



MAPFRE U.S.A. Corp.

**Task-Force on Climate-related Financial Disclosure
Report for 2021**

November 30, 2022

MAPFRE S.A. (“MAPFRE” or the “Group”) is organized under the laws of Spain and the parent company of the MAPFRE Group which carries out international insurance, reinsurance and other service activities through its network of subsidiaries in 44 countries on five continents. MAPFRE Internacional S.A. (“MAPFRE Internacional”), which is a sociedad anonima organized under the laws of Spain, is a wholly-owned subsidiary of MAPFRE S.A. that handles the direct insurance business outside of Spain and Latin America, including the United States. MAPFRE Internacional wholly owns MAPFRE U.S.A. Corp. (“MAPFRE USA”), which carries out MAPFRE’s insurance activities in the mainland United States. Acquired by MAPFRE in 2008, MAPFRE USA is the U.S. insurance holding company.

I. Governance

Disclose the organization’s governance around climate-related risks and opportunities.

Climate change is a highly visible subject on the public agenda of all countries and the energy transition toward a decarbonized economy is underway. In 2015, MAPFRE S.A. established a Corporate Social Responsibility Policy that evolved into a more complete Sustainability Policy. This new model was approved by the Board of Directors of MAPFRE S.A. on April 29, 2021. This policy provides a framework so that any MAPFRE Group company can implement and promote socially responsible behavior. Additionally, it now includes more complete criteria in environmental, social and governance (ESG) and international commitments, and its strategy of action related to stakeholders. The Sustainability Committee was created to monitor and ensure the policy’s effectiveness.

The environmental commitment of MAPFRE is based on three fundamental areas as detailed below:

Integrating the Environment into the business

- Integration of environmental criteria: in processes for analyzing risks and decision-making for investment operations; in the management of the supply chain, the management of real estate and in other processes that may have an environmental and energy impact; and/or impact related to climate change.
- Development of products and services that contribute to improving environmental risk management, sustainable energy use and the reduction of greenhouse gas emissions.

Environmental management

- Compliance with applicable legislation in force, as well as other voluntary commitments and adoption of measures for continuous improvement through the development of an Integrated Environmental, Energy and Climate Change Management System. This system will set periodic objectives that can be verified by performing audits and will include the information and resources necessary to reach its annual objectives and goals.
- Rational use of resources in order to reduce its carbon footprint, by controlling resources to minimize the consumption of water, paper and energy. Also, reduce the generation of waste and encourage recycling, through the implementation of good environmental, energy and eco-efficient practices, as well as promoting the use of renewable energy and offsetting greenhouse gases emissions.

Promoting environmental responsibility within the Group

- Promotion of environmental culture and awareness among its staff (necessary training will be provided as appropriate). This culture and awareness are deemed the responsibility of all employees and consequently, each employee is responsible for performing activities in accordance with existing environmental regulations and procedures.
- Availability of resources for employees to help achieve the goals set by MAPFRE concerning environmental management, energy efficiency and processes for mitigating and adapting to climate change, contributing to sustainable development.
- Development of initiatives designed to achieve greater societal awareness of aspects concerning the environment, energy and climate change through awareness-raising and dissemination activities aimed at various groups, as well as the inclusion of these aspects in the value chain.
- Contribution to research, development and dissemination of scientific and technological knowledge with the goal of environmental conservation, the preservation of biodiversity and of energy resources and the response to climate change, as well as participation in national and international forums which promote and support the development of related initiatives.

II. Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

The Sustainability Strategy of MAPFRE focuses on the major global and social challenges faced worldwide: climate change, the circular economy, inclusion and talent, financial and insurance education, the economics of aging and the UN Agenda of 2030. Climate change is one of the great challenges of our time, and the term “climate emergency” is used to reflect both its magnitude and the need for urgent action on adaptation and mitigation measures.

With the objective of being an active player in this necessary and urgent transformation toward a low carbon economy, MAPFRE has defined its strategy to combat climate change through the following actions:

1. Integration of the climate change variable within the business, by incorporating the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) in financial planning, as well as including ESG aspects in the decision-making processes regarding investment, underwriting and defining low carbon products.
2. Decreasing MAPFRE's environmental footprint through rigorous measurement and establishing carbon neutrality objectives, among others.
3. Promotion of the circular economy, minimizing waste production from activity and positioning the Group as an agent of change in the transition to this type of economy by promoting products and services and supporting companies specialized in the sector.
4. Through biodiversity preservation--raising awareness and supporting initiatives to protect the ecosystems that are most sensitive to the effects of climate change.

