



DIRECTORS' REMUNERATION POLICY

CONTENTS

1. INTRODUCTION.....	3
2. GENERAL PRINCIPLES	3
3. REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS SUCH	4
4. REMUNERATION OF EXECUTIVE DIRECTORS	4
4.1. Fixed remuneration	5
4.2. Variable remuneration	5
4.2.1. Short-term variable remuneration	5
4.2.2. Medium and long-term variable remuneration.....	5
4.2.3. Common provisions	6
4.3. Pension plans and company benefits.....	9
4.4. Other key contractual conditions	9
5. VALIDITY PERIOD	9

1. INTRODUCTION

Article 17 of the Company Bylaws of MAPFRE S.A. (hereinafter, “MAPFRE” or “the Company”) sets out the remuneration system that should be applied to Directors, which shall adhere to the provisions of the Directors’ remuneration policy approved by the Annual General Meeting, in accordance with the applicable legal terms.

Article 529 novodecies of the Spanish Companies Act (SCA) establishes that said policy shall adhere, as appropriate, to the applicable statutory system and be approved by the Annual General Meeting, at least every three years, as a separate item in the agenda.

Likewise, said article envisages that the Directors’ remuneration policy shall be in force during the three years following that in which it was approved, and that any amendment to, or replacement in, said policy during said period will require the prior authorization of the Annual General Meeting in accordance with the applicable procedure.

2. GENERAL PRINCIPLES

The aim of this policy is to promote the Company’s profitability and sustainability in the long term, providing for the necessary precautionary measures in order to avoid excessive risk taking and the rewarding of unfavorable results.

For this purpose, the remuneration of Directors shall be governed according to the following general principles:

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

3. REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS SUCH

Article 529 septdecies of the SCA establishes that the Directors' remuneration policy shall determine the remuneration of Directors in their capacity as such, in accordance with the applicable statutory remuneration system, and necessarily include the maximum annual amount to be paid to all the Directors in said capacity, and accordingly the Board of Directors shall determine the remuneration of each Director in his or her capacity as such.

As laid down in article 17 of the Company Bylaws, the remuneration of Directors in their capacity as such shall consist of fixed sums as members of the Board of Directors and, where appropriate, as members of the Committee and Sub-Committees. These sums may be higher for those Directors sitting on the Board or who chair the Committee and Sub-Committees. This remuneration may be supplemented with other non-cash benefits (life or healthcare insurance, discounts on products sold by MAPFRE Group companies) that are generally provided to the Company's employees.

The maximum annual remuneration to be paid to all the Directors in their capacity as such is set at 4 million euros

Based on said limit, the Board of Directors shall determine on an annual basis the amount of the above-mentioned fixed sums, at the proposal of the Appointments and Remuneration Committee.

4. REMUNERATION OF EXECUTIVE DIRECTORS

Article 529 octodecies of the SCA establishes that the remuneration of Directors for the performance of executive functions shall adhere to the Directors' remuneration policy, which shall consider the amount of the annual fixed remuneration and its variation in the period referred to in the policy, the various parameters for setting the variable components and the key terms and conditions of their contracts, including, in particular, their duration, compensations in the event of early dismissal or termination of the employment relationship, as well as exclusivity agreements, post-contractual non-competition clauses and length-of-service or loyalty bonuses.

In accordance with article 17 of the Company Bylaws, Directors who perform executive functions in the Company or in the Group shall be excluded from the remuneration system established in point 3 above, and shall be entitled to receive remuneration only for the performance of said executive functions. This remuneration may include the distribution of shares, share options or sums linked to the share price, subject to the legal requirements in force at every moment.

Said remuneration shall be set by the Board of Directors, detailing every item in the corresponding contract entered into by the Company and the Executive Director, which must be approved by the Board of Directors at the proposal of the Appointments and Remuneration Committee.

4.1 Fixed remuneration

The fixed remuneration of each Executive Director shall be set based on his or her functions, level of responsibility and professional profile, according to the criteria applied to the MAPFRE Group's management team.

