

**REGULATIONS OF MAPFRE'S BOARD OF DIRECTORS  
AND ITS DELEGATED BODIES**

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## INTRODUCTION

The present Regulations are drawn up in compliance with Article 115 of the Security Markets Act 24/1988 of 28 July, following the amendment enacted by Law 26/2003 of 17 July, and have the purpose of developing the rules for the internal governance and functioning of the MAPFRE, S.A. Board of Directors (hereinafter the Company) in accordance with the provisions of both the law and the company by-laws, with the aim of ensuring the optimum management of the company. For the purposes of these Regulations, the following terms shall have the following meanings:

- **MAPFRE:** the company MAPFRE S.A. or the GRUPO MAPFRE.
- **GRUPO MAPFRE:** the business group composed of MAPFRE S.A., as parent company, and its subsidiary and dependent companies pursuant to the provisions of article 4 of the Security Markets Act.
- **SISTEMA MAPFRE:** the institutional whole composed of FUNDACIÓN MAPFRE and its directly-linked entities, and the GRUPO MAPFRE.
- **Entities directly linked to the FUNDACIÓN MAPFRE:** the FUNDACIÓN MAPFRE GUANARTEME, and the companies directly or indirectly controlled by the Foundation which do not form a part of the GRUPO MAPFRE.
- **Code of Good Governance:** the SISTEMA MAPFRE Code of Good Governance.
- **CNMV Unified Code:** the Unified Code of Good Governance approved by the Spanish Securities Market Commission (CNMV).

These Regulations are within the framework defined by the Code of Good Governance. Therefore, those persons who are required to abide by these Regulations are also required to abide by the rules laid down in the said Code.

## **TITLE I. BOARD OF DIRECTORS**

### **CHAPTER I. FUNCTIONS AND POWERS**

#### **Article 1. Basic functions**

1. In accordance with the provisions laid down by law and in the company bylaws, the Board of Directors is the representative, governing and management body of the Corporación. As such, it holds all representative, governing and management powers, and its acts bind the Company, with no limit other than the powers that expressly correspond to the Shareholders General Meeting pursuant to law and the by-laws.

It acts as the main supervisory and decision-making body of the Company, and for the supervision of the subsidiary companies as a whole, whilst ordinary management is carried out by the management and executive bodies of the Company and by the relevant corporate bodies of the said subsidiary companies.

It may delegate such powers as it considers convenient, save for those that may not be delegated pursuant to the law or the company by-laws, and those necessary for the responsible exercise of its general supervisory role.

2. In order to better perform its functions, it may set up Sub-Committees, and it may delegate some or all of its powers to its members, and grant powers in favour of those persons it may choose to appoint, with the exceptions and limits as provided for in the Act.

It issues the rules for the activities of the Delegated Committee, and where appropriate for the Executive Committee and the committees referred to in the preceding paragraph, and defines their powers and freely appoints and dismisses their members, except for those whose membership is automatic by reason of the office they hold.

#### **Article 2. Powers**

1. **With regard to General Management**
  - To APPROVE or AUTHORIZE, with regard to the Company itself and its subsidiaries:
    - a) The Activity Targets and the Strategic Plans in order for their attainment.
    - b) The Annual Budgets for Income, Expenses and Results, and the Annual Forecasts for the Financial and Assets Situation.

- c) The Group corporate, management, and operational structures.
- d) The Investments and Financing policies.
- e) The policy for the identification, management and control of risks, as well as the internal control plan.
- f) The Annual Internal Audit Plan.
- g) The Social Responsibility policy.
- To regularly and periodically RECEIVE and EXAMINE information with regard to:
  - a) General Management, the Assets Situation and the Results of the Group as a whole and of the companies that make it up.
  - b) The situation and the evolution of the Company's Risks and those of the Group as a whole, and the decisions taken by the Delegated Committee and the relevant bodies of the various companies in order for their proper management and control, and to ADOPT the pertinent measures in order to correct those situations that are considered to be unsatisfactory.
- To DRAW UP for each financial year:
  - a) The Management Report and the Annual Accounts for the Company.
  - b) The Management Report and the Consolidated Annual Accounts for the Company and its subsidiary and dependent entities.
  - c) The GRUPO MAPFRE Social Responsibility Annual Report.
  - d) The Corporate Governance Report.
  - e) Any other reports that it is required to draw up pursuant to law, the corporate by-laws, and the Code of Good Governance.
- To BE INFORMED of the matters dealt with by its Committees and Delegated Committees, and where appropriate, to APPROVE the proposals drawn up by the said governing bodies.

