



**REMUNERATION POLICY FOR DIRECTORS
OF MAPFRE S.A. 2019-2021**

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1. Introduction

Article 17 of the Articles of Association of MAPFRE S.A. (hereinafter, “MAPFRE” or “the Company”) sets out the remuneration system for directors, which must comply with the remuneration policy for directors approved at the Annual General Meeting and with the legally established terms and conditions.

In accordance with Article 529(r) of the Capital Companies Act, this policy must comply with the remuneration system established in the Corporate Bylaws and must be approved at an Annual General Meeting at least every three years as a separate point on the agenda.

The article also states that the remuneration policy for directors will remain effective for the three years following the year in which it was approved, and that any amendment or replacement of the policy during the effective period will require prior approval by the shareholders in accordance with the established procedure.

2. GENERAL PRINCIPLES

The aim of the policy is to promote the long-term profitability and sustainability of the company, and it therefore includes the necessary precautions to prevent an excessive assumption of risk or unfavorable outcomes.

To this end, the remuneration for directors is governed by the following general principles:

- Priority of the creation of value and profitability in the medium and long-term over short-term results.
- Reasonable proportion between the company's economic situation and the 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 remuneration for dedication, qualification and responsibility.
- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Deferred payment of a significant portion of the variable remuneration.
- Possibility of ex-post adjustments to the variable remuneration.
- Avoidance of conflicts of interest.

3. REMUNERATION FOR DIRECTORS IN THEIR STATUS AS SUCH

In accordance with Article 529-septdecies of the Capital Companies Act, the remuneration policy for directors will determine the remuneration for directors in their status as such, within the remuneration system established in the Corporate Bylaws, and it must state the maximum total amount of the annual remuneration payable to such directors. Thereafter, it is up to the Board of Directors to determine the remuneration for each director in their status as such.

In accordance with Article 17 of the Articles of Association, Directors will receive a fixed amount for their membership on the Board of Directors as basic remuneration and, where applicable, for membership of the Steering Committee and substeering committees, which may be higher for people who occupy positions on the Board itself or who chair any of the Board committees or subcommittees. In addition, members of the Steering Committee shall receive an allowance for attending its meetings. This remuneration may be supplemented with other non-monetary remuneration (life or medical insurance, discounts on products sold by companies in the MAPFRE Group) that have been established for the Company staff in general.

The maximum total amount of annual remuneration payable to directors in their status as such is set at 4 million euros.

Subject to this limit, and pursuant to the recommendation of the Appointments and Remuneration Committee, the Board of Directors will determine the amount of the aforementioned fixed sums on an annual basis.

4. REMUNERATION FOR EXECUTIVE DIRECTORS

In accordance with Article 529(q) of the Capital Companies Act, the remuneration payable to directors for performing executive functions must comply with the remuneration policy for directors. This must indicate the amount of the annual fixed remuneration and its variation in the period to which the policy refers, the different parameters for establishing the variable components and the main terms and conditions of their contracts, including in particular their duration, remuneration for early termination or conclusion of the contractual relationship, and any exclusivity, non-compete, continuity of service and loyalty agreements.

As stated in Article 17 of the Corporate Bylaws, directors who have been assigned executive functions in the company or Group are excluded from the remuneration system indicated in Point 3 and are entitled to receive remuneration exclusively for performing the those executive functions. This remuneration may include the delivery of shares, share option rights or other share value-referenced amounts, subject to the requirements set forth in current legislation at the time.

This remuneration will be determined by the Board of Directors and all the corresponding items must be stated in the contract between the company and the executive director, which must be approved by the Board of Directors pursuant to the recommendation of the Appointments and Remuneration Committee.

4.1 Fixed remuneration

The fixed remuneration for each executive director will be established in line with their functions, level of responsibility and professional profile, in accordance with the criteria governing MAPFRE Group senior executives.

The fixed remuneration amount for executive directors will be agreed on an annual basis.

For fiscal year 2019, the fixed remuneration of the executive directors amounted to 2,592,335 euros, of which 2,192,335 euros corresponded to the Company, and 400,000 euros to other companies of the Group.

4.2 Variable remuneration

4.2.1 Short-term variable remuneration

The short-term variable remuneration system for executive directors will be based on an annual incentive linked to the Company's consolidated net profits. This incentive, which will be paid in cash in its entirety, may amount to a total of 3,825,323 euros in 2019, of which 3,225,323 euros would correspond to the Company, and 600,000 euros to other companies of the Group.

4.2.2 Medium and long-term variable remuneration

The medium and long-term variable remuneration system for executive directors is articulated through their participation in multi-year incentive plans approved, where applicable, by the Board of Directors pursuant to the recommendation of the Appointments and Remuneration Committee, in relation to the Group's executive team.

The accrual and payment of these incentives will, in any event, be conditional on the achievement of the objectives in the Plan, which have been set in line with the Group's Strategic Plan, and on continued employment by the Company or in the Group, according to the terms established in the aforementioned plan.

These incentives may be paid in cash or through the delivery of MAPFRE shares, share option rights or other share value-referenced amounts, subject to the requirements set forth in current legislation.

On February 6, 2019 the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, approved an extraordinary medium-term incentive plan for key executives of the MAPFRE Group, including executive directors. Non-cumulative and multi-year, this plan runs from January 1, 2019 to March 31, 2022.