The amount of the Directors' fixed remuneration shall be agreed on a yearly basis.

For 2016, the fixed remuneration of all Executive Directors has been set at 3,925,787 euros, of which 3,259,132 euros correspond to the Company and 666,655 euros to other Group companies.

4.2 Variable remuneration

4.2.1 Short-term variable remuneration

The short-term variable remuneration system of Executive Directors shall be based on an annual incentive pay linked to the Company's net consolidated result and, where applicable, to the specific business within their remit. Said incentive will be fully paid in cash.

4.2.2 Medium and long-term variable remuneration

The medium and long-term variable remuneration system of Executive Directors shall consist in their participation in multi-year incentive schemes approved, where required, by the Board of Directors, at the proposal of the Appointments and Remuneration Committee, in relation to the Group's management team.

The accrual and payment of said incentives will depend, in any case, on the achievement of corporate objectives (related to the Group's most relevant management metrics) and other specific objectives set for each beneficiary, as well as their length of service in the Company or its Group, in accordance with the terms established in said plans.

Said incentives can be paid in cash or through the distribution of MAPFRE shares, share options or sums linked to the share price, subject to the legal requirements in force at every moment.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, approved on 9th February 2016 an extraordinary, one-time and multi-year medium-term incentive plan, which will be in force from 1st January 2016 to 31st March 2019, and which takes in key MAPFRE Group managers, including Executive Directors.

The payment arising from this Plan will depend on the achievement of the corporate objectives, as well as other specific objectives set for each beneficiary and, in general terms (except for expressly specified special cases in which the beneficiary ceases to be linked to the Group), the maintenance of the employment or commercial relationship to the date of termination of the Plan. The incentive will be paid in part in cash and in part through the distribution of MAPFRE S.A. shares. The payment of 60 percent of each Executive Director's incentive will be deferred during a three year period, in three parts, whereby 50 percent of the deferred part will correspond to cash and the remaining fifty percent to shares. The incentive payment will be subject to reduction (penalty) or recovery (clawback) clauses.

The quantification of the incentive to be settled will depend on the degree of achievement of the objectives established in line with the Group's Strategic Plan. The metrics set for corporate objectives are linked to the Total Shareholder Return (TSR) and the ROE (return on equity), as well as to specific individual objectives related to the financial metrics and indicators in the Balanced Scorecard of the MAPFRE Group, technical ratios (expense ratio, net combined ratio, etc.) and return on written premiums.

The rules for the calculation of the incentive are the following:

- The achievement of objectives weighted as a whole should reach an average of 50 percent; otherwise, Directors will not be entitled to the incentive.
- In the event that the achievement of the objectives ranges from 50 percent and 80 percent, 60 percent of the incentive will be paid.
- If the achievement of the objectives exceeds 80 percent up to 100 percent, the incentive will be paid proportionally.
- If the achievement of the objectives exceeds 100 percent, with a maximum limit of 150 percent, the incentive will be paid proportionally to 100 percent of the objectives, applying a multiplier coefficient of 2 over the excess of the objectives met above 100 percent thereof.

4.2.3 Common provisions

Variable remuneration will be established, applied and maintained in line with the Company's sales and risk management strategy, risk profile, objectives, risk management practices, and MAPFRE's overall short, medium and long-term performance and interests, including measures to prevent conflicts of interest.

In accordance with the principles above, the following specific mechanisms shall be applied when setting variable remuneration components:

a) Proportion between fixed and variable components.

Fixed and variable remuneration components must be balanced in such a way that the fixed component represents a sufficiently high proportion of the total salary to allow for complete flexibility regarding variable components, including the possibility of not paying them. In this sense, and in order to avoid excessive risk-taking, the percentage of the variable component with respect to the fixed remuneration should not exceed 150 percent.

b) Variable remuneration criteria.

