



REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED AMENDMENT TO  
ARTICLE 22 OF THE COMPANY BYLAWS

Madrid, 9th February 2016

## I. BACKGROUND AND JUSTIFICATION OF PROPOSAL

This report has been issued by the Board of Directors of MAPFRE S.A. (“**MAPFRE**”), in accordance with the provisions of article 286 of the Recast Text of the Spanish Companies Act, in relation to the proposed amendment of article 22 of MAPFRE’s Company Bylaws, governing the regulation of the Audit Committee.

Section 20 of Final Provision Fourth of Law 22/2015, of 20th July, on Auditing, which will come into force on 17th June 2016, amends article 529. quaterdecies of the Recast Text of the Spanish Companies Act, which governs the composition and operation of the Audit Committee of listed companies. Accordingly article 22 of the Company Bylaws will be adapted to said regulatory amendment, with effect from 17th June 2016.

In this context, and without prejudice to minor wording changes or adaptations, the following amendments are proposed:

- Amend the composition of the Audit Committee in order to establish that most of its members are independent directors and, as a whole, the members of the Committee have the necessary technical knowledge in relation to MAPFRE’s sector of activity.
- Amend the functions of the Audit Committee in order to include (i) in section a), the Committee’s duty to inform the General Meeting with regard to the result of the audit, explaining how it contributed to the integrity of financial information and the role played by the Committee in that process; (ii) in sections b) and c), the Committee’s capacity to present recommendations or proposals to the Board of Directors; and (iii) in section e), the Committee’s power to authorize services distinct to those prohibited by applicable legislation on accounts audit.

## II. PROPOSED RESOLUTIONS

- Amend, with effect from 17th June 2016, article 22 of the Company Bylaws, which shall read as follows:

*The Audit Committee shall be composed of a minimum of three and a maximum of five members, all of whom shall be non-executive members. Most of its members, at least, shall be Independent Directors, and one of them shall be appointed taking into account his or her knowledge and experience on accounting, auditing or both issues. As a whole, the members of the Committee shall have the necessary technical knowledge in relation to the Company’s sector of activity. Its Chairman shall be an Independent Director, who shall be replaced every four years and may be re-elected after one year has elapsed since he or she stepped down. Its Secretary shall be the Secretary of the Board*

*of Directors, and a Vice-Secretary may also be appointed, for which position it will not be necessary to be a Director.*

*This Committee shall have the following functions:*

- a) To report to the Annual General Meeting with regard to issues raised about any matter within the remit of the Committee and, in particular, about the result of the audit explaining how it contributed to the integrity of financial information and the role played by the Committee in that process.*
- b) To oversee the effectiveness of the Company's internal control, internal audit and risk management systems, as well as to discuss with the External Auditor any significant weaknesses detected in the internal control system in the course of an audit, all the foregoing without detriment to its independence. For these purposes, and where required, it may submit recommendations or proposals to the Board of Directors, indicating the time needed for their monitoring.*
- c) To supervise the preparation and reporting of regulated financial information and submit recommendations or proposals to the Board of Directors, aimed at guaranteeing its integrity.*
- d) To submit proposals to the Board of Directors for the selection, appointment, re-election and replacement of the External Auditor, taking responsibility for the selection process in accordance with applicable laws, as well as with regard to its contractual conditions, and regularly receive information from the External Auditor regarding the audit plan and its execution, while preserving its independence in the exercise of its duties.*
- e) To establish the necessary relationships with the External Auditor to receive information on those issues that may compromise its independence, for their consideration by the Committee, and any other relationships referring to the development of an accounts audit and, where required, the authorization of services different from those prohibited by applicable legislation on accounts audit, its independence, as well as those communications envisaged by law with regard to accounts audits and audit rules. Under all circumstances, it shall receive from the External Auditor on a yearly basis a written confirmation of its independence from the entity or entities linked thereto, both directly or indirectly, as well as detailed and specific information on any additional services of whatever nature provided and the corresponding fees received from said entities by the aforementioned External Auditor, or by persons or entities linked thereto in accordance with the legislation in force on accounts audits.*
- f) To draw up an annual report –before the accounts audit report is issued– delivering an opinion on the independence of the External Auditor. This report shall contain, in any case, a justified assessment of the provision of any and all additional services referred to in the previous section, considered both individually and in aggregate, other than those referring to legal audits*



*and related to the independence of the External Auditor or to the regulations governing the audit activity.*

- g) To inform the Board of Directors in advance of all issues provided for by Law, these Company Bylaws and the Regulations of the Board of Directors, and in particular with respect to the financial information that the Company must disclose on a periodic basis, the creation or acquisition of interests in special purpose vehicles or in entities registered in countries or territories regarded as tax havens, and operations with stakeholders.*

\*\*\*\*\*