



INTERNAL CONTROL POLICY OF THE MAPFRE GROUP

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1. Background

This Internal Control Policy updates the procedures and methodologies on this subject, which were already included in *MAPFRE's Internal Control Plan* and *Internal Control Policy* approved in July 2008 and February 2010, respectively, by the Board of Directors of MAPFRE, S.A.

MAPFRE has adopted the following definition of Internal Control “*Set of ongoing processes, which are effected by the Governing Bodies and designed to provide reasonable assurance, within the framework of the Institutional, Business and Organizational Principles of the MAPFRE GROUP, regarding the achievement of MAPFRE's objectives in relation to the efficiency and effectiveness of operations, reliability of information (financial and non-financial, and both internal and external), as well as compliance with applicable laws and regulations*”.

2. Scope

This policy shall be applicable in MAPFRE, both at company and GROUP levels.

All the managers and employees of the GROUP must know and observe this policy.

3. Internal Control System

The Internal Control System provides an eminently practical approach, as it considers that an internal control system represents an opportunity to improve:

- Internally, the efficiency and effectiveness of processes;
- Externally, the confidence of stakeholders (customers, distributors, suppliers, shareholders, the society, the Administration, etc.);
- The availability of resources (reducing the number of undefined or uncontrolled risks implies releasing current resources).

Due to its nature, Internal Control involves all people, irrespective of their professional level within the organization, who collectively contribute to providing reasonable assurance on the achievement of the objectives mainly regarding to:

- Operations objectives: Effectiveness and efficiency of operations, differentiating the insurance operations (mainly underwriting, claims, reinsurance and investment) as support operations and functions (Human Resources, Administration, Commercial, Legal, IT, etc.).
- Reporting objectives: Trustworthiness of information (financial and non-financial, both internal and external) regarding its reliability, timeliness or transparency, among others.

- Compliance objectives: Compliance with applicable laws and regulations.

3.1. Three Lines of Defense Model

In MAPFRE, the Board of Directors of MAPFRE, S.A. is the ultimate responsible body for the Internal Control System, which defines the common Internal Control framework and ensures its adequate functioning.

The Board of Directors is supported by the Steering Committee and the Management teams of each company, corporate area and other departments in the implementation, updating and monitoring of the tasks and processes regarding on the achievement of the Internal Control System objectives.

For its development in the organization, the MAPFRE Internal Control System is based on the model of three lines of defense in which there is:

1. A first line of defense made up by the employees, the management and operations, business and support departments which are responsible of maintaining an effective control on a day- to-day basis. They are, therefore, those that take the risks, responsible for designing and applying the control mechanisms needed to mitigate the risks associated to the developed processes, and responsible for assuring the risks do not exceed the set limits.

Their main functions are aimed to:

- Implement the internal control system and enhanced the control environment.
- Apply the rules and conduct standards.
- Establish and implement the policies and procedures in its scope of action which address what is expected to be achieved and the activities to be developed. It will also revise its adaptation to business conditions.
- Identify and know the risks that may hinder the operations or developed activities, both the achievement of its personal objectives and its department objectives.

In the identification process, changes in the economic, regulatory, sectorial and physical environment in which the organization operates, as well as changes in the own business model and operating environment should be considered (new lines of business, acquisitions or significant disinvestments, changes with respect to the reliance on operations abroad or new technologies, etc.).

- Establish controls to prevent or mitigate the risks to which it is exposed and execute them in a timely manner, keeping evidence of its realization as well as the result of their application.
- Adopt, document and maintain at every moment adequate control procedures. Among others, should be highlighted: authorizations and approvals, segregation of responsibilities, verifications, reconciliations, physical controls, monitoring of compliance with the exposure limits agreed and operating principles, security controls, data protection, access to hardware, systems and data, maintenance of the integrity of records and information, etc.

- Develop business continuity plans that allow to timely and effectively respond to any high-impact incident, thus minimizing the damage caused and facilitating the continuity of operations.
 - Define and develop an adequate IT internal control framework which ensures that technology supports the achievement of objectives with a clear segregation of responsibilities.
 - Prepare and exchange adequate and sufficient information with the areas or personnel of the organization with whom it is related, and communicate relevant and necessary information for decision making.
 - Promote the use of internal communication channels for the transmission of information to provide an efficient communication.
2. A second line of defense made up by the key functions of risks management, actuarial, compliance and others assurance functions, which guarantee the internal control functioning.

The main responsibilities of the key function of risks management regarding on internal control are:

- Establishment of risk tolerance levels (defined as the level of deviation that the organization is willing to take).
 - Maintain an effective risk management system that comprises the strategies, processes and reporting procedures required to continuously identify, measure, monitor, manage and report the risks to which entities are or could be exposed.
 - Promote the control of risks by processes in the organization through the evaluation of potential risk indicators and control indicators, and the establishment of indicators to monitor their performance.
 - Development of ongoing evaluations to assess the presence and functioning of the Internal Control System.
3. A third line of defense made up by Internal Audit, which provides independent assessment of the adequacy, appropriateness and effectiveness of the Internal Control System and communicates eventual weaknesses timely to whom is responsible for taking the corrective measures, including Top Management and Governing Bodies, as appropriate.

3.2. Structuring the objectives of the Internal Control System and the lines of defense

The following table shows the structuring of the objectives of the Internal Control System through the Three Lines of Defense Model:

Objectives	Responsibilities		
	1st Line	2nd Line	3rd Line
1. Effectiveness and efficiency of operations 1.1. Insurance activity operations	Business and Customers Area Operations Area Reinsurance Area Investment Area	Risks Management	Internal Audit

1.2. Support activities operations	Others areas Support functions		
2. Trustworthiness of information			
2.1. Accounting, financial and solvency information	Financial Area	Internal Accounting control / Risks Management	
2.2. Other information (non financial / economic)	Others Areas		
3. Compliance	All Áreas	Compliance	

4. Approval, effective date and reviews

The Internal Control Policy of MAPFRE was approved by the Board of Directors of MAPFRE, S.A. on February 2010, when it entered into force, and was modified on 17 December 2015 and 21 December 2017

This Internal Control Policy, when necessary, allows specific developments and amendments in the companies, previously approval by the Risk Management Area of the GROUP.

It shall be revised at least on a yearly basis, and it may be amended at any moment subject to the approval of the Board of Directors of MAPFRE S.A. in order to adapt it to any significant change that may affect any of its contents.

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Approved on 3 February 2010

Last modification approved on 21 December 2017