



**REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE TO THE MAPFRE
S.A. BOARD OF DIRECTORS REGARDING ITS COMPOSITION AND
FUNCTIONS IN FISCAL YEAR 2020**

The Audit and Compliance Committee is the delegate body of the Board of Directors of MAPFRE S.A. (hereinafter, the "Company") for the undertaking, among other things, of supervisory functions relating to the integrity of finance information and the effectiveness of internal control, internal audit and risk management.

Its governing regulations are contained in Article 22 of the Bylaws and in Article 10 of the Board of Directors' Regulations.

1. Composition

The Audit and Compliance Committee must consist of at least three but not more than five Board Directors, all of whom shall be non-executive, and at least the majority of whom must be Independent Board Directors, and one of whom will be appointed in view of their knowledge and experience in matters of accounting, auditing or both. Its Chairman should be an Independent Board Director, who must be substituted in this role every four years and who may only be eligible for reelection to the role one year after leaving said role. Its Secretary will be the Secretary of the Board of Directors.

As on December 31, 2020, the Audit and Compliance Committee was composed of the following Board Directors:

Name	Position	Category
Ms. Ana Isabel Fernández Álvarez	Chairwoman	Independent
Mr. José Antonio Colomer Guiu	Member	Independent
Mr. Antonio Miguel-Romero de Olano	Member	Nominee
Ms. María del Pilar Perales Viscasillas	Member	Independent

2. Competences

The Audit and Compliance Committee has the following competences in accordance with Article 10 of the Regulations for the Board of Directors:

- a) To inform the Annual General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, to explain how the said audit has contributed to the integrity of the financial and non-financial information and role that the Committee has played in that process.
- b) To supervise the efficiency of the Company's internal control, internal audit and financial and non-financial risk control and management systems, as well as to discuss with the External Auditor any significant weaknesses in the internal control system detected when carrying out audits, but without compromising the External Auditor's independence. For these purposes, recommendations or proposals may be presented to the Board of Directors, where applicable, together with the corresponding term for the monitoring thereof.
- c) To supervise the process for drawing up and presenting the mandatory financial and non-financial information, and to present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.
- d) To submit to the Board of Directors any proposals for the selection, appointment, reelection and substitution of the External Auditor, being accountable both for the selection process, as contemplated in the corresponding legislation currently in force, and for the conditions of its hiring, and regularly to gather information relating to the audit plan and its execution from the External Auditor, while preserving its independence in performing its functions.
- e) To establish appropriate relationships with the External Auditor in order to receive information concerning any issues that may jeopardize its independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited under the terms contemplated in the corresponding legislation currently in force for auditing accounts, on independent status, as well as other communications envisaged in account audit legislation and auditing standards. In any case, they must receive annual written confirmation from

the External Auditor of its independence from the company or companies directly or indirectly linked to it, as well as the detailed and individualized information concerning additional services of any type rendered and any professional fees received corresponding to these companies by said External Auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation in force.

- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the External Auditor has been compromised. In any case, this report must contain the reasoned evaluation of the provision of each and every one of the additional services to which the above letter makes reference, considered individually and jointly, apart from those concerning legal audits and in relation to the independent status or with the regulatory statutes for account auditing activity.
- g) To ensure that, as far as possible, the External Auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the Internal Audit function; to propose the selection, appointment, reelection and removal of its most senior management, as well as its annual budget, and the annual internal audit work plan; to receive regular information on its activities; and to check that the C-Suite takes the conclusions and recommendations of its reports into account.
- i) To give prior notification to the Board of Directors of all matters stipulated by Law, in the Bylaws or in this Regulation, specifically with regard to:
 - Financial information that the Company must periodically make public.
 - Creating or acquiring shareholdings in companies with a special purpose or companies that are registered in countries or territories considered to be tax havens.
 - Transactions with related parties.
- j) To establish and supervise a mechanism that allows employees and other people related to the company, such as board directors, shareholders, providers, contractors or subcontractors, to communicate potentially significant irregularities related to the company, including financial and accounting irregularities, and those of any other nature, that they observe

within the company itself or within its Group. This mechanism must guarantee confidentiality and, in any case, envision situations where communications can be made anonymously, respecting the rights of the whistleblower and the accused party.

- k) To ensure in general that the internal control policies and systems established are effectively implemented in practice.
- l) To verify the application of the established good governance regulations at all times.
- m) To monitor compliance with internal and external regulations, especially with internal codes of conduct, standards and procedures for the prevention of money laundering and financing terrorism, as well as to make proposals for their improvement.
- n) To supervise the adoption of initiatives and measures resulting from inspection reports or actions by administrative authorities responsible for supervision and control.

