

Integrated report

2016

Client
Orientation
+ Digital
Transformation

Management
excellence

 **MAPFRE**

Trust
(2) I
%



Integrated report

2016

Trusted
Global
Insurer



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01

Letter from the chairman and CEO



Dear friend,

At MAPFRE we are firmly committed to making progress toward the highest standards of transparency and corporate good governance, and we work toward making this possible. That is why we are taking a step further in this direction this year, with the publication of our first MAPFRE Integrated Report, which we have drafted following the guidelines of the International Integrated Reporting Council (IIRC) framework. Because we are convinced that business and sustainability cannot be dealt with separately, we are offering you a unique insight into the development of our business, its most significant elements and the imprint that our activity leaves on society which, in line with our vocation of commitment to our people and in the countries, implies an ever more positive impact wherever MAPFRE is present.

2016 was a good year for MAPFRE. Our strategy based on profitable growth allowed us to enhance our figures, both with regard to revenue and premiums, and doing so with the rigor and discipline in underwriting that characterizes us. Furthermore, we were able to significantly reduce our internal costs. All this has led us to close the financial year with an increase in net earnings of close to 10 percent and a combined ratio of 97.4 percent, which is a good indicator of the quality of business, although it is still higher than the level we are aiming for.

We experienced robust growth in Spain, and we have consolidated our strengths in our main markets, including Brazil, where the current economic situation is complex. The United States again produced positive results and 2016 was a magnificent year for Central America and the Dominican Republic, Peru, Uruguay, Turkey and Germany. It was also an exceptional year for MAPFRE RE.

The key financial figures for the year confirm our solid position in all markets. Revenues rose to 27,092 million euros, of which 22,813 million correspond to revenue from premiums. Earnings before tax were 1,805 million euros, 22 percent up on the previous year, and net earnings were more than 775 million euros. And all of this, as already mentioned, with excellent technical and operational management.

And lastly, in relation to Solvency II, it is my pleasure to inform you that all the processes designed by MAPFRE in previous years have meant that this first financial year under the Solvency II European standard has progressed completely normally and in full compliance with our obligations, with our last report showing a solvency ratio of 200 percent, a comfortable level, and one of decidedly high quality given that 93 percent of these funds correspond to TIER 1, and aligned with that applied by the large European insurers.

The key financial figures for the year confirm our solid positions in all markets.

The reader will find all the company's figures available in the report, so hereinafter I will refer mainly to the more qualitative aspects of the year and to our commitment to sustainability. However, with your permission, I would like to conclude this brief statement related to the accounts by emphasizing that today MAPFRE is more solid, more profitable and even better prepared to face the challenges and commitments that we large global insurers undertake.

The integrated report format means that the figures can be accompanied by other qualitative elements that form an important part of the way that MAPFRE understands its business. In this sense, I would like to emphasize that our most immediate return is produced with regard to the 37 million clients who place their trust in us, because an efficient insurer always offers better products and services. But we are also in debt to our shareholders, and it is my pleasure to inform you that earnings per share have risen 8.7 percent, to reach 0.25 euros. The market showed its recognition of the Group's present and future strengths, which led to MAPFRE's shares appreciating 25.4 percent over the course of 2016, against a fall of 2 percent on the IBEX 35, and a drop of 5.6 percent in the benchmark index for insurers (DJ Stoxx Insurance). During 2016, MAPFRE S.A. shareholders received dividends of 400.3 million euros. Lastly, our more than 37,000 employees, more than 84,000 agents and brokers, and the 225,000 providers that MAPFRE collaborates with all over the globe are also beneficiaries of the solidity and solvency of the company.

There is a second, broader return that we produce in society. This manifests itself firstly through our financial contributions, such as the 15,500 million euros that we allocated to claims payments and the 7,264 million euros that we paid over to our providers. But we also contribute through the payment of taxes in the countries where we do business, a figure that rose to almost 707 million euros in 2016, between taxes and social contributions.

Lastly, there is a third area in which MAPFRE makes a contribution: our commitment to the environment and to the legacy we want to leave for future generations.

The market showed its recognition of the Group's present and future strengths, which led to MAPFRE's shares appreciating 25.4 percent over the course of 2016.

In July 2016, MAPFRE approved the Group's 2016-2018 Sustainability Plan with three objectives and 15 lines of action that allow us to broaden aspects relevant to sustainability. These include, among others, the Sustainable Development Agenda 2030, transparency, management of environmental, social and governance factors and risks, known as ESG, both in underwriting and in decisions regarding investment and management of providers, cybersecurity, climate change and diversity management.

MAPFRE continues to appear on the FTSE4Good and IBEX FTSE4Good indices, which measure the behavior of listed companies that encourage sustainable development and respect for Human Rights.

The Carbon Disclosure Project has once again recognized the MAPFRE Group as one of the leading global companies in acting against climate change, including the Group on its Global Climate A list. This list comprises the top 113 global companies worldwide in relation to emissions reduction and the fight against climate change.

We are a company that is advancing, working to fulfill our commitments, that is anticipating the technological and social changes that are transforming society. We have 200 ambassadors for innovation channeling the ideas of the rest of the organization toward our Innovation and Development Offices on the five continents.

We promote both gender and functional diversity, and we have employees of 78 nationalities who we manage as a global workforce; we promote equal opportunities and objectivity in promotions and appointments. We invest in training and promote talent. We invested 18.4 million euros to guarantee that 99.3 percent of the workforce received training in 2016, as we continue to progress toward full compliance with the highest standards of good governance.

We are an inclusive company that promotes the integration of people living with disabilities and we

We are an inclusive company that promotes the integration of people living with disabilities and we take equally good care of both our employees and our clients.

take equally good care of both our employees and our clients. In 2016, more than 30,000 employees benefited from some form of work-life balance measures. Every year 183 million euros is invested in social benefits, and we promote social participation through the MAPFRE Corporate Volunteering Program, which already has 5,756 volunteers worldwide.

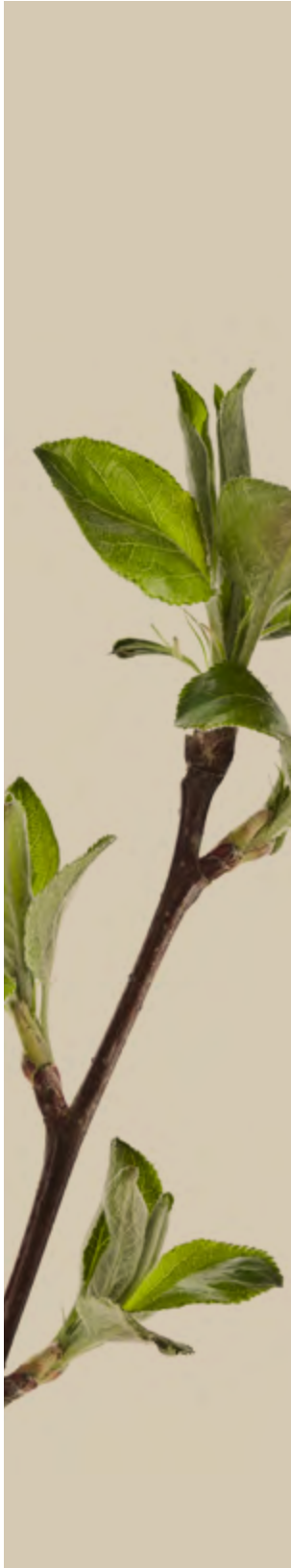
Lastly, MAPFRE has a strategic Energy Efficiency and Climate Change Plan to 2020 that includes the commitment to cut greenhouse gas emissions by 20 percent with respect to the Group's carbon footprint in 2013, (which represents a decrease of 14,710,519 kWh and 9,924 tons of CO₂ e).

I invite you to learn more about the MAPFRE reality presented in this Integrated Report. We work to develop our way of relating to the environment in a way that is increasingly transparent and which I hope can be evidenced in this publication.

I would like to end by expressly thanking our shareholders, our clients and in general, everyone who has placed their trust in us and supported us throughout the year. I would also like to express my gratitude to all of MAPFRE's human resources teams (directors, executives, employees, delegates, agents and collaborators), whose efforts and activities helped us to achieve these excellent results.

Sincerely,







Growth

02

MAPFRE Group

MAPFRE is a global company principally engaged in insurance and reinsurance activities in more than 45 countries across all five continents.

The company's origins can be traced to MAPFRE MUTUALIDAD, created in 1933 by the Association of Owners of Rural Properties in Spain to mutually cover the risks arising from their farming activities. In the 1960s it embarked on a process of business expansion consisting in the creation of subsidiary commercial companies. In 1980 these were grouped into the holding company CORPORACIÓN MAPFRE (now MAPFRE S.A.) and the company commenced its international expansion, mainly in Latin America. Today, MAPFRE is the leading insurance group in Spain and Latin America, and is consolidating a growing presence in other markets such as North America, Europe and Asia.

*Commitment
to constant
improvement*



The Group's parent company is MAPFRE S.A., whose shares are listed on the Madrid and Barcelona Stock Exchanges. MAPFRE S.A. is also a component of the IBEX 35, STOXX Europe 600 Insurance, MSCI Spain, FTSE All-World Developed Europe, FTSE4Good and FTSE4Good IBEX indices.

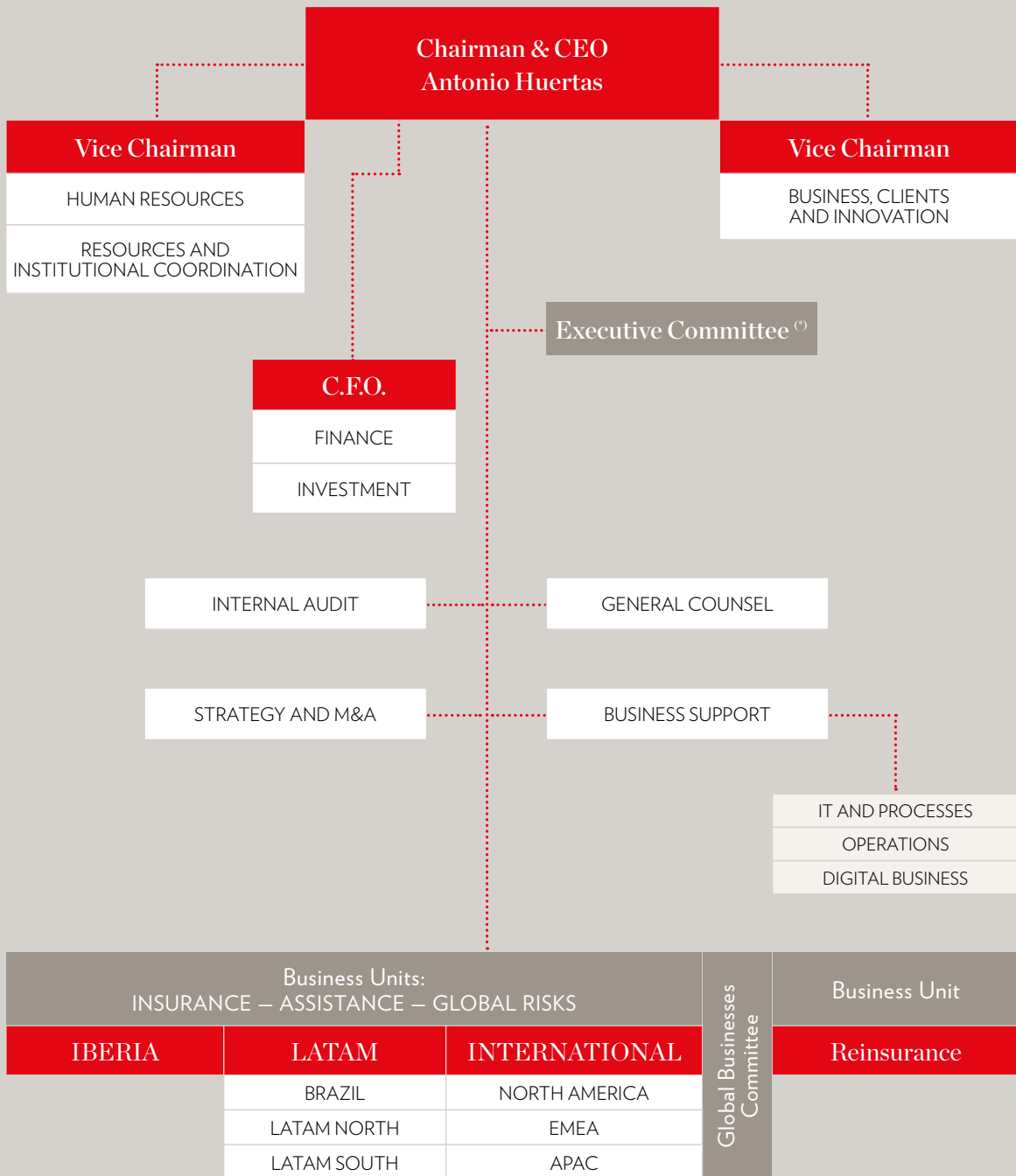
The majority shareholder of MAPFRE S.A. is Fundación MAPFRE, which owns 68.7 percent of the share capital (including treasury shares), thus guaranteeing the Group's independence and institutional stability. Fundación MAPFRE engages in general interest activities in the fields of Social Action, Insurance and Social Protection, Culture, Accident Prevention and Road Safety, and Health Promotion.

The Group comprises four Business Units (Insurance; Assistance, Services and Specialty Risks; Global Risks; and Reinsurance), three broad Territorial Areas (IBERIA, LATAM and INTERNATIONAL), and seven Regional Areas: Iberia (Spain and Portugal), LATAM North, LATAM South, Brazil, North America, EMEA (Europe, Middle East and Africa), and APAC (Asia-Pacific).

The activities of the different business units are supplemented by those of the corporate areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel, and Business, Clients and Innovation), which have jurisdiction over all MAPFRE companies worldwide in terms of the development, implementation and monitoring of global, regional and local corporate policies.

On September 29, 2016 the MAPFRE S.A. Board of Directors approved the following corporate organization chart, which became effective on January 1, 2017:

Organization chart



(*) This is the body which, under mandate from the Board of Directors, directly oversees the management of the Business Units and coordinates the Group's different Areas and Units.

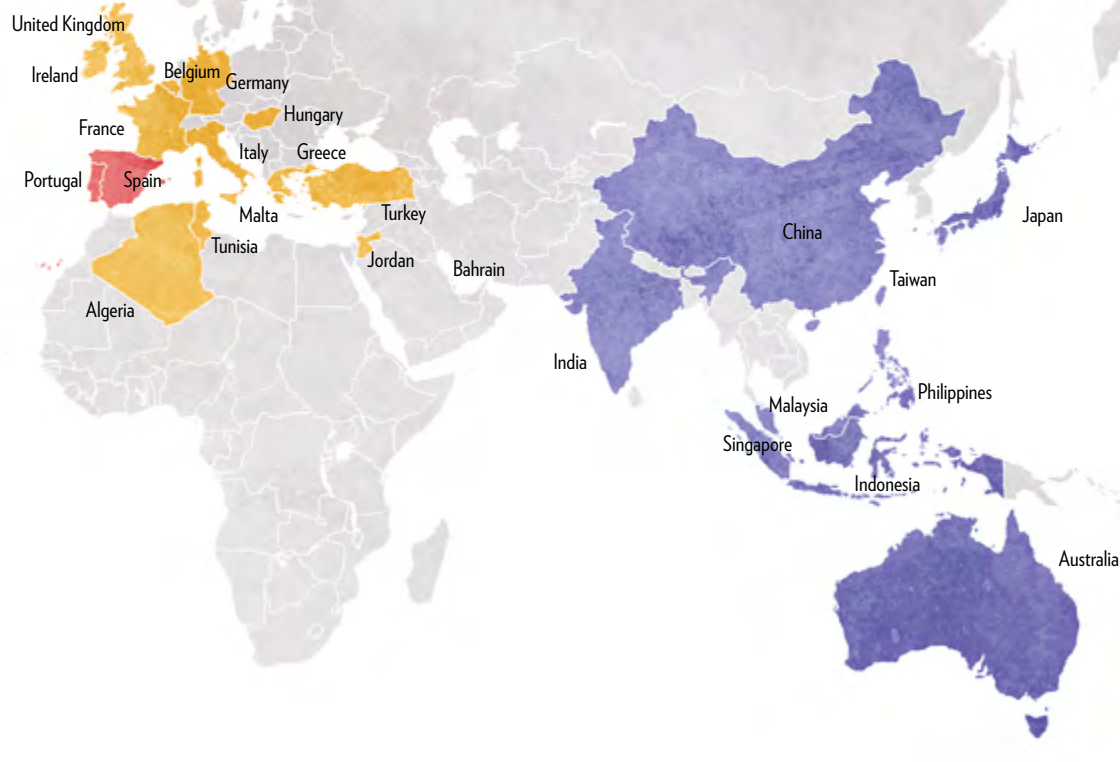
2.1 Deployment

- MAPFRE operates in 45 countries through 232 companies.

- At the end of 2016 it had 5,408 offices located around the globe.

- It also distributes its products through 9,028 branches of banking institutions and other sales points which sell MAPFRE insurance policies through collaboration agreements.

- Additionally, it boasts a network of more than 84,000 agents and brokers, including approximately 7,700 in the United States and more than 23,000 in Brazil.



Global Workforce



→ DIRECT INSURANCE

↔ ASSISTANCE

🌐 GLOBAL RISKS

↻ REINSURANCE

TERRITORIAL AREA

IBERIA

Iberia

Spain → 🌐 ↻

Portugal → ↔ ↻



TERRITORIAL AREA

LATAM

Brazil

Brazil → ↔ ↻



LATAM North

Costa Rica → ↔

El Salvador → ↔

Guatemala → ↔

Honduras → ↔

Mexico → ↔ ↻

Nicaragua → ↔

Panama → ↔

Dominican Rep. → ↔

LATAM South

Argentina → ↔ ↻

Chile → ↔ ↻

Colombia → ↔ ↻

Ecuador → ↔

Paraguay →

Peru → ↔

Uruguay → ↔

Venezuela → ↔ ↻

leadership (2)

→ DIRECT INSURANCE

↕ ASSISTANCE

🌐 GLOBAL RISKS

↻ REINSURANCE

TERRITORIAL AREA

INTERNATIONAL

North America

Canada	↕	↻
USA	→ ↕	↻
Puerto Rico	→ ↕	

APAC

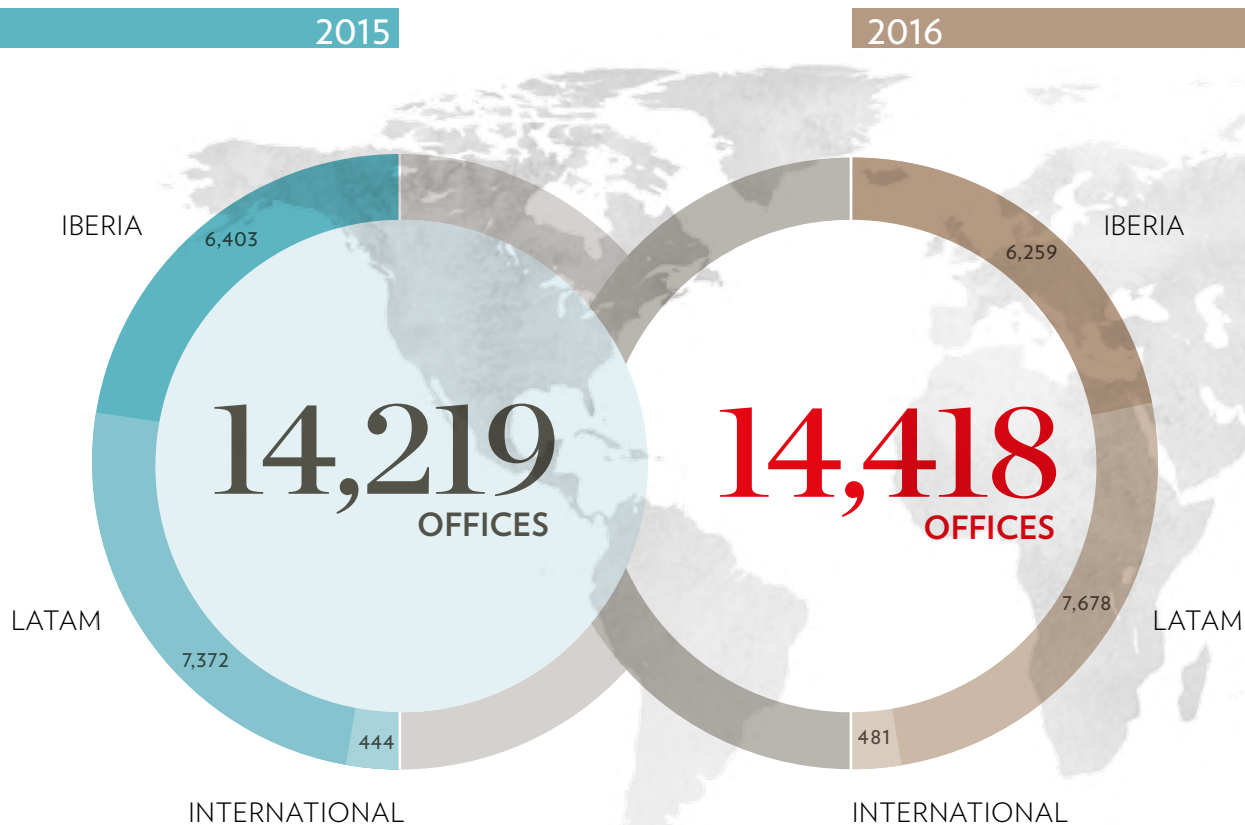
Australia	↕	
China	↕	↻
Philippines	→ ↕	↻
India	↕	
Indonesia	↕	
Japan	↕	
Malaysia		↻
Singapore		↻
Taiwan	↕	

EMEA

Germany	→ ↕	🌐	↻
Algeria	↕		
Bahrain	↕		
Belgium	↕		↻
France	↕	🌐	↻
Greece	↕		
Hungary	↕		
Ireland	↕		
Italy	→ ↕	🌐	↻
Jordan	↕		
Malta	→ ↕		
United Kingdom	↕	🌐	↻
Tunisia	↕		
Turkey	→ ↕		



Number of offices





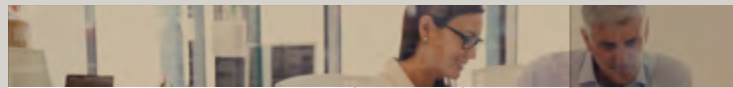
MAPFRE is present in nearly every country in Latin America, as well as in the United States, Germany, Italy, Malta, the Philippines, Portugal, and Turkey.



(2)



Regional distribution of the business by premiums



	2015	2016
IBERIA	28%	29%
LATAM	36%	32%
INTERNATIONAL	20%	22%
MAPFRE RE	16%	17%

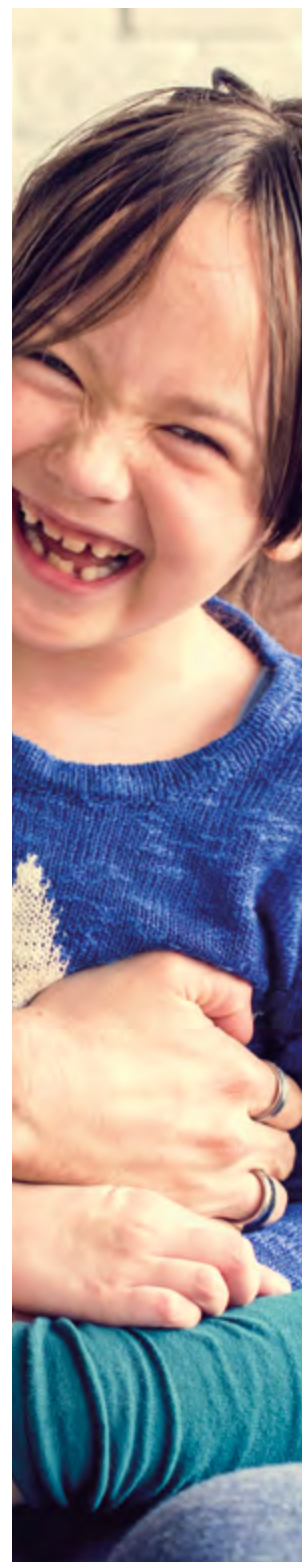
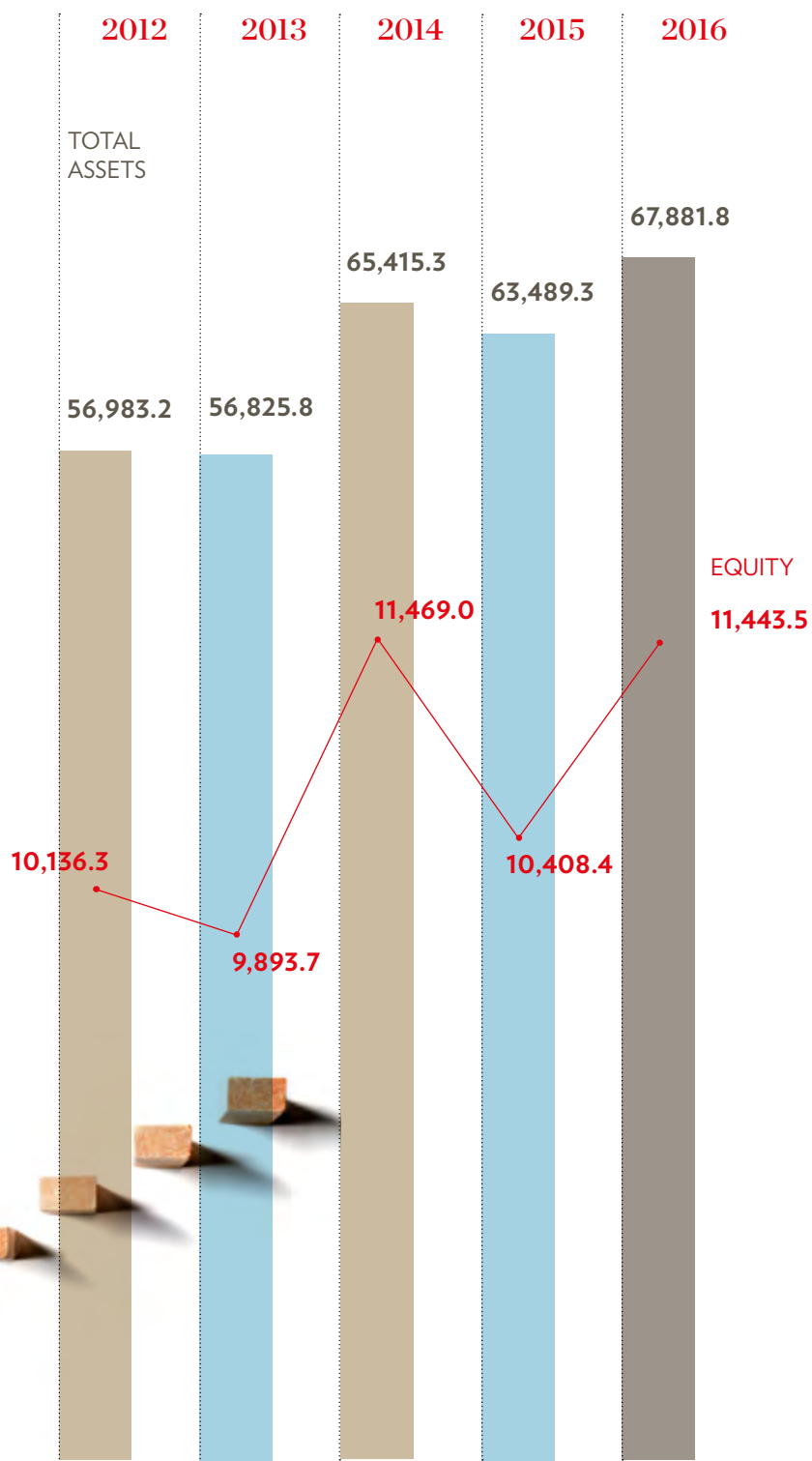
MAPFRE is the largest Spanish insurer in the world and the tenth largest insurer in Europe. It is present in nearly every country in Latin America (where it is the third largest insurance group and the market leader in Non-Life insurance), as well as in the United States (where it is one of the top 20 automobile insurers), Germany, Italy, Malta, the Philippines, Portugal, and Turkey.

