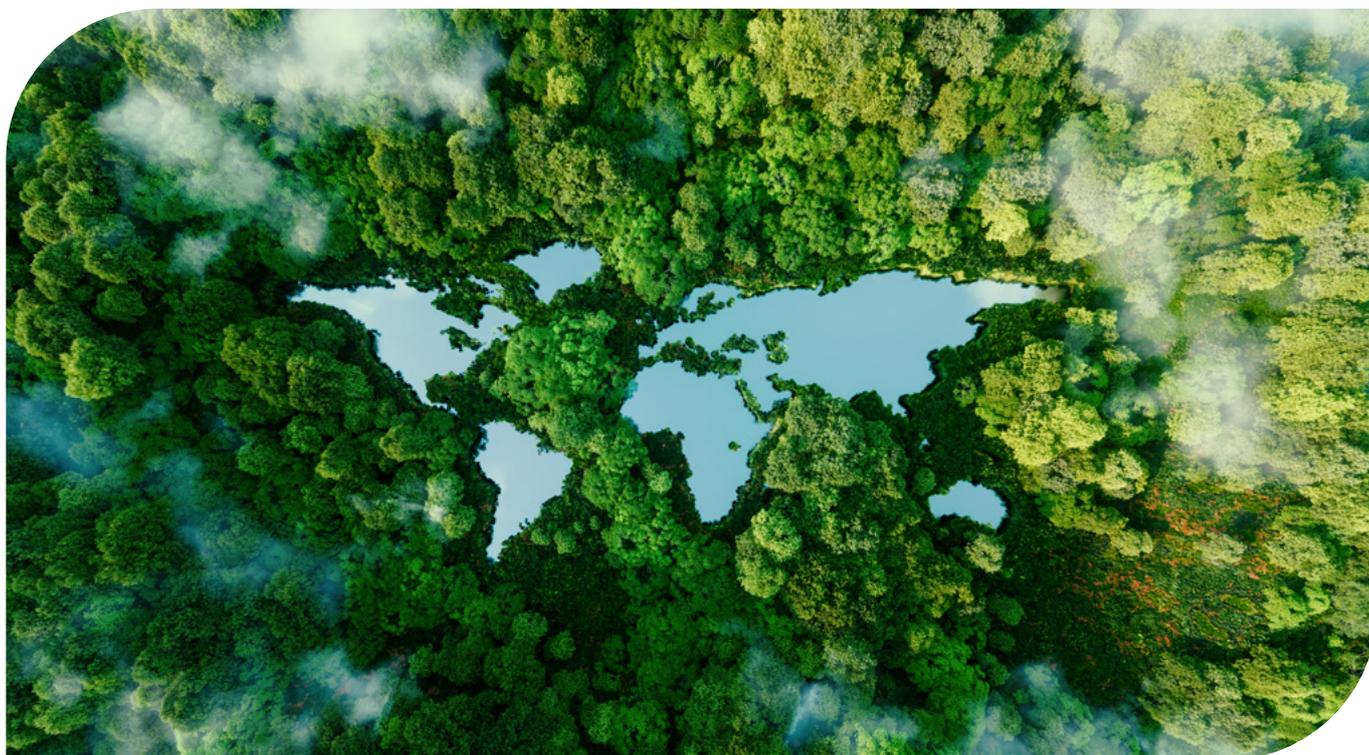
One climate change risk whose impact is potentially more relevant is the increase in natural disasters due to climate change. Climate change is expected to cause an unusual concentration of catastrophic or extreme weather events that could lead to an increase in claims, as well as the resources and capacities necessary to manage them. As MAPFRE operates in countries where the possibility of catastrophes (flooding, tropical cyclones, snowfall, etc.) is high, it must pay particular attention to these risks. Damage caused by natural disasters leads to the payment of compensation by MAPFRE to its customers, which, depending on its amount, could have a significant impact on its balance sheet. MAPFRE identifies natural risks as significant criteria when defining its underwriting strategies, using methods based on technical rigor, such as risk screening, accumulation control, and the adaptation of rates.

- The underwriting of catastrophic risks is based on specialized catastrophe exposure reports, which estimate the magnitude of losses in the event of a catastrophe. In addition, the Group has systems of procedures and limits that allow it to control the level of concentrated insurance risk. MAPFRE determines the overall catastrophic capacity that it allocates to each region on an annual basis. It establishes its maximum underwriting capacities per risk and event, performing stress tests and scenario analyses according to the sector and the countries in which it operates. MAPFRE's framework for catastrophic risk management includes several functions; among them are:
  - Accumulation control: addressing all catastrophic exposures that the companies face and that may be affected by a natural disaster. In this area, the ExpoCat tool was implemented at the corporate level in 2021 for the reporting and geo-referencing of MAPFRE companies' catastrophic exposures for their damage portfolios, also including their map display with different dashboards

to improve control and streamline management of this information. The coded data includes characteristics of the exposures that can make them more resilient to the impact of catastrophic risks, such as the year and type of construction or its height, among others.

- Catastrophic risk modeling: knowing all the information about exposures, estimating probabilistic loss scenarios to calculate the possible financial impact of natural disasters. Climate change can be an incremental factor in catastrophic risk depending on the type of scenario and the time horizon. Therefore, it should be included in these estimates to the extent that the predictive models used allow this variable to be incorporated. Likewise, the ExpoCat tool will allow companies to formulate deterministic loss scenarios with precise maps in the event of a catastrophic event, identifying potentially affected exposures and allowing more agile decision-making. The Board of Directors of MAPFRE S.A. establishes the risk level that the Group is prepared to assume in order to meet its business objectives without any significant deviations, even in adverse situations. This strategy enables MAPFRE to manage risk and adapt its financial planning process to climate change.

**MAPFRE identifies natural risks as significant criteria when defining its underwriting strategies, using methods based on technical rigor**



- MAPFRE RE (the Group's reinsurance company) is responsible for advising and placement of reinsurance protection and the retrocession of the Group's catastrophic and severe risks. It is common practice to use reinsurance contracts to mitigate the insurance risk derived from a concentration or accumulation of covers that exceed the maximum acceptance levels. This helps to guarantee the Group's ability to sustain losses derived from catastrophic events, ensuring that the occurrence of catastrophic events does not compromise MAPFRE's solvency or liquidity. It is also necessary to supervise and manage the credit risk that the Group is exposed to through reinsurance placements, as well as the liquidity risk that it could be exposed to.
- Continuity plans: in the case of a catastrophic event, MAPFRE's ability to continue serving its clients becomes critical. For this reason, business continuity plans are developed, implemented, tested, updated and certified,

aimed at guaranteeing, in addition to the personal safety of employees and collaborators, the operational resilience of the companies; thus fulfilling its obligations to clients and other stakeholders.

To carry out these actions, MAPFRE has specific capabilities that allow a consistent and adequate response to requirements at any time and anywhere. The activation of the plans makes it possible for each company to resume its operations in a period of time that does not compromise its continuity and that allows the services required by its clients to be provided, making these operations resilient.

In addition, the MAPFRE's Group Actuarial Office is developing a study on the possible health impacts of climate change, considering different scenarios, and the corresponding impact on Life insurance products. MAPFRE will present the results of this study at the European Congress of Actuaries in June 2022.

## INVESTMENT

MAPFRE's vision also envisages it being “the trusted insurance company” for its investors. In this regard, a growing number of investors are basing their investment decisions on environmental, social, and governance (ESG) criteria in addition to financial factors. The carbon footprint or reducing greenhouse gas emissions may become one of the most important factors in terms of investors' selection criteria in the future.

Together with a specialist company, MAPFRE is developing its own methodology for ESG investment and product research for our investment strategy.

We are implementing the Sustainable Investment policy throughout our Group. This involves a dual approach:

- “A posteriori” approach. The objective is to have a tool in order to start applying ESG criteria. This approach has two main stages: first, we examine the ESG scores of all portfolios, and then our Risk Committee discusses whether it is necessary to move any of them to improve the ESG rating, or to sell assets whose score is too low.
- “A priori” approach. We incorporate ESG criteria when researching potential investments. The methodology, which is currently being developed and disseminated, uses the Comprehensive Value Approach of the French manager La Financière Responsable, a MAPFRE partner.

As investment managers, we focus on aspects of ESG risks and opportunities that are of particular importance in our process with the aim of developing our own understanding of these issues.

All of the above tools are among the actions outlined in the MAPFRE Sustainability Plan (2019–2021), which includes a specific chapter on responsible investment. Its main observations concern:

- Integrating ESG criteria into MAPFRE's investment processes, ensuring that said investments continue to be profitable or are limited to parameters that may have a subjective component. An investment's reputational risk is also incorporated into the process.
- Revising the assessment methodology for listed companies.
- Improving MAPFRE's assessment model for evaluating listed companies, incorporating both financial and non-financial components (ESG factors).

The plan suggests the following actions:

- A specific training course for MAPFRE professionals, mainly in the Investment Area, at a global level.
- Collaboration with the leading universities around the world specializing in ESG issues to carry out specific studies for MAPFRE.
- Dissemination of content that positions MAPFRE in this area.
- Creation of ad-hoc products that incorporate ESG criteria.
- United Nations Principles for Responsible Investment (UNPRI) 2017.

