



**MAPFRE U.S.A. Corp.**

**Task-Force on Climate-related Financial Disclosure  
Report for 2022**

August 31, 2023

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 38 countries through 197 companies employing 31,293 people in 2022. 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.*

MAPFRE’s Board of Directors directs, manages, and represents the company and its subsidiaries, and has full powers of representation, regulation, and management. It is the MAPFRE Group’s highest decision-making and supervisory body which oversees all of its subsidiaries. In particular, the company’s Board of Directors is the body responsible for establishing and supervising the Group’s sustainability policy and strategy.

The energy transition toward a decarbonized economy is currently underway with climate change being a widely visible topic on the public agenda of all nations. In 2015, MAPFRE S.A. established a Corporate Social Responsibility Policy that later 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. The policy provides a framework allowing any MAPFRE Group company to 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 Risk and Sustainability Committee was created to monitor and ensure the policy’s effectiveness. In particular, it approved the Sustainability Plan 2022–2024 as a roadmap for climate change management and the circular economy.

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**

- Adoption of steps for ongoing improvement through the creation of an Integrated Environmental, Energy, and Climate Change Management System, compliance with applicable laws that are now in effect, and other voluntary commitments. This system will include the data and resources required to meet its annual goals and objectives, as well as recurring targets that may be confirmed through audits.
- Utilizing resources sensibly to decrease the use of water, paper, and electricity will help the company lower its carbon impact. limit trash production and promote recycling by putting into practice eco-friendly, energy-efficient, and excellent environmental practices, as well as promoting the use of renewable energy and offsetting greenhouse gases emissions.

### **Promoting environmental responsibility within the Group**

- The promotion of environmental culture and awareness among its employees (required training will be offered as necessary). 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.
- Employee access to resources to aid in achieving MAPFRE's objectives concerning environmental management, energy efficiency and processes for mitigating and adapting to climate change, contributing to sustainable development.
- Development of efforts aimed at increasing public knowledge of environmental, energy, and climate change issues through awareness-raising and distribution activities directed at diverse groups, as well as the incorporation of these issues within the value chain.
- Participation in national and international forums that promote and support the development of related initiatives, as well as contribution to scientific and technological knowledge research, development, and dissemination with the goal of environmental conservation, biodiversity preservation, energy resource conservation, and climate change response.

## 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.*

MAPFRE has integrated major concerns about climate change risks into its business strategy from the preparation and launch of the Sustainability Plan 2019-2021. This is continued with the new Plan 2022-2024, which outlines a responsible method of doing business in both underwriting and investment and is cross-functionally connected with the creation of the Strategic Plan 2022-2024.

The primary global and societal issues addressed by MAPFRE's sustainability strategy include the economics of aging, inclusion and talent, the circular economy, climate change, 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.

MAPFRE has outlined its climate change plan through the following activities in order to be an active partner in this critical and urgent transition to a low-carbon economy:

1. Integration of the climate change variable within the business by incorporating the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations in financial planning, as well as including ESG aspects in investment, underwriting, and defining low carbon products decision-making processes.
2. Decreasing MAPFRE's environmental footprint through rigorous measurement and establishing carbon neutrality objectives, among others.
3. Promotion of the circular economy by reducing waste generated by activities and positioning the Group as a change agent in the transition to this form of economy by promoting products and services and assisting enterprises specializing in the field.
4. Through biodiversity conservation--raising awareness and funding projects to conserve ecosystems most vulnerable to climate change.

According to the recommendations of the Financial Stability Board's TCFD, MAPFRE continues to study and incorporate climate change as a component of financial planning, from both a risk and an opportunity standpoint. As a result, MAPFRE, together with other global insurers and reinsurers, is a member of the Working Group of the United Nations Environment Program Finance Initiative ("UNEP-FI"). This group's major goal is to examine scenarios that will allow financial models and metrics to be established to appropriately quantify the potential impacts of climate change on business.

Furthermore, MAPFRE has been a member of the Chief Risk Officer ("CRO") Forum's Carbon Footprint Working Group, which published its methodology for calculating the carbon footprint of risks underwritten by insurance and reinsurance companies in May 2020, which can serve as an industry standard. In addition to addressing climate change risk, the Group is reiterating its commitment to sustainability across all sectors of the company and consolidating its position as a business devoted to social responsibility, the environment, and society in general. MAPFRE addresses and manages the main climate change-related risks it faces, giving viability to its business plan through the following mitigation actions:

- Appropriate modeling, which will help to define premiums and rates for reinsurance companies in order to address the increase in natural disasters due to climate change.
- Permanent review of the technical underwriting conditions, the pricing of risks with exposure to weather events, as well as reinsurance protection or programs.
- Catastrophic exposure control and accumulation monitoring performed by MAPFRE RE (i.e., MAPFRE's internal Reinsurer), who advises the Group's insurance companies on the treatment of these risks.
- Internal data on natural-risk claims (hail, flooding, windstorms, etc.) and market data for catastrophic risk modeling analysis in order to effectively quantify climate change risk.