In the Assistance segment, MAPFRE operates in 41 countries and is the sector's fourth largest company worldwide. Moreover, the group has a professional reinsurance company (MAPFRE RE) which is ranked 16th among reinsurance firms worldwide reinsurance and does business around the globe through 19 offices and two subsidiary companies. The Group's specialized company MAPFRE GLOBAL RISKS manages global insurance programs.

2.2 Key financial figures

Assets and equity

Figures in millions of euros



Commitment (2)



MAPFRE's
equity reached

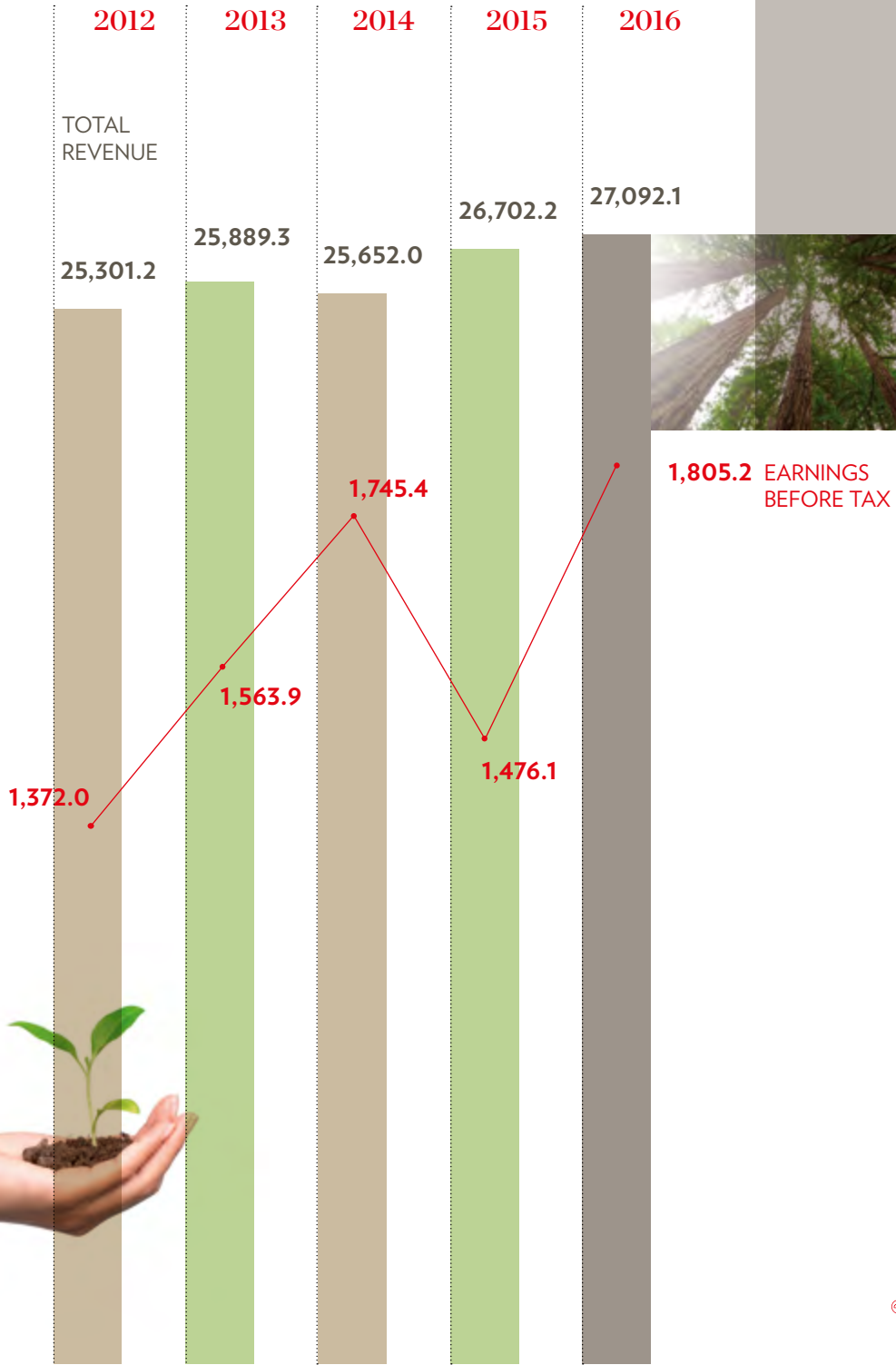
11,443
MILLION EUROS

BALANCE SHEET	2012	2013	2014	2015	2016
Property, investments and cash	39,763.7	40,374.7	48,673.0	46,264.6	49,556.0
Property (including for own use)	2,414.3	2,330.9	2,392.0	2,267.7	2,277.8
Financial investments	33,576.3	33,833.1	41,951.4	40,159.2	42,541.0
Cash	1,018.0	1,162.8	1,188.6	989.1	1,451.1
Technical provisions	37,976.0	38,742.6	46,444.9	45,061.0	47,240.1
Equity	10,136.3	9,893.7	11,469.0	10,408.4	11,443.5
Total assets	56,983.2	56,825.8	65,415.3	63,489.3	67,881.8

Figures in millions of euros

Revenue and earnings

Figures in millions of euros



Profitable / Responsible  (3)



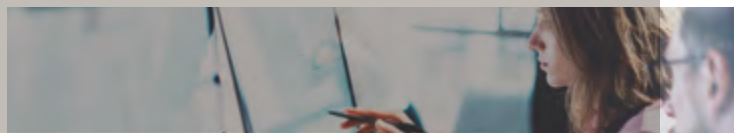
MAPFRE's total revenues rose

to **27,092**
MILLION EUROS



Written and accepted premiums totaled

22,813
MILLION EUROS



INCOME STATEMENT	2012	2013	2014	2015	2016
Total revenue	25,301.2	25,889.3	25,652.0	26,702.2	27,092.1
Written and accepted premiums	21,579.8	21,835.5	21,815.5	22,311.8	22,813.2
Non-Life	15,478.5	16,277.7	16,370.1	17,441.3	17,699.8
Life	6,101.3	5,557.8	5,445.4	4,870.5	5,113.3
Earnings from Non-Life business	1,237.2	1,150.4	1,243.2	911.0	1,191.8
Earnings from Life business	414.5	498.9	660.3	699.2	746.9
Earnings from other activities	(279.7)	(85.4)	(158.0)	(134.1)	(133.5)
Earnings before tax	1,372.0	1,563.9	1,745.4	1,476.1	1,805.2
Earnings	665.7	790.5	845.1	708.8	775.5
Managed savings	31,035.1	33,614.1	40,817.5	37,917.3	38,488.3

Figures in millions of euros

↑ ↑ risk management

MANAGEMENT RATIOS	2012	2013	2014	2015	2016
Non-Life					
Claims ratio net of reinsurance	67.4%	67.0%	68.0%	70.0%	70.0%
Expense ratio net of reinsurance	28.0%	29.1%	27.8%	28.6%	27.4%
Combined ratio net of reinsurance	95.4%	96.1%	95.8%	98.6%	97.4%
Return on equity (ROE)	9.0%	10.1%	10.0%	8.0%	8.8%

STOCK MARKET PERFORMANCE	2012	2013	2014	2015	2016
Capitalization at December 31 (million euro)	7,129.2	9,586.6	8,662.8	7,119.9	8,930.7
Number of shares outstanding	3,079,553,273	3,079,553,273	3,079,553,273	3,079,553,273	3,079,553,273
PER	10.7	12.1	10.3	10.0	11.5
Earnings per share (euros)	0.22	0.26	0.27	0.23	0.25
Price/Book value	0.91	1.22	0.95	0.83	0.98
Dividend per share (euros)	0.12	0.12	0.14	0.14	0.13
Dividend yield (%)	6.1	4.4	4.7	4.9	5.8
Average number of shares traded	9,459,267	9,727,802	11,711,993	9,937,097	9,032,451
Average daily effective value (million euro)	18.51	26.26	34.56	28.46	20.36

MAPFRE S.A. and its subsidiaries are rated by the main ratings agencies. These agencies were selected on the basis of their international presence, relevance for the insurance industry and capital markets, and their level of experience.

The credit ratings assigned by the main ratings agencies at the close of the last two years are shown below:



STANDARD & POOR'S

COMPANY	2016	2015
MAPFRE S.A. Debt issuer rating	BBB+ Outlook stable	BBB+ Outlook stable
MAPFRE S.A. Subordinated debt	BBB- Outlook stable	BBB- Outlook stable
MAPFRE GLOBAL RISKS Financial strength rating / counterparty	A Outlook stable	A Outlook stable
MAPFRE RE Financial strength rating / counterparty	A Outlook stable	A Outlook stable

A.M. BEST

COMPANY	2016	2015
MAPFRE RE Financial strength rating	A Outlook stable	A Outlook stable
MAPFRE GLOBAL RISKS Financial strength rating	A Outlook stable	A Outlook stable

MOODY'S

COMPANY	2016	2015
MAPFRE GLOBAL RISKS Financial strength rating	A3 Outlook stable	A3 Outlook positive
MAPFRE ASISTENCIA Financial strength rating	A3 Outlook stable	A3 Outlook positive

(100) ↑ ↑

2.3 Other historical data

YEARS	Revenue	Assets under management	Gross Earnings	Number of Employees
1983	142	268	7	1,204
1986	434	706	20	2,323
1989	1,214	1,989	49	3,869
1992	2,419	3,769	37	5,528
1995	3,249	6,879	203	11,292
1998	4,546	9,669	178	15,219
2001	8,933	19,276	316	16,756
2004	10,756	31,482	847	19,920
2005	12,189	36,552	872	24,967
2006	13,234	38,988	1,156	28,091
2007	14,866	44,820	1,366	30,615
2008	17,711	47,759	1,383	34,603
2009	18,830	49,573	1,446	35,225
2010	20,471	56,471	1,431	36,744
2011	23,530	62,585	1,637	34,390
2012	25,301	64,632	1,372	35,586
2013	25,889	66,048	1,564	36,280
2014	25,652	75,618	1,746	37,053
2015	26,702	73,302	1,476	38,405
2016	27,092	76,286	1,805	37,020

Figures in millions of euros, except employees

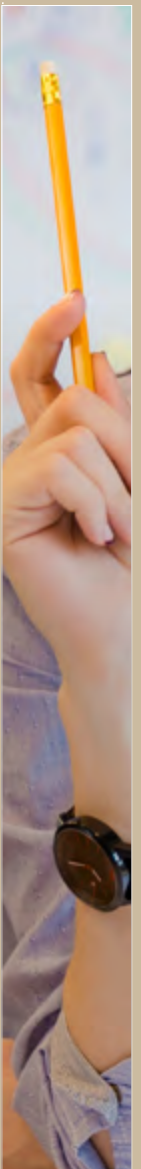


Revenue

Figures in millions of euros



27,092







Trust + experience + Commitment

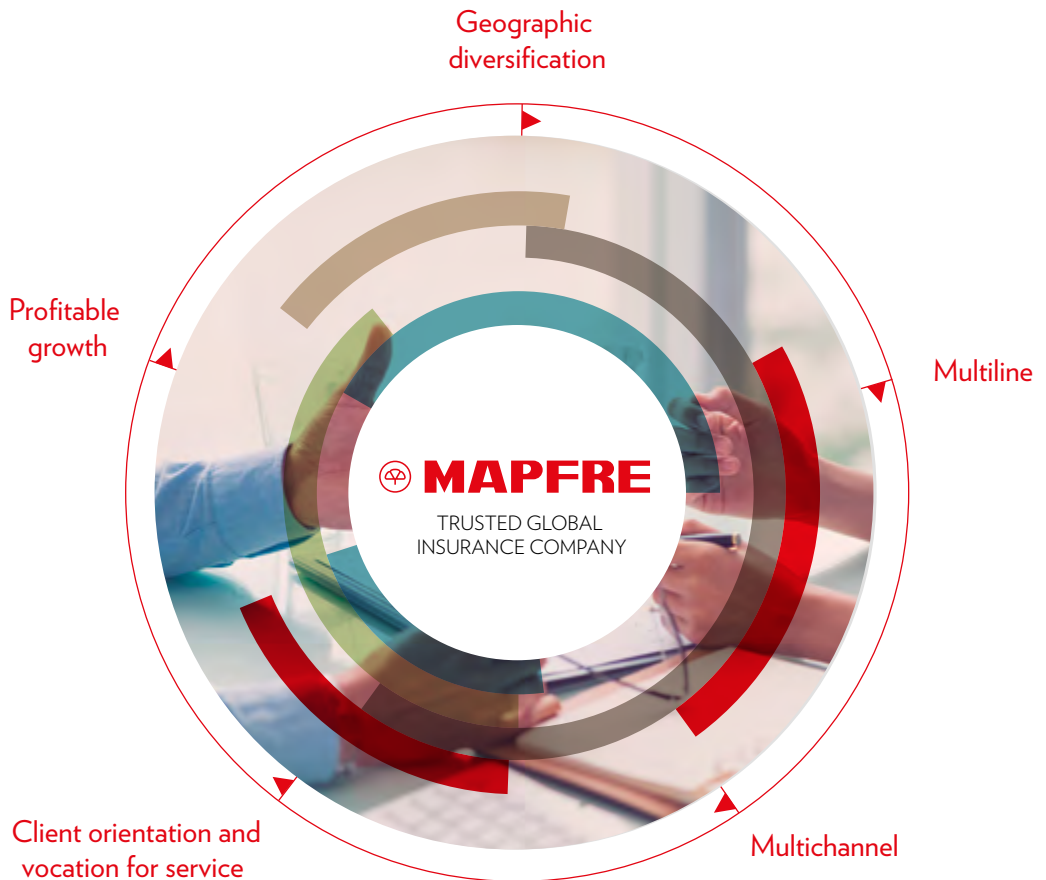
03

Business model and strategy

strengths ↑ ↑ ↑

3.1 Business model

The vision of MAPFRE is to be THE MOST TRUSTED GLOBAL INSURANCE COMPANY, a concept that refers not only to its geographical presence but also to the wide range of insurance, reinsurance and service products which it promotes around the globe. The Group aspires to lead the markets in which it operates through a proprietary, differentiated management model based on profitable growth, a clear and purposeful orientation to both individual and corporate clients, a multichannel focus, and a profound vocation for service.



Accordingly, MAPFRE:

- is firmly committed to growth, both in terms of business volume and geographical development, generating adequate and sufficient profitability from its activities. MAPFRE will continue to expand its presence across more countries and regional areas in order to consolidate its status as a global company, while reinforcing its presence in the countries and regions which have traditionally constituted its preferential markets.
- manages its business in an efficient manner and constantly improves productivity, reducing structural costs on a continuous basis in order to enhance its competitiveness.
- professionally manages the risks assumed, ensuring sustainable growth and results.
- steers its development by diversifying its portfolio of insurance, reinsurance and services businesses as a means of boosting growth and minimizing risks.
- deploys a global management model with ample capacity for local implementation, ensuring an appropriate balance between corporate involvement and business development in each country. Accordingly, MAPFRE boasts a corporate structure that allows it to harness economies of scale and pursue its business plans in a uniform manner but with the flexibility to adapt to the markets in which it operates.
- makes its resources available to the entire organization, thus harnessing the synergies derived from sharing talent, processes and tools.
- promotes specialized management as a means of continuously optimizing results and enhancing service quality.



MAPFRE's stated **mission** is to be a multinational team that strives constantly to improve services and develop the best possible relationships with clients, distributors, providers, shareholders and society in general.

This commitment to continuous improvement is underpinned by the following values, which assist in developing the mission and achieving the company's vision:

SOLVENCY

Financial strength with sustainable results and full capacity to meet all obligations to stakeholders.

INTEGRITY

Ethical conduct as a core element in how everyone (senior executives, employees, agents and collaborators) behaves, with a socially responsible focus on all long-term activities and commitments.

VOCATION FOR SERVICE

The constant quest for excellence in the pursuit of its activities and a continuous focus on building strong relationships with clients.

INNOVATION FOR LEADERSHIP

Differentiation as a key aspect of continuous growth and improvement, using technology to service the different businesses and their objectives.

COMMITTED TEAM

Full engagement of employees, senior executives, agents and other collaborators with the MAPFRE project and continuous development of the team's skills and abilities.



MAPFRE helps professionals, entrepreneurs, self-employed people and small companies to develop their commercial undertakings.



The resources that MAPFRE deploys to create sustained value are its main assets and correspond to the following capital types:

1. **Financial Capital:** economic resources to develop the business, generated through operations and/or investments or obtained through financing.
2. **Productive Capital:** assets or goods and services used to pursue different activities.
3. **Human Capital:** the skills, knowledge, abilities and experience of the people employed by the organization.
4. **Intellectual Capital:** knowledge-based intangible assets that favor both intellectual property as well as knowledge of systems, procedures and protocols.
5. **Social and Relational Capital:** trust-based relationships generated with stakeholders, contribution to the development and well-being of the community, and other intangible assets related to reputation and the brand.
6. **Natural Capital:** appropriate management of natural resources and contribution to climate change mitigation and biodiversity conservation.

MAPFRE offers people a complete insurance program, which is adapted to the different countries in which it operates, through a wide insurance offering of Life, Health, Accident, Asset Protection (home, automobile, third-party liability, family, etc.), Savings and Investment, Retirement, Funeral, Travel and Leisure policies.

MAPFRE helps professionals, entrepreneurs, self-employed people and small companies to develop their commercial undertakings, offering a broad portfolio of products and services that enable them to concentrate on their professional activity (with solutions for vehicles, third-party liability and assets, agriculture and livestock, commercial establishments, etc.), and also insuring their personal risks (accidents, health, life, retirement, savings and investments).

The company also offers specific solutions for small and medium-sized enterprises as well as large corporations, with a range of products and services adapted to the activity of each organization, at local, national and global level, and tailored to the management model of each client, with products for Vehicles, Third-Party Liability and Assets, Engineering and Building, Hulls and Aviation, Transportation of Goods, Agricultural Industries, Surety and Credit, Group Health, Accident, Life and Retirement Insurance, among others.

Additionally, MAPFRE supplements its insurance activities with a range of reinsurance products.

The Group carries out its business activities through an organizational structure consisting of four Business Units (Insurance; Assistance, Services and Specialty Risks; Global Risks, and Reinsurance).

The Territorial Areas are the geographical units which manage and coordinate the MAPFRE Insurance Unit in their respective territory.

All the Business Units except for Reinsurance are organized as per the MAPFRE Regional Areas, which are the geographical units that plan, support and oversee all the Business Units in the region.

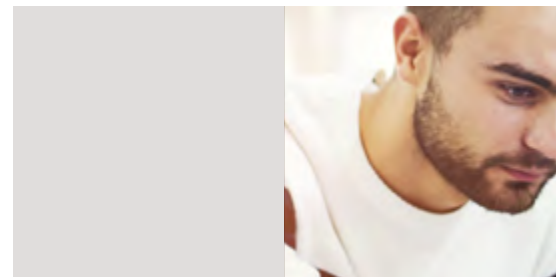
The IBERIA Territorial Area coincides with the Iberia Regional Area, which is made up of Spain and Portugal. The LATAM Territorial Area is subdivided into the Regional Areas of Brazil, LATAM North (Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and the Dominican Republic) and LATAM South (Argentina, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela). The INTERNATIONAL Territorial Area comprises the Regional Areas of North America (Canada, Puerto Rico and the United States), EMEA (which includes operations in Europe—except Spain and Portugal—the Middle East and Africa), and APAC (Australia, China, Hong Kong, India, Indonesia, Japan, Philippines and Taiwan).

MAPFRE is firmly committed to using its own networks in the countries in which it operates, which is compatible

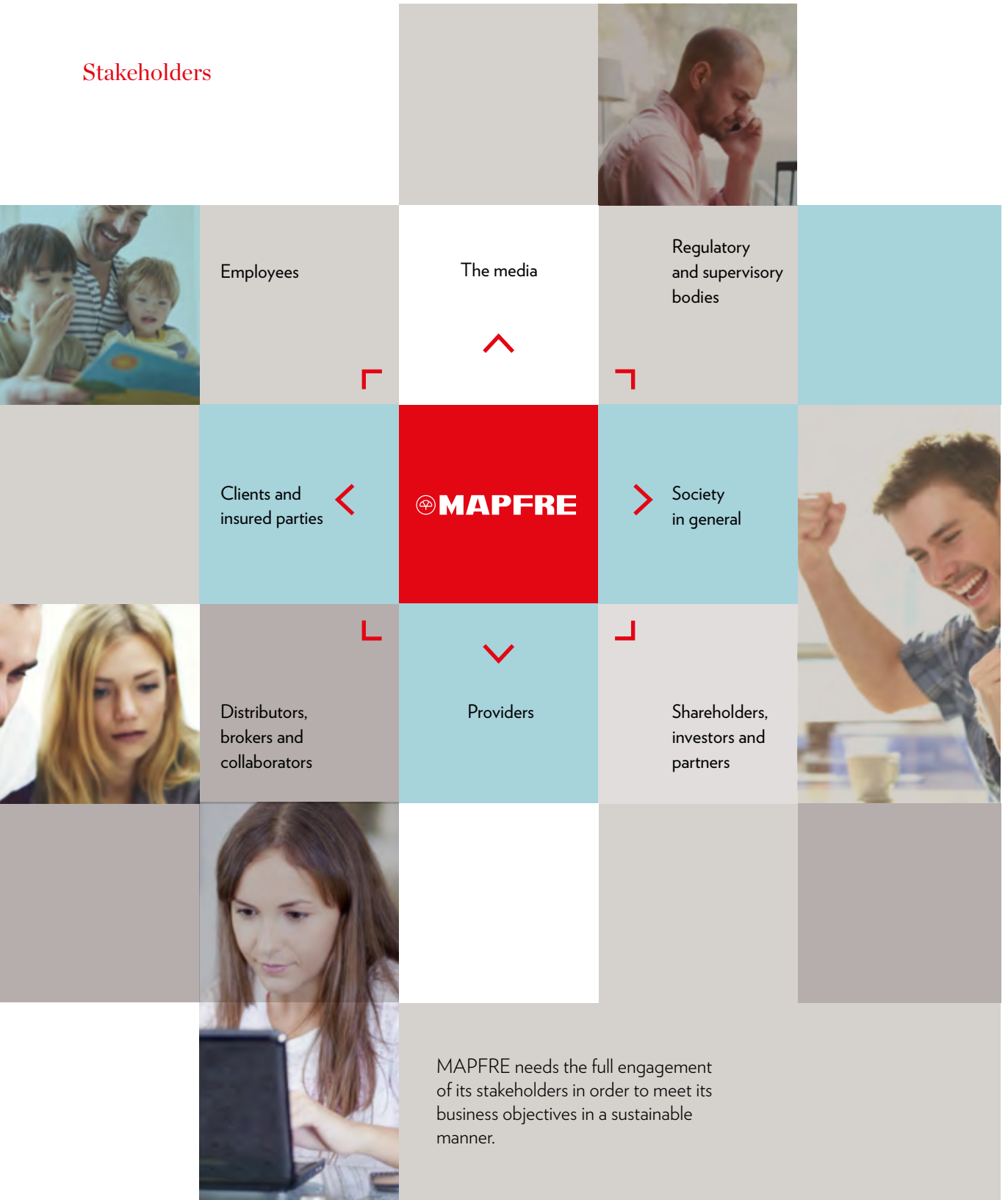
with the use of other distribution channels. Some of the key features behind the success of MAPFRE's business model are its client orientation, global product offering, and adaptation to the legal and commercial nature of each market.