Performance-linked variable remuneration will be based on a combination of the following factors:

- Individual performance, evaluated as per financial or other criteria.
- Performance of the segment of activity/department.
- Overall result of the company and the GROUP.

The evaluation of performance will include an adjustment for exposure to current and future risks.

c) Deferred variable remuneration component.

The payment of, at least, 30 percent of the variable remuneration will be deferred during at least three years, in line with the nature and time horizon of the company's business, its risks and the specific activities carried out by each Executive Director.

This deferred component will be paid on a pro-rata basis throughout the years of deferral, proportionally to the number of years in question.

d) Ex-post adjustments (penalty and clawback clauses).

Directors' contracts will include penalty and clawback clauses affecting up to 100 percent of the total variable remuneration.

Penalty clause

Deferred variable remuneration that has accrued and is pending payment will be subject to a partial or total reduction if any of the following circumstances occur before the payment date:

1. Restatement of annual financial statements for reasons other than a regulatory change and provided that the outstanding variable remuneration resulting from the restatement is zero or lower than the amount initially accrued as per the variable remuneration model.
2. Provisos contained in the external auditor's report that reduce the company's results to which the payment of the outstanding variable remuneration is related.
3. The variable remuneration accrued as a direct or indirect consequence of:
 - a. Fraudulent actions by the Executive Director.
 - b. Actions by the Executive Director that cause serious damage to the Company through his or her fault or negligence.
 - c. Actions by the Executive Director that result in a serious or willful breach of the applicable regulations.

The reasons for applying the penalty clause may be modified, extended or adapted in accordance with the regulations in force at every moment or if deemed appropriate by the administrative body.

Clawback clause

The variable remuneration already paid to Executive Directors, irrespective of whether it has been deferred or not, will be subject to partial or total recovery, if during the three years immediately following its payment it is revealed that said payment did not meet, totally or partially, the conditions established for its accrual or that it was made on the basis of information that is proved at a later date to be false or inaccurate.

The Board of Directors' determination that the circumstances leading to the application of this clause have arisen and the percentage that must be returned to the company, as well as the procedure whereby the company may claim the proportional return of the amount paid or even offset it against other compensations of any nature owed to the Executive Director, and his or her obligation to repay part or all of the said amount to the company, must comply with the regulations approved for this purpose.

4.3 Pension plans and company benefits

In addition to the aforementioned fixed and variable remuneration, Executive Directors, in their capacity as members of the Group's management team, can be beneficiaries of defined-contribution pension schemes in the event of retirement, death or permanent disability. The conditions governing the contribution and consolidation of their economic rights shall be detailed in their respective contracts.

Likewise, Executive Directors shall be entitled to the company benefits established in general for all the Company's employees.

4.4 Other key contractual conditions

Dedication must be exclusive.

No contractual terms have been laid down in relation to post-contractual non-competition and length-of-service covenants or agreements.

The duration of Executive Directors' contracts will be linked to their term in office as Directors, whereby dismissal from the same would represent the removal of the suspension of the employment relationship existing before their appointment as Executive Directors.

The early termination of the previous employment relationship, except for a reason justifying a lawful dismissal, will entitle them to compensation according to the terms established in the Workers' Statute in relation to lawful dismissal.

5. VALIDITY PERIOD

This policy shall apply to MAPFRE Directors' remuneration in 2016, 2017 and 2018, unless a new resolution is adopted by the Annual General Meeting.

Agreement on the distribution of shares

In accordance with the provisions in section 4.2.2 herein, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, approved on 9th February 2016 an extraordinary, one-time and multi-annual medium-term incentive plan, which will be in force from 1st January 2016 to 31st March 2019, and which takes in key MAPFRE Group managers, including Executive Directors.

For its application the express authorization of the Annual General Meeting is required in order to allot the company's shares to the beneficiaries of said plan. Up to a maximum of 2,645,655 said shares can be allotted to Executive Directors. The company may allocate its treasury stock to cover the above-mentioned shares or use another financial system as the company sees fit.