MAPFRE continues to review and consider climate change as an aspect of financial planning, from both a risk and an opportunity perspective according to the recommendations of the TCFD set up by the Financial Stability Board. For this reason, MAPFRE, along with other global insurers and reinsurers, is part of the United Nations Environment Program Finance Initiative (“UNEP-FI”) Working Group. The main objective of this group is to analyze scenarios that allow metrics and financial models to be developed to adequately estimate the possible implications of climate change on business.

In addition, MAPFRE has been part of the Carbon Footprint Working Group, promoted by the Chief Risk Officer (“CRO”) Forum, which in May 2020 published its methodology for calculating the carbon footprint of risks underwritten by insurance and reinsurance companies that can serve as an industry standard.

Investment Philosophy

Socially responsible investment is constantly evolving, following the pace of great global trends in relation to the risks and opportunities of ESG factors. In 2017, MAPFRE began adhering to the Principles for Responsible Investment (“PRI”) and established the framework for action of the Group on Socially Responsible Investment (“SRI”), which focuses on incorporating ESG factors and other key aspects to its decision making process when seeking to create long-term value in its investments. .

The principles of SRI coexist with the obligation assumed by the Group as the custodian of clients’ savings and investments and the strength of their own balance sheet. Therefore, prudent investment criteria are adhered to, seeking long-term value creation through the application of ESG factors alongside traditional information.

MAPFRE has its own ESG analysis framework that is reviewed periodically to incorporate best practices in this area. It also has a qualified SRI working group and, in addition, has an Investment Risk Committee which periodically analyzes the composition of portfolios, its ESG evaluation and analyzes any controversial issues that may arise. Within the scope of the SRI, the investment team performs the following functions:

- Regularly issues ESG reports, which are analyzed by the SRI team prior to their presentation by the Risk Committee.
- Constant monitoring in order to alert on any controversies or risks in the ESG field that may arise during the normal course of operations, and to inform the Risk Committee.
- The investment team is responsible for applying any grounds for exclusion approved by MAPFRE.

In the case of management delegation, the company that is managing the portfolios shall be informed so that exclusions are applied, with the time limit of their implementation being determined by common agreement. MAPFRE’s Corporate Investment Area is responsible for ensuring the organization complies with the established responsible investment principles and submits an annual report to the Sustainability Committee.

MAPFRE applies the philosophy of SRI to the Group’s entire balance sheet. In 2019, a commitment was established not to invest in electricity companies that earn over 30 percent of their revenue from coal-produced energy. In line with this commitment, MAPFRE does not invest in companies with plans for energy expansion of more than 3 gigawatts (GW) based on coal.

The Group has also chosen not to invest in mining companies that obtain 30 percent or more of their revenue from the mining or production of more than 20 million tons of thermal coal per year.

Regarding Reinsurance underwriting, these commitments have been transferred in full to the Underwriting Policy for specific acceptances of these risks, and applies to the entire Group.

III. Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Given the overall nature of the Group, proper risk management and organizational flexibility are vital. MAPFRE has internal control processes and an effective risk management system that complies with local regulations and promotes actions for risk management, identification of emerging risks, training, and dissemination of information related to the risk culture within the organization.

MAPFRE has a Risk Management System (RMS) based on continuous and integrated management of each of the business processes and on the suitability of the level of risk to the strategic objectives, consolidating said management by area, business unit, activities, subsidiaries, geographical areas and corporate support areas.

The Board of Directors of MAPFRE establishes a risk level the Group is prepared to assume in order to achieve its business objectives without any significant deviations, even in adverse situations. That level, which defines limits and sub-limits per risk type, constitutes MAPFRE's risk appetite. On a quarterly basis, the governing bodies receive information updates regarding the quantification of the main risks to which the Group is exposed and the capital resources available to address them. In general, assigned capital is established based on estimates in accordance with the budgets from the preceding year. The assigned capital is periodically reviewed throughout the year depending on the development of risks.

MAPFRE's structure is based on units and companies with a high degree of management autonomy. The Group's governing and management bodies approve risk management actions to be taken by the units and companies and constantly evaluate their exposure to risk using indicators and ratios. All significant aspects related to risk management are handled by the Group Risk Office, which releases guidelines and reference criteria to be followed by the risk areas within individual companies (with local revisions applied as needed).