## PRODUCTS

### UNDERWRITING

Sustainable innovation is an important business opportunity. For this reason, MAPFRE designs sustainable solutions, analyzing market options and moving towards new business models and products and services that arise from digital and technological changes. It does so with the ultimate aim of offering the best solutions and services to current and future customers while helping to build a more sustainable society.

MAPFRE offers a wide range of sustainable insurance products in the different parts of the world where it operates. Environmental products and services are classified according to the impact they generate and are grouped as follows: sustainable mobility, renewable

energy, circular economy, avoid and/or repair damage caused to the environment, low-carbon agriculture and energy efficiency in facilities. For more information about MAPFRE's underwriting products, see sections 5.2 Underwriting portfolio metrics and objectives and APPENDIX I.

### INVESTMENT

MAPFRE is committed to developing a range of SRI products that, in addition to being profitable for the client, have a positive impact on society. To this end, it develops its own analysis methodology, with academic support from renowned institutions, as well as the experience of La Financière Responsable, which MAPFRE has shares in. These products are aligned with the Principles for Responsible Investment, to which the Group has adhered.

MAPFRE Asset Management, MAPFRE's asset manager, has a portfolio offering several specific funds adapted to the new European Sustainable Finance Disclosure Regulation (SFDR). In addition, as a sign of this commitment, the company markets other sustainable investment products, such as the infrastructure fund launched with Abante or joint investments in renewable energy with Iberdrola.

MAPFRE has placed special emphasis on providing communication and information on SRI funds to (current and potential) specialist clients and society in a different way, in accordance with the values that these funds, responsible investment and its contribution to sustainable development represent to the company. To do so, it generates specific informational content through interviews, participation in conferences and events, reference articles in specialized media and value-added videos on the MAPFRE corporate website.

In addition, MAPFRE has been part of Spainsif (a benchmark meeting platform for sustainable and responsible investment in Spain) since 2019 and is also a member of its management committee.

For more information about MAPFRE's investment products, see section 5.3 Investment portfolio metrics and objectives and APPENDIX III.

**MAPFRE is committed to developing a range of SRI products that, in addition to being profitable for the client, have a positive impact on society**

## 3.4 Sustainable strategies

### ALIGNMENT OF UNDERWRITING WITH THE 2°C SCENARIO

In 2019, MAPFRE incorporated a series of environmental commitments into its underwriting policy to align its underwriting activities with the Paris Agreement scenario.

In 2021, the company reinforced and modified its environmental commitments, moving forward with its actions in favor of the transition towards a low-carbon economy, accompanying customers in their decarbonization and energy transition processes. These commitments, which are applicable to all Group companies from 2022, with their fulfillment verified by the Underwriting Policies Committee, include:

- Coal - Insurance for projects:
  - We will not insure construction of new coal-fired power plants or operation of new coal mines.
  - We will not insure the construction of new infrastructure that exclusively provides service to construction and/or operation of thermal coal mines or thermal coal power plants.

Case-by-case exceptions can be made, which must be assessed by taking into account the company's internal ESG analysis systems. In addition, criteria such as the state of development of the country in line with the UN classification, the country's dependence on coal and the consideration of renewable or low coal-content alternatives will be included in the evaluation.

- Coal - Insurance for companies:
  - We will not invest in companies that obtain 20 % or more of their revenue from thermal coal-produced energy.
  - We will not insure companies with thermal coal-based energy expansion plans of more than 300 MW.
  - We will not invest in mining companies that obtain 20 % or more of their revenue from annual thermal coal extraction and/or production of more than 20 million metric tons.
- Decarbonization of the insurance company portfolio: In 2030, MAPFRE's portfolio will no longer include insurance programs related to coal-fired power plants or operation of thermal coal mines in the OECD countries, or companies that have not implemented commitments on the energy transition and decarbonization. Beginning in 2040 this commitment will also apply to the rest of the world, in all countries where MAPFRE operates.
- Oil & Gas:
  - Tar sands: MAPFRE will not insure any new projects related to extracting or transporting tar sands. At the end of 2021 MAPFRE's portfolio did not contain any policy that insures the extraction or transport of tar sands.
  - Projects in the Arctic (offshore/onshore): MAPFRE will not insure any individual new offshore/onshore projects taking place in the Arctic for natural gas or petroleum extraction or transport.
- MAPFRE will not insure coal, gas, and oil companies that do not commit to an energy transition plan that allows global warming to be maintained at around 1.5°C.
- Protection of emerging countries: we will help to reduce the protection gap by increasing our support for the insurance industry in developing countries through reinsurance for natural disasters and by seeking opportunities to collaborate on public-private initiatives.

## ALIGNMENT OF INVESTMENT WITH THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

The United Nations PRI coexist with the obligation assumed by the company as custodian of customer savings and investments and the solidity of its own balance sheet. Prudent investment criteria are therefore applied, seeking long-term value creation and incorporating ESG factors alongside traditional information.

In 2021 the Group revised its environmental commitments in terms of investment, defining the following commitments to be applied from 2022:

- We will not invest in companies that generate 20 % or more of their revenue from coal-produced energy.
- We will not invest in companies with plans for coal-based energy expansion of more than 300 MW.
- We will not invest in companies that obtain 20 % or more of their revenue from annual thermal coal extraction and/or production of more than 20 million tons.
- We will not invest in coal, gas, and oil companies that are not committed to an energy transition plan that limits global warming to around 1.5°C.

The Corporate Investment Area is the guarantor of compliance with the established

responsible investment principles at the organization and must report annually on their fulfillment to the Sustainability Committee. MAPFRE AM also has an Investment Risk Committee that analyzes portfolio composition on a quarterly basis, assesses ESG concerns, resolves any disputes that may arise, and applies grounds for exclusion approved by MAPFRE.

To monitor and manage ESG risks in investments, MAPFRE has its own analysis framework that is reviewed periodically to incorporate best practices in this area. The investment team is responsible for implementing the methodologies included in the above framework, always looking for opportunities and avoiding risks. MAPFRE also has an Investment Policy applicable to all insurance and reinsurance companies, and a series of policies that complement its commitment to sustainable investment, such as the Sustainability Risk Integration Policy.

In relation to SRI (Socially Responsible Investment) strategies, MAPFRE is in favor of applying integration as a priority, although it does not rule out the use of other types of strategies, such as exclusion, engagement, best-in-class or proxy-voting strategies. Likewise, it extends the philosophy of socially responsible investment to the Group's entire balance sheet.

Real estate investment is fully aligned with these principles and the governance system described above. Additionally, specific strategies have been defined to ensure compliance with the objectives set, within the framework of the Sustainability Plan and the Environmental Footprint Plan.

## 3.5 Participation in institutional organizations' Working Groups

Among the responsibilities assumed at MAPFRE, we are working to respond to climate change risks, and we therefore participate in a variety of specialized initiatives to further the analyses of the possible impacts:

- The Pan-European Insurance Forum (PEIF): Sustainable finance Working Group
- European Insurance CFO Forum: Sustainable Reporting Working Group
- European Financial Services Round Table: Sustainable finance Working Group
- Geneva Association: Climate Change & Emerging Environmental Topics (CC+EET) Working Group
- Institute of International Finance: Sustainable Finance Working Group
- Insurance Europe: Sustainability Working Group; Long Term Investments & Sustainable Finance
- Unespa: Sustainability Working Group; Sustainability Statistics; Sustainable Finance

In addition, 2021 saw the publication of a report prepared by the Group, coordinated by the United Nations UNEP-FI ([PSI-TCFD-final-report.pdf \(unepfi.org\)](#)), of which MAPFRE is a part, that analyzes scenarios allowing financial metrics and models to be developed with the aim of adequately estimating the potential repercussions of climate change on the business.

Also, MAPFRE's Group Head of Actuarial Office is the director of the Spanish Actuarial Research Center, part of the Spanish Institute of Actuaries. This Institute is working on various climate change-related initiatives, such as the creation of an actuarial climate index for Spain.

# 4

# Risk management



Due to the group's global nature, and as a consequence of the climate change risk and other external factors, MAPFRE has implemented an internal control process and an effective risk management system

that complies with local regulations. It promotes actions for risk governance, the identification of emerging risks, and training and dissemination of the risk culture in the organization.

## 4.1 Risk management governance

The responsibilities of the MAPFRE Risk Management System are integrated into the organizational structure in accordance with the three lines of defense model, which establishes:

- A first line of defense: consisting of employees, management, and the business and supporting operating areas responsible for maintaining effective control over the activities carried out as an inherent part of their work. Therefore, they are the ones who assume the risks, and they are responsible for designing and applying the necessary control mechanisms to mitigate the risks associated with the processes they carry out, guaranteeing that the risks do not exceed the established limits.
- A second line of defense: made up of the key risk management, actuarial, and compliance functions, as well as other assurance functions which oversee the functioning of the Risk Management System.
- A third line of defense: comprising Internal Audit, which performs independent assessments of the suitability, adequacy, and effectiveness of the Risk Management System, reporting any shortcomings to the parties responsible for applying corrective measures, including directors and the governing bodies.