3. Operational framework

As laid down in the Board of Directors' Regulations, the Audit and Compliance Committee usually meets on a quarterly basis, as well as holding any other ordinary or extraordinary meetings whenever required, attended by the Group Chief Internal Audit Officer.

During the 2020 fiscal year, the Committee met eleven times¹, whereby the main topics addressed were as follows:

- **Information for the Annual General Meeting:**

The Chairman of the Audit and Compliance Committee, and the other members of the Committee, attended the Annual General Meeting held on March 13, 2020. The shareholders did not raise any questions regarding matters within its remit.

- **Economic/financial information**

¹ Independently of the above meetings, the Audit and Compliance Committee has adopted resolutions through written procedure, without a meeting.

In accordance with its assigned competences, the MAPFRE Audit and Compliance Committee verified the following documentation in 2020:

- Management Report and Individual and Consolidated Annual Accounts of MAPFRE S.A. and its subsidiaries for 2019.
- Solvency and Financial Condition Report of the MAPFRE Group and the subsidiaries residing in Spain that carry out insurance and reinsurance activities.
- The Integrated Report for 2019, which follows the guidelines and recommendations of the International Integrated Reporting Framework.
- Report on the limited review of intermediate, summarized, consolidated financial statements of MAPFRE S.A. corresponding to the interim period ending on June 30, 2020.

- **Information to the Board of Directors**

The Audit and Compliance Committee gave a favorable report to the Board of Directors on the information that MAPFRE sends to the National Securities and Exchange Commission (the "CNMV") every quarter. This economic and financial information is reviewed in advance by the Internal Audit Corporate Area.

- **Internal Audit Supervision**

The Audit and Compliance Committee has been informed of the Annual Internal Audit Plan for fiscal year 2020 for MAPFRE and its subsidiaries, which includes the Annual Report for 2019, the Audit Plan for 2020, the structure and budget for the Unit and the training for internal auditors.

The Audit and Compliance Committee also received and reviewed the Internal Audit Unit Activity Reports, which are issued quarterly by the Internal Audit Corporate Area and which place special emphasis on significant issues arising during the quarter relating to the internal audit reports and internal control. These reports also include monitoring compliance with the objectives of the Audit Plans, the implementation of the recommendations, information on auditor training and collaboration with the external auditor and other areas within the company. Detailed information was presented periodically to the Committee on the monitoring and progress of the recommendations.

The objectives for the Internal Audit Plan for the fiscal year 2021 have also been presented for approval by the Committee and subsequent ratification by the Company's Board of Directors.

The Committee also approved the Internal Audit Unit's budget for the fiscal year 2021.

Furthermore, the Committee has been informed of the various different appointments for senior management of the Services and Internal Audit Units during 2020.

Finally, the Audit and Compliance Committee agreed to update the Internal Audit Bylaw.

- **Internal control and risk management**

The evaluation reports for the internal control system of the MAPFRE Group's Spanish insurance and reinsurance companies relating to fiscal year 2019 and prepared by the Internal Audit Corporate Area were presented to the Audit and Compliance Committee.

With regard to the Internal Financial Information Control System (SCIIF), the Audit and Compliance Committee received an Audit Report from KPMG titled "Information relating to the System for the Internal Control over Finance Information" corresponding to 2019, which summarized the internal control procedures established by MAPFRE S.A. with regard to annual financial information.

The Committee was also provided with the Own Risk and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (FCR), the Regular Supervisory Report (RSR) and the Quantitative Reporting Templates (QRTs).

Moreover, in relation to the revision of Risk Management and Solvency II, the Committee was informed of the most important aspects implemented by Internal Audit as part of its duties to oversee the risk management system, such as the audits on Solvency II and internal control, and the risk-based audit plan.

- **External auditing**

The Audit and Compliance Committee was informed of the budget for the external audit of the Individual and Consolidated Annual Accounts of MAPFRE S.A. and its subsidiaries for the 2020 fiscal year and approved the payment of extraordinary fees to KPMG as a result of the hours required to audit the annual accounts for the 2019 fiscal year corresponding to a number of MAPFRE companies. Similarly, the Committee authorized additional services to be provided by KPMG in a number of MAPFRE companies and the total amount for the fees to be received for said services.