2. With regard to Corporate Governance

- To PROMOTE the amendment of the Company's by-laws, and to AUTHORIZE the amendment of those of the subsidiary and dependent

companies, where this should be necessary for legal reasons or it should be considered convenient, and to RESOLVE doubts arising from the interpretation of any such by-laws.

- To APPROVE the Code of Good Governance and its amendments, in consensus with the Governing Board of the FUNDACIÓN MAPFRE, and to ADOPT the measures necessary in order to assure compliance with the rules contained in the said Code within the Group as a whole.
- To ESTABLISH such Codes of Conduct as may be required by law, or those deemed to be appropriate in order to best comply with the principles established in the Code of Good Governance, following a favourable report by the Institutional Control Committee of the SISTEMA MAPFRE, and to adopt such measures as may be necessary in order for proper compliance within the Group as a whole.

3. With regard to Acts of Disposal

- To ENSURE that under no circumstances are any funds or property forming part of the assets of the Company and of its subsidiaries used, whether directly or indirectly, for any ideological, political, or other purpose that is alien to their business objects; with the sole exceptions of the donations envisaged in the by-laws to the FUNDACIÓN MAPFRE, and those sums of limited amount which, with the approval of the Institutional Control Committee, are set aside for good causes, charity or social needs in accordance with the business volume of the Group.
- To AUTHORIZE investments or transactions of any kind which, given the high value involved or other special characteristics, are deemed to be of a strategic nature. This power may not be delegated, unless the approval thereof corresponds to the Shareholders General Meeting. In particular, this provision refers to the following acts:
  - a) Acts of disposal carried out by the Company or subsidiary and dependent companies with regard to in rem rights for which the unit value is in excess of 5% of the total assets of the Company in question, in accordance with the last approved balance sheet.
  - b) The provision by the Company or its subsidiaries of sureties or bank guaranties unrelated to their respective operational activities in a cumulative amount in excess of 1% of the said assets.
  - c) The creation or acquisition, where this should be deemed to be justified in any particular case, of shares in special-purpose entities or entities

that have their registered office in territories deemed to be tax havens, as well as any other transactions or operations of a similar nature which, given their complexity, may affect the transparency of the Group.

4. With regard to the General Meeting

- To PROMOTE the approval, and where appropriate, the amendment of the General Meeting Regulations.
- To CALL Shareholders General Meetings.
- To SUBMIT the corresponding proposals to the General Meeting with regard to those matters within its remit.

5. With regard to the Board of Directors itself

- To APPOINT and DISMISS, following a report by the Appointments and Remunerations Committee, the Chairman, Deputy Chairmen, Secretary and Deputy Secretary of the Board of Directors of the Company, and to assign to them, where pertinent, the performance of executive functions relating to the Company or to the Group as a whole.
- To APPOINT and DISMISS, where pertinent, Managing Directors, and to establish the functions they are to perform at any given time.
- To DRAW UP lists of candidates for the election of members of the Board by the General Meeting, and to COVER temporarily any vacancies that arise on the said Board.
- To ESTABLISH the value of the remuneration of the Board members, in accordance with the provisions of the by-laws and the resolutions of the General Meeting, on the basis of the proposals drawn up by the Appointments and Remuneration Committee.
- To AUTHORIZE the transactions performed by the Company or its subsidiaries with the members of their respective Boards of Directors, or with their significant shareholders, in accordance with the terms and subject to the provisions of the Code of Good Governance.

6. With regard to other Governing bodies

- To ESTABLISH the general rules which the functioning of the Committees and Sub-Committees of the Board itself are to follow, and those of the affiliated bodies of the subsidiary companies; and the powers that the Delegated Committee, and where appropriate, the Executive Committee, are

to have at any given time.