**The Group constantly analyzes environmental, social and governance (ESG) factors that, should they arise, can or could impact business**

## 4.2 Climate change risk identification and assessment procedure

MAPFRE establishes a procedure for mitigating and adapting to the risks that arise from climate change. This procedure consists of the processes of identification and evaluation of these risks:

### CLIMATE CHANGE RISK IDENTIFICATION PROCESS

The Group constantly analyzes factors that, should they arise, can or could impact business (referring to investment and underwriting). This analysis considers environmental, social and governance (ESG) factors, as these enable additional information to be gathered on social movements and transformations, and the expectations of stakeholders and the market that affect the organization.

A proper analysis of ESG factors, and how they might affect the business in the short, medium and long term, will show their relationship to the company and possible inclusion in the list of risks drawn up by the company, and how they will be considered in the adoption of prevention and mitigation measures.

In addition, the Group Risk Office leads an annual exercise to identify material risks that, in 2021, saw the participation of more than 300 key risk management employees from 26 different countries. The managers were able to identify the perceived risks, including sustainability and climate change risks, that may affect the Group's results as it implements its business plan, and that could materialize beyond its business plan.

MAPFRE has internal control processes and an effective risk management system in place that complies with local regulations. It promotes actions for risk governance, the identification and evaluation of risks, including emerging and sustainability risks, as well as training and dissemination of the risk culture in the organization. This system is based on the ongoing, integrated management of each and every business process, and on the adaptation of risk levels to the strategic objectives.

Subsequently, materiality analyses are performed to assess risks, including climate change risks, based on their relevance to the participating stakeholders (employees, providers, customers, and experts) and according to the impact of these issues on MAPFRE. This analysis identifies potential risks for the company and establishes the appropriate prevention and mitigation measures.

## RISK ASSESSMENT PROCESS RELATED TO CLIMATE CHANGE

The internal risk and solvency assessment (ORSA), part of the risk management system, uses mechanisms to identify, measure, monitor, manage, and report the short, medium, and long-term risks identified by the Group, as well as to determine the adequacy of its capital resources based on the knowledge of its real solvency needs. On an annual basis, the Group Risk Office coordinates the preparation of the ORSA report, which is submitted to the Board of Directors for approval.

MAPFRE analyzes not only factors that may have a negative impact on the business, but also those whose impact is potentially positive, both financially and in terms of ESG factors. Thus, as a global insurance company, MAPFRE has an important role to play in helping society to identify risks and opportunities to develop sustainable products and services that contribute to the transition to a low-carbon economy.

The evaluation of climate change risks is a priority for the finance sector. By doing this, MAPFRE aims to increase its understanding of climate change risks and their potential impact on the company. It is currently evaluating different methodologies to develop climate event scenarios and analyzing the data that will be necessary for their application. This should enable it to make a decision on how to proceed in order to analyze the Group's exposures. Additionally, climate change risk assessments are starting to be developed for consideration in the ORSA report.

At MAPFRE, we have tools that allow us to compare exposure maps for geolocated damage portfolios with maps of climate change variables. We expect to obtain results in 2022, including the identification of damage exposures that could be the most impacted by the future changes in weather patterns.

## INTEGRATION OF CLIMATE CHANGE RISK INTO OTHER GENERAL RISK CATEGORIES

ESG risks are naturally integrated into traditional risk categories during the management and control processes, using the Risk Management System and a taxonomy that incorporates climate change risks.

Furthermore, on an annual basis, the MAPFRE Group Risk Office creates the Risk Map for the Group, based on the answers to assessment questionnaires, in order to identify material risks that could impact the different companies.

These questionnaires are used to gather data on the probability of occurrence and the impact of the risks as classified in the following general risk categories, in which climate change risks must be considered:

- Insurance risk:
  - Natural or man-made disasters: Events caused by climate change (extreme weather, water crisis, food scarcity) or the ineffectiveness of measures against climate change.
  - Increase in diseases: Emergence of infectious diseases related to climate change.
- Financial and credit risk:
  - Macro-economic situation: Transition risks – changes in the price of financial assets caused by climate change.
- Strategic and corporate governance risks
  - Goodwill impairment: Appearance of contingencies in areas such as the environment.
- Operational risk:
  - Regulatory changes: Civil and criminal liability for actions that have caused climate change.
  - Damage to tangible assets: Damage to assets due to natural disasters related to climate change (flooding, storms, hail, hurricanes, etc.).

Similarly, data is gathered on the potential impact of the risks that could materialize in the next five years, including the following climate change risks:

1. Increase in events and natural disasters associated with climate change.
2. Need to adapt catastrophic risk coverage programs and underwriting policies and to continuously update risk profiles by area/activity and reinsurance restrictions.

## AGGREGATE EXPOSURE AND LOSSES ATTRIBUTABLE TO CATASTROPHE RISK

The Group uses specialized analytics for catastrophic exposure to estimate the scope of the losses when catastrophic events occur and periodically conducts stress tests and analytics of scenarios in which the potential impact of this risk for the Group is evaluated.

Taking action during natural disasters requires an appropriate forecast of these events and a correct assessment of the losses they can cause, which are essential to managing an insurance company. The economic impact that the company will have to manage as well as the response that it will be able to give its clients depend on this, and management of this action is inherent in its operations.

MAPFRE RE offers reinsurance services and capacities, providing all kinds of solutions for reinsurance treaties and facultative reinsurance, in all Life and Non-Life business lines. The Reinsurance business also encompasses the Global Risks Unit, which is the MAPFRE Group unit specialized in managing global insurance programs for large multinationals (for example, policies that cover aviation, nuclear, energy, third-party liability, fire, engineering, and transportation).

**For the management of an insurance company, an appropriate forecast and a correct assessment of the losses they can cause by natural catastrophes are essential**

In the Reinsurance business, premiums in 2021 rose by 12.7 % year-on-year, essentially as a result of the increase in interests in ceding companies' programs and the rise in rates in some tranches, after several years of high frequency in catastrophe losses.

Despite the fact that several catastrophic events occurred, the year had very positive results, due mainly to improvements in the loss ratio in terms of frequency in the reinsurance business and a decrease in loss severity, especially in the Global Risks Unit. In 2021, MAPFRE RE was affected by several catastrophic events, such as storms Uri, Volker, and Bernd, as well as Hurricane Ida. The most notable event was the European storm Bernd in July, which had an attributable net impact of 92.8 million euros on the company's result. In 2020, the most relevant catastrophic impact was the earthquake in Puerto Rico, with an impact of 39.3 million euros on the Group's attributable net earnings.

MAPFRE's framework for catastrophic risk management provides for the modeling of catastrophic risks. Based on exposure information, these models are used to estimate probabilistic loss scenarios and subsequently calculate the potential financial impact of natural disasters. Climate change can be an incremental factor of catastrophic risk depending on the type of scenario and the time horizon. An attempt will be made to incorporate it into these estimates to the extent that the predictive models used allow such variable to be included. Likewise, the ExpoCat tool will allow companies to formulate deterministic loss scenarios with precise maps in the event of a catastrophic event, identifying potentially affected exposures and allowing more agile decision-making.

## TOOLS USED IN RISK ASSESSMENT

For underwriting global risks, MAPFRE has developed an internal ESG evaluation process that, based on specialized tools, evaluates and rates the environmental, social, and governance impact of the activity carried out by third parties, considering the sector and the countries where it operates.

The process assigns a reputational risk level to the business group, which is linked to the level of authorization required to underwrite the operation. The approval of the Management Committee of the Major Risks Unit may be required and, where appropriate, the additional authorization of the CEO. In this case, if the operation is authorized, with the corresponding mitigation measures, the Group Sustainability Office is informed and a plan of mitigation measures for said risk may be required.

The assigned ESG ratings are updated for all new clients and every six months for portfolio clients, and data is submitted to the Management Committee regarding the management of this information. This procedure makes it possible to centralize information on third parties while guaranteeing that all global clients have a homogenized and quality rating, in addition to improving risk control for the MAPFRE brand. During 2022, MAPFRE RE, Spain and Brazil were incorporated into this process.

## 4.3 Management of climate change risks and opportunities

Sustainability in the insurance industry is based on the appropriate management of the risks faced by the organization. This is put into practice at MAPFRE through responsible risk assumption and management, considering emerging and sustainability risks.

MAPFRE's internal control processes and Risk Management System are based on the continual, integrated management of all business processes and on adapting the risk level to its strategic objectives.

Climate change risk management essentially focuses on increasing our understanding of the greater catastrophic hazards derived from climate change and improving our management of exposures through:

1. The integration of climate change into decision-making for our sales strategy.
2. Detailed knowledge of the insured risks (such as their geolocation and the characteristics of their assets), in order to provide appropriate coverage and catastrophic protection.
3. Suitable accumulation control and management to optimize the use of capital.
4. Maximum collaboration and transparency between the insured party and the insurer to guarantee the best assessment and pricing.
5. The provision of reinsurance coverage.



# 5

# Metrics and objectives



## 5.1 Corporate objectives

MAPFRE is aware of the climate emergency, and in its role, with the aim of contributing to climate change mitigation and adaptation, it is taking action in the different Group businesses.

Through underwriting, it seeks to accompany clients in the transition to a low-carbon economy, establishing insurance objectives for projects and companies in the most carbon-intensive sectors. To learn more about underwriting objectives, see section Alignment of underwriting with the 2°C scenario of 3.4 Sustainable strategies.