## **Investment Philosophy**

MAPFRE envisions itself as "the trusted insurance company" for its investors. In this context, an increasing number of investors, in addition to financial considerations, base their investment decisions on environmental, social, and governance criteria. In the future, the carbon footprint or reduction of greenhouse gas emissions may become one of the most important variables in terms of investor selection criteria.

Socially responsible investing is continually developing, following the pace of major global trends in terms of ESG risks and possibilities. MAPFRE began adhering to the United Nations' Principles for Responsible Investment ("UNPRI") in 2017 and established the Group on Socially Responsible Investment ("SRI") framework for action, which focuses on incorporating ESG factors and other key aspects into its decision-making process when seeking to create long-term value in its investments.

SRI principles coexist within the Group's role as custodian of customers' savings and investments, as well as the strength of their own balance sheet. As a result, prudent investment standards are followed, with the goal of creating long-term value through the use of social and environmental factors combined with traditional analytics.



MAPFRE has its own ESG analysis methodology, which is reviewed on a regular basis in order to include best practices in this field. It also has a competent SRI working group and an Investment Risk Committee that evaluates portfolio composition, ESG evaluation, and any problematic issues that may emerge. The investment team conducts the following activities as part of the scope of SRI:

- Regularly issues ESG reports which are analyzed by the SRI team prior to their presentation by the Risk Committee.
- Performs 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.

Regarding management delegation, the organization managing the portfolios must be notified so that exclusions may be implemented within the time limit specified by mutual agreement. MAPFRE's Corporate Investment Area is in charge of ensuring that the organization adheres to established responsible investing principles and that an annual report is submitted to the Sustainability Committee.

MAPFRE applies the philosophy of SRI to the Group's entire balance sheet. For instance, the Group has 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. In addition, MAPFRE will not invest in companies that obtain 20% or more of their revenue from thermal coal-produced energy.

In 2022, the Group strengthened its environmental commitments in the investment area, playing its part to further the transition to a low-carbon economy and reinforcing the commitment to be a zero-emission (i.e., net zero) company by 2050. By signing on to this initiative, MAPFRE pledged to establish individual targets that must be reached concerning emissions related to its investment portfolio, and to regularly report on progress made. These commitments have been approved by the Board of Directors.

In response to this commitment, MAPFRE undertook its first climate impact measurement in the investment portfolio in order to create decarbonization targets and drive decision making. MAPFRE used its own approach based on the Partnership for Carbon Accounting Financials (PCAF) methodology to quantify the carbon footprint of its investment portfolio, evaluating the emissions of the portfolio's shares, corporate debt, and government fixed income. Using this approach, the company analyzes the risks and opportunities that its investments may entail in terms of the business's long-term development.

Regarding underwriting, MAPFRE Group companies must fulfil the commitments assumed by the Corporate Sustainability Committee and approved by the Board of Directors at MAPFRE S.A., in relation to insurance and reinsurance operations related to the Coal and Oil & gas industry. Exceptions may be established on a case-by-case basis,

which shall be evaluated bearing in mind the Company's internal systems of environmental, social and governance (ESG) analysis. As part of the evaluation, the development status of the country in line with the UN classification, the country's reliance on coal or the consideration of renewable or low coal alternatives shall be included, in addition to others.

### **III. Risk Management**

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

MAPFRE's business model and strategy demonstrate how the company solves global sustainability concerns, manages ESG risks and opportunities, and innovates in the development of insurance products and solutions that benefit clients and society. ESG risk and opportunity management aids decision-making in areas such as underwriting, investment, product and service innovation, and provision of services, all of which are critical components in establishing trust among stakeholders.

