



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

**Task-Force on Climate-related Financial Disclosure  
Report for 2020**

August 30, 2021

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, although the two debates are advancing at different speeds. MAPFRE is working to strengthen its models for analyzing environmental, social and governance (“ESG”) risks in a comprehensive manner, both from a business perspective and as investors. In addition, the Group is identifying sustainable development opportunities for the insurance business.

The Group has published MAPFRE’s Environmental Policy which was approved by the Board of Directors of MAPFRE and updated on December 13, 2018 and is implemented in all Group companies. The policy defines, as basic criteria, the integration of policies into its business, which are intended to protect the environment. This policy is derived from the MAPFRE Security and Environment Master Plan, which establishes the Strategic Framework and the model for the Group’s initiatives with regard to security and environmental management.

The environmental commitment of MAPFRE is based on three fundamental axes: integrating the environment into the business, developing environmental management initiatives and promoting environmental responsibility within the Group.

### **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.*

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. The scientific consensus places us at a decisive moment if we want to avoid irreversible changes in important ecosystems and the planet's climate system.

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.

As mentioned, MAPFRE is currently working on adapting financial planning to consider climate change, 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 Programme 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. The activity of this working group began in mid-2018 and will conclude in 2021 with the publication of its results, which will be adapted and incorporated into the Group's internal processes.



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 those key aspects that have to accompany the organization in the scope, implementation, process of integration of the ESG aspects and are complemented by those determined in each case.

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, which is the most senior part of the aforementioned area.

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 the 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 the risk level that 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, and it 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 could prevent maintaining the level of capitalization. Emerging risks that have been identified that could have a more material impact on MAPFRE in the future include an increase in natural catastrophes as a result of climate change.

As a consequence of climate change, it is possible that there will be an unusual concentration of catastrophic claims or extreme weather events that could cause an increase in claims as well as the resources and capacities necessary for their 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) assumes the advice and placement of reinsurance protections, and in the Group's retrocession of catastrophic and severity risks.

MAPFRE also has specialized analyses of catastrophic exposure, generally carried out by independent experts, which estimate the extent of the losses in the event of a regional catastrophic event and periodically carry out stress tests and analysis of 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, as well as providing 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 that considers, in the decision-making process, a company's ESG risk exposure taking into account, the ESG risk exposure of the countries and sectors in which the company has been exposed and 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, and where appropriate, the additional authorization of the CEO is also required. In this case, if the operation is authorized, with the corresponding mitigation measures, the Group Sustainability Office is informed.



Finally, as previously noted in the Strategy section, MAPFRE has participated in the UNEP FI pilot project, in order to assess the impact of climate change and to incorporate the recommendations of the TFCF in the insurance industry. As a global insurer, MAPFRE has jointly pledged to contribute to defining, analyzing and commencing to adopt a standard of technical and financial action for the entire sector that will help the insurance industry manage the risks and opportunities of transitioning to a low-carbon economy and reduce the impact of climate change for the whole of society.

#### 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.

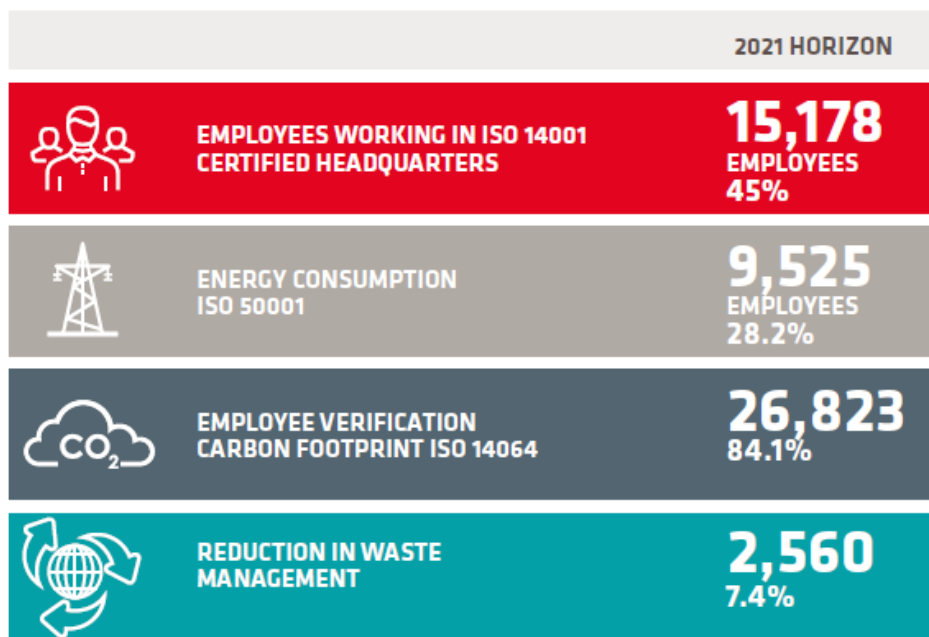
The Group measures its environmental impact and establishes the objectives of reducing emissions and carbon neutrality, through the recently approved Corporate Environmental Footprint Plan 2021-2030, which is a follow-on to the Corporate Plan for Energy Efficiency and Climate Change 2014-2020. With this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

- 50 percent reduction in carbon footprint (TonCO<sub>2</sub>e).
- 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 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.