Within the investment framework, the company has revised its environmental commitments, defining new commitments that are applicable from January 2022. The objectives are explained in detail in section Products under the heading 3.3 Impact of climate change risks on the business.

On the operational side, MAPFRE has set the objective of slashing GHG emissions 50 % by 2030 (compared to 2019 emissions). To do so, it has planned a series of actions included in the Corporate Environmental Footprint Plan 2021-2030.

## 5.2 Underwriting portfolio metrics and objectives

### UNDERWRITING ACTIVITY METRICS

MAPFRE's experience as an insurance company enables us to manage risks and develop solutions for a sustainable future, adding value through dialog with stakeholders and sharing its experience to improve general awareness of risk and mitigation in the sector through sustainable products and services. These include environment-related insurance products or services, aimed at specifically adapting and/or mitigating an environmental risk or opportunity and/or related to climate change.

MAPFRE constantly analyzes factors that, should they arise, can or could impact business. This analysis considers ESG factors, as these enable additional information to be gathered on social movements and transformations, and the expectations of stakeholders and the market that affect the organization. A proper analysis of these factors, and how they might affect the business in the short, medium and long term, will show their relationship to the company and possible inclusion in the list of risks drawn up by the company and in the adoption of prevention and mitigation measures.

In accordance with the established model, at the close of 2021, 94 % of the global risks underwriting portfolio has been analyzed in line with environmental, social and good governance (ESG) criteria.

In the same way, and to comply with Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, activities that contribute to the environmental objectives of the European Union have been calculated and are reported as follows.

Concerning non-life insurance and reinsurance premiums:

Exposure of Non-Life insurance premiums to Taxonomy-eligible economic activities	43.51%
Exposure of Non-Life insurance premiums to Taxonomy non-eligible economic activities	56.49%

The data used corresponds to the Consolidated Income Statement under IFRS of MAPFRE S.A. as of December 31, 2021.

In accordance with Commission Delegated Regulation 2021/2139, which supplements Regulation (EU) 2020/852 of June 18, 2020, on the technical screening criteria to identify which activities qualify as contributing to climate objectives under the taxonomy, the following lines of business are considered:

- Non-Life insurance
  - Medical insurance
  - Income protection insurance
  - Worker’s compensation insurance
  - Third-party liability automobile insurance
  - Other automobile insurance
  - Marine, aviation and transport insurance
  - Fire and other damage to property insurance
  - Assistance insurance
- Reinsurance

The volume of the lines of business (defined as Taxonomy-eligible) accounts for 94 % of MAPFRE’s non-life premium volume at a global level.

The MAPFRE Group has determined the need to report, as it is considered material in this area, the data corresponding to companies that represent 90.4 % of the results and more than 70 % of premiums (according to an estimate based on data as of November 30, 2021).

To calculate the percentage of Non-Life insurance premiums exposed to taxonomy-eligible and non-eligible economic activities, the volume of written non-life insurance premiums and accepted gross Non-Life premiums from the reinsurance business over the total volume of Non-Life insurance and reinsurance premiums, within the scope defined as material for fiscal year 2021, were used.

The contractually covered climate change risks were thus identified, considering the explicit inclusion of at least one identified climate change risk deemed as chronic or acute, related to temperature, wind, water, or a solid mass.

In addition, certain hypotheses or estimates were carried out, because the current information systems are not as granular as required by the regulations.

For more information about MAPFRE’s underwriting products, see APPENDIX I

## UNDERWRITING PORTFOLIO OBJECTIVES

MAPFRE supports the transition towards a low-carbon and climate-friendly economy, in line with the Paris climate objectives. The company therefore wants to ensure that the activities of its underwriting portfolio and the associated emissions contribute to the shared objective of limiting the global temperature rise to 1.5°C.

For this reason, for our underwriting portfolio, we aim to reduce GHG emissions to net zero by 2050.

MAPFRE has developed an internal ESG evaluation process that is based on specialized tools, evaluating and quantifying the environmental, social, and governance impact of the activity carried out by a business group, considering the sector and the countries where it operates. This tool was used until 2021 to offer scores to global risk clients. Among its objectives, the Sustainability Plan 2022-2024 provides for the expansion of the ESG analysis model to the underwriting portfolios of Spain, Brazil, and Facultative Reinsurance.

# 5.3 Investment portfolio metrics and objectives

## INVESTMENT ACTIVITY METRICS

Applying the commitments of the Sustainability Risk Integration Policy, at the end of fiscal year 2021, 100 % of the investment portfolio managed by MAPFRE AM is analyzed with ESG parameters, corresponding to an investment of more than 33.93 billion euros. Of the total portfolio, more than 87 % of the assets are rated using ESG criteria, of which 95 % have a high rating, above the minimum required threshold established by the company.

### CO<sub>2</sub> INTENSITY OF INVESTMENT PORTFOLIOS

As a sign of MAPFRE's commitment, we have carried out our first measurement of the impact of climate change on our portfolio, in order to set decarbonization objectives and guide our decision-making. MAPFRE has calculated the carbon footprint of its investment portfolio using its own methodology and the Partnership for Carbon Accounting Financials (PCAF) methodology, measuring the emissions of the portfolio of equities, corporate debt, and government fixed income.

	2019	2020	2021
Total carbon footprint (tCO <sub>2</sub> e)	5,434,315.95	5,112,513.24	4,266,833.45
Carbon footprint per €M invested (tCO <sub>2</sub> e/€M)	211.54	196.61	153.47

In line with its commitment to the United Nations 2030 Agenda, MAPFRE collaborates with the University of Siena to measure the impact of its investment portfolio on the Sustainable Development Goals. In 2021, we again measured the impact of our balance-sheet portfolios on the SDGs, using the methodology developed in 2019 with the University of Siena, tailored to the sector in which MAPFRE conducts business and based on Harvard University’s IWAI methodology. Work continues to expand the methodology and integrate it with the other tools used for investing with ESG criteria.

Also, as indicated in section Products of item 3.3 Impact of climate change risks on the business, MAPFRE develops SRI products.

To comply with Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 (EU Taxonomy Regulation), on the establishment of a framework to facilitate sustainable investment, and

amending Regulation (EU) 2019/2088, we report the following activities that contribute to the environmental objectives of the European Union.

Related to balance-sheet assets:

	ELIGIBLE	NON-ELIGIBLE	EXPOSURE OVER TOTAL ASSETS
Total assets	2.80%	23.10%	64.20%
Exposure to derivatives		1.00%	0.50%
Exposure to companies not subject to NFRD		0%	0%
Exposure to central government, central and supranational bank issuers		55.84%	35.83%

The calculation is based on the portfolio managed by the European competence center, which represents more than 80% of the total investment portfolio.  
 \*The ratio to total assets of exposure to companies not required to publish non-financial information in accordance with Articles 19 bis or 29 bis of Directive 2013/34/EU is less than 0.001%, so it is considered insignificant and 0% exposure is reported.



The data used for the analysis corresponds to Assets on the Consolidated Balance Sheet under IFRS of MAPFRE S.A. as of December 31, 2021.

Given the nature of the headings under Total Balance Sheet Assets, the analysis focuses on heading "C. INVESTMENTS," which reflects the investment portfolios derived from the insurance activity, which are managed as follows:

- Those that aim for a strict immunization from the obligations derived from insurance contracts, and which minimize interest rate risk, through matching adjustments, by means of immunization techniques based on matching cash flow or duration.
- Portfolios that cover unit-linked policies made up of assets whose risk is assumed by the policyholders.
- Active conditioned management portfolios, which look to exceed the guaranteed return and achieve the highest return for the policyholders within prudential parameters, such as portfolios with profit sharing.
- Active open management portfolios, where the active management is only conditioned by legal rules and internal risk limits.

Having applied the above criteria, the analysis of the Group's investments corresponds to those based in the European Union, which are managed by the EU Competence Center (located at our headquarters in Majadahonda, Madrid and part of the MAPFRE Group's Corporate Investment Area).

The sum of this data includes both own portfolios and third-party products: the portfolios of the MAPFRE Group and the MAPFRE portfolio, portfolios of MAPFRE ASSET MANAGEMENT and mutual and pension funds managed by MAPFRE ASSET MANAGEMENT. For investment vehicles, the proportional part of the interest and the eligibility of the latter are considered, according to the available information.

To obtain the data, the internal portfolio data reporting system and the information available at EU Taxonomy Compass ([https://ec.europa.eu/info/index\\_en](https://ec.europa.eu/info/index_en)) were used.

In order to determine what part of the investments analyzed correspond to eligible or non-eligible activities, the investments in MAPFRE's portfolio and their NACE codes were cross-referenced with the NACE codes for economic activity (with as much granularity as possible; in some cases, it was only possible to determine the division, but not the asset group or class) and categorized under the two environmental objectives established under the regulations as of January 1, 2022 ("Climate Change Mitigation" and "Climate Change Adaptation"). By comparing both lists, a classification of eligible and non-eligible activities within MAPFRE's portfolio was obtained.

For more information about MAPFRE's investment products, see APPENDIX II.