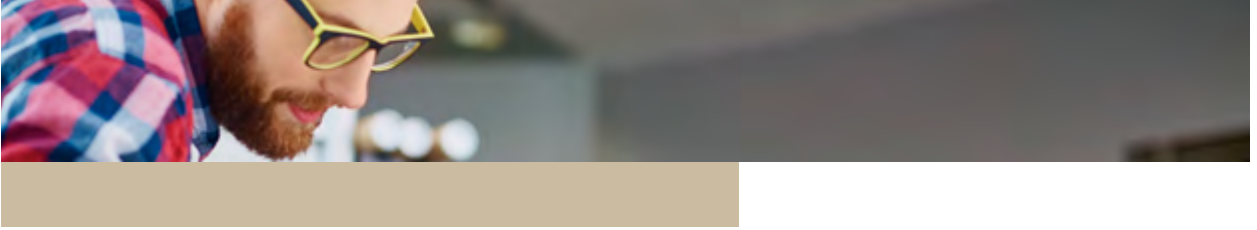
MAPFRE's own networks are supplemented by the distribution capacity deriving from the signing of agreements with different institutions, notably its bancassurance agreements, but also including those with other financial institutions, car dealers, shopping malls and service companies, etc.

MAPFRE is committed to building the best possible relationships with clients, distributors, providers, shareholders, and society in general. Based on its worldwide presence, the Group has identified eight types of stakeholders:



Stakeholders





3.2 Strategy

MAPFRE places great emphasis on strategic planning as a tool for achieving the medium and long-term objectives set down by Management. During the period 2013-2015 the activities designed to enact the Group's vision, mission and values were reinforced and the strategy map was implemented. The most important challenges for the coming years will focus on the following aspects:

- Permanent adaptation of the objectives of the Strategy Map to business performance and economic and social contexts.
- Adjustment of strategic initiatives to concentrate efforts on initiatives that best contribute to achieving Group objectives.
- Updating indicators and metrics at both corporate as well as the various regional and unit levels constituting the Group's business structure.

The Group's governing bodies approved the global strategic initiatives framework for 2016-2018, which for the most part is a continuation of the planning pursued in previous years. The most relevant aspects are described below:

Client orientation

MAPFRE will forge ahead with the development and implementation of client segmentation and will continue to measure client experience with a view to gaining and renewing the trust of clients.

A model is being implemented to gauge all instances of contact with clients so as to align the quality model to their needs, which is a further step in simply managing satisfaction toward managing experience, and developing value propositions and specific relationship models for each client type.

Digital transformation

The aim of this initiative is to adapt MAPFRE to the social and technological reality of the new digital age.

To do so, we will engage on two fronts. Firstly, operating processes will be digitalized, thus reducing business operating costs while increasing efficiency and productivity.

We will also digitalize our clients' experience, which will enable us to ensure the quality and service levels provided.

Excellence in technical and operational management

Most of the countries in which MAPFRE operates have introduced regulatory changes as a result of the new solvency framework. Consequently, we will need to continue striving for excellence in the management and control of our risks in order to guarantee the solvency and profitability of our units. We will also continue working on the operational efficiency model, developing highly standardized operational models to deliver greater efficiency, productivity and cost savings while maintaining complete client orientation at all times.

Culture and human talent

Aimed at developing and building a human capital team with the talent and skills necessary to tackle the strategic challenges ahead, we will undertake a worldwide initiative to identify the talent already available in the organization and the new profiles needed. On the basis of this analysis, individual development plans will be designed and implemented, along with a strategy to recruit external talent for the profiles currently lacking in the organization.



3.3. Future outlook

The main financial strategic commitments and the four pillars of the strategic plan for three-year period 2016-2018 are described below.

Financial

The primary objective is to create sustainable value for shareholders through profitable growth and the efficient management of our balance sheet. Given these premises, the principal goals for the next three years are as follows:

- To achieve total revenue of 31,000 million euros by the close of 2018.
- To obtain an average ROE of no less than 11 percent for the three-year period.
- To produce an average dividend yield of approximately 5 percent for the period, in relation to the average annual share price, and to sustain a dividend payout policy of no less than 50 percent and no more than 65 percent of Group profits.

The objectives related to the four strategic pillars are as follows:

Client orientation

- To improve the quality perceived by clients, measured via the NPS (Net Promoter Score) indicator in those countries which together represent at least 80 percent of our Non-Life premiums for individuals, and to achieve a client rating that is higher than the average of our main competitors in at least 70 percent of our businesses.
- To increase market share in at least 75 percent of Non-Life businesses and to boost sales of life insurance and pension fund products.

Digital transformation

- To increase by 30 percent the number of digital transactions that clients carry out with the company in the main markets (Spain, Brazil, United States and

Mexico) by ensuring that the majority of operations can be conducted online.

- To increase digital business by 50 percent through the MAPFRE, VERTI and InsureandGo brands.


Excellence in technical and operational management

- To keep the average combined ratio for the three-year period below 96 percent, striving to obtain an average combined ratio for this period of 96 percent in Spain, 92 percent in Brazil, and 98 percent in the United States (with an average combined ratio of 95 percent in the state of Massachusetts, which represents 70 percent of our business).
- To cut costs and therefore obtain an average expense ratio for the period of less than 28 percent of premiums. We will capitalize on the development of all the global strategic initiatives relating to operational, digital and provider transformation to obtain cost savings of no less than 150 million euros during the course of the three-year period.
- To improve the mechanization of our service provider management processes by automating at least 60 percent of assignments.

Culture and human talent

- To launch a series of projects that will make us one of the best companies in the world to work for, using the Great Place to Work methodology to achieve an employee satisfaction score of more than 80 percent by the end of the three-year period .
- To achieve genuine gender equality and labor inclusion worldwide, ensuring that in 2018 women occupy at least 40 percent of all management responsibility positions. Additionally, during the course of the next three years we will ensure that people with some form of disability make up at least 2 percent of our workforce.
- To develop occupational and geographic mobility programs for at least 10 percent of the workforce each year.




$$\{coherence\} + \frac{\text{Economic Reality}}{\text{Social Reality}}$$

04

Business performance

4.1 General information

Group companies wrote and accepted premiums, excluding items eliminated on consolidation, worth 24,829.4 million euros in 2016, up 3.5 percent. Consolidated premiums amounted to 22,813.2 million euros, up 2.2 percent during the year. Consolidated revenue amounted to 27,092.1 million euros, up 1.5 percent and it is distributed by activity type as follows:



Consolidated
revenue amounted
to **27,092**
MILLION EUROS

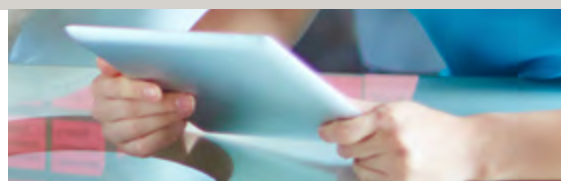
	2016	2015	% 16/15
Written and accepted premiums	22,813.2	22,311.8	2.2%
Financial income	3,762.3	3,866.7	(2.7%)
Revenues from non-insurance companies and other	516.6	523.7	(1.4%)
Total consolidated revenues	27,092.1	26,702.2	1.5%

Figures in millions of euros

Consolidated revenue for 2016 increased and includes:

- the sustained upturn in issuing in nearly all the IBERIA business lines, together with the consolidation throughout the year of the direct insurance business in Italy and Germany and positive performance of MAPFRE RE, which enabled us to absorb the downturn in Latin America caused by foreign currency movements (principally, the Argentinian peso and the Brazilian real) and the negative effect in the comparison derived from a substantial policy issued to PEMEX in Mexico in 2015; and
- lower financial income reflecting the effect of the U.S. dollar exchange rate differences in both years and the impairment of goodwill and other intangible assets in Italy and IBERIA, offset somewhat by higher disposal levels, especially in IBERIA.

Net consolidated earned premiums totaled 19,038.2 million euros in 2016, which is a 5.8 percent increase (17,988.3 million in 2015).





The following table shows the performance of managed savings, including both the technical provisions of Life insurance companies and the Life provisions of multiline insurance companies:



	2016	2015	% 16/15
Life technical provisions*	29,172.7	28,104.7	3.8%
Pension funds	4,684.1	5,076.2	(7.7%)
Mutual funds and other	4,631.4	3,349.9	38.3%
Subtotal	38,488.3	36,530.8	5.4%
Adjustments by shadow accounting	(4,261.7)	(3,932.6)	8.4%
Total	34,226.6	32,598.2	5.0%

Figures in millions of euros

*"Mutual funds and other" in 2015 differs from last year's report due to the fact that this year the portfolios managed by MAPFRE are excluded, while previously they were included.

The variation in the managed savings amount reflects the Life business acquired by BANKINTER VIDA in Portugal, the positive performance of the mutual and pension business, and the appreciation of the Brazilian real (+25.8 percent).

Excluding adjustments for changes in the market value of assets backing the technical provisions of life insurance, managed savings would have increased by 5 percent.

Management ratios

The combined ratio measures the impact on premiums of the management costs and claims ratio for the period. In 2016 this ratio was 97.4 percent, representing a decrease of 1.2 percentage points compared to the previous year.

Return on shareholders' equity (ROE)

Return on equity (ROE), which represents the relationship between net profit attributable to the parent company (deducting the share of external partners) and average shareholders' equity, was 8.8 percent (8 percent in 2015).

This performance reflects:

- The improvement in the Non-Life technical result as a result of the absence of extraordinary weather-related claims in the United States and the reduction in the claims ratio in IBERIA due to more rigorous underwriting practices.
- The increase in the Non-Life financial result as a result of a higher level of disposals, particularly in IBERIA.
- The positive Life business technical-financial result, which reflects an increase in financial results thanks to greater gains in IBERIA.

^ Client Orientation ^

- The impairment of goodwill and other intangible assets in Italy and IBERIA.
- The increase in shareholders' equity during the year (553 million euros), due to the increase in earnings and appreciations in the main currencies.

Key events

Of the key events that took place in 2016, the most notable were as follows:

- MAPFRE's Global Intranet was rolled out, a milestone in the digital transformation of the Group, which will allow us to work more globally and collaboratively.
- MAPFRE approved its strategic plan for the period 2016-2018, which focuses on profitable growth based on the following strategic lines: client orientation, digital transformation, excellent technical management, and corporate culture and human talent.
- The creation of MAPFRE AM was announced to strengthen the Company's investment management and improve asset management, together with the launch of MAPFRE Economic Research to participate in key discussions related to economics and the insurance industry.
- MAPFRE implemented an Active Transparency Plan in order to improve the company's practices in this area.
- Antonio Huertas, chairman and CEO of MAPFRE inaugurated the new MAPFRE Corporate University Campus in Sao Paulo (Brazil), the third after Spain and Mexico.
- MAPFRE effectively took control of the Indonesian insurance company PT ASURANSI BINA DANA TBK (ABDA), after signing an agreement that allows it to increase its stake in that company from 20% to 51%, for 92 million euros.
- MAPFRE held its first Investors Day, bringing together more than 80 financial experts in Madrid.



4.2 Information by Territorial Area

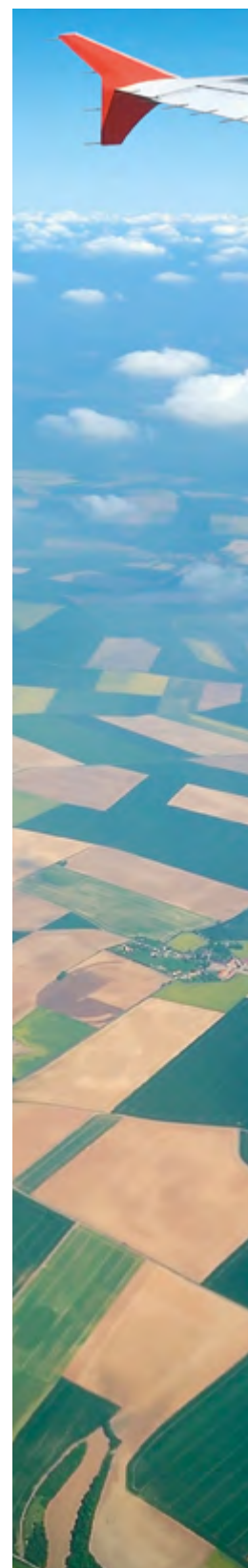
The trends in total revenue, written and accepted premiums, and results are shown below for each territorial area and the Reinsurance business unit.

TOTAL REVENUE	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	9,201.3	8,683.3	6.0%
BRAZIL	5,214.8	5,481.5	(4.9%)
LATAM NORTH	1,477.6	1,942.4	(23.9%)
LATAM SOUTH	2,259.7	2,304.7	(2.0%)
NORTH AMERICA	3,106.1	2,968.2	4.6%
EMEA	2,780.5	2,200.3	26.4%
APAC	149.2	136.1	9.6%
MAPFRE RE	4,937.7	4,661.0	5.9%

PREMIUMS	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	7,139.4	6,696.7	6.6%
BRAZIL	4,587.4	4,814.2	(4.7%)
LATAM NORTH	1,343.2	1,849.6	(27.4%)
LATAM SOUTH	1,921.6	2,030.4	(5.4%)
NORTH AMERICA	2,902.4	2,776.8	4.5%
EMEA	2,570.8	1,981.7	29.7%
APAC	129.9	114.6	13.4%
MAPFRE RE	4,234.7	3,731.9	13.5%

EARNINGS B.T.NC.I.	FIGURES IN MILLIONS OF EUROS		% VARIATION
	2016	2015	16/15
IBERIA	582.3	494.8	17.7%
BRAZIL	144.4	153.4	(5.9%)
LATAM NORTH	38.8	42.4	(8.5%)
LATAM SOUTH	15.2	49.4	(69.2%)
NORTH AMERICA	80.0	(32.7)	---
EMEA	(102.8)	(2.4)	---
APAC	(20.3)	(3.4)	---
MAPFRE RE	186.1	152.6	22.0%

The main figures of the business are presented below.



TERRITORIAL AREA IBERIA



Total revenue for the IBERIA Territorial Area amounted to 9,201.3 million euros in 2016, up by 6 percent on the previous year.

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	7,139.4	6,696.7	6.60%
- Non-Life	5,028.1	4,902.5	2.60%
• Automobile	2,165.0	2,109.9	2.60%
• General insurance	1,607.7	1,556.0	3.30%
• Health and Accidents	613.4	582.3	5.30%
• Other Non-Life	642.1	654.3	(1.90%)
- Life	2,111.2	1,794.2	17.70%
Revenue from investments and other	2,062.0	1,986.6	3.80%
Total revenue	9,201.3	8,683.3	6.00%

Figures in millions of euros

Written and accepted premiums for all insurers in this territorial area reached 7,139.4 million euros, up 6.6 percent, with the country breakdown shown below:

	2016	2015	Var. % 16/15
IBERIA	7,139.4	6,696.7	6.6%
Spain	6,961.8	6,497.9	7.1%
Portugal	177.6	198.8	(10.7%)

Figures in millions of euros

The rise in premiums is explained as follows:

- in Non-Life insurance, the sustained upturn in issuing in the main business lines (Health: +7.7 percent, Automobile: +2.6 percent, and Multiperil: +6.1 percent); and
- in Life insurance, increased sales in the agency network following the launch of products and commercial campaigns and the issue of group savings policies in the second quarter of 2016.



IBERIA's written
and accepted
premiums rose
by **6.6%**

(2)

The following table shows the breakdown by business line of written and accepted premiums in IBERIA in 2016 and 2015:

	2016	2015	Var. % 16/15
Automobile	2,165.0	2,109.9	2.6%
Health	494.4	459.1	7.7%
Other Non-Life	2,368.7	2,333.5	1.5%
Total Non-Life	5,028.1	4,902.5	2.6%
Life-Risk	424.2	348.8	21.6%
Life Savings	1,687.0	1,445.4	16.7%
Total vida	2,111.2	1,794.2	17.7%
Total	7,139.4	6,696.7	6.6%

Figures in millions of euros

The 2015 figures differ from those published previously because this year they refer to the IBERIA regional area whereas last year they referred only to Spain.

Additional reporting data for the IBERIA Territorial Area:

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	810.0	515.4	57.2%
After tax and non-controlling interests	582.3	494.8	17.7%

Figures in millions of euros

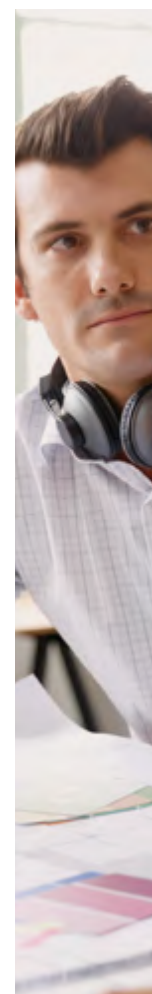
NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	72.5%	75.0%
Expense ratio net of reinsurance	21.5%	22.2%
Combined ratio net of reinsurance	94.0%	97.2%

EMPLOYEES	2016	2015
Average number of employees	9,305	9,491

The market shares in Spain (provisional for 2016) are shown below:

	2016	2015
Automobile	19.9%	20.4%
Health	6.4%	6.2%
Other Non-Life	15.0%	15.7%
Total Non-Life	14.6%	15.0%
Total Life	6.3%	6.8%
Total	10.5%	11.3%

Market shares based on data published by ICEA, which only takes into account written premiums. The figures include premiums from MAPFRE GLOBAL RISKS and MAPFRE ASISTENCIA.



TERRITORIAL AREA LATAM

Total revenue for the LATAM Territorial Area amounted to 8,952.1 million euros in 2016, down by 8.7 percent on the previous year.

The breakdown by regional area is shown below:

BRAZIL

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	4,587.4	4,814.2	(4.7%)
- Non-Life	3,064.4	3,176.5	(3.5%)
• Auto	1,232.5	1,496.5	(17.6%)
• General insurance	1,631.6	1,532.4	6.5%
• Health and Accidents	4.4	0.4	--
• Other Non-Life	195.9	147.2	33.1%
- Life	1,523.1	1,637.7	(7.0%)
Revenue from investments and other	627.4	667.3	(6.0%)
Total revenue	5,214.8	5,481.5	(4.9%)

Figures in millions of euros

LATAM SOUTH

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	1,921.6	2,030.4	(5.4%)
- Non-Life	1,683.5	1,762.3	(4.5%)
- Life	238.1	268.1	(11.2%)
Revenue from investments and other	338.2	274.2	23.3%
Total revenue	2,259.7	2,304.7	(2.0%)

Figures in millions of euros

LATAM NORTH

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	1,343.2	1,849.6	(27.4%)
- Non-Life	1,043.8	1,517.3	(31.2%)
- Life	299.4	332.3	(9.9%)
Revenue from investments and other	134.4	92.9	44.7%
Total revenue	1,477.6	1,942.4	(23.9%)

Figures in millions of euros

(0,2,1)

Written and accepted premiums for the insurers managed by this territorial area amounted to 7,852.2 million euros, down 9.7 percent. The figures for the regional areas and main countries are shown below:

	2016	2015	% 16/15
BRAZIL	4,587.4	4,814.2	(4.7%)
LATAM SOUTH of wich:	1,921.6	2,030.4	(5.4%)
Colombia	425.1	466.2	(8.8%)
Argentina	333.2	379.3	(12.2%)
Peru	474.8	465.8	1.9%
Chile	380.8	377.1	1.0%
LATAM NORTH of wich:	1,343.2	1,849.6	(27.4%)
Mexico	755.2	1,296.0	(41.7%)

Figures in millions of euros

In relation to the figures shown on the previous table, the following is particularly prominent in the Non-Life business:

- in BRAZIL, bearing in mind the market conditions, a solid performance in local currency mainly boosted by Agricultural and Simple Risks insurance;
- in LATAM South, the downturn in premiums (-4.5 percent) reflects the impairment of the main currencies in the region during the course of the year, given that in local currency all countries, and Peru and Colombia in particular, experienced growth; and
- in LATAM North, the 12-month premium figures for 2015 included a large multi-year policy issued in Mexico (387 million euros). Adjusted for this effect, the decline in Non-Life would have been 7.7 percent due to the non-renewal of loss-making policies in Mexico.

Premium performance for the Life insurance business takes in the following:

- in BRAZIL, a 7 percent decline due to the downturn in Life-Risk premiums as a result of less credit activity by BANCO DO BRASIL;
- in LATAM South, the downturn in issuing in Colombia due to the cancellation of loss-making policies was partly offset by good performance in Argentina, Chile and Peru; and
- in LATAM North, Mexico experienced a decline due to the cancellation of loss-making policies.

Once again, MAPFRE maintained its position at the top of the Non-Life insurance ranking in Latin America. According to the 2015 figures, the latest available, market share is 8.2 percent in the countries and territories where it operates.

The following table shows market shares for direct Non-Life insurance in the various main countries:

COUNTRY	Ranking	Market Shares (1)
Argentina	18	2.0%
Brazil	2	15.0%
Chile	4	9.8%
Colombia	7	6.0%
Mexico	4	8.7%
Peru	3	18.7%
Puerto Rico	7	3.4%

(1) Figures according to the latest available information for each market.
Source: Fundación MAPFRE



Additional reporting data for the LATAM Territorial Area :

BRAZIL

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	812.3	818.6	(0.8%)
After tax and non-controlling interests	144.4	153.4	(5.9%)

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	63.0%	60.8%
Expense ratio net of reinsurance	31.3%	33.8%
Combined ratio net of reinsurance	94.3%	94.6%

LATAM SOUTH

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	53.4	99.1	(46.1%)
After tax and non-controlling interests	15.2	49.4	(69.2%)

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	63.6%	60.0%
Expense ratio net of reinsurance	37.4%	38.1%
Combined ratio net of reinsurance	101.0%	98.1%

LATAM NORTH

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	57.1	69.7	(18.1%)
After tax and non-controlling interests	38.8	42.4	(8.5%)

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	67.3%	60.9%
Expense ratio net of reinsurance	33.6%	35.9%
Combined ratio net of reinsurance	100.9%	96.8%

REINSURANCE	AVERAGE NUMBER OF EMPLOYEES	
	2016	2015
BRAZIL	7,222	7,444
LATAM SOUTH	6,561	6,869
LATAM NORTH	3,515	3,473
TOTAL LATAM	17,298	17,786



Once again, MAPFRE maintained its position at the top of the Non-Life insurance ranking in Latin America.

TERRITORIAL AREA INTERNATIONAL

Total revenue for the INTERNATIONAL Territorial Area amounted to 6,035.8 million euros in 2016, up by 33.6 percent on the previous year. The breakdown by Regional Area is shown below:

NORTH AMERICA

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	2,902.4	2,776.8	4.5%
- Non-Life	2,887.7	2,766.1	4.4%
- Life	14.7	10.7	36.4%
Revenue from investments and other	203.7	191.4	6.4%
Total revenue	3,106.1	2,968.2	4.6%

Figures in millions of euros

EMEA

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	2,570.8	1,981.7	29.7%
- Non-Life	2,292.1	1,755.0	30.6%
- Life	278.7	226.7	22.9%
Revenue from investments and other	209.8	218.6	(4.0%)
Total revenue	2,780.5	2,200.3	26.4%

Figures in millions of euros

APAC

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	129.9	114.6	13.4%
- Non-Life	129.9	114.6	13.4%
- Life	--	--	--
Revenue from investments and other	19.3	21.5	(10.4%)
Total revenue	149.2	136.1	9.6%

Figures in millions of euros

^ (b)

The combined written and accepted premiums for the insurers in this territorial area amounted to 5,603 million euros, up 15 percent on the previous year. Below are the figures that correspond to the regional areas and the main countries:

	2016	2015	% 16/15
NORTH AMERICA of which:	2,902.4	2,776.8	4.5%
United States	2,538.8	2,390.1	6.2%
Puerto Rico	365.0	384.2	(5.0%)
EMEA of which:	2,570.8	1,981.7	29.7%
Turkey	890.0	752.8	18.2%
United Kingdom	260.2	273.7	(4.9%)
Malta	334.6	271.2	23.4%
Italy	558.0	339.9	64.2%
Germany	321.2	140.8	128.1%
APAC	129.9	114.6	13.4%

Figures in millions of euros

In relation to the figures shown on the previous table, the following are particularly noteworthy in the Non-Life business:

- growth in the United States due to good performance in the Automobile and Home lines, a strong competitive position in Connecticut, and positive performance by the network of independent agents; and
- in EMEA, the consolidation of direct business in Italy and Germany, as well as growth in Turkey following the increased rates in Automobile insurance.

The change in the Life insurance premium figure primarily reflects the positive performance in Malta.