In addition to the quantitative treatment of risks, the main areas or departments of the Group's entities assess risks that could pose a threat to the fulfillment of its business plan, its rating objectives or regulatory capital, or the ability to maintain the proper level of capitalization. Natural catastrophes as a result of climate change has been identified as an emerging risk that could have a material impact on MAPFRE in the future.

As a consequence of climate change, the possibility of an unusual concentration of catastrophic claims due to extreme weather events, could put a strain on resources and capacities necessary for claim management. This risk is managed based on technical rigor in the underwriting area (highlighting the selection of risks, the control of accumulations,

the adequacy of rates, and an effective policy regarding the dispersion of risks through reinsurance). In addition, MAPFRE RE (i.e., MAPFRE's internal Reinsurer) is responsible for the advice and placement of reinsurance protections, as well as ensuring adequate exposure control and catastrophic risk management for the Group as a whole. MAPFRE RE understands each Company is unique and therefore relies on input and analysis from them in order to make informed reinsurance decisions.

MAPFRE also has specialized analyses of catastrophic exposure. This is generally carried out by independent experts who estimate the extent of the losses in the event of a regional catastrophic event. Stress tests are performed periodically to analyze scenarios which produce likely outcomes if the event materialized. Taking action during natural disasters requires an appropriate forecast of these events and a correct assessment of the losses incurred, both of which are essential to manage the company.

MAPFRE RE is entrusted with various tasks related to exposure control and catastrophic risk management of the Group. It also provides adequate reinsurance coverage to each of the companies individually and the Group as a whole. MAPFRE's framework of catastrophic risk management includes several functions:

- Accumulation control: addressing all catastrophic exposures that the companies face and that may be affected by a natural disaster.
- Modeling of catastrophic risks: knowing all information about exposures, estimating probabilistic loss scenarios to calculate the possible financial impact of natural disasters.
- Design of reinsurance protections: appropriate to cover the risks that MAPFRE does not wish to retain and to ensure that catastrophic events do not compromise the Group's solvency or liquidity.
- To monitor and manage credit risk that the Group is exposed to through reinsurance placements, as well as possible liquidity risk exposures.
- Contingency plans: in the event of a catastrophic occurrence, MAPFRE's ability to continue serving its clients becomes critical. Business continuity plans have been developed, implemented, tested and updated to ensure MAPFRE's ability to recover effectively and efficiently from serious contingencies, thus meeting its obligations to its clients and other stakeholders. The activation of plans makes it possible for each company to resume its operations in a period of time that does not compromise its continuity and allows services required by its clients to be provided.

In addition, for the underwriting of global risks, MAPFRE has developed an internal ESG evaluation model. This model is used during the decision-making process to evaluate a company's ESG risk exposure, which includes the countries and sectors in which the company has been exposed as well as a reputational risk analysis. The model assigns a rating to the operation, from AAA (best evaluation) to a D (worst evaluation). According to this evaluation, different levels of authorization are established: for a CC, C and D rating, the authorization of the Large Risk Unit Steering Committee is required. Where appropriate, the additional authorization of the CEO is also required. In this case, if the

operation is authorized, the Group Sustainability Office is informed and corresponding mitigation measures are implemented.

Finally, as previously noted in the Strategy section, MAPFRE has participated in the UNEP FI pilot project. This project is assessing the impact of climate change and how to incorporate the recommendations of the TCFD in the insurance industry. As a global insurer, MAPFRE has jointly pledged with other insurance companies to contribute to defining, analyzing, and commencing a standard of technical and financial action for the entire sector. Adopting these standards will help the insurance industry manage the risks and opportunities of transitioning to a low-carbon economy that will reduce the impact of climate change for society as a whole.

IV. Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

MAPFRE continues to make progress in its strategy to combat climate change, which is supported by the actions described below.

The Group measures its global environmental impact and establishes the objectives of reducing emissions and carbon neutrality, through the recently approved Corporate Environmental Footprint Plan 2021-2030, which is a follow-on to the Corporate Plan for Energy Efficiency and Climate Change 2014-2020. With this new Environmental Footprint Plan, MAPFRE has created new targets up to the year 2030. These include:

- 50 percent reduction in carbon footprint (TonCO₂e).
- Group commitment to carbon neutrality for all remaining regions by 2030.
- 40 percent reduction in energy consumption (kWh).
- Consumption of 100 percent of electricity from renewable sources.
- 20 percent reduction in business trips (plane, train, car) and implementation of 100 percent electric vehicle fleet.
- 25 percent reduction in paper consumption (kg).
- 25 percent reduction in water consumption (m³).
- Recovery of 90 percent of the waste generated (kg).
- Sustainable Certification in 50 percent of the surface of the main office buildings owned.
- Integration of the climate change variable within the business. Currently working on incorporating the recommendations of the TCFD with a goal to have them fully integrated as of 2024, as well as the inclusion of ESG criteria both in investment and in the underwriting and definition of low-carbon products.
- Promotion of the circular economy. Minimizing the generation of waste in our activity and being positioned as an agent of change in the transition to the circular

- economy by promoting related products and services and supporting companies specializing in the sector.
- Biodiversity preservation. Raising awareness of and support initiatives for the protection of ecosystems that are most sensitive to the effects of climate change.
 - Preferred Network of tow operators and repairs shops trained in repairable parts and repair methods.

A summary of action taken in support of the 2014-2020 Climate Change and Energy Efficiency Strategic Plan include:

- Making the Carbon Footprint part of SIGMAYEc³ (Integrated Environmental, Energy and Carbon Footprint Management System): Developing a corporate carbon footprint reporting and calculation model in the countries where MAPFRE operates.
- Expanding the SIGMAYEc³ Corporate Model: Gradually implementing ISO 50001, ISO 14001 and ISO 14064 standards across all buildings and countries in which MAPFRE operates. Managing consumption and optimizing resources. Renovating and upgrading facilities and improving operational control.
- Green procurement: incorporating energy efficiency and climate change criteria into the process when selecting services that will have the greatest positive impact on MAPFRE's carbon footprint, such as contracts with electric and gas utilities, shuttle services, supply of paper and office equipment and vehicle fleets.
- Conservation policies for office equipment: Implementing energy management systems to shut down employees' computers remotely.
- Eco-efficient offices: Implementing solutions to improve the energy performance of the direct and delegated offices of MAPFRE's commercial network.
- Developing and launching employee awareness campaigns, such as the "Cool Biz" campaign to get employees to dress accordingly based on the temperature outdoors.
- Sustainable mobility: providing employees with sustainable mobility services and options as viable alternatives to using their own car: shuttle service linking the main connection points for employees working at certain main offices, or the "Carpooling" initiative.
- Telecommunications: developing teleworking while encouraging and enabling the use of telephone and videoconferencing to reduce employee travel.

Current environment-related Certification Status

- 15,140 employees / 44 Buildings under ISO 14001 environmental certificate.
- 7,864 employees / 25 Buildings under ISO 50001 energy management certificate.
- 26,344 employees under verification of the ISO 14064 carbon footprint.
- 13 international headquarters (34.6%) have sustainable construction certification.
- Management system in accordance with AENOR's ISO 20121 standard.

Energy Efficiency Indicators

During 2021, the Group's energy consumption was reduced by 23,064,812 kWh compared to 2019, which represents a 15.3 percent decrease, exceeding the targets of 2 percent and 2,950,124 kWh for 2021. In 2021, the Group's headquarters (Spain) installed additional solar panels that increased the amount of power it can generate by approximately 2.5 GWh per year. By the end of 2022, the Group's headquarters should source nearly 30 percent of its current energy consumption from its on-site solar power system. In 2021, a total of 586,322 kWh of solar power was generated through the solar in Spain, Mexico and the Dominican Republic.

Global Environmental Achievements 2021

- Carbon neutrality in Spain and Portugal
- 39.5% reduction carbon footprint in 3 years
- 586,322 kWh of photovoltaic (solar) generation 5% self-consumption
- Pact for the Circular Economy, Chamber of Commerce, Spain
- Headquarters certified in accordance with Zero Waste Regulation (AENOR)

MAPFRE USA Environmental Achievements 2019-2021

- Obtained ISO Certification 14001 & 14064
- Eliminated the use of electric shredders
- Installed energy efficient lighting throughout MA & AZ offices
- Promoted environmentally friendly commuting
- Implemented cell phone/battery recycling program in MA offices
- Reduced paper usage by reduction the number of individual printers
- Repurposed obsolete inventory vs discarding
- Replaced dual-stream recycling with single stream (all item) recycling
- Analyzed 5 initiatives for reducing CO2 emissions
 - Hybrid/Electric Fleet
 - EV car charging stations
 - Purchase and use of Fuel Cells
 - Purchase of renewable energy certifications
 - Use of solar panels