The amount derived from this plan depends in general on each beneficiary fulfilling its objectives and, in general (except for special cases of severance expressly established), maintaining their relationship with the Group until the termination date of the plan. The incentive will partly be paid in cash and partly by means of MAPFRE S.A. shares. The receipt of 60 percent of the incentive by each executive director will be deferred for a period of three years, in thirds, with 50 percent of the deferred part paid in cash and the remaining 50 percent in shares. The incentive will also be subject to clauses of reduction (malus) or recovery (clawback).

Calculation of the amount of incentive payable will depend on the degree of achievement of the objectives, which have been set in line with the Group's Strategic Plan and refer to the Earnings per share (EPS), Total Shareholder Return (TSR), Return on Equity (ROE) and Conversion Rate.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 50 percent, otherwise there is no entitlement to receive the incentive.
- If the fulfillment of objectives is between 50 percent and 80 percent, 60 percent of the incentive will be paid.
- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.
- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

4.2.3 Common provisions

Variable remuneration will be determined, applied and maintained in accordance with the company's sales and risk management strategy, risk profile, objectives, risk management practices, and the performance and short, medium and long-term interests of MAPFRE as a whole. It will also include measures to prevent conflicts of interest.

In accordance with these principles, the following specific mechanisms will be used to determine variable remuneration components:

a) Proportion between fixed and variable components

The fixed and variable components of the remuneration package must be balanced in such a way that the fixed component constitutes a sufficiently large part of the total remuneration, therefore enabling the application of a completely flexible policy with regard to the variable components of the remuneration package, even including the possibility of not paying them. Accordingly, and to avoid the excessive assumption of risk, the percentage of the variable component with respect to the fixed remuneration should not exceed 150 percent.

b) Variable remuneration criteria

Variable remuneration linked to performance will be based on a combination of the following factors:

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

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

c) Deferred variable remuneration component

The payment of at least 30 percent of the variable remuneration will be deferred for at least three years in line with the nature and time horizon of the company's business and risks and the specific activities of each executive director.

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

d) Ex-post adjustments (malus and clawback clauses)

Contracts drawn up with executive directors must include malus and clawback clauses affecting up to 100 percent of the total variable remuneration.

Malus clause

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

1. Restatement of the annual accounts for reasons other than a change in legislation and provided that the variable remuneration resulting from the restatement is zero or less than the amount initially accrued as per the variable remuneration model.
2. Provisos contained in the auditor's report that reduce the earnings of the company subject to the payment of outstanding variable remuneration.
3. Variable remuneration accrued as a direct or indirect consequence of:
 - a. Fraudulent action by the executive director.
 - b. Actions conducted by the executive director that cause serious damage to the company through their fault or negligence.
 - c. Actions conducted by the executive director that are a gross or willful breach of the regulations in force.

The reasons for applying the malus clause may be modified, extended or adapted in line with the regulations in force at the time or if deemed appropriate by the governing body.

Clawback clause

The variable remuneration already paid to executive directors, irrespective of whether it has been deferred or not, will be subject to partial or total recovery if during the three years immediately following its payment it is revealed that said payment was in total or partial breach of the conditions established for its accrual or it was made on the basis of information that has since been proved to be false or inaccurate.

The Board of Directors' determination that the circumstances leading to the application of this clause have arisen and that a percentage of the variable remuneration must be paid back to the company, plus the procedure by which the company may claim the proportional return of the amount paid or even offset it against other types of remuneration owing to the executive director concerned, and this individual's obligation to pay back part or all of the said amount to the company, must be carried out in accordance with the regulations approved to this effect.

4.3 Social protection and social benefits

In addition to this fixed and variable remuneration, executive directors, as members of the Group's executive team, may be beneficiaries of defined contribution pension agreements in the event of retirement, death or permanent disability. The contribution and vesting conditions will be set out in their respective contracts.

Executive directors will also be entitled to the social benefits established for company staff in general.

4.4 Other main conditions of contracts

Executive directors must have an exclusive relationship with the company.

There are no contractual conditions relating to post-contractual non-compete agreements or continuity of service.

The duration of the contracts for executive directors is related to the length of service as a director. Termination in this role implies lifting the suspension of the relationship prior to the appointment as such.

The expiry on the date of maturity of this previous relationship will not lead in itself to any economic right, without prejudice to the right of the Board of Directors to agree, on the recommendation of the chairperson and the Appointments and Remuneration Committee, extraordinary bonuses based on performance during their career.

Except where there is good cause for dismissal, the early termination of the previous relationship will entail remuneration under the terms established in the Workers' Statute in relation to unfair dismissal.

5. EFFECTIVE PERIOD

This policy applies to the remuneration of MAPFRE S.A. directors during the years 2019, 2020 and 2021, unless a new agreement is adopted at the Annual General Meeting.

Agreement on the delivery of shares

In accordance with the provisions of point 4.2.2 of this policy, on February 6, 2019 the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, approved an extraordinary medium-term incentive plan for key executives of the MAPFRE Group, including executive directors. Non-cumulative and multi-year, this plan runs from January 1, 2019 to March 31, 2022.

To enable its implementation, the Annual General Meeting is expressly requested to deliver company shares to the beneficiaries of the plan, of which up to a maximum of 2,586,212 shares may be delivered to executive directors. In order to cover the abovementioned shares, the company may allocate those that form or come to form its treasury stock, or make use of another suitable financial system determined by the company.