Total revenue for the
INTERNATIONAL
Territorial Area rose
by **33.6%**



Additional reporting data for the INTERNATIONAL Territorial Area:

NORTH AMERICA

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	119.9	(54.5)	--
After tax and non-controlling interests	80.0	(32.7)	--

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	74.1%	80.4%
Expense ratio net of reinsurance	26.2%	27.7%
Combined ratio net of reinsurance	100.3%	108.1%

EMEA

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	(111.3)	10.6	--
After tax and non-controlling interests	(102.8)	(2.4)	--

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	79.8%	74.2%
Expense ratio net of reinsurance	27.4%	28.4%
Combined ratio net of reinsurance	107.2%	102.6%

APAC

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	(23.5)	(6.3)	--
After tax and non-controlling interests	(20.3)	(3.4)	--

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio net of reinsurance	80.0%	74.4%
Expense ratio net of reinsurance	39.1%	29.4%
Combined ratio net of reinsurance	119.1%	103.8%

REINSURANCE	AVERAGE NUMBER OF EMPLOYEES	
	2016	2015
NORTH AMERICA	3,757	3,881
EMEA	4,320	4,291
APAC	1,056	995
Total INTERNATIONAL	9,133	9,167

MAPFRE RE

Total revenue for MAPFRE RE amounted to 4.937,7 million euros in 2016, up by 5.9 percent on the previous year.

REVENUE	2016	2015	Var. % 16/15
Written and accepted premiums	4,234.7	3,731.9	13.5%
- Non-Life	3,586.5	3,131.3	14.5%
- Life	648.2	600.6	7.9%
Revenue from investments and other	702.9	929.1	(24.3%)
Total revenue	4,937.7	4,661.0	5.9%

Figures in millions of euros

In the accepted reinsurance business, MAPFRE RE and its subsidiaries reported consolidated premiums of 4,234.7 million euros (3,731.9 million euros in 2015), reflecting an increase of 13.5 percent owing to the solid performance of non-Group business and the contribution of the MAPFRE Group business, mainly Non-Life, following the incorporation of the direct insurance business in Italy and Germany and the MAPFRE USA program.

Additional reporting data for the Reinsurance Business Unit :

RESULTS	2016	2015	Var. % 16/15
Before tax and non-controlling interests	252.8	205.1	23.2%
After tax and non-controlling interests	186.1	152.6	22.0%

Figures in millions of euros

NON-LIFE INSURANCE RATIOS (Over earned premiums)	2016	2015
Claims ratio for accepted reinsurance	65.0%	64.6%
Cost ratio for accepted reinsurance	29.0%	29.3%
Combined ratio net of reinsurance	94.0%	93.9%

EMPLOYEES	2016	2015
Average number of employees	350	334





Solvency +

05

Corporate Governance

5.1 Governance system

MAPFRE adopts a three-pronged approach to its business management:

Corporate Governance

Company structure

Executive organization

Corporate Governance

The Annual General Meeting is the most senior governing body, while the Board of Directors is responsible for steering, administering and representing the company, holding full powers of representation, disposition and management. Its actions are binding on the company, with no further limitation than the express powers of the Annual General Meeting in accordance with the law and the corporate bylaws.

The Board is the company's main decision-making and supervisory body as well as the supervisory body of all subsidiary companies, while the day-to-day management is carried out by the company's management and executive bodies and by the relevant management bodies of the aforementioned subsidiary companies.

The Board of Directors has a Steering Committee which acts as its delegate body and retains all of the Board's powers except for those which cannot be legally delegated.

It also has three other delegate committees:

- Audit Committee
- Appointments and Remuneration Committee
- Risk and Compliance Committee

STEERING COMMITTEE

The Steering Committee's functions are the senior management and oversight of the day-to-day operations and strategies of the company and its subsidiaries. It comprises a maximum of 10 members, all of whom are also members of the Board of Directors.

AUDIT COMMITTEE

The Audit Committee'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 information, submitting same to the Board of Directors the proposal for the appointment of the external auditor and building an appropriate relationship with this figure, and ensuring the independence and efficiency of the internal audit function. It comprises a minimum of three and a maximum of five members of the Board of Directors, all nonexecutive directors and most of them independent.

APPOINTMENTS AND REMUNERATION COMMITTEE

This Appointments and Remuneration Committee coordinates the implementation of the appointment and remuneration policy for directors and senior executives of the Group. It comprises a minimum of three and a maximum of five members of the Board of Directors, all nonexecutive directors and at least two of whom are independent.

RISK AND COMPLIANCE COMMITTEE

The functions of the Risk and Compliance Committee are to support and advise the Board of Directors in defining and evaluating risk management policy, determining the risk appetite and risk strategy, and ensuring adherence within the company and Group to good governance rules as well as external and internal regulations. It comprises a minimum of three and a maximum of five members, all nonexecutive directors and at least two of whom are independent.

However, the Board of Directors made a proposal to the Annual General Meeting to amend the bylaws to assign to the Audit Committee the compliance duties previously assigned to the Risk and Compliance Committee, so they would take the names of Audit and Compliance Committee and Risk Committee, respectively.

The composition of the governing bodies resulting from the resolutions that are expected to be adopted on March 10, 2017 is as follows:

Board of Directors		Steering Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	Risk Committee
CHAIRMAN AND CEO	Antonio Huertas Mejías ⁽¹⁾	Chairman			
FIRST VICE CHAIRMAN	Antonio Núñez Tovar ⁽¹⁾	First Vice Chairman			
SECOND VICE CHAIRWOMAN	Catalina Miñarro Brugarolas ⁽³⁾	Second Vice Chairwoman	Chairwoman	Member	
THIRD VICE CHAIRMAN	Ignacio Baeza Gómez ⁽¹⁾	Member			
BOARD MEMBERS	Adriana Casademont i Ruhr ⁽³⁾		Member	Member	
	José Antonio Colomer Guiu ⁽³⁾			Chairman	Member
	Georg Daschner ⁽³⁾	Member			Chairman
	Ana Isabel Fernández Álvarez ⁽³⁾				Member
	Maria Leticia de Freitas Costa ⁽³⁾				
	Luis Hernando de Larramendi Martínez ⁽²⁾	Member	Member		
	Francisco José Marco Orenes ⁽¹⁾				
	Rafael Márquez Osorio ⁽²⁾	Member		Member	Member
	Fernando Mata Verdejo ⁽¹⁾				
	Antonio Miguel-Romero de Olano ⁽²⁾	Member		Member	Member
SECRETARIES	Ángel L. Dávila Bermejo	Secretary	Secretary	Secretary	
	Jaime Álvarez de las Asturias Bohorques Rumeu				Secretary

Honorary Chairmen

Julio Castelo Matrán
José Manuel Martínez Martínez

Executive Committee

CHAIRMAN	Antonio Huertas Mejías
MEMBERS	Antonio Núñez Tovar
	Ignacio Baeza Gómez
	Aristóbulo Bausela Sánchez
	Alfredo Castelo Marín
	José Manuel Inchausti Pérez
	Francisco José Marco Orenes
	Fernando Mata Verdejo
	Eduardo Pérez de Lema
	Elena Sanz Isla
Jaime Tamayo Ibáñez	
Wilson Toneto	
SECRETARY	Ángel L. Dávila Bermejo

⁽¹⁾ Executive directors

⁽²⁾ Nominee external directors

⁽³⁾ Independent external directors



Corporate Governance Indicators	2016	2015	2014	2013
Quorum for Annual General Meeting	82.76%	78.47%	79.85%	83.85%
Directors	17	18	18	20
Men	13	15	16	17
Women	4	3	2	3
Executive directors	5	5	5	6
Independent external directors	7	7	6	7
Nominee external directors	5	6	7	7
Board meetings	9	10	7	7
Steering Committee meetings	6	8	13	14
Audit Committee meetings	6	6	9	7
Appointments and Remuneration Committee meetings	6	7	4	5
Risk and Compliance Committee meetings	6	4	2	2

The remuneration of directors is determined in accordance with the provisions of regulations applicable to corporations, the corporate bylaws of the Board of Directors, and the decisions adopted by the Annual General Meeting.

In order to comply with the legal requirements for the remuneration of directors and continue adapting to corporate governance best practices regarding remuneration, the Regulations of the Board of Directors govern the functions related to remuneration of the Board of Directors and the Appointments and Remuneration Committee.

The compensation policy for directors for the period 2016-2018 includes the different components of the remuneration package for directors, which were established in line with the following criteria:

- Prioritization of the creation of value and profitability in the medium and long-term over short term results.
- Proportionality between the company's financial situation and market standards of comparable companies.

- Alignment with the commercial and risk management strategy, risk profile, objectives, and risk management practices.

- Appropriate and efficient risk management within the established risk tolerance limits.

- Attraction and retention of talent.

- Appropriate compensation for dedication, qualification and responsibility.

- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.

- Deferral of payment of a significant portion of the variable remuneration.

- Possibility of ex-post adjustments to the variable remuneration.

- Avoidance of conflicts of interest.

+ (0, 2, 1) ↑ ↑

The remuneration system differentiates between external directors and executive directors:

A) External directors

External directors receive a fixed amount as basic remuneration for their membership of the Board of Directors and, as applicable, of the Steering Committee and delegate bodies, which may be higher for those who occupy positions on the Board or chair its committees. This remuneration is supplemented with other non-monetary compensation, as established for company staff in general.

B) Executive directors

Executive directors do not receive the fixed amount established for external directors. The fixed remuneration for performing their executive functions is determined in line with the policy established for the remuneration of MAPFRE senior executives, and in accordance with the stipulations of their respective contracts.

Executive directors are entitled to the allowances or social benefits established for company staff in general, as stipulated in the collective bargaining agreement signed by MAPFRE.

Only executive directors receive variable remuneration, of which there are three types:

(i) Short-term variable remuneration, which is linked to the company's net consolidated profit and, where applicable, other indicators related to their respective responsibilities. This remuneration is always paid in cash.

(ii) Medium-term variable remuneration, which takes the form of an extraordinary medium-term incentive plan for executive directors in their capacity as senior executives. The plan is noncumulative and multiyear (the present plan runs from January 1, 2016 to March 31, 2019).

(iii) Incentives indexed to share values:

The Executive Directors benefited from an incentive plan referenced to the value of shares for Group executives approved by shareholders at a General Meeting held on July 4, 2007. As the listed price for shares in MAPFRE S.A. on the last date established to exercise the right was less than the listed reference price, no amount accrued or was received under that plan and it was accordingly terminated.

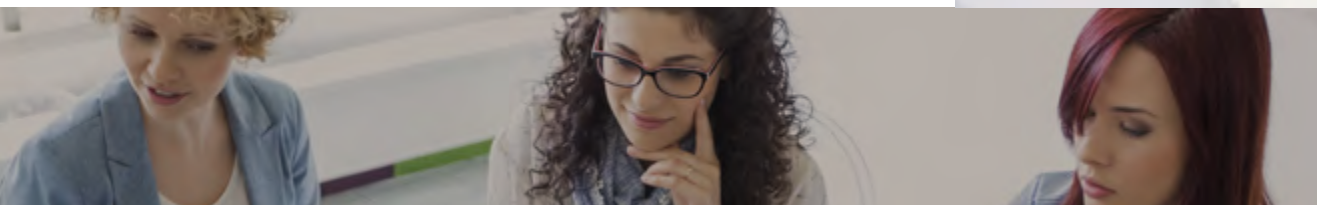
In relation to the establishment of an appropriate balance between fixed and variable components of remuneration, the MAPFRE compensation policy for the rest of the workforce includes a variable structure which is calculated as a percentage of total remuneration and is paid according to the degree to which employees have achieved their objectives. The weight of the variable remuneration is determined by the position held within the organization, increasing in line with the level of responsibility and impact of employees' professional activities within the company.

Employee categories that may have a material impact on the company's risk profile are governed by a variable short-term remuneration system based on the achievement of objectives directly linked to strategic plans and carried out during the course of one year.

The Group's Institutional, Business and Organizational Principles determine its actions as a company and contribute to the sustainability of the business conducted in every country in which it operates. These principles are embedded in the company through its core values (solvency, integrity, vocation for service, innovation for leadership, and committed team) and implemented through adherence to its international and local commitments as well as to the policies, standards and action protocols adopted by the organization. All of this enables the company to act in accordance with the due diligence principle, thereby preventing, detecting and eradicating irregular conduct, whatever its nature, which could have a negative impact on the company and on the environment in which it operates.

The company makes available to employees a set of policies, regulations, procedures, protocols and other reference documents, both corporate and local, which serve as a guide to determine the behavior that is expected of all those who work for or collaborate with MAPFRE.

Moreover, MAPFRE publishes the following corporate policies and standards on its website (www.mapfre.com), therefore placing them at the disposal of all stakeholders:



- Institutional, Business and Organizational Principles
- Code of Ethics and Conduct
- Treasury Stock Policy
- Dividends Policy
- Corporate Governance Policy
- Corporate Tax Policy
- Policy on the Management of Conflicts of Interest and Operations Linked to Significant Shareholders and Senior Representative and Managerial Posts
- Director Selection Policy
- Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors
- Policy on Attendance Allowances
- Corporate Social Responsibility Policy
- Diversity and Equal Opportunities Policy
- Promotion, Selection and Mobility Policy
- Policy on Health, Well-Being and Prevention of Occupational Risks
- Respect for People Policy
- Corporate Security Policy
- Business Continuity Policy
- Environmental Policy

The MAPFRE system of governance is supplemented by an extensive list of corporate policies and standards relating to different matters.

→ Internal control ←



Company structure

MAPFRE has a simple, efficient and decentralized company structure which enables it to fulfill its business objectives in an appropriate manner. This principle means that the appropriate management of the business in each country is compatible with the efficient management of the resources, capital requirements and distribution of dividends to shareholders. All of this is governed by a legal framework and genuinely ethical and socially committed conduct in the countries in which the company operates.

Executive organization

With regard to its executive organization, MAPFRE uses a management model which is underpinned by strict control and oversight at every level— local, regional and global. This facilitates broad delegation in the execution and fulfillment of the responsibilities assigned to teams and their supervisors. Most notably, it means that the most important decisions, at all levels, are analyzed in depth, before and after they are implemented, by all of the senior executive teams.

5.2 Ethics and social responsibility

Main compliance and prevention measures

COMPLIANCE

The principal aim of the compliance function is to ensure that the Group operates within the legal and regulatory framework that governs its activities, thus minimizing legal and non-compliance risks, in order to preserve its solvency, integrity and reputation while supporting the Group in achieving its strategic objectives.

Zero tolerance of non-compliance is supplemented by preventive initiatives organized by the MAPFRE Group compliance function with a view to mitigating the risk of potential non-compliance.

ETHICS COMMITTEE

The MAPFRE Ethics Committee is responsible for ensuring the implementation of the Code of Ethics and Conduct, which lays down the rules of conduct governing the behavior and actions of employees and their relationship with third parties. These rules include respecting all people that employees come into contact with; commitment to their job and the company; responsibility, solidarity and cooperation; and integrity and respect for the law. The purpose of the code is to create a climate of trust in the workplace, favoring personal and professional development as well as respect for basic human and labor rights, free from any type of exploitation, intimidation, harassment or discrimination. The code is mandatory throughout the Group.



WHISTLEBLOWER CHANNELS

MAPFRE has created two types of channels for use by employees:

- The Financial and Accounting Whistleblower Channel (www.mapfre.com/CDF) allows Group employees to confidentially report to the Audit Committee of MAPFRE S.A. any potentially significant financial and accounting irregularities they observe within the company.
- The Ethical Whistleblower Channel (www.mapfre.com/Etica) allows employees who have queries about the implementation of the code, or who observe a situation that might constitute a breach or violation of any of the ethical principles or standards of conduct set out in the code, to report them in strict confidence to the Ethics Committee.

Both channels are accessible in Spanish, English, Portuguese and Turkish.

INTERNAL CONTROL

Internal control involves everyone, irrespective of their professional level within the organization, and is intended to improve internal operations by monitoring potential risks that could compromise the achievement of strategic objectives.

Within the framework of the principles and values set out in the Institutional, Business and Organizational Principles, the aim is to make reasonably sure that the Group's objectives are achieved with regard to operational efficiency and effectiveness, reliability of accounting and financial records, and compliance with external and internal rules and regulations.

PREVENTION OF MONEY LAUNDERING

MAPFRE is permanently vigilant in detecting and reporting to the appropriate bodies any suspicious operation carried out with the aim of laundering resources derived from criminal activities. As such, it has established the appropriate human and organizational resources, the actions of which are supervised by the Group's Prevention of Money Laundering Committee, all in accordance with the provisions of Law 10/2010 and its Implementation Regulations.

In 2016, more than 16,897 hours of training in the prevention of money laundering were given to 14,442 employees.

PROTECTION OF EMPLOYEES FROM MORAL AND SEXUAL HARASSMENT IN THE WORKPLACE

MAPFRE has implemented a harassment protocol and prevention mechanisms in every country in which it operates. These are designed to avoid harassment situations, but if they should arise, there are suitable procedures for dealing with and rectifying the issue.

PREVENTION OF FRAUD AND CORRUPTION

A number of procedures exist to combat fraud, which is understood to be any action taken or omission committed intentionally and dishonestly, when taking out insurance, reporting an incident or accrediting the damage caused, and during the processing of the same, with the intention of obtaining unjust enrichment from the insurance company.

MAPFRE collaborates fully with the security forces in this area and implements early warning mechanisms to detect potentially fraudulent anomalous situations, using computer tools harmonized at corporate level.

Furthermore, MAPFRE is a member of the Subcommittee on Anti-Corruption Management Systems of AENOR (Spanish Association for



Standardization and Certification), and it was involved in creating the future standard ISO PC 278 Anti-Bribery Management Systems, which will lead to an international standard for this issue. The creation of auditable standards in this field will help to improve the control atmosphere in the Group's companies.

SECURITY

Security at MAPFRE focuses among other aspects on protecting workers, safeguarding client and other stakeholder information, and ensuring the sustainability of its operations and the services it provides.

- Workers are protected by providing a safe work environment, achieved through the preventive maintenance of the facilities, the implementation of self-protection plans in workplaces, the design of specific measures for business travel and trips (especially to unstable areas), and the provision of direct and specialized support in the event of risk situations.
- The commitment to information security relating to clients is materialized through aspects such as high standards of compliance with data privacy and protection regulations. Accordingly, various safeguard measures have been established to ensure the necessary confidentiality and integrity and thus honor the trust placed in the company by clients, shareholders and other stakeholders.
- In terms of availability, business continuity solutions are designed and implemented to prevent interruption of the services provided to clients in the event of serious contingencies, thus contributing to the sustainability of business operations.

Likewise, the new corporate initiatives and information systems incorporate security criteria designed to minimize risks, protect data privacy, and increase the capacity for detecting and responding to incidents.

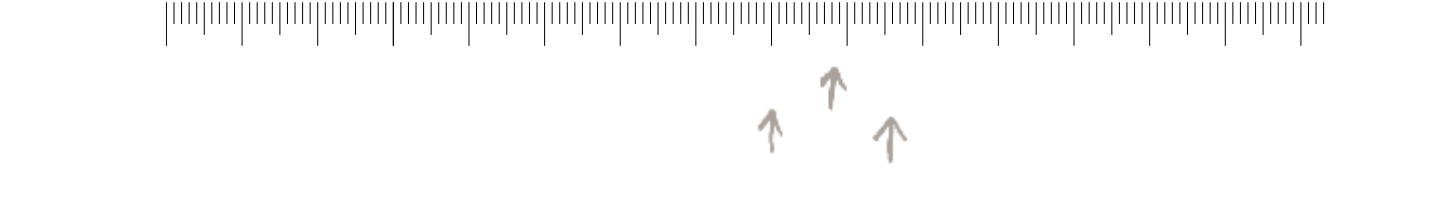


INTERNAL AUDIT

MAPFRE considers that this independent and objective assurance and consultation function helps the organization comply with its objectives by providing a systematic and disciplined approach to evaluate and improve the efficiency of risk management, internal control and corporate governance processes.

The Internal Audit area has the following general functions:

- To supervise compliance and the effectiveness of the Internal Control System and of other elements of the Governance System.
- To comply with the Annual Internal Audit Plan, reporting any weaknesses that are detected and making recommendations for their resolution, and monitoring the implementation of those recommendations.
- To evaluate the reliability and integrity of the individual and consolidated accounting and financial information and other economic information (Budgets, Projections, Territorial Models, Embedded Value, etc.) prepared by MAPFRE S.A., for its Dependent Companies, Business Units, Territorial Areas, Regional Areas and Global Corporate Areas, as well as the validity, sufficiency and application of accounting and legal principles and rules.
- To effectively coordinate the communication of information between the Board of Directors and the internal and external auditors through the Audit Committee.
- To perform ongoing monitoring and on-site internal audits of acquisitions, new businesses and developing activities, as key elements of risk of the Strategic Plan.



- To support the organization in attaining its objectives by providing professionals in areas in which independent opinions or support may be required for development (internal control, risk management, organization, analysis of financial statements, analysis of investments, etc.).

- To coordinate the work of external auditors and analyze their conclusions before they are finalized.

- To gather the information necessary to support the Audit Committee at MAPFRE S.A., and other Audit Committees which either due to legal obligation or on a voluntary basis are established at subsidiaries, and the CEO's office at MAPFRE.

Corporate Social Responsibility (CSR) at MAPFRE

Being responsible at MAPFRE means more than complying with the laws in the countries in which the Company operates, international regulations, human rights or international social responsibility commitments. It is much more than respecting market rules or rejecting any illegal or fraudulent practices. All of that is evidently done, but the aim is to do more than to comply with the law.

MAPFRE defines its social responsibility as "a voluntary and strategic commitment that entails attempting to achieve business objectives while strictly complying with its legal and contractual obligations, applying criteria of equity and stability to relationships with its stakeholders and thus contributing to meeting the current and future needs of society".

Being responsible is an attitude, a manner of managing the company and it is therefore important to involve all groups with which MAPFRE maintains relationships: employees, clients, providers, distributors, shareholders and society in general.

Responsibility cannot be secured if the company's business does not contribute, in one way or another, to the economic and social development of the countries in which it operates.

However, it is not just a matter of attempting to be responsible. MAPFRE wants to do more, it wants to be sustainable. It has therefore designed a Sustainability Plan, for which it has created an inter-disciplinary working group. The Corporate Social Responsibility Policy and this Plan make up the two primary tools that allow CSR to be managed and promoted and allows for mechanisms for the control, monitoring and oversight of this area by the Corporate Social Responsibility Committee.

CORPORATE SOCIAL RESPONSIBILITY POLICY

In 2015 the Board of Directors of MAPFRE S.A. approved the new MAPFRE Group Corporate Social Responsibility Policy (CSR Policy). It defines the Company's reference framework through which any Group company may develop and strengthen socially responsible behavior.

This policy is intended to allow Corporate Social Responsibility at MAPFRE to be perceived as a way of:

- Achieving MAPFRE's corporate interests and its strategic objectives.
- Managing the company in line with the values defined by MAPFRE: solvency, integrity, vocation for service, innovation for leadership and committed team. These must be present in every business project undertaken.
- Establishing stable and equitable relationships with the company's stakeholders, especially those defined in the corporate mission: shareholders, employees, providers, distributors, clients, and society in general.

- Managing the risks and business opportunities arising from the changes in the environment in which MAPFRE conducts its business, assuming the impact it generates on society and the environment by maximizing the positive aspects and minimizing the negative ones.
- Transmitting the company's social values in every territory in which it is present, reconciling the value of its operational activities with the value of the nonprofit activities it undertakes.

The policy also develops six specific action principles based on: employees, shareholders, providers, distributors, clients and society in general.

Finally, the policy stipulates that the Corporate Social Responsibility Committee at MAPFRE is the internal area that is permanently charged with developing and implementing the continuous monitoring and control of this policy.

The policy includes **nine general principles** for action relating to:

1 Compliance with international commitments. They include those set out in the United Nations Global Compact and the Principles for the Sustainability of Insurance.

2 Compliance with national and international laws and regulations in force in all countries in which the Group operates.

3 To maintain **good corporate governance** practices based on ethics, business transparency and diversity.

4 Communication and dialog with all stakeholders, based on transparency, truth and commitment, as fundamental pillars.

5 Commitment to transparency, which means providing relevant and accurate information and to prepare and publish financial and non-financial information using the internal and external verification processes considered suitable.

6 Commitment to human rights. MAPFRE is a signatory to the United Nations Global Compact and its ten principles.

7 Fiscal responsibility. We comply with our tax obligations in accordance with all tax legislation in every country in which MAPFRE is present.

8 Preservation and promotion of the environment, as is stipulated in the Group's Environmental Policy.

9 Promotion of social responsibility, with active participation in national and international organizations and forums.



(2)

Sustainability

MAPFRE GROUP 2016-2018 SUSTAINABILITY

The Sustainability Plan 2016-2018 at MAPFRE Group is a means for contributing to the sustainable development of the Company, applied to several areas (financial/ good social and environmental governance) in accordance with its own principles and values, beyond what is established by the law in these areas.

It does so by developing specific actions relating to fundamental topics: Human rights and the Sustainable Development Agenda 2030, transparency, environment, cyber security, diversity, the fight against corruption and fraud, the inclusion of environmental, social and governance issues in the supply chain, subscriptions and investment decisions, among others.

The Plan allows the Company's performance in these areas to be improved and To strengthen relationships with the various stakeholders with which the Group has a special relationship, such as shareholders, employees, providers and clients. This is done without forgetting the rest of the groups with which the Company maintains relationships or on which it has an impact.

The Sustainability Plan 2016-2018 is structured around three major objectives, which further breakdown into fifteen lines of work. Each of them include specific projects, persons responsible for their development and monitoring metrics.

The Corporate Social Responsibility Committee monitors the Plan and reports to the Executive Committee.

The Plan was approved in June 2016 by the CSR Committee and presented to the Board of Directors in July. With only five months of effective work last year, all proposed lines and projects were started and are being developed within the established execution schedules and it may be stated that the plan has commenced very satisfactorily.



Basic outline of the Plan

Objectives

1.

To be perceived by our stakeholders, as a transparent company in operations and ethics, and committed to the environment in which it carries out its business using innovative actions.

2.