- To APPOINT and DISMISS, or to AUTHORIZE THE APPOINTMENT AND DISMISSAL, of the Senior Representative and Managerial Officers of the Company and of those of its subsidiaries that have the status of Main Companies, taking into consideration the proposals drawn up as appropriate by the Appointments and Remuneration Committee or the Chairman or the chief executive of the Company.
- To ESTABLISH, with regard to such Senior Officers, the guidelines concerning the policy on remuneration and economic consideration that ought to be applicable to them, on the basis of the proposals drawn up by the Appointments and Remuneration Committee.
- To APPOINT those members of the Governing Board of the FUNDACIÓN MAPFRE whose appointment corresponds to the Company pursuant to the by-laws of the Foundation.

7. With regard to the shareholders, the markets, and public opinion

- To ESTABLISH the policies on information and communication that should be implemented, taking into consideration the indications made in this regard by the Delegated Committee and the Audit Committee.
- To APPROVE the terms of the financial information that the Company should make public on a periodical basis.
- To ESTABLISH the policy on dividends for the Company and its subsidiaries, and to submit the corresponding proposals to the Shareholders General Meeting.
- To APPROVE, where pertinent, the Company's policy on treasury stock, and that of its subsidiary companies, within the limits and in accordance with the requirements laid down by law.

8. With regard to the Committee for the Protection of the Insured and the Territorial Councils

- To ESTABLISH their operational rules.
- To APPOINT, and where appropriate, to DISMISS their members, and to set their remuneration.
- To DECIDE on their recommendations.

## **CHAPTER II. COMPOSITION**

### **Article 3. Composition**

1. The Board of Directors shall be composed of a minimum of five Directors and a maximum of twenty-four. The determination of the number of Directors shall correspond to the General Meeting.
2. In accordance with the personal circumstances that arise in each case, directors may be Executive or External. External Directors may in turn be Nominee (majority or minority) or Independent Directors. The definition of these categories of director shall be in accordance with the CNMV Unified Code, from which it may be synthetically deduced that:
  - Executive Directors are the Senior Managers or employees of the company or of its group.
  - Nominee Directors are those who have been appointed on the grounds of their status as shareholders or those who have a significant shareholding participation, and those who represent them.
  - Independent Directors are those who meet the requirements laid down at section 2 of article 5 of these Regulations.

Where, as an exception, a Director cannot be classified into one of the above categories, the Company shall explain this circumstance, as well as his/her links to the Company, its Managers or Shareholders.

### **Article 4. Legal and by-law requirements that Directors must meet**

1. **Professional qualification**
  - A university degree, or five years' experience in senior administration, management, control, or advisory functions with financial institutions subject to solvency regulation and supervision by the Public Authorities, or functions with similar responsibilities at other public or private institutions of a similar size and requirements to those of the Company.
2. **Personal and professional integrity**
  - Personal career showing respect for business legislation and other laws

regulating economic and business activities, as well as for proper commercial, financial, and insurance practice.

- No previous convictions for crimes involving dishonesty, breach of confidence, disclosure and leaking of secrets against the Public Tax Authorities or the Social Security, misappropriation of public funds, or any other crimes against property.
- Not to be disqualified from holding public office, or administrative or managerial positions at financial or insurance institutions.
- Not to be disqualified pursuant to the Insolvency Act, for as long as the disqualification period has not expired.

3. Capacity and compatibility

- Not to be subject to any disqualification, prohibition, or incompatibility provided for by law.
- Not to hold significant shareholding participations, or to hold a directorship or managerial office, or to be an employee or act at the service of or on behalf of entities belonging to financial groups other than GRUPO MAPFRE, except where they have been appointed as directors at the proposal of the Board of Directors itself, and without the total number of directors appointed in this way being able to exceed twenty per cent of the total.
- Not to have any family relation, up to the second degree, even by affinity, with members of the Boards of Directors, Managers, Department Heads, or employees of any Group company in active service.<sup>1</sup>

4. Age

- . Not to have reached the age of 70.