Given the Group's overall nature, appropriate risk management and organizational flexibility are critical. MAPFRE has internal control systems and an effective risk management system that conforms to local legislation and supports risk management, emerging risk detection, training, and information distribution linked 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 determines the degree of risk that the Group is willing to accept in order to fulfill its business objectives without substantial deviations, even in difficult circumstances. MAPFRE's risk appetite is defined by this level, which establishes limits and sub-limits for each risk category. The governing bodies receive information updates on a quarterly basis outlining the quantification of key risks to which the Group is exposed and the financial resources available to address them. In general, allocated capital is formed based on budget estimations from the previous year. The allotted capital is evaluated on a regular basis throughout the year based on the evolution of risks.

The organization of MAPFRE is built on units and companies that have a high degree of managerial autonomy. The Group's governing and management bodies authorize risk management activities implemented by units and companies and continuously review their risk exposure using indicators and ratios. The Group Risk Office oversees all key elements of risk management, issuing guidelines and reference standards to be followed by the risk areas within each company (with local adjustments applied as appropriate).

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.

The prospect of an extraordinary concentration of catastrophic claims due to extreme weather occurrences as a result of climate change might place a burden on the resources and capacities required for claim handling. This risk is addressed through technical rigor in the underwriting domain (highlighting risk selection, accumulation control, rate adequacy, and an effective policy for risk dispersion via reinsurance). Furthermore, MAPFRE RE is in charge of advising on and placing reinsurance coverage, as well as ensuring proper exposure control and catastrophic risk management for the Group as a whole. MAPFRE RE recognizes that each company is unique and relies on their input and analysis to make responsible reinsurance decisions.

MAPFRE also has specialized analyses of catastrophic risk exposure. This is conducted 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 managing the company.

Taking action in the face of natural catastrophes necessitates accurate forecasting of these events as well as accurate appraisal of the losses they may generate, both of which are critical in the operation of an insurer. The economic damage that the company will have to suffer, as well as the response that it will be able to offer its clients, are dependent on this, and management of this action is essential in its ongoing operations.

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. In response, the ExpoCat tool was implemented at the corporate level in 2021 for reporting and geo-referencing MAPFRE companies' catastrophic exposures, also including their map display with different dashboards to improve control and streamline management of this information. The coded data includes characteristics of the exposures that can make them more resilient to the impact of catastrophic risks, such as the year and type of construction or its height, among others.
- Catastrophic risk modeling: gathering all information about exposures, estimating probabilistic loss scenarios to calculate the possible financial impact of natural disasters. Climate change can be an incremental factor of catastrophic risk depending on the type of scenario and the time horizon. An attempt will be made to incorporate it into these estimates to the extent that the predictive models used allow such a variable to be included. Likewise, the ExpoCat tool will allow



companies to formulate deterministic loss scenarios with precise maps in the event of a catastrophic event, identifying potentially affected exposures and allowing more agile decision-making.

- Design of appropriate reinsurance protections 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.
- Supervise and manage the credit risk that the Group is exposed to through reinsurance placements, as well as the liquidity risk that it could be exposed to.
- 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, evaluated 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.

For underwriting global risks, MAPFRE has developed an internal ESG evaluation model based on specialized tools that evaluate and quantify the environmental, social and governance impact of the activity carried out by a business group, which takes the sector and the countries it operates in into account. The model assigns a reputational risk level to the business group, which is linked to the level of authorization required to underwrite the operation. The approval of the Management Committee of the Global Risks Unit may be required and, where appropriate, the additional authorization of the CEO. In this case, if the transaction is authorized, with the corresponding mitigation measures, the Group Sustainability Office is informed and a plan of mitigation measures for said risk may be required.

Finally, as previously noted in the Strategy section, MAPFRE has participated in the UNEP FI pilot project. This project assesses 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 initiating a standard of technical and financial action for the entire sector. Adopting these guidelines will assist the insurance industry in managing the risks and opportunities associated with transitioning to a low-carbon economy.

#### **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 defined new targets up to the year 2030. These include:

- 50 percent reduction in carbon footprint (TonCO<sub>2</sub>e).
- 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 (m<sup>3</sup>).
- 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 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 supporting 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 2021-2030 Corporate Environmental Footprint Plan include:

- Making the Carbon Footprint part of SIGMAYEc<sup>3</sup> (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 SIGMAYEc<sup>3</sup> 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.

## **2022 Environment-related Certification Status**

- 15,332 employees / 44 Buildings under ISO 14001 environmental certificate.
- 9,408 employees / 26 Buildings under ISO 50001 energy management certificate.
- 26,743 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 2022, energy consumption was reduced by 19,339,218 kWh compared to 2019, which represents a 12 percent decrease, exceeding the targets of 3.5 percent and 5,434,303 kWh for 2022. In 2022, MAPFRE launched one of the most comprehensive and unique self-generated solar power facilities in Spain, with the installation of 4,700 state-of-the-art solar panels at the Group's headquarters, with an area of 5,700 m<sup>2</sup>. These facilities will generate 3.1 GWh per year, allowing MAPFRE to self-supply 40% of its annual electricity consumption, avoiding the emission of 740 tons of CO<sub>2</sub> per year into the atmosphere. This clean energy will also supply the 48 free charging points that MAPFRE offers employees at its main office.