To be perceived by our organization as an ethical and attractive company that generates opportunities and ensures its diversity using values of solidarity that have an effect on the company.

3.

To be perceived by clients and providers as a company that complies with its commitments and which acts with integrity in its relationships.

Lines of work

- L1** Human rights and Sustainable Development Agenda 2030.
- L2** Transparency.
- L3** Individual shareholders and investors specializing in sustainability - ASG*.
- L4** Integration of social and environmental aspects when innovating insurance solutions.
- L5** Opportunities and risks involving reputation, finances, ASG* when taking decisions prior to assuming risk. Development and recruitment of new sustainable businesses
- L6** Information security and cybersecurity.
- L7** Environment: climate change.
- L8** Include ASG criteria* in investment decisions.
- L9** Promote behaviors and attitudes that prevent corruption and internal fraud.

* ASG: ambiental, social y de gobernanza

- L10** Diversity, equality and non-discrimination (primarily concerning women and disabled persons).
- L11** Volunteering.

- L12** Client satisfaction.
- L13** Social and environmental criteria as positive factors in the approval and selection of providers.
- L14** Digitalization of assignment, communications and control processes involving automobile and home services providers.
- L15** Global Procurement Process.

Specific projects

Persons responsible for their development

Identification of impacted stakeholders

Monitoring indicators

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5.3 Risk management

MAPFRE establishes the risk level which the Group is prepared to assume in order to attain its business objectives without any significant deviations, even in adverse situations. That level, which defines limits and sub-limits per risk type, is set by the appetite for risk of the MAPFRE Group.

The MAPFRE GROUP Risk Management Policy is based on a Group-wide Risk Management System that calls for the integrated management of each and every business process, adapting the risk level to the established strategic objectives.

The main **objectives** of the Risk Management System are as follows:

- **To promote a solid culture and an effective system of risk management.**
- **To ensure that risk analysis is part of the decision-making process.**
- **To preserve the solvency and financial soundness of the Group, helping to position it as the most trusted global insurance company.**

The different **types of risks are grouped under four areas, or categories**, as explained below:

FINANCIAL AND CREDIT RISK

This includes interest rate, liquidity, exchange rate, market and credit risks.

INSURANCE ACTIVITY RISKS

This groups together, separately for Life and Non-Life, premium shortfalls, adequacy of technical provisions, and reinsurance risks.

OPERATIONAL RISK

This includes twenty three types of risk grouped into the following areas: actuarial, legal, technological, personal, collaborators, procedures, information, fraud, market and material assets.

STRATEGIC AND CORPORATE GOVERNANCE RISK

This includes business ethics and corporate governance risks as well as risks related to the organizational structure, alliances, mergers and acquisitions derived from the regulatory environment, and competition risks.



The Governing Bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established Risk Appetite limits. The main risks are quantified in accordance with:

- Current legal requirements.
- A standard model of fixed factors.
- Internal management models, in the companies that have them.

After the Solvency II regulations entered into force, the Group quantifies the main risks using the standard formula (group of calculations or algorithms prescribed by the supervisor in order to calculate mandatory solvency capital).

Assigned capital is established in general based on estimates in accordance with the budgets from the preceding year and it is periodically reviewed throughout the year in line with the development of risks in order to ensure compliance with the established Risk Appetite limits.

These limits foresee that certain companies will require a higher level of capitalization, in relative terms, than the Group average, either because they operate in different countries with different legal requirements, or because their activities are subject to more stringent financial solvency requirements than those of the other Group entities.

Financial and credit risk

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of top-quality fixed-income securities and by establishing both general and specific exposure limits.

MAPFRE RE's policy with regard to credit risk management is based on prudence in line with the issuer's solvency. Investments in fixed-income and equity instruments are subject to limits per issuer and seek a high degree of geographical correspondence between the issuers of the assets and commitments.

The Credit Risk Management Policy establishes limits according to the risk profile of the counterparty or the investment instrument, as well as exposure limits related to the counterparty's rating.

There is also a system for tracking and notifying of credit risk exposure.

The Security Committee reviews the main exposures to insurance and reinsurance counterparties.

Insurance Activity Risk

The organization of MAPFRE, specializing in various business lines, requires them to be highly autonomous in the management of their business, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of incident.

The adequacy of premiums is an element of particular importance and its determination is supported by specific software applications.

The treatment of services and the adequacy of provisions are basic principles of insurance management. Technical provisions are calculated by the actuarial teams of the different companies and their amount is validated by an independent party that did not participate in the calculation. The prevalence of the personal injuries business at MAPFRE, with fast liquidation of claims, and the insignificance of long-term risks insured, such as asbestos or professional liability, are elements mitigating the risk of insufficient technical provisions.

MAPFRE's presence in countries particularly prone to catastrophes (earthquakes, hurricanes, etc.) demands special treatment of this type of risk. Companies expose to this type of risk have specialized reports on catastrophe exposure, usually drawn up by independent experts, which estimate the extent of the losses in the event of a catastrophe occurring. Underwriting catastrophic risks is done based on this information and the financial capital available to the company that underwrites same. Where appropriate, exposure to these types of risks is mitigated by taking out specific reinsurance coverage.

In this connection, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophe risk market. Every year this company determines the global catastrophic capacity that it assigns to each territory and establishes the maximum underwriting capacity per risk and event. It also has risk retrocession protection programs to cover deviations or increases in catastrophe claims in different territories.

MAPFRE's policy with respect to reinsurance risk is to cede business to reinsurers with proven financial capacity (generally with a minimum BBB or equivalent credit rating. Business is ceded to other reinsurers on an exceptional basis after an internal analysis showing the availability of a solvency level equivalent to the previously indicated rating or if adequate guarantees are provided).

The basic mandatory principles that underlie the management of reinsurance use and other risk reduction techniques at MAPFRE are as follows:

The principle of capital consumption optimization.

The principle of the optimization of conditions.

The principle of counterparty solvency.

The principle of the effective transfer of the risk.

The principle of adequate risk transfer levels.

Operational risk

The operational and business process risk is identified and assessed using Riskm@p, a software application developed internally by MAPFRE to create risk maps for the Group companies and analyze the significance and probability of occurrence of the different risks.



Innovation



Furthermore, Riskm@p is established as the corporate tool for managing control activities (process manuals, inventory controls associated with risks and assessment of their effectiveness) and management of the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

The operational risk management model is based on a qualitative process-based dynamic analysis of the company, enabling the managers of each area or department to identify and assess the potential risks affecting the following business and support processes: Product Development, Underwriting, Claims/Services, Administrative Management, Marketing Activities, Human Resources, Commissions, Coinsurance/ Reinsurance, Technical Provisions, Investments, IT Systems, and Customer Service.

Strategic and corporate governance risk

MAPFRE has always applied ethical principles to its business management and indeed these principles form part of its bylaws and day-to-day activities. In order to streamline this business culture and update the legal governance and management transparency requirements, the Board of Directors of MAPFRE S.A. approved the "MAPFRE GROUP Institutional, Business and Organizational Principles". These constitute the mandatory minimum framework for all companies in the MAPFRE Group and their respective governing bodies.

Strict application of these principles is considered to be the most efficient way of mitigating this type of risk.

Integration and management of environmental, social and governance risks (ASG)

Insurance companies play an important role in addressing global sustainability challenges since they have the ability to use the knowledge and experience acquired for their own protection to protect the interests of clients and third parties.

MAPFRE assumes the impact of its business activities on the environment and society in general. Its social responsibility model and policy facilitate the integration of environmental, social and governance (ESG) aspects into its business.

Proper monitoring of ESG aspects provides the organization with additional information about these potential risks as well as a clearer insight into social movements and transformations and the expectations of its stakeholders (investors, clients, regulatory bodies, distributors, general public, employees, etc.).

The following table shows the ASG aspects that MAPFRE has identified, taking as a reference, among others, the material issues and those of internal and external relevance in the 2016 Materiality Analysis.



Table of ASG aspects

ENVIRONMENTAL

- Climate change.
- Eco-efficiency: optimization of resources.
- Biodiversity conservation and degradation of land and maritime ecosystems.

SOCIAL

Employment

- Employment.
- Diversity, Equality and non-discrimination.
- Inclusion of vulnerable groups and others at risk.
- Training and professional development.
- Decent salary.
- Work-life balance.
- Managing internal talent and attracting external talent.
- Technology: New areas of knowledge and collaboration.

Health and Safety

- Prevention: accidents, sick leave, etc.
- Health: Promotion of healthy work environments.
- Safety: guarantee a safe and reliable workplace.

Responsibility to clients:

- Responsible marketing.
- Channels for complaints and monitoring.
- Security and privacy of personal data and cybersecurity.
- Portfolio of products and services:
 - Innovation: products designed to generate social and environmental benefits.
 - Demographic and social issues: aging of the population, quality of life.
- Technology: new relationship environments, new management systems, new risks and new products.
- Promote insurance culture.

Value chain (providers, subcontractors, etc.)

- Integrated procurement policy and procedures: select, approve and hire taking into account social responsibility and environmental criteria.
- Technology at the service of management: procurement platform.
- Incorporation of social aspects (employment rights, safety and health, human rights, etc.) and environmental aspects in selection and approval processes.

GOVERNANCE

Ethics, integrity and principles

- Governing bodies:
 - Diversity
 - Board leadership.
 - Anti-corruption and anti-bribery.
 - Transparency.
 - Regulations/ Codes of Ethics and Conduct: monitoring, compliance, evaluation, whistle-blowing mechanisms.
- Protection of shareholder rights.

During recent years, the insurance industry has had to face the financial and reputational repercussions of environmental, social and governance (ASG) risks that have arisen.

In this context, the management of this type of risk helps to take decisions on such important issues as underwriting, investment, innovation in products and services, and reputation management, the latter being essential to gain the trust of our stakeholders. Accordingly, this type of risk also forms part of the Group's Risk Management System, and the various categories of the risks mentioned in this section are integrated and therefore included in the Company's business.

Innovation, in products and services to address the needs of clients regarding this type of risk is becoming a challenge and an ongoing business opportunity. In 2016 MAPFRE launched more than 32 products into the market in business lines such as Automobile, Life, Casualty, Home, Health and Death.

It also has 10 products in its portfolio with basic coverage and reduced premiums for low-income groups in the Automobile, Life, Home and Health lines of business.

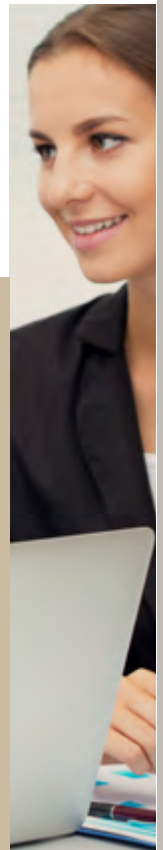
Environmental initiatives aimed at clients can be grouped into three categories:

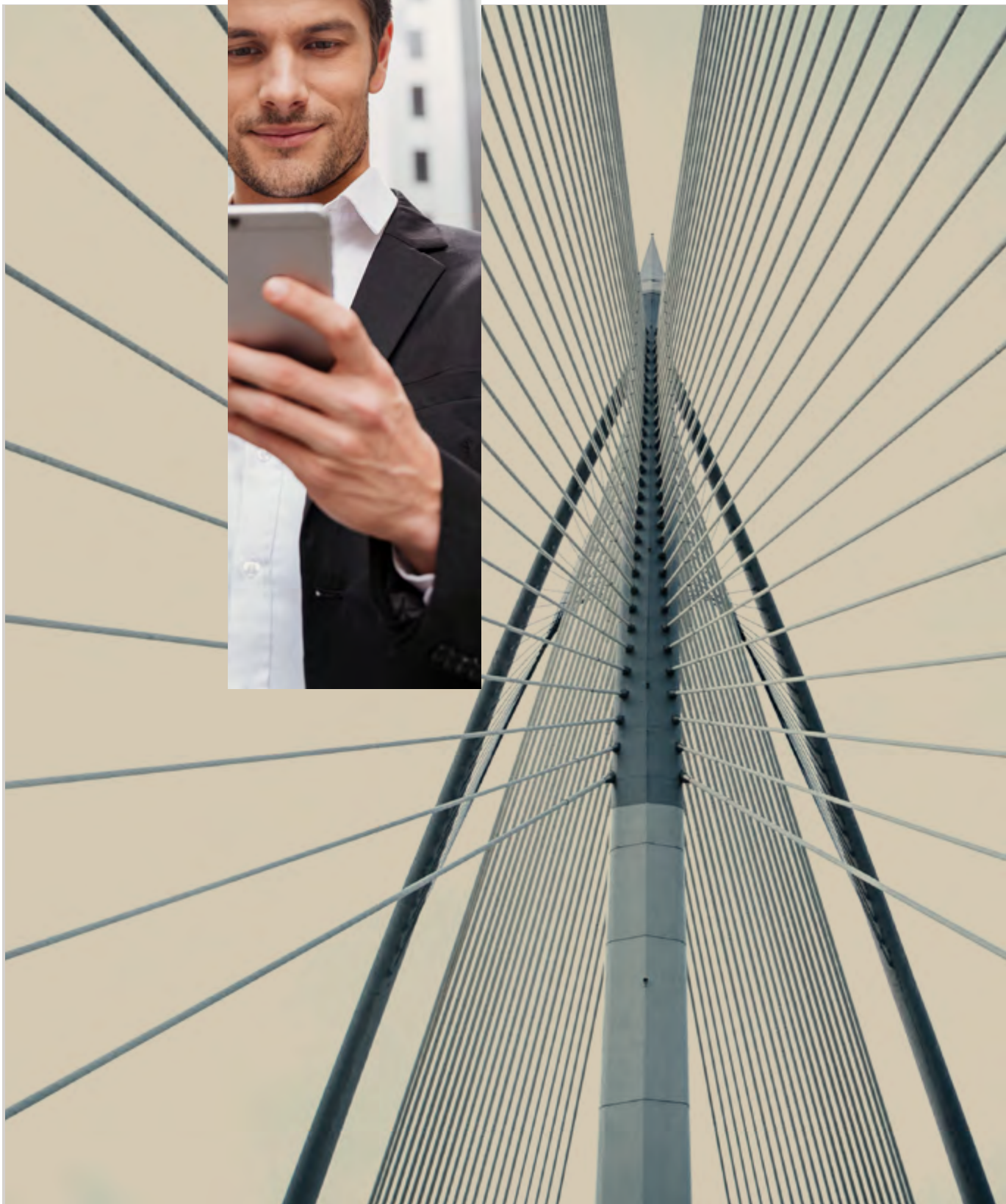
- Environmental Risk Management, which includes cover for damages, civil liability and environmental liability; services for the identification, analysis, evaluation and control of risks; and the review and follow-up of the development of the risks and their corrective measures.
- Insurance products for sustainable renewable energy projects, forestry projects, and initiatives related to energy efficiency and savings.
- Services that encourage environmental protection and the conservation of resources.

ASG risk management allows us to identify, develop and promote more responsible and sustainable businesses through the Group's investment decisions or its relationship with startups, for example (see intellectual capital).

MAPFRE considers it necessary to foster an insurance culture among clients and the public in general to make them aware of the benefits and advantages of being insured, not only to protect their assets but also to mitigate the impact of a possible incident compromising their activity (commercial and/or personal), therefore benefiting society as a whole.

It also promotes insurance culture and risk management knowledge through specific publications and the organization of specialist training courses, forums and international seminars.







→ → Digital Transformation 

06

Main assets

√ Transparency ↑ ↑

Value creation for an organization is achievable when the company determines its different types of capital and identifies the main areas to work on and the stakeholders impacted or potentially impacted.

Value creation is not static, and projects are therefore undertaken within a time frame of several years, aligned with the Strategic Plan. This chapter describes the main milestones reached in 2016.

The information in this chapter is supplemented by the following reports, all available on the corporate website:

- Corporate Social Responsibility Annual Report
- Consolidated Annual Accounts and Management Report



Consolidated net equity stood at 11,443.5 million euros, compared to 10,408.3 million euros in 2015.

6.1 Financial capital

What is it?

The economic resources which the company owns and uses to pursue its business, either obtained through financing or generated through operations and/or investments.

Main stakeholders for whom this capital creates value

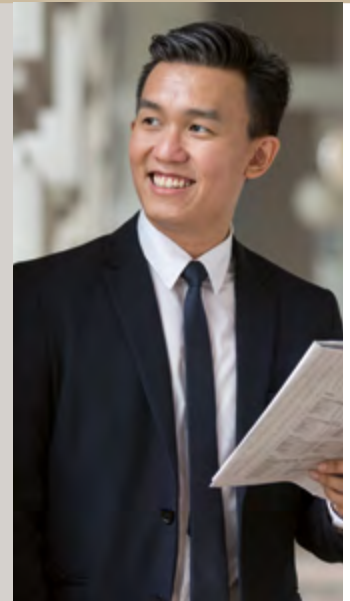
- All stakeholders, especially shareholders and investors and society in general (bearing in mind the economic value generated and distributed).

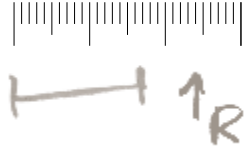
What are we working on to create value?

- Shareholders' equity.
- Investments.
- Financing operations.
- MAPFRE shares.

■ Shareholders' equity

Consolidated net equity stood at 11,443.5 million euros, compared to 10,408.3 million euros in 2015, and 2,317 million euros of this corresponds to holdings of non-controlling interests in subsidiaries. Consolidated shareholders' equity per share was 2.96 euros at the end of 2016 (2.78 euros at 12/31/2015).





Changes in equity during the year are shown in the table below:

	DECEMBER 2016			DECEMBER 2015
	Equity attributable to controlling company	External partners	Total equity	Total equity
Balance at 12/31 of the previous year	8,573.7	1,834.6	10,408.3	11,469.4
Income and expenses recognized directly in equity				
For financial assets available for sale	192.4	60.2	252.6	(610.4)
For currency conversion differences	218.0	308.5	526.5	(868.6)
For shadow accounting	(189.1)	(26.3)	(215.4)	320.5
Other	(0.8)	(0.2)	(1.0)	(5.0)
Total	220.5	342.2	562.7	(1,163.4)
Earnings in the period	775.5	469.7	1,245.2	1,198.9
Distribution of results	(400.4)	(387.9)	(788.3)	(780.5)
Other changes in equity	(42.8)	58.4	15.6	(316.2)
Closing balance for period	9,126.5	2,317.0	11,443.5	10,408.3

Figures in millions of euros

Changes to equity include:

- the result for the period;
- the strong appreciation of the Brazilian real in 2016, slightly offset by the depreciation of the U.S. dollar;
- the increase in the value of the financial investments portfolio, partly offset by shadow accounting, as a result of the good performance of the markets, particularly fixed income;
- the final dividend approved by the Annual General Meeting and paid in June and dividends paid by subsidiaries to external partners;
- the interim dividend of MAPFRE S.A. paid in December and interim dividends shared between the subsidiaries with external partners.



2016 liquid investments and funds had a book value of 49,556.1 million euros, up 7.1%

■ Investments

On December 31, 2016 investments and liquid funds had a book value of 49,556.1 million euros, up 7.1 percent on the previous year. The table below shows the breakdown and percentage distribution:

	2016	% of total	2015	% of total
Risk-free investments	3,465.1	7.0%	2,788.0	6.0%
- Cash	1,451.1	2.9%	989.1	2.1%
- Investments on behalf of policyholders	2,014.0	4.1%	1,798.9	3.9%
Property investment	2,277.8	4.6%	2,267.7	4.9%
- Property for own use	1,003.0	2.0%	943.4	2.0%
- Other property investments	1,274.8	2.6%	1,324.3	2.9%
Financial investments	42,541.0	85.9%	40,159.2	86.8%
- Shares	1,665.3	3.4%	1,473.2	3.2%
- Fixed income	38,399.8	77.5%	36,821.2	79.6%
- Mutual funds	1,574.4	3.2%	1,284.2	2.8%
- Other financial investments	901.5	1.8%	580.6	1.3%
Other investments	1,272.2	2.5%	1,049.8	2.3%
- Investments in investee companies	242.6	0.5%	197.3	0.4%
- Deposits for accepted reinsurance	650.2	1.3%	557.2	1.2%
- Other	379.4	0.7%	295.3	0.6%
Total	49,556.1	100.0%	46,264.7	100.0%

Figures in millions of euros

The real estate investments shown in the above table do not include tacit capital gains, which at year-end stood at 838 million euros, based on valuations by independent experts.

■ Financing operations

The main variations in the financing sources used by the Group during 2016 were as follows:

– The issue of ordinary 10-year bonds for 1,000 million euros with an annual coupon of 1.625 percent in May. The funds were used to provide greater financial flexibility to the Group, as well as to diversify its sources of financing and partially repay the syndicated loan.

– The balance of the syndicated loan was 480 million euros at December 31, 2016, and

– As stipulated in the contract, the maturity of the syndicated loan was extended from December 2020 to December 2021.

Overall, the Group's consolidated financial and subordinated debt had a book value of 2,202.9 million euros, a net increase of 430.3 million euros during the year.

Financial expenses amounted to 64.1 million euros (107.3 million euros in 2015), down by 40.3 percent.

■ The MAPFRE share

The table below shows the key information relating to MAPFRE shares at the end of 2016:

Number of shares outstanding

3,079,553,273

fully subscribed and paid up

FACE VALUE OF EACH SHARE

0.1 €

* Indices that measure the performance of companies' actions to uphold and support sustainable development and human rights.

STOCK EXCHANGE LISTINGS

Madrid and Barcelona Stock Exchanges (continuous market).

SHARE CLASS

Common, represented by book entries. All outstanding shares carry identical voting and dividend rights.

STOCK MARKET INDEX MEMBERSHIP

- _ IBEX 35
- _ Dow Jones STOXX Insurance
- _ MSCI Spain
- _ FTSE All-World Developed Europe
- _ FTSE4Good* y FTSE4Good IBEX*

ISIN CODE

ES0124244E34

(2)



In 2016 MAPFRE S.A. shares were traded 256 days on the continuous market with a frequency index of 100 percent. In total, 2,312,308,450 securities were traded, compared to 2,553,834,115 in the previous year, reflecting a decrease of 9.5 percent. The effective value of these transactions amounted to 5,211.8 million euros, compared to 7,314.2 million euros in 2015, down by 28.7 percent.

At year-end of 2016, five Spanish and international investment banks had “Buy” recommendations for the company’s shares, compared to five who held “Hold” recommendations, while seven had the stock on their “Sell” lists.

VALUE AND PROFITABILITY

The share price performance during the 2016 fiscal year is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 year	3 years	5 years
MAPFRE	25.4%	(6.8%)	18.1%
DJ Stoxx Insurance	(5.6%)	18.2%	102.3%
IBEX 35	(2.0%)	(5.7%)	9.2%

The trends in MAPFRE’s earnings per share (EPS) during the same period are shown below:

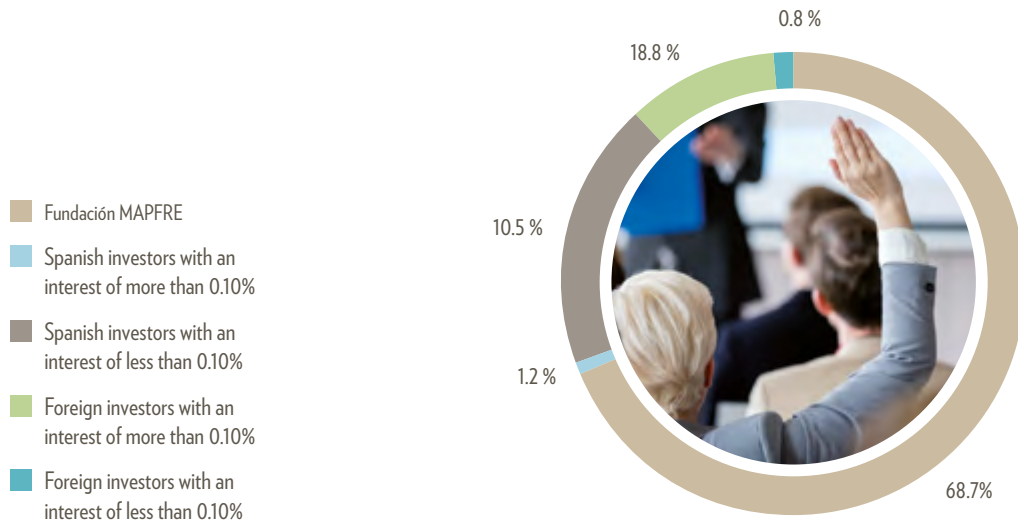
	2016	2015	2014	2013	2012
EPS (euros)	0.25	0.23	0.27	0.26	0.22
Increase	8.7%	(14.8%)	3.8%	18.2%	(31.3%)



(100) ↑ ↑

SHAREHOLDER STRUCTURE AND REMUNERATION

At the close of 2016, the company had a total of 236,813 shareholders, distributed as follows:



One of MAPFRE's main goals is the generation of value and suitable shareholder remuneration. As a general rule, the Board of Directors will propose at the Annual General Meeting a distribution of dividends of between 45 percent and 65 percent of the attributable result (payout ratio).

For 2016, the Board of Directors has agreed to pay an interim dividend against the year's results of 0.06 euros per share, raising the total dividend payout in the year to 0.13 euros per share, amounting to a total dividend payout of 400.3 million euros.

The final dividend for fiscal year 2016 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2016 earnings amounts to 0.145 euros per share before tax, giving a payout ratio of 57.6 percent.

The trends in dividend payments and the dividend yield, calculated on average share prices, are indicated below:

	2016	2015	2014	2013	2012
Dividend (euros)	0.13	0.14	0.14	0.12	0.12
Dividend yield	5.8%	4.9%	4.7%	4.4%	6.1%

It should also be mentioned that since the current economic and financial crisis broke out in 2007 MAPFRE has increased the amount allocated to dividends by 59.9 percent.