## INVESTMENT PORTFOLIO OBJECTIVES

MAPFRE's investment portfolio is aligned with the Paris Agreement, targeting investments that allow global warming to be limited to around 1.5°C through commitments not to invest in certain companies that contribute to global warming (see section Alignment of investment with the Principles for Responsible Investment of item 3.4. Sustainable strategies). By 2024, 90 % of the global investment portfolio will be classified using ESG criteria.

Under the Sustainability Plan 22-24, the following objectives have been established:

- 90 % of the investment portfolio rated with ESG criteria at the global level by 2024.
- Reduction of investment portfolio emissions by 10 % by the end of 2019<sup>2</sup>.

2. On the indicator.

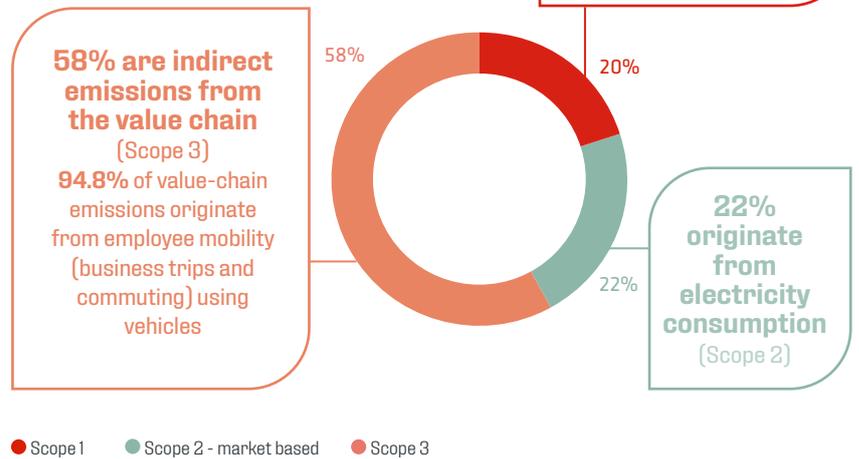
# 5.4 Internal operations metrics and objectives

## INTERNAL OPERATIONS METRICS

### SCOPE 1, 2, 3 EMISSIONS

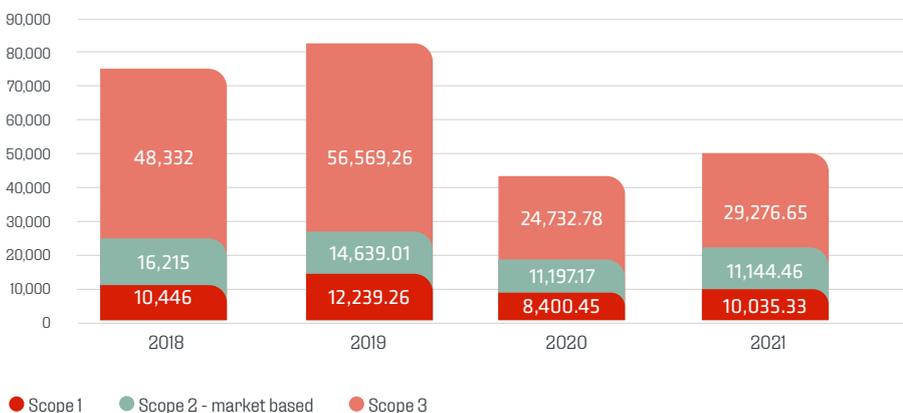
The following greenhouse gases are reported: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCS, PFCS, SF<sub>6</sub>, NF<sub>3</sub>, for the three scopes included in the GHG Protocol as well as in the ISO 14064 Standard. MAPFRE's methodology for calculating its carbon footprint is carried out through financial control. This calculation applies emission factors of the generation mix for the corresponding country and the latest available information: DEFRA, International Energy Agency, GHG Protocol.

2021



The accompanying chart shows the evolution of the MAPFRE Group's carbon footprint since 2018, broken down by scope.

### EVOLUTION OF THE MAPFRE CARBON FOOTPRINT (MtCO<sub>2</sub>e)

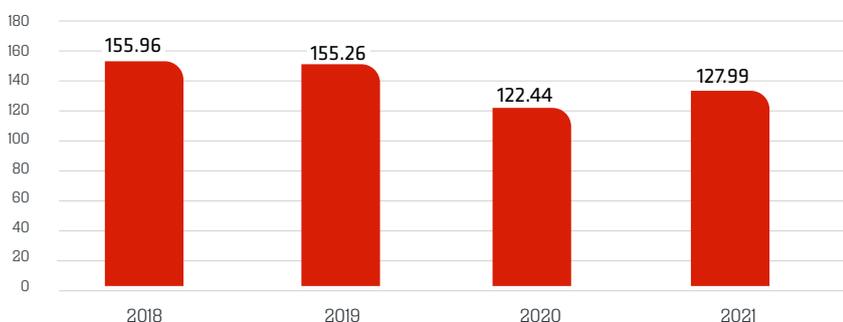


For more information on the breakdown of emissions metrics, please see APPENDIX III.

# ENERGY, WATER, AND WASTE MANAGEMENT METRICS

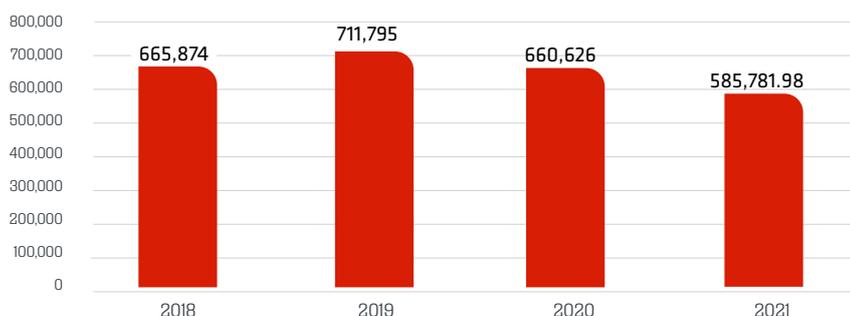
The MAPFRE Group's total energy consumption since 2018 has evolved as detailed in the accompanying chart.

## EVOLUTION OF TOTAL ENERGY CONSUMPTION (GWh)



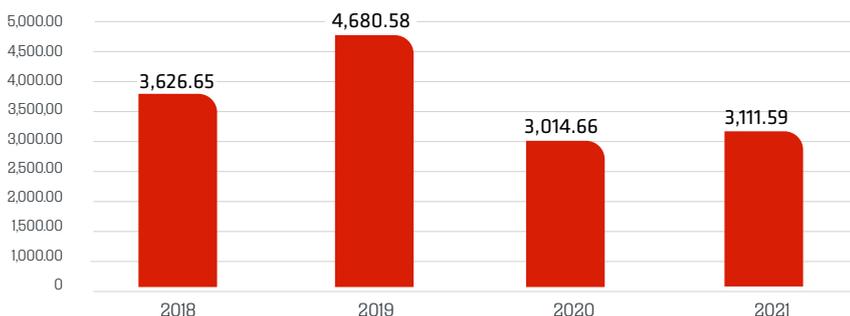
The MAPFRE Group's total water consumption since 2018 has evolved as shown in the accompanying chart.

## EVOLUTION OF WATER CONSUMPTION (m³)



The MAPFRE Group's waste generated since 2018 has evolved as shown in the accompanying chart.

## EVOLUTION OF WASTE (t)



For more information on the breakdown of environmental metrics, please see APPENDIX III.

# INTERNAL OPERATIONS OBJECTIVES

At the MAPFRE Group, as we heed the call to action in the fight against climate change, and with the goal of limiting the temperature increase to 1.5°C, we have established a wide variety of commitments to mitigate climate change in our Environmental Footprint Plan 2030.

With this commitment, the MAPFRE Group continues the pledge it fulfilled through our Energy Efficiency and Climate Change Plan 2014-2020, which achieved a 67 % reduction in the company's GHG emissions in 2020 compared to its 2013 emissions.

## CARBON FOOTPRINT OBJECTIVES

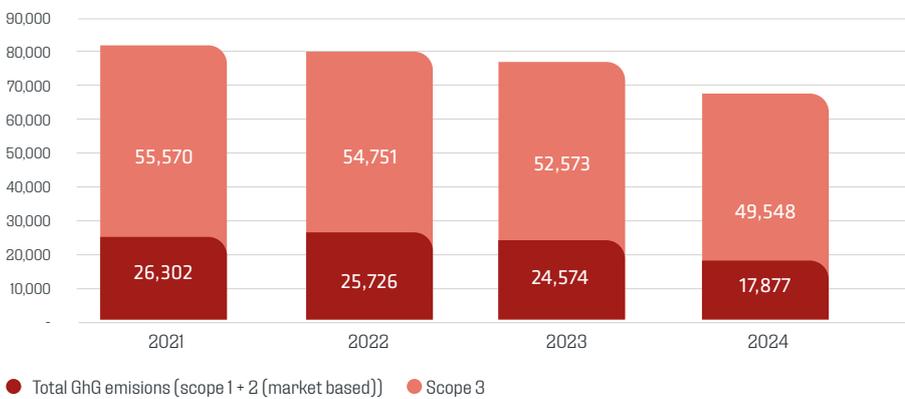
This Plan also sets an ambitious goal to reduce the Group's carbon footprint. To this end, the following strategic objectives are defined:

- 50 % reduction in the Group's carbon footprint by 2030 compared to the 2019 baseline.
- 87.63 % of electricity will come from renewable sources in 2024 and 100 % in 2030.
- Minimization of the use of fossil fuels in employee transportation and heating.
- Gradual incorporation of new Scope 3 categories (emissions from the Company's value chain that are not under its control): investment portfolios, franchised sales offices, and exclusive Group products and services with a high impact in terms of carbon footprint.
- Expansion of the management model under ISO 14064 to the entire operation of the Group in 2030.