##### Carbon Footprint:

- Sixty-seven percent reduction in the Carbon Footprint of the Group associated with the Energy Efficiency and Climate Change Strategic Plan 2014–2020.
- Commitment to carbon neutrality of the Group's Iberia territorial area by 2021.
- Group commitment to carbon neutrality for all remaining regions by 2030.

## SIGMAYEc<sup>3</sup> OBJECTIVES 2021



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

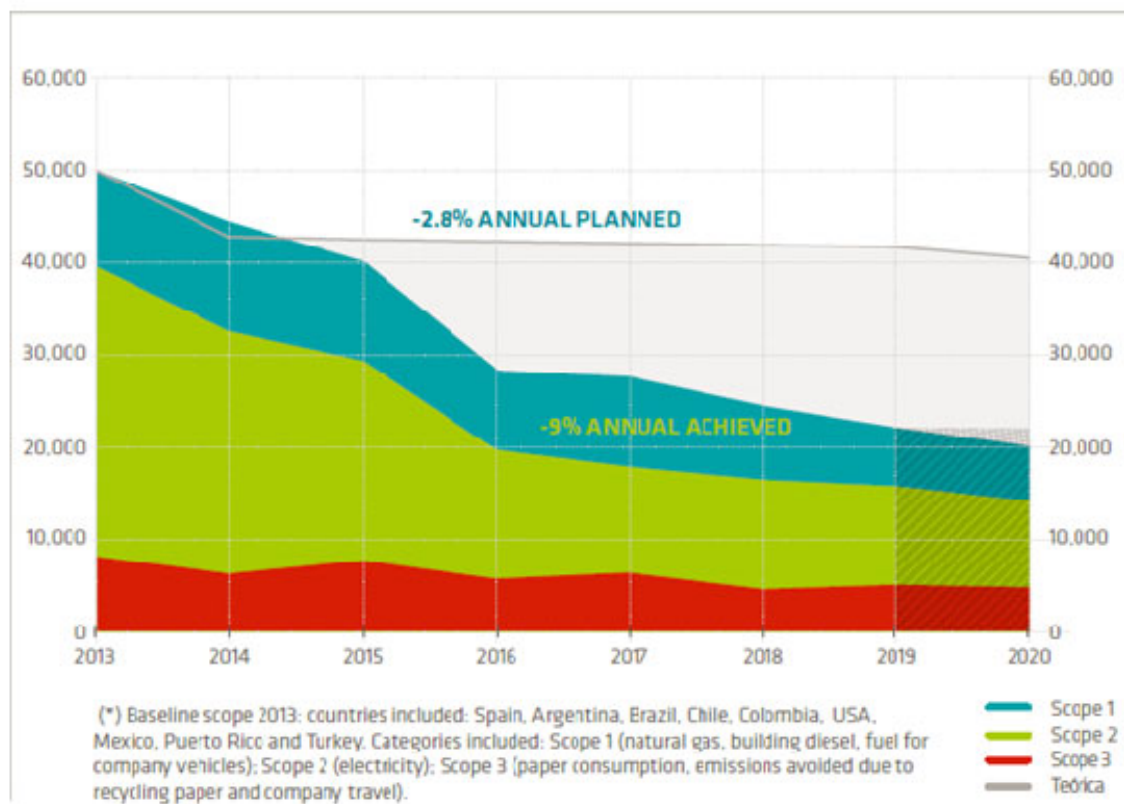
- Making the Carbon Footprint part of SIGMAYEc<sup>3</sup> (Integrated Environmental, Energy and Carbon Footprint Management System): Developing a corporate carbon footprint reporting and calculation model in the countries where MAPFRE operates.
- Expanding the SIGMAYEc<sup>3</sup> Corporate Model: Gradually 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.

Contributing to decreasing greenhouse gas (“GHG”) emissions generated by the Group is a key element of its actions concerning environmental responsibility. In 2014, MAPFRE launched its Energy Efficiency and Climate Change Strategic Plan, with a timeframe to 2020, calling for a 20% reduction in tons of CO<sub>2</sub>eq compared to the Group’s 2013 carbon footprint (9,924 TmCO<sub>2</sub> eq; 4.710.519 kWh; ranges 1 + 2 + 3). This plan targets an annual reduction rate of the carbon footprint by 2.8 percent.

#### EVOLUTION OF MAPFRE GROUP CARBON FOOTPRINT ASSOCIATED WITH THE ENERGY EFFICIENCY AND CLIMATE CHANGE STRATEGIC PLAN 2014-2020\*



The results of actions taken during the past six years have meant that the Group’s tons of CO<sub>2</sub> eq (27,803 TmCO<sub>2</sub> eq) have been reduced by 56 percent since 2013. The annual global carbon footprint reduction rate has been 9 percent, almost three times higher than planned, and two points higher than the new requirements identified by the Intergovernmental Panel on Climate Change (IPCC).

### **Current environment-related Certification Status**

- 12,351 employees under ISO 14001 environmental certificate.
- 7,405 employees under ISO 50001 energy management certificate.
- 21,922 employees under verification of the ISO 14064 carbon footprint.
- 11 international venues have sustainable construction certification.
- Management system in accordance with AENOR's ISO 20121 standard.