6.2 Productive capital

What is it?

Tangible assets or goods and services used by the company to pursue its activities.

Main stakeholders for whom this capital creates value

- Clients and insured parties.
- Distributors (agents, delegates and brokers).
- Providers.
- Society in general.

What are we working on?

- Multichannel distribution and customer service.
- Service centers for clients.
- Digital business.
- Providers.
- Quality.



■ Multichannel distribution and customer service

At the close of 2016, MAPFRE serviced more than 37 million clients. The breakdown by regional area is shown below:

NO. OF INDIVIDUAL CLIENTS	REGIONAL AREA	NO. OF CORPORATE CLIENTS
6,570,224	IBERIA	368,875
11,597,682	BRAZIL	633,506
1,338,501	LATAM NORTH	89,323
4,981,147	LATAM SOUTH	235,173
2,669,432	NORTH AMERICA	142,678
7,212,658	EMEA	120,807
1,066,646	APAC	109,292

In 2016 we forged ahead with client segmentation and identified the need to work on aspects related to data quality. This resulted in the definition of a standard client relationship model but adapted to the particular needs, situation and idiosyncrasy of each country.

MAPFRE is committed to multichannel distribution and is adapting its commercial structure to the legislation governing the countries in which it operates. The basis for this multichannel distribution is its own sales network, comprising its own and delegate offices as well as agents.

In addition to its own network, MAPFRE maintains a strong relationship with agents and brokers, which represent an increasingly important part of the distribution of insurance worldwide.

MAPFRE has several agreements or joint ventures with banks and financial institutions. The agreements with BANKIA, BANKINTER, BANCO CASTILLA-LA MANCHA (subsidiary of LIBERBANK), BANCO DO BRASIL, in Brazil, and BHD, in the Dominican Republic, are particularly notable.

It also has agreements with service companies and associations that distribute MAPFRE products to their clients and members (companies or individuals).

A growing channel with potential for development consists of the distribution agreements with non-financial entities such as retailers, dealerships, utilities, with which MAPFRE also has agreements. The Group also maintains a firm and important commitment to digital distribution, a business that is described further below.

The following table shows the 2016 breakdown of offices and brokers by territorial area:

	IBERIA	LATAM	INTERNATIONAL
Offices			
Direct and Delegate Offices	3,078	1,831	481
Bancassurance	3,181	5,847	-
Brokers			
Agents	10,176	14,977	10,479
Delegates	2,666	5,803	100
Brokers	5,365	33,102	1,358

■ Service centers for clients

In order to address client needs and guarantee the best possible service, the Group has the following service centers:

SERVICE CENTERS	Number	Countries
Own Appraisal Centers	1,324	16
Automobile service centers	30	3
Automobile diagnosis units	22	8
Research and Development Centers	6	6
Own healthcare polyclinics	17	3
Clinics	2,547	11
Dental clinics	8	1
Corporate business management centers	37	6



At the close of 2016
MAPFRE serviced more
than 37 million clients
worldwide.





■ Digital Business

MAPFRE decided to join the digital movement several years ago and launched various initiatives such as MAPFRE Internet, the Network within the Network platform and Verti (Spain) as well as acquiring InsureandGo and Direct Line (Italy and Germany).

To date, the MAPFRE Group has implemented Digital Business in 22 countries, operating under different brands:

MAPFRE Digital	VERTI	INSURE&GO
NORTH AMERICA United States Puerto Rico	NORTH AMERICA United States	EMEA United Kingdom Ireland
LATAM NORTH Mexico Dominican Republic Panama	IBERIA Spain	APAC Australia
LATAM SOUTH Colombia Peru Chile Argentina	EMEA Italy Germany	
BRAZIL Brazil	APAC	
IBERIA Spain Portugal	OTHER	
EMEA Malta Turkey	BRAZIL BB Insurance	
APAC Philippines	APAC Indonesia ABDA	

(3)

Providers

MAPFRE works with more than 225,000 providers, making a distinction between service providers and support providers. The following table shows the breakdown by number and total cost:

	Total number.	Cost (Millions of euros)
SERVICES (SPECIFIC) Those that provide services related to insurance contracts or services offered by the Group's insurance companies or subsidiaries to its clients.	206,086	2,674.8
SUPPORT (GENERAL) Those whose services are provided for the company and its management activities rather than for insured parties. These include travel agencies, consulting firms, audit firms, property management companies, marketing and advertising agencies, printing services, etc.	19,375	1,272.4

MAPFRE has a Corporate Procurement Regulation that establishes the basic principles to be followed with such important topics as the approval, selection and contracting of providers.

All companies that wish to supply goods or provide services to MAPFRE must be approved since this guarantees that they have the sufficient technical, financial and quality capacity to fulfill the commitments undertaken.

MAPFRE will not grant approval to any provider who refuses to sign or comply with any of the following clauses: data protection, provider data processing, charter of environmental and energy commitments, provider equality clause, declaration of any relationship which contractors, shareholders or persons associated with the provider may have with persons associated with MAPFRE, and social responsibility clause.

MAPFRE is of the opinion that offering training to its providers strengthens their commitment to the company. In 2016 training activities for providers were carried out in Brazil, Colombia, Spain, Guatemala,

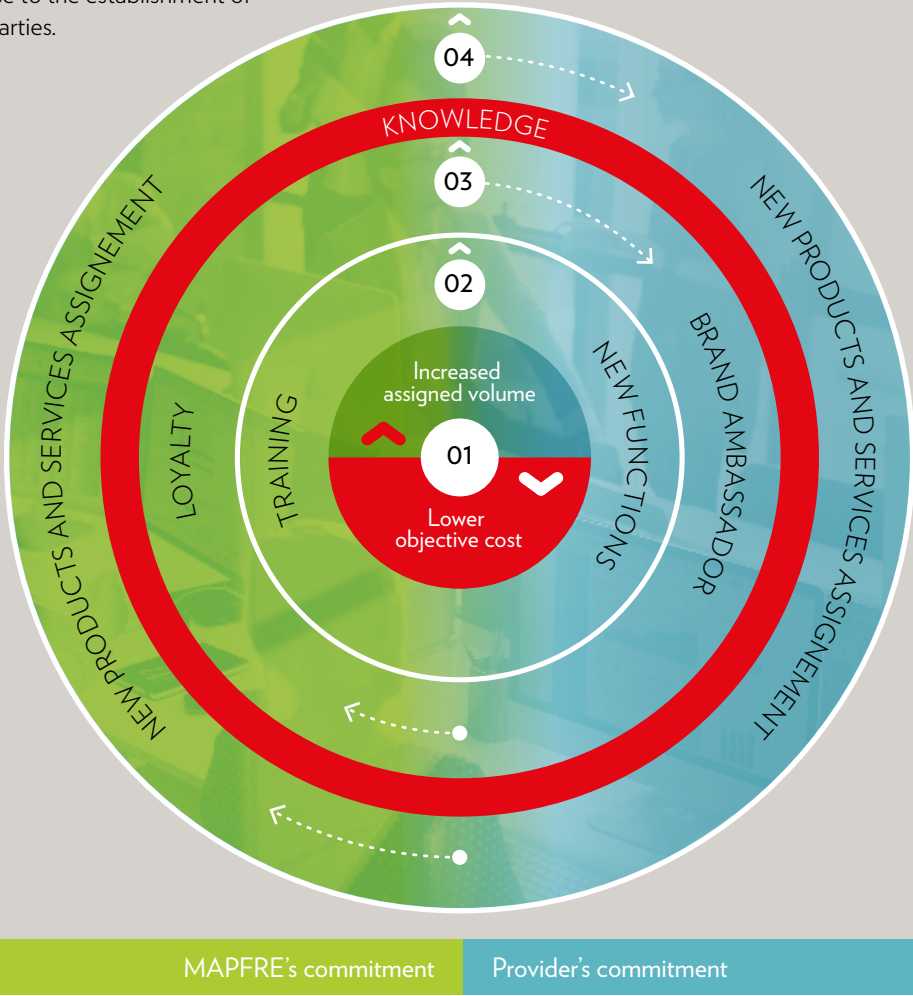
Portugal, Nicaragua, Puerto Rico, Peru, Paraguay, Chile, Mexico, Panama and the Dominican Republic.

Specific provider loyalty programs were implemented in different countries, usually in the form of offering them advantages such as discounts on insurance, travel or vehicles.

MAPFRE has a management model for service providers which develops the strategic initiative "Providers as brand ambassadors", based on the application of the general principles that define the management model orientation and the relationship with service providers. These principles are client orientation, optimization of contact with clients, reciprocal commitment, provider value, categorization of providers and cost optimization.

Based on the degree of association with the provider, MAPFRE will design a common contribution model that is in line with the commitments assumed by the provider and its contribution to the development of MAPFRE's business.

This common contribution model implies continuous feedback regarding the commitments between MAPFRE and the provider, such that all matters included in the model give rise to the establishment of new commitments by both parties.



CHALLENGES

The project is currently up and running in Mexico, Italy, Colombia, Germany, Brazil, Turkey, Dominican Republic, Chile, Peru, Argentina, Ecuador, Uruguay, Paraguay, Venezuela and North America.

There are plans to implement it in Honduras, Nicaragua, Costa Rica, El Salvador, Guatemala, Malta, Philippines and Puerto Rico during the course of 2017.

Quality

The quality perceived by clients is evaluated using the MAPFRE Global Model for Measuring Client Experience, the aims of which are as follows:

- To constantly be aware of, by use of a consistent methodology, the level of client satisfaction in the different countries and businesses.
- To identify the aspects that impact the client experience in order to gain improvements.
- To provide countries with a tool to help them in defining and implementing initiatives, assigning the most appropriate priority level.
- To set goals for improvement and aspire to be a benchmark in client experience across all countries and lines.

Additionally, the MAPFRE Quality Observatory is responsible for measuring the quality perceived and delivered and conducts client surveys in every country where the company operates. These surveys cover all lines of insurance and assistance services and are conducted every six months to analyze the Net Promoter Score (NPS®) indicator and evaluate satisfaction and critical points of client contact. In light of the survey results, recommendations are made on the main areas for improvement.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.

In 2016 the II and III NPS Measurement Wave Took place, involving a representative sample of MAPFRE's portfolio. These waves each covered 17 countries, 18 companies and 23 lines, with a volume of about 70 percent of the Group's total non-life premiums.

In 2016 the Quality Observatory performed the first measurement of the internal NPS (iNPS) regarding the level of client experience with the reinsurance services rendered by MAPFRE RE to all Group companies.

In addition to the Global Model for Measuring Client Experience, MAPFRE allocates 241 employees to monitoring and controlling quality worldwide. Meanwhile, several companies have quality certifications whose renewal demands sustaining high customer service standards.

MAPFRE holds ISO 9001 certification in Brazil, Spain, Nicaragua and Turkey. MAPFRE ASISTENCIA holds this same quality certification in Algeria, Argentina, Bahrain, Brazil, Chile, China, Colombia, Dominican Republic, Ecuador, Italy, Mexico, Philippines, Tunisia, Turkey and Venezuela.



+ *We promote diversity*

6.3 Human capital

What is it?

Skills, knowledge, abilities and experience of the people employed by the organization.

Main stakeholders for whom this capital creates value

- Employees.
- Clients.
- Society in general.

What are we working on?

- Talent management and mobility.
- Knowledge paths.
- Diversity.
- Organization and new ways of working.
- Employee experience.

General information



Workforce
December 2016

37,020

Average workforce
2016

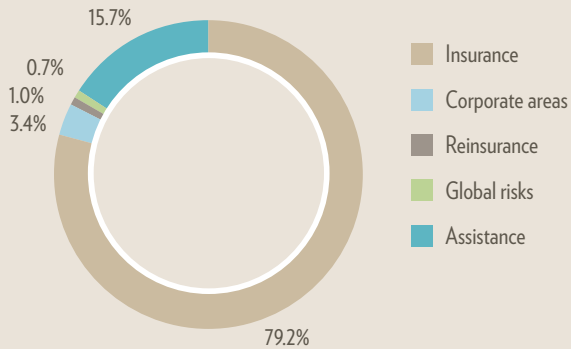
37,763

	Women	Men
Executives	38.6%	61.4%
New hires	56.9%	43.1%
Average age	39.5	40.4
Average length of service	8.6	9.6
Permanent contract	96.2%	96.9%
Unwanted turnover	9.5%	8.1%

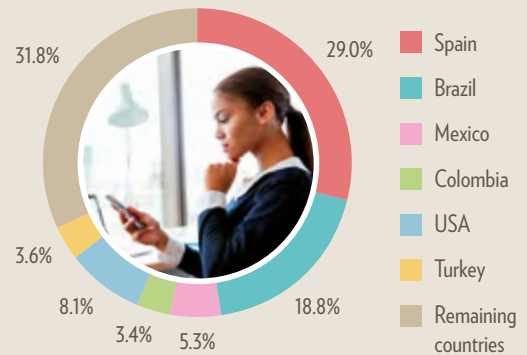


The Human Resources area is a strategic ally of the business and it is responsible for managing the employees that make up the organization, in order to supply the talent that is necessary to do business and to provide professional development to employees.

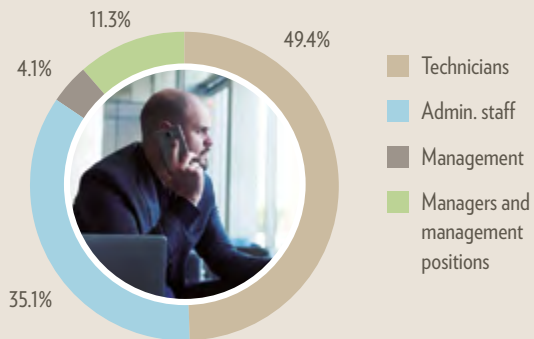
Workforce by line of business



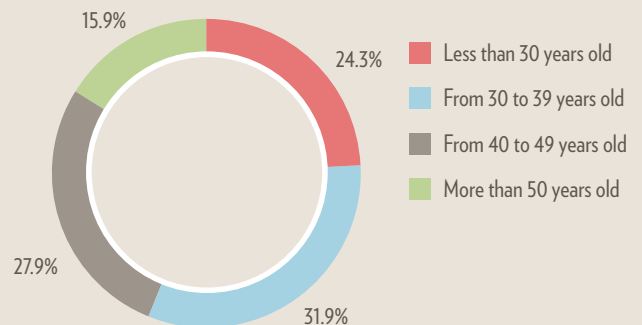
Workforce by country



Workforce by job position level



Workforce by age



Employee management is particularly relevant in a global company such as MAPFRE, which is present on five continents and has employees from 78 countries. Some of the most relevant aspects of this management are:

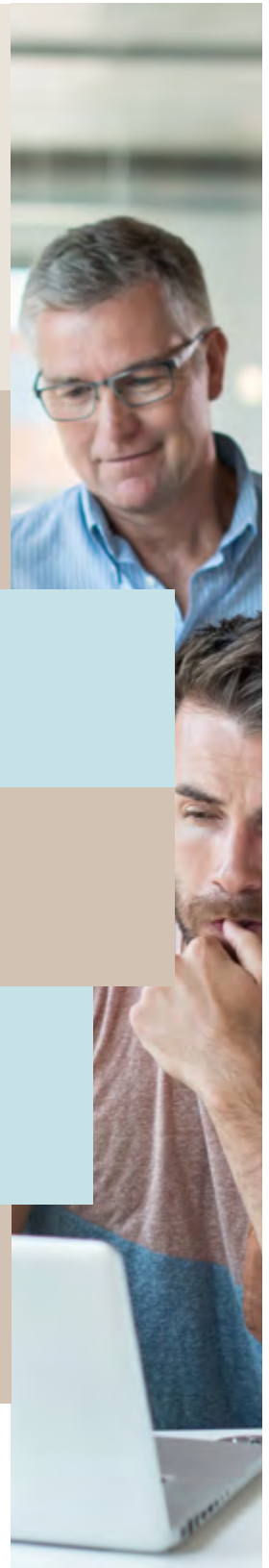
INTEGRATION of the different generations of employees who work for the organization, maximizing the advantages of each one: for example, the experience of those with longer service at the company and the new knowledge contributed by younger members of staff.

USE of the advantages afforded by new technologies and social media in human resources processes.

REINFORCEMENT of internal communication to ensure that all employees are aware of MAPFRE's strategy, objectives, culture and values.

THE DESIGN of professional career plans and a mutual commitment between the company and its employees, i.e. on the part of the company, to the professional development of its employees with respect to the organization's strategy and values.

A FIRM commitment to the occupational and geographic mobility of employees to ensure that the organization has global versatile teams.



All of the above is pursued through three main lines of action and two transversal aspects that underpin the development and implementation of all human resources policy:

PROFESSIONAL DEVELOPMENT	FLEXIBILITY AND AGILITY	EMPLOYEE EXPERIENCE (Commitment + Well Being)
Digital transformation		
Generational and cultural diversity		
TALENT MANAGEMENT <ul style="list-style-type: none"> – New Leadership – Strategic Talent – Generational replacement plan – Career plans (Underwriters, Actuaries, Sales) 	MORE FLEXIBLE AND AGILE ORGANIZATIONS <ul style="list-style-type: none"> – Harmonization of Workforce Structures and Sizing 	The company... <ul style="list-style-type: none"> – Culture and values – Objectives – CSR – Social Action The boss... <ul style="list-style-type: none"> – Communication – Evaluation – Recognition – Development As people... <ul style="list-style-type: none"> – Well-being – Health – Flexibility – Volunteering
INTERNAL MOBILITY AND PROMOTION <ul style="list-style-type: none"> – Vacancies Publication Portal – Technical and Management Career – International careers, Task force 	REMUNERATION AND RECOGNITION <ul style="list-style-type: none"> – Remuneration Policy. – Management by Objectives – New Evaluation and Recognition systems 	
KNOWLEDGE PATHS <ul style="list-style-type: none"> – Technical Knowledge Schools (Corporate University) – Knowledge management – Training Itineraries 	NEW WAYS OF WORKING <ul style="list-style-type: none"> – Flexible working hours and spaces – Technological Mobility – Cooperative work – Intranet 	

■ Talent Management and Mobility

MAPFRE has implemented a project for managing the organization's strategic talent, and all employees around the world are eligible. This program identifies the profiles that are necessary for the business strategy, talent within the organization is identified and development plans are defined for each employee in order to guarantee succession plans and executive replacements while ensuring the quality of the talent of MAPFRE employees.

The internal mobility of all employees is supported to assist them with increasing their employability, as well as providing access to geographic mobility through various programs: international internal mobility via the publication of vacancies on the intranet, task force teams that communicate knowledge, experience and culture, temporary mobility and the global project to higher young employees with an international outlook, MAPFRE Global Trainee Program. There were 4,004 functional mobility movements during 2016.

■ Knowledge paths

Training at MAPFRE has always been a very relevant and differentiating factor and the Company promotes learning and knowledge management for employees through the Knowledge Paths project and the Corporate University.

The University is present in every country in which it operates and accessible to all employees. It has 11 Schools and Technical Knowledge Rooms, a Professional Development School with 18 programs and the Leadership School, in addition to the Culture and Global Policies, Skills and Languages School. In 2016 new rooms and schools associated with the strategy were launched, such as the Life Room, the Digital Business Room and the Investment Room or Innolab to strengthen global innovation. This year training was provided to 99.3 percent of the workforce through 1,466,918 hours of training. The investment totaled 18.4 million euros.

■ Diversity

MAPFRE has a global equality policy and there is a public commitment to both gender diversity and functional diversity. Accordingly, by 2018 women will occupy at least 40 percent of managerial and executive positions worldwide. This has resulted in the definition of a global action framework to strengthen equality in all employee management processes.

MAPFRE is also committed to the employment of people with disabilities and the Company will ensure that they make up 2 percent of its workforce in 2018. Since 2015 it has supported a Global Disability Program in all countries that strengthens integration and a sensitivity culture.

With regard to generational diversity, the Group is working on traditional and reverse mentoring, creating collaboration spaces to share intergenerational knowledge. The travel portal on the Intranet, which provides additional information to that employees travel safely, includes information about the culture and customs in each country.

The employee collaboration spaces set up on the Intranet facilitate access to diverse teams while promoting creativity and the sharing of ideas and good practices.

■ Organization and new ways of working

The Company's objective is to encourage a teamwork culture while working in collaboration throughout an agile organization. It has a single task and job map for global use which assists in the definition of strategic profiles and knowledge within the organization. It is also working on the global implementation of flexi-time, technological mobility and process- and objective-based work.



The Company has a global compensation policy and an objective-based management process providing recognition for all employees, thereby guaranteeing equality, internal and external competitiveness in each of the markets, and it forms part of the internal development program for employees.

■ Employee experience

Employee satisfaction and commitment are key for MAPFRE and are pursued through three lines of action:

- **Employees and the company**, with programs focused on the corporate culture and values, to promote MAPFRE's social action and align employees with the strategy through management by objectives, where employees share their work and the company's results. Seventy two percent of employees receive variable remuneration and 20.1 percent receive incentives associated with their actions.
- **Employees and their manager**, with appraisal and constant feedback, new remuneration and recognition programs, and communication through the People space on the Corporate Intranet. Performance evaluations are held with 83.1 percent of employees.
- **Employees and their well-being**, with very stringent health and prevention programs to guarantee the safety and comfort of all employees and new ways of working based on flexi-time, the life-work balance and mobility. Every year 183 million euros are invested in social benefits and promoting social participation through the MAPFRE Corporate Volunteering Program, which already has 5,756 volunteers worldwide.

MAPFRE measures employee commitment through the Great Place to Work survey, in which 83 percent of employees participate and 78 percent of them regard the company to be a great place to work.

CHALLENGES

Managing the different generations that make up the workforce, providing employees with the opportunity to develop an enriching career, and integrating new technologies as an instrument for improving efficiency and effectiveness are some of the current challenges that MAPFRE's Human Resource area is currently resolving.



Employee satisfaction and commitment are key for MAPFRE.

6.4 Intellectual capital

What is it?

Knowledge-based intangible assets that favor both intellectual property as well as a knowledge of systems, procedures and protocols.

Main stakeholders for whom this capital creates value

- Clients.
- Employees.
- Society in general.
- Shareholders.

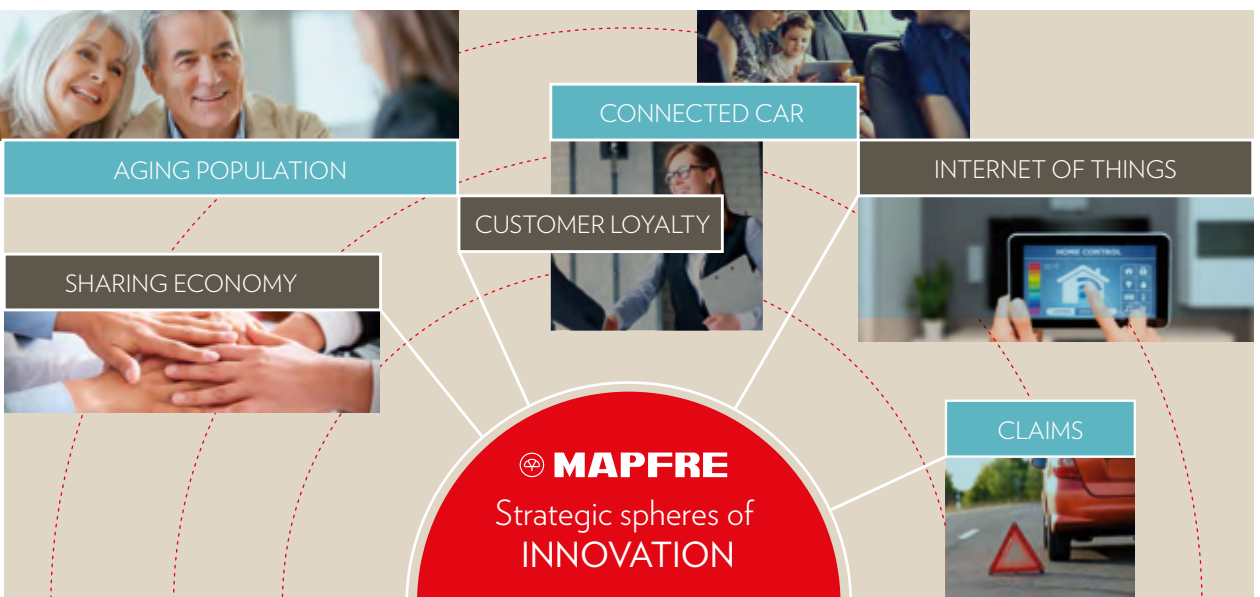
What are we working on?

- Innovation.
- Digital transformation.
- Cibersecurity.



■ Innovation

Innovation is one of the key levers of MAPFRE's future organic growth, which means developing differential value propositions focused on the strategic client segments with a transversal vision to meet business challenges.



The innovation model was consolidated during the year through the innovation community, which comprises innovation and development offices supplemented by the network of “inoagents”.

The Group has 17 innovation and development offices across all five continents representing all the business units (Insurance, Global Risks, Asistencia and Reinsurance). Meanwhile, a network of more than 200 inoagents worldwide act as ambassadors of innovation, channeling the ideas of the rest of the organization toward their innovation and development offices.

At the close of 2016 the Group had a portfolio of more than 100 innovation projects in various phases of execution.

During the course of 2016 training in Design Thinking and Lean Start-up was provided to employees worldwide involved in innovation as well as executives and employees involved in talent programs.

Two Think Tanks were also created in 2016: Automobile and Aging Population which analyze, assisted by internal and external experts, future trends with a global impact for society in general and the insurance industry in particular.