The variable remuneration of MAPFRE's senior management is linked to the fulfillment of ESG objectives, which include carbon neutrality in the MAPFRE Group's main countries (approved in March 2022 at the Annual General Meeting).

These objectives will allow the MAPFRE Group's carbon footprint to evolve as shown in the accompanying chart by 2024.

### OBJECTIVES: CARBON FOOTPRINT (MtCO<sub>2</sub>e) BY 2024



For more information on carbon footprint targets, please see APPENDIX III.

- Mobility work project
- Energy efficiency project
- Solar panel installation
- Green fleet transformation

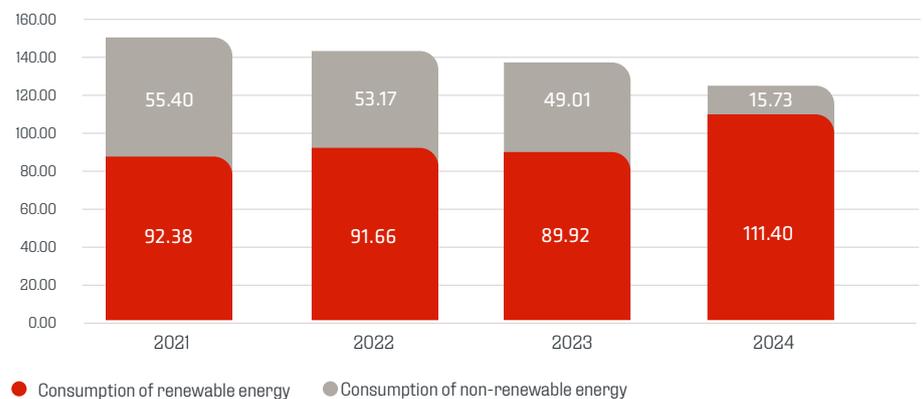
### ENERGY EFFICIENCY OBJECTIVES

Energy use in buildings is one of the largest contributors to total energy consumption and Greenhouse Gas emissions. To reduce energy consumption, MAPFRE uses the SIGMAYEc3 system for energy management in Spain and Puerto Rico. This establishes energy efficiency actions, such as the installation of solar panels, the launch of energy reduction campaigns for air conditioning, the renovation and improvement of facilities, etc. In this area, the following objectives are established under the Environmental Footprint Plan 21-30:

- Reduction in consumption, for the entire Group, of 23 GWh in 2024 and 60 GWh in 2030 compared to the 2019 baseline. To meet these goals, we have set the following objectives, which will allow energy savings:

These objectives will allow the MAPFRE Group's energy consumption to evolve as shown in the accompanying chart by 2024.

### OBJECTIVE: TOTAL ENERGY CONSUMPTION (GWh) BY 2024



For more information on energy objectives, see APPENDIX III.

### SUSTAINABLE BUILDING OBJECTIVES

Designing and constructing a building according to the highest efficiency criteria achieves significant savings in multiple environmental aspects, such as power and water consumption, reducing the carbon footprint while improving occupant comfort due to optimized room temperatures and air quality. MAPFRE therefore aims to obtain LEED, BREEAM, and ENERGY STAR certifications for sustainable buildings, or similar credentials granted locally, for all new constructions and major renovations. Additionally, management systems that target continuous improvement, such as ISO 14001 and ISO 50001, aim to control the environmental impact of buildings and require demonstrable improvements in their environmental performance.

The sustainable building objectives are:

- 30 buildings certified under ISO 50001 by 2024 and 37 by 2030.
- At least 39 % of the surface areas of the main buildings will be certified as sustainable by 2024 and 50 % by 2030.
- ISO 14001 certification of the companies that, as a whole, account for 95 % of premiums by 2024, and of those that account for 97 % of premiums (according to 2021 data) by 2030.
- Creation and expansion of the proprietary label “OFICINA VERDE” (“GREEN OFFICE”) for sales offices.

### SUSTAINABLE MOBILITY OBJECTIVES

The transportation of people and goods represents the sector with the greatest impact in terms of GHG emissions. This aspect accounts for 55 % of MAPFRE’s carbon footprint and is mainly motivated by

employees commuting between home and work as well as business trips (plane, train, and car). Therefore, MAPFRE has established two ways to shrink its transport-related carbon footprint: reducing the number of trips, promoting work methods that are less dependent on physical presence, and encouraging more ecological and collective means of transport.

- Reduction of the mobility-related carbon footprint by 14 % and 7,720 tCO<sub>2</sub>e by 2024 and 34 % and 18,970 tCO<sub>2</sub>e by 2030.
- Reduction of 6,620 tCO<sub>2</sub>e derived from commuting by 2024<sup>3</sup> and of 15,804 tCO<sub>2</sub>e by 2030 at group level.
- Reduction of business trips by 8 % by 2024 and 20 % by 2030 at group level.
- Transformation of the Group’s own fleets to 14 % green vehicles<sup>4</sup> by 2024 and 100 % by 2030.

### WATER MANAGEMENT OBJECTIVES

Fresh water is a limited resource and using it efficiently has become an obligation for companies, especially in countries and areas experiencing water stress. The Environmental Footprint Plan 2020 establishes the following saving actions:

- Reduction of water consumption by 100,032 m<sup>3</sup> by 2024 and 213,746 m<sup>3</sup> by 2030 compared to the 2019 baseline at group level.
- Identification of types of consumers at MAPFRE<sup>5</sup>.
- Identification of facilities in water stress areas.
- Reduction of water demand through different actions.
- Use of rainwater and reuse of drinking water.

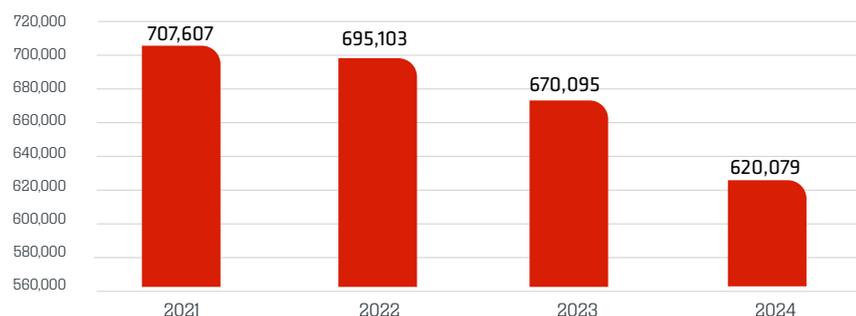
3. Especially by encouraging remote working.

4. The following are considered green vehicles: electric, hybrid, and plug-in vehicles, and those with alternative engines, such as fuel cells, and that run on ecological fuels. In addition, 100% of MAPFRE’s vehicle fleet in Portugal will go green by 2024.

5. Definition of types of significant water consumers through factors such as facility, company, business, etc.

These objectives will allow the MAPFRE Group's water consumption to evolve as shown in the accompanying chart by 2024.

### OBJECTIVE: WATER CONSUMPTION (m³) BY 2024



For more information on the water consumption objectives, please see APPENDIX III.

#### CIRCULAR ECONOMY OBJECTIVES

The transition to a circular economy is a major global challenge. For this reason, since 2019 we have been developing plans that address this model from an internal management perspective, emphasizing:

- Use of sustainable materials, promoting the responsible consumption of resources.
- Reduced generation of waste, increasing reuse, recycling, and salvaging, decreasing landfill waste, and taking actions to combat food waste.
- Contracting of waste management companies with business models that align with the principles of circularity, gradually adapting to the zero-waste management model.
- Promotion of projects related to the circular economy.

The Environmental Footprint Plan establishes the following objectives:

- Recovery of 84 % of the waste generated in the Group's operations globally by 2024 and 90 % by 2030.

- Expansion of the zero waste model from the corporate headquarters to other headquarters in Spain, Mexico, Brazil, and Puerto Rico by 2024.

#### GREEN PURCHASING OBJECTIVES

Under the Green Procurement theme, the objective is to deploy a model for acquiring products, services, works, and contracts based on environmental aspects that guarantee the minimum environmental impact during their life cycle.

- Development of green purchasing criteria for products and services.
- Provider categorization by Tiers.
- Systematization of green purchase forms for the acquisition of goods, equipment, and services in ARIBA<sup>6</sup>.
- Prioritizing the selection of providers with high environmental performance.
- Promoting the participation of MAPFRE's Tier<sup>7</sup> providers in CDP<sup>8</sup>.

6. Corporate purchasing and provider management tool.

7. Providers that represent 90% of billing in each country.

8. Climate Change Questionnaire for the supply chain.

## 5.5 Internal carbon price



In 2019, the MAPFRE Group approved the internal carbon price as a mechanism to define, at a corporate level, the minimum price at which the company must offset the tons of carbon derived from its operational footprint, in accordance with the Group's neutrality targets for 2021, 2024, and 2030.