KPMG presented the 2020 Annual Accounts Audit Plan to the Audit and Compliance Committee, which included the work schedule, the scope of the Group Audit, the members of the work team, preliminary risk assessment and the accounting and regulatory changes affecting the review period. Moreover, KPMG presented the Preliminary Memorandum of the Annual Accounts Audit for fiscal year 2020 to the Committee. These preliminary reports are issued by the audit firm for all MAPFRE subsidiaries on the Company's Interim Financial Statements as on September 30.

Furthermore, and with the aim of guaranteeing the independence of the external auditor, the Audit and Compliance Committee undertook quarterly monitoring of the fees invoiced by the main audit company for services other than auditing Annual Accounts and supervised the relation between the fees paid to the audit firm and the total revenue of the latter, which according to the Regulations for MAPFRE S.A. Board of Directors should not exceed 5 percent.

The external auditor, KPMG, attended the meetings of the Audit and Compliance Committee to discuss matters relating to the Annual Accounts audit, the limited review reports at June 30, 2020 and the preliminary reports prior to the audit of the Annual Accounts audit, as well as matters concerning the limited review process of the Solvency and Financial Condition Report of the MAPFRE Group and its subsidiaries residing in Spain that engage in insurance and reinsurance activities.

Furthermore, and with the aim of verifying the information and contributing to the principle of transparency in matters of Corporate Social Responsibility, the external auditor, KPMG, was responsible for verifying the non-financial information in MAPFRE's Integrated Report

corresponding to the 2019 fiscal year; this report was verified by the Committee. The Committee was also informed of the fees proposed by KPMG for issuing the report verifying the non-financial information in the 2020 Integrated Report.

- **Related-party transactions**

The Audit and Compliance Committee published a report on related-party transactions in the 2019 fiscal year, to be made available to shareholders at the Annual General Meeting.

The Committee also analyzed in advance related-party transactions carried out in 2020 between MAPFRE Group companies and significant shareholders and Senior Representative or Senior Management Roles at MAPFRE, under the terms established in legislation currently in force. The Committee prepared the relevant report that was provided to the Board of Directors for its approval, if appropriate, of the related-party transaction.

- **Regulatory and legal compliance**

The Committee was provided with a report on regulatory compliance actions in 2019 and the verification plan for 2020.

Similarly, the Committee was informed of the degree of compliance by the MAPFRE Group with the Corporate Policies and the policies adopted as a result of the guidelines framework established by Solvency II.

Moreover, the Committee was provided with information on the degree of compliance with and the development of the Criminal Prevention Model.

- **Supervision of a mechanism for reporting irregularities**

The Audit and Compliance Committee was informed of the activities carried out in 2019 by the Financial and Accounting Whistleblower Channel.

The Audit and Compliance Committee also agreed to update the Operating Rules for the Financial and Accounting Whistleblower Channel to adapt its content to the new recommendations of the Code of Good Governance for companies listed on the National Securities and Exchange Commission (the "CNMV").

- **Other business**

In addition to those previously described, the Audit and Compliance Committee also addressed the following matters during the 2020 fiscal year:

- Fiscal Policies applied in 2019, in compliance with the recommendations contained in the Code of Best Taxation Practices.
- Main issues addressed and agreements adopted by the Audit Committees for MAPFRE subsidiaries.
- Assessment of the composition and functioning of the Committee during the 2019 fiscal year in accordance with the provisions of Recommendation No. 36 of the Code of Good Governance for companies listed on the National Securities and Exchange Commission (the "CNMV"), with unanimous agreement to qualify its composition and operation in this fiscal year as very satisfactory.
- Information requirements from the National Securities and Exchange Commission (the "CNMV") in relation to the Company's financial information and the operation of the Audit and Compliance Committee.
- Repeal of the MAPFRE Treasury Stock Policy.
- Information on legislative developments and accounting criteria for the preparation of mandatory financial information.
- Research work on alleged irregular matters.

4. 2020 assessment

The assessment was carried out based on the review of the corporate information and the self-assessment questionnaires carried out by each board director.

The result of the Audit and Compliance Committee's assessment on composition and operation in 2020 was very positive, and did not give rise to any observations or suggestions for improvement from its members.

The Audit and Compliance Committee has therefore unanimously agreed to submit this report to the MAPFRE S.A. Board of Directors so that the latter may evaluate the operation of the Committee during 2020 based on the report content.

Madrid, February 9, 2021
Committee Secretary

Ángel L. Dávila Bermejo