Additionally in 2016 the MAPFRE relationship model with the start-up ecosystem was defined. This consisted in analyzing the new entrepreneurial ecosystem to gain a foothold in the start-up environment.

Furthermore, although the “Insurtech” scene is still in its infancy, the following lines of action are already being explored:

- Participation in investor vehicles such as Alma Mundi.
- Start-up Observatory: Monitoring of the InsurTech/ FinTech ecosystem to establish partnerships with key companies.
- Participation in acceleration processes: Exploration of new relationship models with start-ups.



Cybersecurity

The main innovation initiatives carried out during the course of the year are listed below:

NEW INSURANCE PRODUCTS AND SERVICES LAUNCHED 2016, BY LINE OF BUSINESS AND COUNTRY

NO. OF NEW PRODUCTS LAUNCHED IN 2016	Assets	Home	Life	Health	Automobile	Burial
IBERIA						
Spain			6			
Portugal			5			
LATAM						
Argentina	2	1				
Brazil			1			
Guatemala		1		2		
El Salvador	1	1	1		1	
Nicaragua	1		1			1
Dominican Rep.					1	
INTERNATIONAL						
USA	1					
Turkey					1	
Puerto Rico		2	1		1	
Total	5	5	15	2	4	1



At the close of 2016 the Group had a portfolio of more than 100 innovation projects in various phases of execution.



PRODUCTS WITH HIGH SOCIAL CONTENT

These are products with basic coverage (Funeral, Home and Life, etc.) adapted to the specific local needs and with low premiums that contribute to covering the personal risks of these groups and promoting insurance culture.

COUNTRY	LINE	TYPE OF PRODUCT OR SERVICE
IBERIA		
Spain	Health	Health Choice: Health insurance that guarantees primary care and basic diagnostic tests at member centers.
	Life	Essential Burial: Based on a natural premium adapted to those clients who wish to keep their burial insurance but who are experiencing financial problems.
LATAM		
Brazil	Life	Agroamigo: A new insurance product for micro-entrepreneurs in rural areas.
		BB Protected Credit Insurance for Companies: Credit life insurance for legal persons, focusing on SMEs.
		Crediamigo microloan program: With death coverage and funeral assistance, in addition to monthly capitalization lotteries.
		BB Agriculture and Family Life Insurance: Insurance for rural clients that guarantees the liquidation or surrender of loan balances in the event of the natural or accidental death of the insured.
	Home	Telefónica Protected Account Program: Financial protection insurance covering the payment of telephone bills in the event of unemployment, disability, etc.
Home	Educational insurance: Insurance to protect students while under the responsibility of the school.	



COUNTRY	LINE	TYPE OF PRODUCT OR SERVICE
LATAM		
Dominican Republic	Health	Assistance program for entrepreneurs, SMEs clients of Banco BHD Leon Credit Cards: A set of services and assistance for the business of the insured party. Services include plumbing, electrical installations, locksmiths, legal assistance.
		Coverage of Male Cancer victims who are clients of Banco BHD Leon Credit Cards: Coverage guaranteeing that the insured party receives the contracted capital, where he is diagnosed for the first time with prostate cancer.
		Assistance granted to the insured party for holding a Banco BHD Leon Woman's Credit Card. Services include assistance for home, traffic, legal and medical emergencies during national and international travel.
	Life	Education Insurance coverage for the death of the pupil's father: In the event of the death or total disability of the insured party, the company will pay the agreed amount to the education center which certifies the inscription of the children of the insured party.
INTERNATIONAL		
Philippines	Life	Kakampi Insurance: renewable insurance with coverage for natural and accidental death. It is designed for the low income sector and its main coverage includes funeral assistance services.
Puerto Rico	Automobile	Auto Plus: coverage improving mandatory insurance for a minimum amount (roadside assistance, accidental death or dismemberment, medical expenses and legal defense).
	Automobile	Roadside assistance: a product providing the insured party with immediate roadside assistance for a very low amount per vehicle, which is even less for subsequent insured vehicles.

ENVIRONMENTAL PRODUCTS AND SERVICES

That facilitate environmental risk management or support projects relating to sustainable development. The following table indicates the main items:

COUNTRY	TYPE OF PRODUCT OR SERVICE
IBERIA	
Spain	Green policy: first comprehensive usage-based insurance for electric, hybrid and ecological vehicles.
	Damages and Third-Party Liability Insurance: product aimed at solar, photovoltaic plants, wind farms and cogeneration plants.
	Environmental Liability cover in general Third-Party Liability policies: coverage includes policyholder liability for damage caused due to environmental pollution.
Portugal	Environmental liability: this covers the cost for repairs due to accidents or an imminent threat, damage to wild animals and habitats, water and land pollution.
LATAM	
Brazil	Environmental Third-Party Liability: this insurance is taken out at total risk, that is, the insurance company guarantees payment for damages and losses up to the maximum limit stated in the insurance policy.
	Removal of Wrecks: a policy for recreational boats and general aviation vessels that provides compensation to policyholders to recover damaged property and minimize environmental harm.
	Petroleum risk: this offers direct or indirect cover for risks linked to oil or gas prospecting, drilling and/or production activities.
Mexico	Safe Gas Station: insurance that includes Third-Party Liability coverage against contamination.
INTERNATIONAL	
Puerto Rico	MCS-90: transportation policy that provides coverage for repairing the damage resulting from contamination due to leaks of dangerous products.
GLOBAL BUSINESSES	
<p>Damage and Third-Party Liability Policy: insurance that covers the different phases (design, construction, commissioning and operation) of large renewable energy plants: thermosolar and wind.</p> <p>These products are marketed by MAPFRE GLOBAL RISKS, MAPFRE RE and MAPFRE ASISTENCIA.</p>	

For any additional information regarding these types of social and environmental products, consult the MAPFRE and its Clients section of the MAPFRE Corporate Social Responsibility Annual Report 2016.

■ Digital transformation

Digital transformation is one of the lines of action defined in the Group's Strategic Plan. It is underpinned by the strategic initiatives set out in the Global Digital Transformation Model and the Digital Direct Business Plan.

The aim of the digital transformation strategic initiative is to adapt the Group to the new digital age, accelerating the change undertaken, and provide it with the necessary agility to face the new social and technological reality, lead the challenges this represents for the insurance industry, and address client needs efficiently.



The digital transformation of MAPFRE is underpinned by the digitalization of the relationship with omnichannel clients and the digitalization of operations. It comprises the following phases:

PHASE I UNDERSTANDING

Diagnosis of the current status of digitalization at MAPFRE.

PHASE II DEFINITION


Description of the capacities and guidelines to be developed, including an analysis of their maturity at country and corporate level.

PHASE III ALIGNMENT

Common approach shared by all countries, regions and corporate areas as the basis for the different strategy plans.

PHASE IV IMPLEMENTATION

Development and implementation at global, regional and country level.


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The main challenges in the digital transformation area relate to:



SELF-SERVICE - AUTOMATING THE BACK-OFFICE

- Functionality of self-service.
- Automating the back-office.

DIGITAL PRESENCE

- Digital marketing.
- Frontal management.
- Management of social networks.

CLIENT ORIENTATION

- CRM-360.
- Client Experience.
- Modular, dynamic and personalized products.

ARCHITECTURE GLOBALIZATION

- Business Architecture.
- Information architecture.

ADVANCED ANALYSIS

- Big data (architecture and data governance).
- Predictive Models.

SECURE DIGITAL ENVIRONMENT

- Digital identity, privacy, cryptographic platforms and digital payments.
- Technological Fight Against Fraud.
- Cyber risk management.

INTERNAL TRANSFORMATION

- Digital training.
- Virtual jobs.
- Agile methodology (innovation and IT).

NETWORK MOBILIZATION

- Global extranet (distributors and providers).



The Digital Direct Business Plan also aims to promote the development of existing operations and launch new digital operations.

Cybersecurity

The protection of third-party information required to pursue business activities, of the internal information that forms the basis of MAPFRE's competitive advantage and/or brand value, and of the information contained in the technological systems that support business processes, is a key priority.

In an increasingly digitalized environment, it is crucial to protect all information transmitted, stored or processed, acting in a diligent manner to introduce preventive mechanisms and detect and respond to cyber attacks or business interruption incidents.

Accordingly, a cybersecurity protocol consisting of series of cyber attack strategies has been defined aimed at sustaining the continuity of operations:

CYBER RISK MANAGEMENT	<ul style="list-style-type: none"> – Evaluation and improvement of the mechanisms to prevent, detect and respond to cyber incidents. – Continuous development of the mechanisms to protect Information Systems and Communications Networks. – Evaluation and improvement of the mechanisms to recover from disasters.
PROACTIVE PRIVACY	<ul style="list-style-type: none"> – Early adoption of the European Data Protection Regulations. – Centralization and concentration of capacities at the Corporate Office for Data Protection and Privacy (OCPPD). – Integration of Privacy into the life cycle of new initiatives regarding personal data management.
CYBERSECURITY CULTURE	<ul style="list-style-type: none"> – Awareness and sensitivity actions for employees, clients and providers. – Training and capacitation actions for employees and agents.
CYBERSECURITY FROM THE START	<ul style="list-style-type: none"> – Integration of Cybersecurity into the the life cycle of new initiatives regarding company technology. – Evaluation of Cybersecurity and Privacy in processes covering the procurement of technology solutions and the contracting of technology services.

The MAPFRE cybersecurity protocol forms part of the corporate protection model, based on risk management and the complete protection of assets, including employees, processes, facilities, and information systems.

6.5 Social and relational capital

What is it?

Relationships of trust generated with stakeholders, contribution to the development and well-being of the community, and other intangible assets related to the brand and reputation.

Main stakeholders for whom this capital creates value

- All stakeholders: employees, shareholders, providers, distributors, clients and society in general.

What are we working on?

- Promotion of equitable and stable relationships with stakeholders.
- Creation of value in the relationship with stakeholders.
- Commitment to the environment in which we pursue our business.
- Other intangible assets associated with the brand and reputation.



$$\frac{R}{e}$$

■ Promotion of equitable and stable relationships with stakeholders

MAPFRE believes that the engagement and commitment of stakeholders to the company are achieved by building relationships that garner trust between the parties. This relationship enables us to identify and meet stakeholder expectations, bearing in mind their legitimate interests while pursuing our business.

The following table shows the basic MAPFRE relationship model:



STAKEHOLDER		BASIC RELATIONSHIP MODEL
<ol style="list-style-type: none"> 1. Employees. 2. Clients and insured parties. 3. Distributors, brokers and collaborators. 4. Providers. 		I. Management <ul style="list-style-type: none"> – Decentralized in each department of the Company. – Personalized for each stakeholder.
<ol style="list-style-type: none"> 5. Shareholders, investors and partners. 6. Society in general. 		II. Relationship channels <ul style="list-style-type: none"> – Internal and external. – Specific channels.
<ol style="list-style-type: none"> 7. Regulatory and supervisory bodies. 8. The media. 	III. Value creation <ul style="list-style-type: none"> – Materiality Study. – Transparency Plan. – Group Sustainability Plan. 	

Management and relationship channels with strategic stakeholders are reflected below:

SHAREHOLDERS AND INVESTORS

– The Investor Relations Unit is the permanent communication channel open between the Company and its shareholders to deal with their queries and requests for information.

In 2016 communication was reinforced with the organization of an Investor Day. The first event of its kind for the MAPFRE, it was held in Madrid and attended by more than 80 analysts and institutional investors. The various sessions provided detailed information on key aspects of the business performance and reaffirmed the financial and strategic objectives set for the period 2016-2018.

The table below shows a summary of the communication activities carried out with the financial markets in 2016:

Presentations of results	4
Video conferences	4
Meetings with Spanish shareholders and institutional investors	56
Meetings with shareholders and institutional investors from other countries:	243
United Kingdom	92
France	38
Italy	18
Switzerland	17
Portugal	12
Germany	11
Nordic Countries	10
United States	6
Other	39
Participation in institutional investor forums	13
United Kingdom	4
Spain	4
France	2
Germany	1
Ireland	1
United States	1
Meetings with financial analysts	67

– The Shareholder Service Office, email: relacionesconinversores@mapfre.com, the toll-free number (900 10 35 33) and the query form available on the corporate website. In 2016, 1,023 telephone enquiries were handled as well as 96 requests via the website.

– The Electronic Shareholders' Forum, set up in 2011, was also operational for the Annual General Meeting held on March 11, 2016.

– Spanish National Securities and Exchange Commission (CNMV) and other official organizations where information on the company's business performance, corporate activities and significant events is recorded.

The year 2016 also saw the launch of a Shareholder Communication Plan which aims to improve the quality of the information on the company and increase communication with shareholders beyond details of the financial return on their investment.

INSURED PARTIES AND CLIENTS

MAPFRE communicates with its clients through the following channels:

– The Group's own distribution network comprising 5,390 offices (direct and delegate), 9,028 bank offices, and more than 84,000 delegates, agents and brokers.

– MAPFRE Portal and MAPFRE Internet Office, where among other things clients can purchase certain products, consult policy conditions, notify incidents, change their personal and bank data, request document duplicates, consult communications and payment notifications, etc.

– More than 60 contact centers worldwide which provide information 24 hours a day, 365 days a year.

– Social media, which clients can use to consult information and access platforms to resolve queries and/or incidents.

– Complaints and grievances, which offers an internal channel for the extra-judicial defense of clients’ rights deriving from their policies.

COMPLAINTS AND GRIEVANCES 2016	Number
Admissible (2016)	77,297
Pending (previous year)	1,553
Inadmissible	7,537
Other Solutions	6,143
Rejected	40,417
Accepted	33,251

Volume	86,387
Resolved	87,348
Resolution rate	101%

EMPLOYEES AND THEIR LEGAL REPRESENTATIVES

The company maintains permanent dialog with employees, informing them about any relevant aspects regarding the business, as well as listening to their opinions. The channels used for these purposes are as follows:

- The Corporate Intranet.
- Internal magazines (The World of MAPFRE, a global magazine for all employees worldwide, and the internal magazines published in the different countries).
- Mailboxes, blogs and forums where employees can post comments and suggestions and the company responds to them.
- Internal surveys to find out about the importance that employees attach to key issues for MAPFRE.
- Organizational environment surveys, such as Great Place to Work (GPTW), which measure employee satisfaction and commitment. In 2016 this survey was conducted in 30 countries with a total participation of 25,787 employees.

– In MAPFRE, 20,109 employees are covered by collective bargaining agreements in 23 countries, which means that 54.3 percent of the workforce has union representation. The relationship channels in this respect are:

- Company participation bodies with the legal workers’ representatives and formal committees.
- Periodic meetings agreed by both parties.
- The company facilitates communication and dialog between the representatives and employees by providing specific email accounts or spaces on the Intranet and places for meetings or assemblies.

DISTRIBUTORS

Relationships with distributors are managed via:

- Online tools to optimize the use of the Internet in sales management.
- Social media and applications to share experiences and information with brokers and conduct special campaigns.



- Specific gatherings and video conferences with brokers and agents.
- Broker portals that function as operational platforms to assist agents with their sales activities.
- Specialist magazines.

PROVIDERS

The relationship with providers is managed through:

- Web platforms and specific portals such as the Corporate Procurement Platform.
- Call centers (in-house or outsourced).
- Social networks.
- Specific newsletters.
- Specific work groups and supervisors for each business area and for technology goods and services to manage the relationships with these providers.
- Smartphone applications.

■ Value creation in stakeholder relationships

MAPFRE is currently engaged in three key projects to further develop its relationships with stakeholders: Materiality, the Transparency Plan, and the MAPFRE Group 2016-2018 Sustainability Plan (explained above under point 5.2: "Ethics and Social Responsibility").

MATERIALITY

The identification of relevant matters through the materiality process is a dialogue exercise that the company carries out and allows it to identify sustainability expectations and interests on the part of the stakeholders with which it has the closest relationships.

This year MAPFRE replaced the overall materiality matrix with an individual materiality analysis for each stakeholder to thus establish and develop ad hoc actions for each one of them.

Key highlights for 2016 include:

- When identifying matters of general interest relating to sustainability, the Company takes into account new external sources including, among others, the European Directive 2014/95/EU regarding the disclosure of non-financial and diversity information. It also uses internal sources, and in 2016 that included the MAPFRE Group Sustainability Plan 2016-2018, allowing the company to include new elements in the process.
- Materiality has been customized for each stakeholder. The differences among these groups means that aggregating their opinions and expectations dilutes the response. Specific matters and transversal topics have been identified that are common to all of them. This affects the presentation of results as there is no overall matrix.

The study was conducted in Spain, Brazil, Colombia, Mexico and Puerto Rico.

PHASES OF THE MATERIALITY STUDY

PHASE 1: Internal analysis of the identified matters

This identification procedure resulted in the definition of specific issues for each stakeholder category as well as transversal issues such as Transparency, Human Rights, Innovation, Information Security and the Environment, etc.

These matters were once again subjected to analysis and review by the main areas with which we collaborated – Investor Relations, Innovation, Human Resources, Providers, Environment, Clients, Corporate Governance, Regulatory Compliance and Social Responsibility and Accounting Coordination both at corporate level and in the five countries that participated (Brazil, Colombia, Spain, Mexico and Puerto Rico).

PHASE 2: Stakeholder consultation

The study includes two consultation variables: the importance of the matter for the stakeholder and their perception of how MAPFRE is handling the issue.

Employees, clients, providers, distributors, analysts and investors participated.

The external consultation process was carried out by CBI Consulting, by means of an online questionnaire, and their participation again this year guarantees the anonymity and confidentiality of the responses received.

PHASE 3. Presentation of results

Generally speaking, the scores given for the topics were high. The material matters for MAPFRE and the participating stakeholders are set out below:



^ (b)

(Scale of 1 to 5)

MAPFRE and its employees MATERIAL MATTERS FOR MAPFRE AND ITS EMPLOYEES, IN ORDER OF IMPORTANCE	EMPLOYEE PERCEPTION				
	1	2	3	4	5
Reject discrimination, consolidating a culture of respect based on the equality and diversity of people.	4.23				
More efficiently manage waste and effluents that are generated.	4.26				
Manage energy consumption to reduce environmental emissions.	4.09				
Maintain a safe and healthy working environment that allows employees to carry out their work in the best conditions.	4.04				
Ensure that all employees have the same opportunities for professional development, identifying and managing their talent.	3.44				
Guarantee the privacy of personal data in the possession of the company	4.49				
Implement the protocols and mechanisms to guarantee respect of human rights and correct any possible harm caused.	4.28				
Assign financial, human and technological resources to encourage an innovative culture at the Company.	3.91				

MAPFRE and its distributors MATERIAL MATTERS FOR MAPFRE AND ITS DISTRIBUTORS, IN ORDER OF IMPORTANCE	DISTRIBUTOR PERCEPTION				
	1	2	3	4	5
More efficiently manage waste and effluents that are generated.	3.95				
Manage energy consumption to reduce environmental emissions.	3.83				
Offer innovative products and services, compared to other insurance companies.	3.71				
Take initiatives and actions to promote and create awareness of environmental responsibility.	3.83				
Guarantee the privacy of personal data in the possession of the company.	4.26				
Make efforts to be digitally secure.	4.02				
Promote corporate social responsibility and take actions that have a positive impact on financial, social and environmental areas.	3.96				
Comply with its ethical principles and values and implement the mechanisms necessary for their application.	3.94				

MAPFRE and its providers MATERIAL MATTERS FOR MAPFRE AND ITS PROVIDERS, IN ORDER OF IMPORTANCE	SUPPLIER PERCEPTION				
	1	2	3	4	5
More efficiently manage waste and effluents that are generated.	4.23				
Guarantee the privacy of personal data in the possession of the company.	4.54				
Take initiatives and actions to promote and create awareness of environmental responsibility.	4.15				
Implement agile and innovative processes in its relationships with providers.	3.94				
Promote corporate social responsibility and take actions that have a positive impact on financial, social and environmental areas.	4.11				
Comply with its ethical principles and values and implement the mechanisms necessary for their application.	4.29				
Make efforts to be digitally secure.	4.41				



(Scale of 1 to 5)

MATERIAL MATTERS FOR MAPFRE AND ITS CLIENTS, IN ORDER OF IMPORTANCE	CLIENT PERCEPTION				
	1	2	3	4	5
More efficiently manage waste and effluents that are generated.	4.03				
Manage energy consumption to reduce environmental emissions.	3.97				
Guarantee the privacy of personal data in the possession of the company.	4.28				
Offer innovative products and services, compared to other insurance companies.	3.86				
Take initiatives and actions to promote and create awareness of environmental responsibility.	3.93				
Implement the protocols and mechanisms to guarantee respect of human rights and correct any possible harm caused.	3.91				
Make efforts to be digitally secure.	4.10				
Seek maximum client satisfaction through the quality of the services offered.	3.86				
Promote corporate social responsibility and take actions that have a positive impact on financial, social and environmental areas.	3.90				
Comply with tax obligations in accordance with all tax legislation in every country in which MAPFRE operates.	4.25				
Comply with its ethical principles and values and implement the mechanisms necessary for their application.	3.99				
Offer products and services that generate an environmental benefit.	3.97				
Use simple language and take the utmost care to ensure information regarding the purchase of products and services is understandable.	3.90				

MATERIAL MATTERS FOR MAPFRE AND ITS SHAREHOLDERS/ANALYSTS, IN ORDER OF IMPORTANCE	SHAREHOLDER/ANALYST PERCEPTION				
	1	2	3	4	5
Evaluate and manage environmental risks deriving from its business activity.	3.60				
Implement the protocols and mechanisms to guarantee respect of human rights and correct any possible harm caused.	4.00				
Enable adequately sized governance bodies, with defined functions and responsibilities.	3.80				
Communicate complete and understandable information regarding results and financial and non-financial indicators in a format that is easily analyzed.	3.90				
Promote corporate social responsibility and take actions that have a positive impact on financial, social and environmental areas.	3.86				
Comply with tax obligations in accordance with all tax legislation in every country in which MAPFRE operates.	4.40				
Make efforts to be digitally secure.	4.00				
Implement reputation assessment systems for the risks deriving from its business.	4.25				



ACTIVE TRANSPARENCY PLAN

Transparency affects both management and the relationship between organizations and their stakeholders and environment, and consists in organizations enhancing the visibility and comprehensibility of their activities and decision-making processes. To this end, MAPFRE has implemented an Active Transparency Plan with the objective of increasing the company's accessibility and providing a greater understanding of its business. In short, the plan aims to turn transparency into a recognizable corporate asset.

After analyzing the best practices and diagnosing the current situation, an action plan comprising 25 internal and external improvement measures was drawn up in 2016. The internal measures include the creation of an interactive organization chart explaining who is who in the different Business Units; the launch of explanatory sessions presented by the different Units; and the creation of a transversal work group to review the process and the communication criteria applied to decision-making.

The external measures will affect two aspects: corporate communication and product communication. With regard to corporate communication, the measures will include the structure of information, an explanation of the business model, promotion of the value of fiscal contributions, and objective-based communication; in terms of product communication the emphasis will be placed on improving aspects such as the clarity of the language used to communicate with clients, the uniformity of the documentation sent out, and the simplification of the documents used.

The plan will be rolled out first in Spain as a pilot exercise and will then be implemented in the different countries in which MAPFRE operates with the ultimate aim of ensuring that the company is perceived as a transparent enterprise by all stakeholders.

Transparency practices aim to ensure that all stakeholders receive the company information they need to make their decisions, and that they receive it in a timely and easily digestible manner.



MAPFRE has implemented an Active Transparency Plan with the objective of increasing the company's accessibility and providing a greater understanding of its business.

■ Commitment to the environment in which we pursue our business

MAPFRE's commitment to the environment is articulated through three lines of action:

1.

Public commitment through the benchmark international sustainability initiatives it has signed up to.

UNITED NATIONS GLOBAL COMPACT

This commitment entails integrating within its management the 10 principles of action related to human rights, as recognized in the International Bill of Human Rights, labor rights, the environment and the fight against corruption.

UNITED NATIONS ENVIRONMENT PROGRAM FINANCE INITIATIVE (UNEPFI)

Develop and promote links between the environment, sustainability and financial performance, identifying and promoting the adoption of the best environmental and sustainability practices at all levels of a financial institution's operations.

PRINCIPLES FOR SUSTAINABLE INSURANCE (PSI)

Specific principles for the insurance industry, geared to managing and monitoring risks and opportunities associated with environmental, social and corporate governance issues.

Within this framework, MAPFRE has undertaken the general commitment of the insurance industry to support the United Nations Plan of Action on Disaster Risk Reduction for Resilience.

PARIS PLEDGE FOR ACTION

The commitment to achieve a safe and stable climate in which the rise in temperature is limited to below 2 degrees centigrade. Signatories also undertake to adopt measures immediately to reduce their greenhouse gas emissions to a safe level.

MAPFRE is also a signatory to the Carbon Disclosure, Water Disclosure and Carbon Action Programs which form part of the Climate Disclosure Project (CDP).

On the international stage, MAPFRE was included on this initiative's Global A-List in 2016, for having achieved the highest rating (A) as regards performance in mitigation and adaptation to climate change, and transparency of information reported.

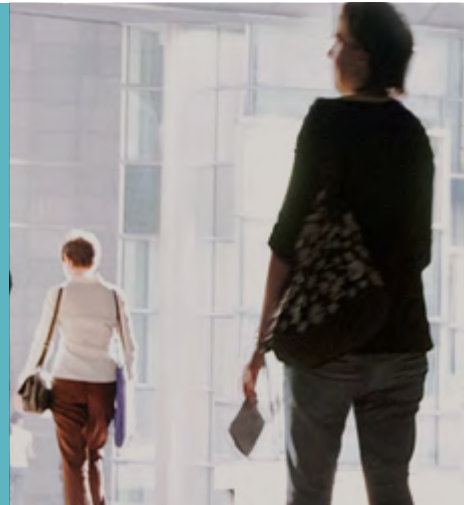
We promote training



2.