This internal price is reflected in the Corporate Greenhouse Gas Compensation Strategy, approved in 2021, which, in addition to the obligation to comply with said price, defines an assessment matrix that allows the company to objectively evaluate projects, identified

according to internal environmental and social requirements; among them, those that ensure the preservation of biodiversity and natural capital are prioritized as key aspects in the fight against climate change.

This strategy will be revised periodically in order to adapt to future scenarios in the short and medium term. This revision also includes the internal carbon price, where an upward variation is expected due to the rise in prices in the voluntary markets.

# 6

# Appendix



# I. Sustainable underwriting products and services

The following are some of the most relevant environmental underwriting products and services in MAPFRE's countries and business units:

ENVIRONMENTAL IMPACT	COUNTRY	PRODUCT OR SERVICE
SUSTAINABLE MOBILITY	SPAIN	ECOLOGICAL POLICY: pay-per-use insurance for vehicles with low harmful emissions.
	SPAIN	POLICY FOR ELECTRIC VEHICLES: Specific product for electric vehicles and plug-in hybrids.
	SPAIN	ELECTRIC SCOOTERS: A possibility of third-party liability coverage is offered for these vehicles that improve people's sustainable mobility options.
	GERMANY	ELECTRIC AND HYBRID CARS POLICY: Specific product for electric vehicles and plug-in hybrids.
	SPAIN (VERTI)	CUENTA KILOMETROS: Policy that is sold on the basis of packets of kilometers driven.
	PERU	ALL-RISK COVERAGE PREMIUM PER KM: Product that grants a discount for consuming less than 6,000 km per year.
	USA	MOTION SMARTSM: telematics-driven solution that collects data and analyzes the insured's driving, with the resulting driving score generating premium discounts and better driving behavior.

ENVIRONMENTAL IMPACT	COUNTRY	PRODUCT OR SERVICE
RENEWABLE ENERGY	SPAIN	DAMAGE TO PHOTOVOLTAIC SOLAR PANELS: Coverage of material damage to renewable energy installations.
	SPAIN	MATERIAL DAMAGE AND RENEWABLE ENERGY MACHINERY BREAKDOWN: Coverage of material damage to renewable energy facilities (Total Wind, Cogeneration and Solar Plants).
	BRAZIL	NAMED AND OPERATIONAL PROPERTY RISK INSURANCE.
	BRAZIL	MAPFRE Empresarial: Coverage for solar panels and photovoltaic kits installed on the insured's property (Companies) with the aim of producing energy to be used by the insured in their company.
	BRAZIL	Residencial Multiflex: Coverage for solar panels and photovoltaic kits installed on the insured's property (residence) in order to produce energy to be used by the insured in their principal residence.
	BRAZIL	Condominium Insurance: Coverage for solar panels and photovoltaic kit installed in the insured property (Condominium) in order to produce energy to be used by the Insured Condominium.
	BRAZIL	Non-agricultural machinery and equipment: Coverage for solar panels and photovoltaic kits, regardless of where they are installed and operating.
	GLOBAL RISKS	<p>PHOTOVOLTAIC PLANT POLICIES Policies for the insurance of photovoltaic plants - damage and civil liability policy: insurance that covers the different phases (design, construction, start-up and operation).</p> <p>WIND FARM POLICIES Policies for the insurance of photovoltaic plants Damage and civil liability policy: insurance that covers the different phases (design, construction, start-up and operation).</p>

ENVIRONMENTAL IMPACT	COUNTRY	PRODUCT OR SERVICE
CIRCULAR ECONOMY	BRAZIL	EXTENDED WARRANTY for household appliances. There is a range of goods that are characterized as 'Troca Certa'. They are small-sized products (appliances) that, due to their repair cost, are replaced and the damaged product is collected from the insured. These defective/broken products are sent to a company that correctly recycles their materials and electronic components, ensuring that there is no impact on the environment.
	BRAZIL	RESIDENTIAL/INTELLIGENT DISPOSAL: whereby the insurer sends a professional to dispose of furniture, electronic equipment and appliances, following sustainability practices and current regulations. The removal of furniture and electronic equipment and appliances must take place within the insured's residence.
AVOID AND/ OR REPAIR ENVIRONMENTAL DAMAGE CAUSED	SPAIN	Environmental Responsibility Coverage in Business and Agricultural Multirisk: Environmental Responsibility Coverage as regulated in current regulations - Law 26/2007 and implementing regulations- to the extent that it prescribes obligations relating to prevention, avoidance or repair of the same nature, for the person responsible for environmental damage or imminent threat of environmental damage.
	SPAIN	Environmental Liability and Civil Liability for Accidental Pollution: Product with environmental coverage.
	SPAIN	Coverage of Environmental Responsibility in Businesses: Service of an Environmental nature.
	SPAIN	Environmental Civil Responsibility in Communities: The guarantee covers the damages that the community of owners or its facilities may produce in the environment.
	BRAZIL	Additional Coverage Removal of remains of recreational boats and Additional Civil Liability Coverage includes pollution-related expenses.
	BRAZIL	Additional Environmental Third-party Coverage in Freight Transportation. Coverage focused on the recomposition of the accident area with the cargo transport vehicle.
	COLOMBIA	TRANSPORTATION OF DANGEROUS GOODS AND HYDROCARBONS: coverage extends to cover civil liability and defense expenses in accordance with Royal Decrees 1609 of 2002 (hydrocarbon companies), 4299 of 2005 (truck owners), 321 of 1999 and Law 1333 of 2009.
	PUERTO RICO	MCS-90: transport policy that provides coverage for the repair of pollution damage caused by leaks of dangerous products.
LOW-CARBON AGRICULTURE	SPAIN	FORESTRY: Forest Mass Fire coverage.
	COLOMBIA	Climate insurance: insurance that provides protection to the agricultural producer against the effects of natural phenomena on plantations. The coverage catalog is linked to natural events such as excess and deficit of rain, flooding, frost, strong winds, landslides, hail, avalanches and fires.
ENERGY EFFICIENCY IN INSTALLATIONS	SPAIN (MULTIMAP)	LED installation Installation of high performance windows Installation of charging points for electric vehicles Energy certificates.

# II. Sustainable investment products

The following are some of the most relevant sustainable investment products and services in MAPFRE's countries and business units:

<b>Inclusion Responsible Fund</b>	<p>Equity fund that invests in companies that are especially committed to the inclusion of people with disabilities. Included in the report of the United Nations Global Compact in 2019 as an example of best practice, it combines the search for financial profitability with the promotion of improvements in society. The management team, in collaboration with the French partner LFR, applies a methodology based on seven themes with 40 variables to invest in companies especially committed to the inclusion of people with disabilities.</p> <p>At the end of 2021, the fund had more than 40 million euros of assets under management.</p>
<b>Capital Responsible Fund</b>	<p>A fund that seeks to preserve capital, but without giving up on long-term growth, and which thus features a balanced portfolio of fixed income assets and European shares (about 70 % bonds and 25 % equities). The objective is to favor companies and entities that have a strategy committed to following the ESG criteria, under the assumption that these entities provide a more appropriate risk-return profile.</p> <p>MAPFRE also has a pension plan that replicates it.</p> <p>At the end of 2021, the fund had more than 150 million euros of assets under management.</p>
<b>Multifondos Compromiso ESG</b>	<p>MAPFRE's first unit-linked product where all the funds that make up the portfolio incorporate ESG criteria into their investment policies. The maximum exposure to equities will not exceed 50 %, so as to protect our clients from market fluctuations.</p>

## OTHER INVESTMENT PRODUCTS

<b>Infrastructure</b>	<p>In developing their strategic alliance, formed three years ago, MAPFRE and Abante launched in 2020 an infrastructure fund of at least 300 million euros together with the Australian financial services group Macquarie. MAPFRE undertook to contribute an initial capital of 50 million euros in accordance with environmental, social, and governance (ESG) criteria, although that figure has since risen to 103 million.</p> <p>This fund of funds, which has attracted the interest of institutional and private banking investors and is underpinned by several Macquarie Infrastructure and Real Assets (MIRA) strategies, offers investors an opportunity to access a type of asset that allows them to diversify their portfolios in a low interest rate environment.</p>
<b>Sustainable Investments</b>	<p>The insurance group's other alternative investment pillar concerns the recent agreement reached with Iberdrola to jointly invest in renewable energies in Spain. This project, in which MAPFRE will have an 80 % stake, involves the creation of a pioneering co-investment vehicle between an energy company and an insurance company. The joint venture will have up to 298 MW in green projects—both wind and solar—from the energy company's asset portfolio. This agreement also provides for the incorporation of other operating assets, as well as new renewable energy development projects, up to 1,000 MW, which would be partially financed by contributions from qualified institutional investors.</p>