The Group's carbon footprint decreased by 21,720 metric tons of CO<sub>2</sub>e, or 26%, in 2022 as compared to 2019. The reduction objectives for 2022 are: 1.71 percent and 209 metric tons of CO<sub>2</sub>e for Scope 1, 14.56 percent and 2,131 metric tons of CO<sub>2</sub>e for Scope 2, and 3.53 percent and 1,998 metric tons of CO<sub>2</sub>e for Scope 3. These results exceeded those targets.

During 2022, the MAPFRE headquarters in Mexico earned MAPFRE's SIGMAYEc3 Energy Management certification, and the company now has a total of 26 certified buildings (located in Spain, Puerto Rico and Mexico). The Dominican Republic joined

the carbon footprint inventory under ISO 14064, the same year that the 2012 version of the standard was transitioned to the 2019 version, initiating the process to expand the scope of reporting under this standard in the coming years. With the addition of this country, 85.46 percent of the Group's employees are now under this international standard for reporting greenhouse gas emissions.

Operationally, MAPFRE has set the objective of slashing GHG emissions 50 percent by 2030 (compared to 2019 emissions). To do so, it has planned a series of actions included in the Corporate Environmental Footprint Plan 2021–2030.

### Scope 1, 2, 3 Emissions

Objectives	Units	2022	2023	2024	2030
Scope 1	MTCO <sub>2</sub> e	12,030	11,821	11,474	8,687
Scope 2 (market based)	MTCO <sub>2</sub> e	12,508	10,378	6,841	-
Scope 1+2 (market based)	MTCO <sub>2</sub> e	24,538	22,199	18,315	8,687
Scope 3	MTCO <sub>2</sub> e	54,571	18,315	49,255	32,641
Total GHG emissions	MTCO <sub>2</sub> e	79,109	52,573	67,570	41,327
Emissions/employee	MTCO <sub>2</sub> e	2.49	2.39	2.11	1.28
Emissions/premium	MTCO <sub>2</sub> e /prem €M	3.50	3.35	3.10	2.90

The following chart shows the evolution of MAPFRE Group's carbon footprint since 2019, broken down by scope:

Metrics	Units	2019	2020	2021	2022
Scope 1	MTCO <sub>2</sub> e	12,239.26	8,400.45	10,035.33	9,939.46
Scope 2 (market based)	MTCO <sub>2</sub> e	14,639.01	11,197.17	11,144.46	11,830.17
Scope 3	MTCO <sub>2</sub> e	56,569.26	24,732.78	29,276.65	39,957.48
Total GHG emissions (S1+2 market based)	MTCO <sub>2</sub> e	26,878.27	19,597.62	21,179.80	21,769.63
Total GHG emissions (S1+2 [market]+3)	MTCO <sub>2</sub> e	83,447.53	44,330.40	50,465.44	61,727.10
Emissions per employee	MTCO <sub>2</sub> e employee	2.58	1.39	1.61	2.04
Emissions per premium	MTCO <sub>2</sub> e /prem €M	3.69	2.19	2.28	2.22
Business Travel (air,bus,train)	MTCO <sub>2</sub> e	13,642.90	2,970.87	2494.41	3,028.42
Business Travel (vehicles)	MTCO <sub>2</sub> e	1,699.56	844.47	1,118.66	1,976.81
Commuting	MTCO <sub>2</sub> e	39,509.90	18,374.88	24,150.04	1.28

## MAPFRE USA Environmental Achievements 2019-2022

- Obtained ISO Certification 14001 & 14064.
- Eliminated the use of electric shredders.
- Installed energy efficient lighting throughout MA & AZ offices.
- Entering into contract in 2023 to purchase 100% green certified electricity for MA locations.
- Promoted environmentally friendly commuting.
- Implemented cell phone/battery recycling program in MA offices.
- Reduced paper usage by reducing the number of individual printers.
- Repurposed obsolete inventory vs. discarding.
- Replaced dual-stream recycling with single stream (all item) recycling.
- Planned upgrade to more energy efficient HVAC at multiple locations.
- 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