Conveying the company's social value in each country in which it is present.

MAPFRE understands its social value as the sum of the value generated by its commercial activities and other non-profit activities which it supports and pursues, mainly through Fundación MAPFRE, and which impact the development of the countries in which the company is present.



FINANCIAL CONTRIBUTION TO THE SOCIETY

Insurance activities generate direct economic value through the constant flow of transactions (premium payments, service and claim payments, investment management, etc.), which have an effect on the different aspects related to the economic and social

development of the environment in which the company operates. Of the consolidated revenues of 27,092.1 million euros obtained in 2016 (26,702.2 million euros in 2015), MAPFRE made financial contributions to society in general as follows:

THROUGH THE PURSUIT OF ITS BUSINESS	
ITEM	2016
Claims paid ⁽¹⁾	15,500.4
Payments to providers ⁽²⁾	7,264.4
Wages and salaries, and other ⁽³⁾	1,548.5
Subtotal activity	24,313.3
Dividends ⁽⁴⁾	786.7
Subtotal shareholders	786.7
Net payment of income tax	471.5
Social Security	235.4
Subtotal Public Administrations	706.9
Interest paid	53.3
Other related expenses	44.1
Subtotal financing	97.4
Total	25,904.3

Figures in millions of euros

(1) Claims paid and related expenses of accepted direct insurance and reinsurance.

(2) Including payment of commissions and other activity services.

(3) Wages and salaries accounted for 1,211.8 million euros in 2016 (1,191.5 million euros in 2015).

(4) Dividend payments made during the year.

AS AN INSTITUTIONAL INVESTOR	
ITEM	2016
Funds under management (third-party)⁽⁵⁾	38,488.3
Total investments	45,088.0
Financial investments	42,541.0
Fixed income	38,399.8
- Issued by governments	28,390.2
- Other fixed-income securities	10,009.6
Other financial investments	4,141.2
Property investments ⁽⁶⁾	1,274.8
Other investments	1,272.2
Figures in millions of euros	
(5) Technical provisions for Life, pension funds, mutual funds and managed portfolios, before shadow accounting adjustments.	
(6) Excluding property for own use.	

SOCIAL AND ENVIRONMENTAL CONTRIBUTIONS

DIRECT/INDIRECT EMPLOYMENT	<ul style="list-style-type: none">– 37,020 direct jobs, with 96.5% of employees on permanent contracts.– Over 84,000 agents, delegates and brokers work with MAPFRE.– More than 225,000 providers with which MAPFRE maintains a commercial or service relationship.
TRAINING AND INTERNSHIPS	<ul style="list-style-type: none">– 18.4 million euros invested, (1.2 percent of 2016 payroll expenses).– More than 390 agreements with educational institutions and universities for completing internships with the company.– In 2016 more than 1,100 interns from 33 countries completed internships with the Group.
GENDER DIVERSITY	<ul style="list-style-type: none">– 38.6 percent of employees in management/leadership positions are women.– 54 women occupy senior management positions or positions on Boards of Directors.– The MAPFRE S.A. Board of Directors includes four women, representing 23.5 percent of its members.
FUNCTIONAL DIVERSITY	<ul style="list-style-type: none">– The Global Disability Program is implemented in 28 countries.– 518 employees with disabilities work in 25 countries. (67 joined in 2016.)– Donations to employment/labor inclusion projects totaled 725,355 euros.– Contracts for provision of services formalized with special employment centers totaled 258,910 euros.– Support for labor inclusion programs through Fundación MAPFRE.
CULTURAL DIVERSITY	<ul style="list-style-type: none">– 78 nationalities work together at the Group.– The Corporate Areas are staffed with employees from 34 countries.– With regard to senior management and executives who work in the Group's companies outside Spain, 78.2 percent are hired locally.– International mobility is actively promoted. In 2016, 105 employees were posted to another country.



GENERATIONAL DIVERSITY

- Generation Z: **1,740** employees.
- Generation Y: **10,213** employees.
- Generation X: **15,503** employees.
- Baby Boomers: **9,083** employees.
- Veterans: **481** employees.
- Global Trainees Program to drive young talent, including **22** young persons from four nationalities (Spain, China, Romania and Turkey).

A HEALTHY AND SAFE COMPANY

- **81.4 percent** of the workforce is represented on joint management-employee health and safety committees, which have been set up to help monitor and advise on this issue.
- **156** health awareness campaigns were conducted in 2016.
- **24hrs** Blood Donation Campaign.

WORK-LIFE BALANCE

- More than **30,000** employees benefited from some form of work-life balance mechanism: flexi-time, part-time, reduced workday, telecommuting, paid and unpaid leave, absences for personal or study purposes, reintegration programs for employees following a protracted leave of absence.

VOLUNTEERING

- More than **5,700** MAPFRE volunteers took part in the Fundación MAPFRE volunteering program.
- More than **1,000** activities undertaken in assistance and environmental programs.
- More than **666,200** beneficiaries.

INNOVATION

- More than **100** corporate innovation projects.
- Participation in investor vehicles, such as Alma Mundi.
- Start-up Observatory: Monitoring of the Insurtech/Fintech ecosystem to establish partnerships with key companies.
- Exploration of new start-up models and participation in acceleration processes.
- **32** insurance products and services were launched on the market in 2016.

+ (0,2,1) ↑ ↑

3.

United Nations Sustainable Development Agenda 2030 and Human Rights Objectives.

The United Nations Sustainable Development Agenda 2030 establishes an action plan to respond to the great social, environmental and governments challenges. Its 17 objectives spotlight people, the planet, sustainable economic development and the strengthening of institutions, among others.



Part of MAPFRE's commitment to sustainable development is contributing to Agenda 2030. It has accordingly included a specific line of work in the Group's Sustainability Plan 2016-2018 and two main objectives have been proposed: (1) determine MAPFRE's positioning with respect to the Sustainable Development Objectives (SDO) and (2) measure our contribution to those objectives.

In 2016 a first-level SDO analysis and identification was performed, using as a reference the 15 lines of work in the MAPFRE Group Sustainability Plan 2016-2018. It was a complex process, but facilitates gaining knowledge of SDO and their objectives.

In 2017 the process will be completed which will allow the Group to position itself in those SDO to which we may most contribute and specific goals and objectives will be established.

At the same time, MAPFRE is performing a self-assessment of human rights in accordance with the United Nations Guiding Principles for Business and Human Rights. The Implementation Guidelines prepared by the World Pact Spanish Network are being used, which provides for an online interactive method.

A first self-assessment was performed at MAPFRE Brazil and the process has started in Colombia and Mexico.

This self-assessment process forms part of the same line of work established by MAPFRE in the Sustainability Plan to work towards Agenda 2030. The understanding is that there is a direct connection between the Guiding Principles on Business and Human Rights and the SDO.

MAPFRE annually renews its public commitment to the Global Compact Principles through its Progress Report and also has prevention and control mechanisms for matters relating to human rights, as mentioned in the preceding section on Ethics and Social Responsibility.

■ Other intangible assets associated with the brand and reputation

BRAND

The positioning of the brand is defined based on the Company's business strategy, its vision and its corporate values.

This thus establishes transversal meanings (businesses and countries) of the concepts Globality and Trust so that, in turn, we can ensure our differentiation in each market.

Based on brand awareness in each of those markets, content will be built to strengthen the brand through advertising, sponsorship and public relations actions in both conventional and digital areas in order to attain maximum recognition.

As an external reference to this development, which is intended to be consistent and coherent with respect to value of the MAPFRE brand, it should be noted that the "Best Spanish Brands" ranking, prepared every two years by Interbrand, shows in its latest study that the brand increased by 28% compared to the previous measurement (2013), which moved the brand up three places to position number nine.

REPUTATION

MAPFRE actively measures its reputation.

The Group is a member of Corporate Excellence, and since 2013 it has been working with the Reputation Institute through the MAPFRE-Reprak project. Accordingly, every year the Group measures its reputation among the general public, examining the following seven aspects: range of products, innovation, work environment, integrity, citizenship, leadership, and finance.

In 2016 MAPFRE's reputation was rated as strong/robust on the specific scale for the insurance industry.

MAPFRE also uses other reputation rankings, such as MERCO, and obtained the following results in 2016:

Merco companies:

- MAPFRE tops the list of insurance companies with the best reputation in Latin America.
- In Spain it is among the top 10 companies with the best reputation, and it has the best reputation in the insurance industry.
- In Mexico it has the second best reputation in the insurance industry.
- In Argentina, Peru and Ecuador it is among the top 100 companies with the best reputation.

Merco Talent:

- In Spain it occupies 11th position and leads its sector.
- In Argentina and Peru it is one of the 100 most valued companies.



MAPFRE tops the list of insurance companies with the best reputation in Latin America.

6.6. Natural capital

What is it?

Appropriate management of natural resources and contribution to climate change mitigation and biodiversity conservation.

Main stakeholders for whom this capital creates value

- All stakeholders: employees, shareholders, providers, distributors, clients and society in general.

What are we working on?

- SIGMAYE.
- Climate Change.
- Biodiversity.



▣ SIGMAYE

The basis of MAPFRE's environmental strategy is the Corporate Environmental Policy, which includes specific lines of action focused on the material aspects identified by stakeholders.

- Constant quest for environmental insurance solutions and provision of environmental services to customers.

- Identification and analysis of risks and opportunities.

- Management of climate change with respect to adaptation and mitigation processes, including risks and opportunities.

- Compliance with benchmark legislation.

- Biodiversity preservation.

- Definition of environmental criteria for decision-making in corporate procurement processes, as well as the extension of environmental and energy commitments to the value chain.

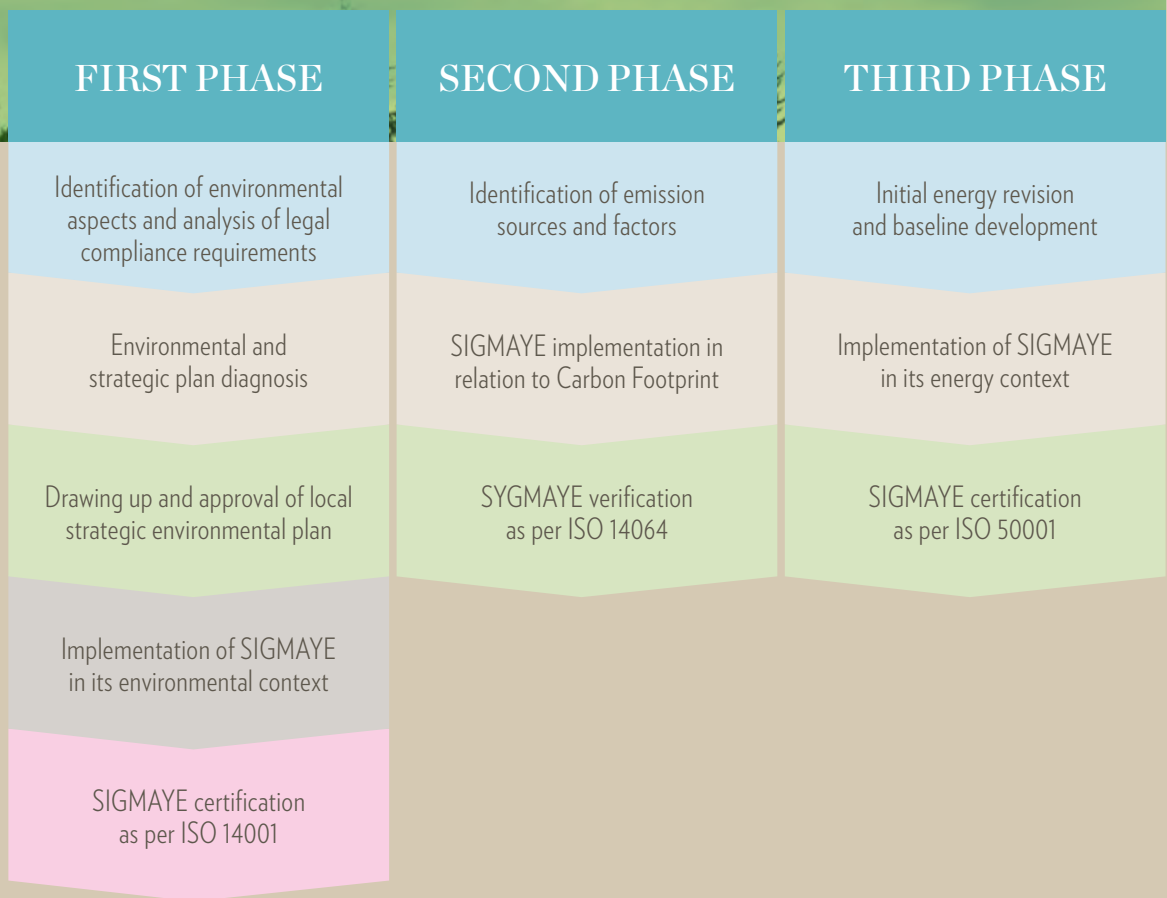
- Promotion of good environmental practices.

- Adherence to the main principles, programs and initiatives in which the company's environmental management is valued.

- Rational use of resources.



The Corporate Environmental Policy is implemented in every Group company through the SIGMAYE (Triple Corporate Integrated Environmental, Energy and Carbon Footprint Management System), which is deployed as follows:



More than 10,620 employees worldwide currently work in buildings certified according to the SIGMAYE.

The following table shows the key initiatives undertaken in 2016 and the achievements attained:

2016 OBJECTIVES	INITIATIVES UNDERTAKEN/ACHIEVEMENTS
INTERNATIONAL ENVIRONMENTAL EXPANSION PLAN	<ul style="list-style-type: none"> – ISO 14001 environmental management certification for the new headquarters of MAPFRE’s international companies in CHILE, ARGENTINA and COLOMBIA and two new buildings in Spain, in the latter country achieving certification for 100 percent of singular sites and buildings. – Extension of ISO 50001 energy management certification to three buildings in Spain.
RESOURCE MANAGEMENT AND OPTIMIZATION PLAN	<ul style="list-style-type: none"> – Framework agreements for waste management. – Environmental approval and selection of corporate providers. – Purchase of energy from 100 percent renewable sources in Spain. (This refers to the 2020 Plan). – Extension of the policies on the use and implementation of tools for the energy management of office equipment. – Renewal of facilities with significant energy consumption in the most emblematic buildings.
ENERGY EFFICIENCY AND CLIMATE CHANGE STRATEGIC PLAN	<ul style="list-style-type: none"> – Verification in line with the ISO 14064 standard for calculating the Group’s carbon footprint in Spain, Puerto Rico and Colombia. – Organization of the MAPFRE “Cool Biz” Campaign in Spain and Malta. – Eco-efficient offices project for the sales network.
ENVIRONMENTAL AWARENESS AND DISSEMINATION PLAN	<ul style="list-style-type: none"> – Development and rollout of environmental initiatives with global participation. – Deployment of the corporate e-learning course on the environment. – Biodiversity conservation project. – Sustainable mobility.

To achieve these environmental sustainability objectives, MAPFRE deploys the necessary resources to ensure the effectiveness and efficiency of its actions through continuous improvement. Accordingly, in 2016 a total

of 150 environmental diagnoses, inspections and audits were carried out, representing 28.61 percent of all assets subject to environmental controls.



Climate change

Contributing to a decrease in the greenhouse gas emissions generated by the organization while carrying out its activities is both a challenge and an opportunity for MAPFRE, therefore constituting a key element of its environmental responsibility policy.

The Group's determination to play a prominent role in climate change mitigation demands a long-term strategy aimed at minimizing the risks identified and acting on the opportunities detected. Consequently, MAPFRE engages in a constant analysis of climate trends and the global context, with a particular emphasis on the following aspects:

- evaluation of the regulatory pressure and instability of the legal bases.
- frequency and impact of extreme weather phenomena.
- development of technologies to facilitate the transition to a low-carbon economy.
- awareness-raising of stakeholders as key actors of technological and social change.

Accordingly, the MAPFRE Energy Efficiency and Climate Change Strategic Plan for 2020 includes the commitment to cut greenhouse gas emissions by 20 percent with respect to the Group's carbon footprint in 2013 (this represents a decrease of 14,710,519 kWh and 9,924 tons of CO₂ eq).

The implementation of this plan requires the direct involvement of specialized technical areas within the Group, coordinated through the following corporate work groups (WG): Eco-efficiency WG, Climate Change Mitigation and Adaptation WG, and Mobility and Road Safety WG.

MAPFRE determines, quantifies and evaluates the carbon footprint caused by its activities.



CARBON FOOTPRINT TABLE (Tm CO₂eq)

	2014	2015	2016
Scope 1	9,934.61	14,042.93	13,445.24
Scope 2	26,583.24	26,903.41	19,267.39
Scope 3	6,104.36	12,493.90	10,566.80
TOTAL CO₂eq emissions	42,622.21	53,440.24	43,279.42
TOTAL CO₂eq emissions/employee	1.47	1.53	1.28

Scope: Relating to Spain and International: Argentina, Brazil, Chile, Colombia, USA, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines and Malta.

■ Biodiversity

Biodiversity conservation is one of the lines of action defined in the MAPFRE Environmental Policy.

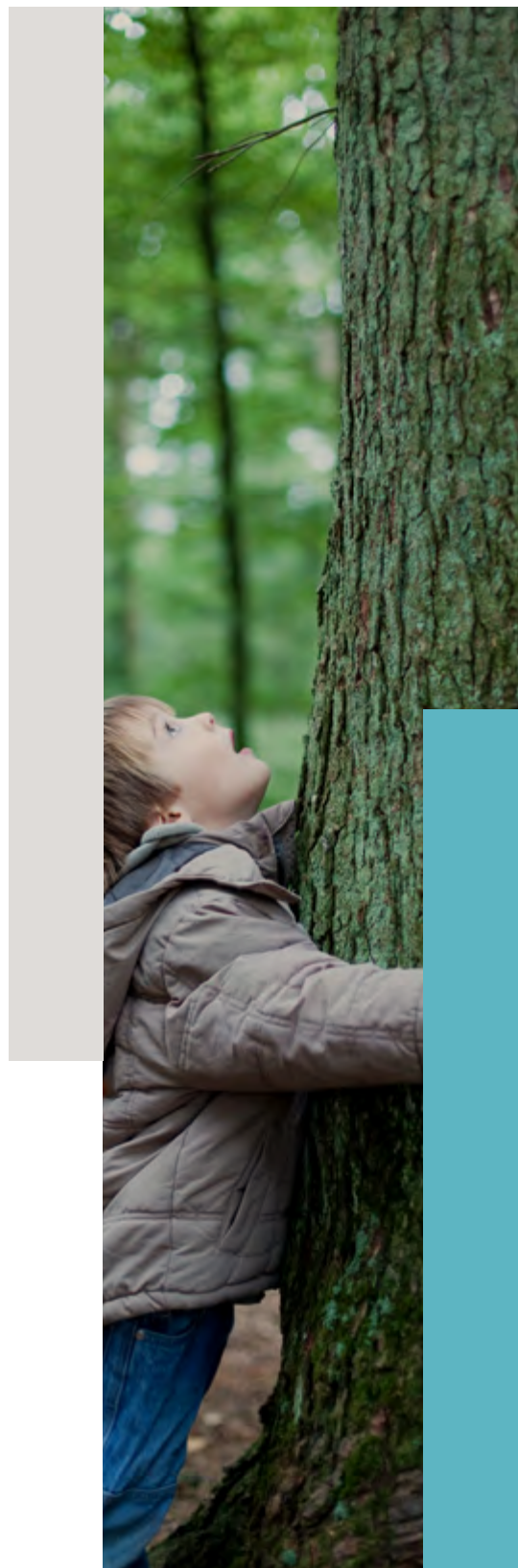
In 2015 MAPFRE became a member of the “Biodiversity Pact” launched by the Spanish Companies and Biodiversity Initiative. Under the motto “Without biological diversity there is no economic diversity”, this initiative recognizes the importance of this matter and its relevance to climate change management.

The activities undertaken thus far include collaboration agreements with different organizations to contribute to the development of projects for the preservation of endangered species and their habitats.

The Iberian lynx conservation and reforestation of one hectare of the Doñana National Park projects were launched in 2015, while in 2016 the initiatives undertaken focused on the conservation of the Arctic and the species that live there through the WWF project “Ni un grado más” (Not one degree more).

Aimed at reinforcing employee participation in these activities and disseminating knowledge locally, all the conservation projects are associated with awareness-raising campaigns.

In 2016 the Arctic project was linked to the campaign “Ni un hogar sin energía” (No homes without energy) organized by ECODES (Ecology and Development Foundation).



Excellence ++

07

Basis of preparation and presentation of the report



About this report

Integrated report

This report was prepared in line with the recommendations in the reporting framework published by the International Integrated Reporting Council (IIRC), and taking into account the company's Consolidated Annual Accounts and Management Report and the MAPFRE 2016 Corporate Social Responsibility Annual Report, which is available to the public on the corporate website.

The report offers a complete overview of the company, its implementation, business model, the challenges and risks faced, and its performance regarding social, environmental, economic and governance aspects. It constitutes a first approximation to the creation of financial and social value that will allow progress to continue in the future and to establish a better relationship between the business model and the described effect on capital.

This report was analyzed by the company's Audit Committee and approved by the MAPFRE S.A. Board of Directors at its meeting on February 7, 2017.

Scope of information

The integrated report covers MAPFRE S.A. and its subsidiaries and investee companies and has taken into consideration the scope of information established in the reports used as a basis for its preparation.

The alternative Performance Measurements (APR) used in the Report and which relate to those financial measurements not defined or described within the framework of the applicable financial information, may be consulted at the website:

<https://www.mapfre.com/corporate/institutional-investors/investors/financial-information/alternative-performance-measures.jsp>

Important aspects

The materiality study that MAPFRE prepares on an annual basis is a exercise involving dialogue and participation with stakeholders. Important matters are identified using this process from the viewpoint of good governance, social matters and environmental issues for the Company and its main stakeholders, primarily those defined in its mission statement.

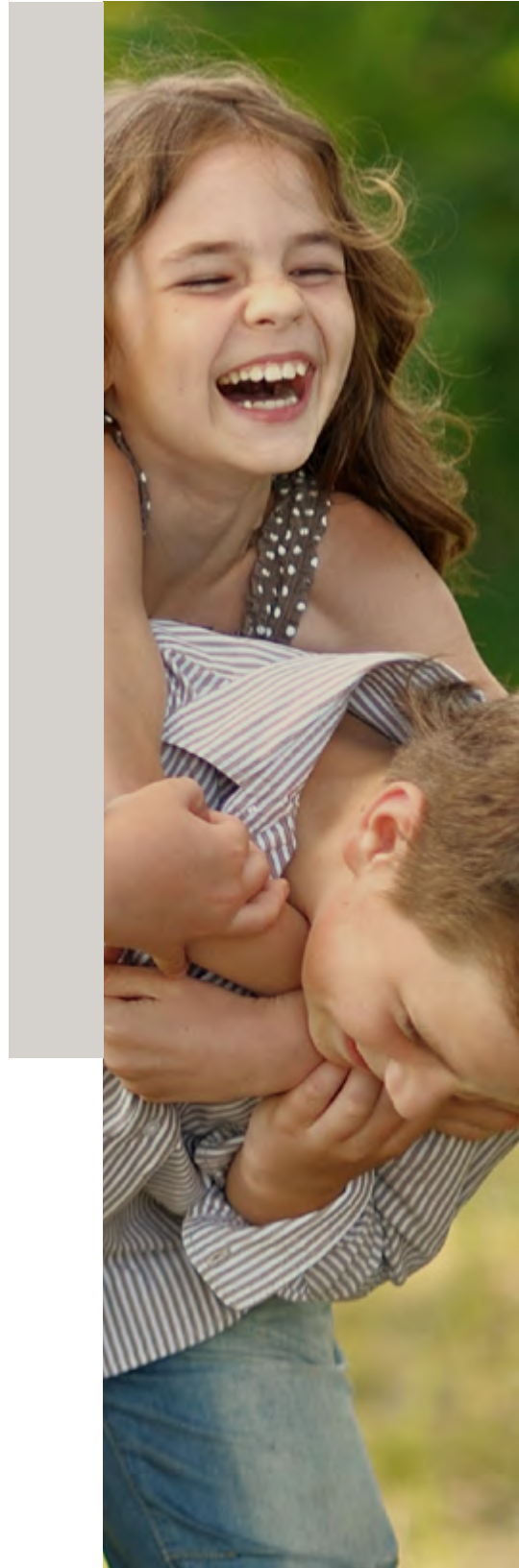
The contents of this report have been chosen on the basis of the communication channels in place with its stakeholders, such as the aforementioned analysis of important issues and the matters defined in the IIRC framework for that information.

Internal Assurance

A significant part of the information contained herein, relating to the Year 2016 and previous years, has been extracted from annual financial reports and social responsibility reports, all of which are externally audited or verified (KPMG Auditores, S.L.).

It should be noted that this report has been subjected to a process of internal verification consisting of a limited review conducted by the Corporate Internal Audit Area of the MAPFRE Group.

} Trust



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Transparency / Responsible

At MAPFRE we are firmly committed to making progress toward the highest standards of transparency and corporate good governance, and we work toward making this possible. That is why we are taking a step further in this direction this year, with the publication of our first MAPFRE Integrated Report, which we have drafted following the guidelines of the International Integrated Reporting Council (IIRC) framework.



INTEGRATED
REPORT 2016