# III. Advanced metrics and objectives

## CARBON FOOTPRINT

### METRICS

	Units	2018	2019	2020*	2021	% 2021**
Scope 1	tCO <sub>2</sub> e	10,445.95	12,239.26	8,400.45	10,035.33	-18.01%
Scope 2 - market based	tCO <sub>2</sub> e	16,214.91	14,639.01	11,197.17	11,144.46	-23.87%
Scope 2 - location based	tCO <sub>2</sub> e	35,900.94	35,911.94	25,037.22	24,860.21	-30.78%
Scope 3	tCO <sub>2</sub> e	48,331.73	56,569.26	24,732.78	29,276.65	-48.25%
Total GHG emissions (scope 1 + 2 (market based))	tCO <sub>2</sub> e	26,660.87	26,878.27	19,597.62	21,179.80	-21.20%
Total GHG emissions (scope 1 + 2 (market) + 3)	tCO <sub>2</sub> e	7,992.60	83,447.53	44,330.40	50,456.44	-39.54%
Emissions per employee	tCO <sub>2</sub> e employee	1.59	2.58	1.39	1.61	-37.60%
Emissions per premium	tCO <sub>2</sub> e/premium (€ thousand)	2.78	3.69	2.19	2.28	-38.21%
CO <sub>2</sub> footprint coverage with respect to number of employees	%	93.75	93.98	94.59	96.6	2.79%

### BREAKDOWN OF METRICS

Scope 1	tCO <sub>2</sub> e	10,445.95	12,239.26	8,400.45	10,035.33	-18.01%
Natural gas	tCO <sub>2</sub> e	2,604.10	2,528.33	2,060.88	2,726.27	7.83%
	m <sup>3</sup>	1,293,571.18	1,227,629.61	1,072,477.62	1,442,049.33	17.47%
Fuel consumption in fixed facilities:	tCO <sub>2</sub> e	1,251.22	793.26	1,038.49	1,388.14	75.03%
	l	368,709.14	292,188.92	477,093.71	458,673.95	56.98%
Refrigerant gases	tCO <sub>2</sub> e	1,058.79	2,854.96	1,742.74	1,478.70	-48.20%
	kg	536.46	1,489.58	1,016.59	752.80	-49.46%
Fuels in own vehicles	tCO <sub>2</sub> e	5,531.85	6,062.71	3,558.34	4,685.84	-22.71%
	l	2,319,928.23	1,550,376.89	1,475,009.22	1,969,118.07	-20.07%
Scope 2	tCO <sub>2</sub> e	16,214.91	14,639.01	11,197.17	11,144.46	-23.87%
Electricity	GWh	113.41	112.93	91.44	92.18	-18.33%
Scope 3	tCO <sub>2</sub> e	48,331.73	56,569.26	24,732.78	29,276.64	-48.25%
Business travel (air, train and bus)	tCO <sub>2</sub> e	8,788.81	13,642.90	2,970.87	2,494.41	-81.72%
	km	59,788,375.49	47,380,622.27	17,263,105	14,506,837.52	-69.38%
Business travel (vehicles)	tCO <sub>2</sub> e	1,594.31	1,699.56	844.47	1,118.66	-34.18%
	km	8,825,915.00	9,466,857.00	4,926,911.00	6,523,547.28	-31.09%
Paper consumption	tCO <sub>2</sub> e	1,527.00	1,492.50	2,376.39	1,332.90	-10.72%

	Units	2018	2019	2020*	2021	% 2021**
Paper waste	tCO <sub>2</sub> e	18.07	18.70	10.07	10.86	-41.71%
Toner consumption	tCO <sub>2</sub> e	87.39	75.40	69.43	74.73	-0.93%
Toner waste	tCO <sub>2</sub> e	131.15	129.90	86.44	94.75	-27.02%
Fluorescent waste	tCO <sub>2</sub> e	0.51	0.34	0.23	0.31	-8.82%
Commuting	tCO <sub>2</sub> e	36,129.19	39,509.90	18,374.88	24,150.04	-38.88%

### OBJECTIVES

	Unidades	2021	2022	2023	2024	2030
Total GHG emissions (Scope 1 + 2 (market based))	tCO <sub>2</sub> e	26,302	25,726	24,574	17,877	8,696
Scope 3	tCO <sub>2</sub> e	55,570	54,571	52,573	49,548	32,641
Total GHG emissions (Scope 1 + 2 (market based) + 3)	tCO <sub>2</sub> e	81,872	80,297	77,147	67,425	41,336
Emissions per employee	tCO <sub>2</sub> e employee	2.53	2.49	2.39	2.11	1.28
Emissions per premium	tCO <sub>2</sub> e/premium (€ thousand)	0.0036	0.0035	0.0033	0.0031	0.0029

The most relevant scope 3 GHG emissions data for 2018, 2019, and 2020 has been recalculated using the Group's carbon footprint calculation methodology to adapt and complete it. For more information on the recalculation methodology: <https://www.mapfre.com/media/sostenibilidad/nota-recalculo-emisiones.pdf>

\*Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta, and Germany.

\*In 2020, Ecuador and the Philippines did not report data.

\*\*Change compared to 2019 (base year).

## ENERGY

### METRICS

	Units	2018	2019	2020*	2021	% 2021**
Total energy consumption	GWh	155.96	155.26	122.44	127.99	-17.26%
Natural gas consumption	GWh	13.88	12.89	11.52	14.56	13.00%
Fuel consumption for fixed installations	GWh	4.55	2.85	4.26	1.33	-53.30%
Fuel consumption for mobile installations	GWh	24.12	15.50	15.22	19.93	-21.78%
Renewable electricity consumption	GWh	65.7	66.83	57.52	60.39	-9.60%
Energy consumption/employee	kWh/employee year	3,919.10	4,672.96	3,838.00	4,093.89	-14.95%
Energy consumption/premium	kWh/premium (€ thousand)	6.87	6.67	6.05	5.77	-14.36%

### OBJECTIVES

	Units	2021	2022	2023	2024	2030
Total energy consumption	GWh	147.78	144.83	138.93	127.13	94.69
Renewable electricity consumption	%	62.51	63.29	64.72	87.63	100
Energy consumption/employee	kWh/employee year	4,581	4,490	4,307	3,941	2,935

\*Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta, and Germany.

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\*\*Change compared to 2019 (base year).

## WATER

### METRICS

	Units	2018	2019	2020*	2021	% 2021**
Total water consumption	m <sup>3</sup>	665,874	711,795.00	660,626.00	585,781.98	-17.70%
Water consumption per employee	m <sup>3</sup> /employee	19.93	22.07	20.71	18.73	-15.13%
Water consumption per premium	m <sup>3</sup> /premium (€ thousand)	0.029545682	0.030888652	0.032253664	0.026440648	-14.40%

### OBJECTIVES

	Units	2021	2022	2023	2024	2030
Total water consumption	m <sup>3</sup>	707,607	695,103	670,095	620,079	506,365
Water consumption per employee	m <sup>3</sup> /employee	21.94	21.55	20.77	19.23	15.69
Water consumption per premium	m <sup>3</sup> /premium	0,0031	0.030	0.029	0.027	0.022

\*Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta, and Germany.

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\*\*Change compared to 2019 (base year).

## WASTE

## METRICS

	Units	2018	2019	2020*	2021	% 2021**
Recycling**	t	3,099.58	3,397.84	2,479.64	2,960.13	-12.88%
Hazardous recycled waste	t	1,796.47	1,762.61	1,286.50	1,911.49	8.45%
Electrical appliances	t	66.61	33.14	44.80	52.10	57.21%
Donated electrical appliances	t	13.07	16.24	13.49	41.10	153.08%
Toner and cartridges	t	10.26	9.61	7.23	7.90	-17.79%
Cells and batteries	t	1.58	1.69	1.57	6.20	266.86%
IT support	t	2.71	0.14	1.55	1.00	614.29%
Cellphones	t	0.09	0.30	0.14	0.14	-53.33%
Bulbs and fluorescent lights	t	4.34	2.26	1.54	2.34	3.54%
X-rays	t	1.07	0.09	0.37	0.54	500.00%
Repair shops and maintenance	t	1,696.74	1,699.14	1,215.81	1,800.17	5.95%
Non-hazardous recycled waste	t	1302.91	1635.14	1193.14	1048.57	-36.97%
Paper	t	844.95	929.05	427.4	453.7	-51.17%
Urban	t	457.96	706.09	765.74	594.87	-15.75%
Landfill	t	527	1282.74	490.04	151.46	-88.19%
Hazardous landfill waste	t	25.71	40.32	13.02	35.03	-13.02%
Sanitary waste	t	2.4	3.57	8.98	23.02	544.82%
Expired medicines	t	0.2	0.09	0.14	0.21	133.33%
Repair shops and maintenance	t	23.11	36.66	4.00	11.80	-67.81%
Non-hazardous landfill waste	t	501.57	1242.51	476.91	116.45	-90.63%
Urban	t	500.68	1241.85	476.65	116.4	-90.63%
Other	t	0.89	0.66	0.26	0.05	-92.42%
Total waste generated	t	3,626.65	4,680.58	3,014.66	3,111.59	-33.52%

## OBJECTIVES

	Units	2021	2022	2023	2024	2030
Total waste generated	t	3,111.59	3,050.00	2,889.00	2,830.00	2,717.00
Waste generated per employee	kg/employee	96.47	94.56	89.56	87.74	84.23
Waste generated per premium	t/premium (€ thousand)	0.135	0.132	0.125	0.123	0.118

\*Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta, and Germany.

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\*\*Change compared to 2019 (base year).

\*\*\*Referring to recovery operations: reuse, recycling, and energy generation.