Article 5. Requirements that must be met by the directors pursuant to the Code of Good Governance

1. For all directors

- To be of renowned solvency, propriety, competence, and experience.
- Not to incur in an irremediable situation of conflict of interest pursuant to the

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<sup>1</sup> This prohibition is not applicable to supervening situations, nor is it applicable, on an interim basis, to those situations in existence prior to the inclusion of this rule into the corporate bylaws.

provisions of the Code of Good Governance.

- Not to have incurred in circumstances that may give rise to their participation on the Board amounting to a risk for the interests of the company.
- To accept the Code of Good Governance, and to undertake to abide by its rules in the performance of their office.

2. For independent directors

- a) Not to have been employees or Executive Directors of companies of the Group, unless three or five years have elapsed, respectively, since the cessation of that relationship.
- b) Not to receive from the Company, or from its Group, any sum or benefit for any item other than the remuneration for being a director, unless these are insignificant. For these purposes, dividends and pensions complements received by the director by reason of his/her previous professional or employment relationship shall not be taken into account, provided that these complements are of an unconditional nature, and as a result the company that is paying them may not discretionally suspend, amend, or revoke their receipt without incurring in a breach of duty.
- c) Not to be, or to have been during the preceding three years, shareholders of the External Auditor, or of the entity responsible for the Company's audit report or for that of any other company of its Group.
- d) Not to be Executive Directors or Senior Managers of another different company where an executive director or Senior Manager of the Company is an External Director.
- e) Not to maintain, or to have maintained during the preceding year, a significant business relationship with the Company, or with any group company, whether in his/her own name or as a significant shareholder, director, or Senior Manager of an entity that maintains or has maintained such a relationship. Business relationships shall be deemed to be those of supplying goods or services, including financial services, and those of adviser or consultant.
- f) Not to be significant shareholders, Executive Directors, or Senior Managers of an entity that receives, or has received during the last three years, significant donations from the Company or its Group. Those persons who are merely patrons of a Foundation that receives donations shall not be deemed to be included under this letter.

- g) Not to be the spouses, or persons linked by way of an analogous affective relationship, or relatives up to the second degree, of an executive director or senior manager of the Company, without prejudice to the provisions laid down in general terms for all directors at section 2.C.b) of Chapter II of Title II of the Code of Good Governance.
- h) For their appointment or re-election to have been proposed by the Appointments and Remuneration Committee.
- i) Not to incur in any of the situations described at letters a), e), f), or g) above, with regard to any significant shareholder or person represented on the Board. In the case of the family relationship described at letter g), the restriction shall apply not just with regard to the shareholder, but also with regard to the Nominee Directors at the participated company.

Nominee Directors who lose their status as such as a result of the shareholder they represented selling its participation may only be re-elected as independent directors where the shareholder they represented up to that time has sold the whole of its shares in the Company.

- j) Not to hold a significant shareholding participation in the Company.

#### Article 6. Senior Officers

1. The Chairman of the Board of Directors is responsible for representing the Company, calling and chairing the meetings of the Board of Directors, overseeing compliance with its resolutions, and exercising all other powers assigned to him/her by the Company by-laws.
2. The Deputy Chairmen, in the order established in their appointment, or in default of this, in the order of their seniority in the post, stand in for the Chairman in the event he/she is absent, ill, or expressly delegates his/her position. In default of this, they shall be replaced by the eldest Board Member.
3. The Secretary of the Board of Directors signs calls for the General Assembly and for the Board meetings on behalf of the Chairman, draws up the minutes of the meetings, has custody of minutes books at the registered address, and issues certificates as necessary. In his/her absence, he/she shall be replaced by the Deputy Secretary, or in default of this, by the youngest Director in attendance.

The Secretary shall assist the Chairman in his/her tasks and shall strive to ensure the proper functioning of the Board of Directors and its Committees and Sub-Committees, taking care to provide the members of the said bodies with the advice and information they need. He/she shall at all times ensure the formal and

material legality of the activities of the said governing bodies, and that they are in accordance with the rules of the Code of Good Governance, the By-laws, and any other internal regulations, and shall ensure that their procedures and rules are complied with and periodically reviewed.

The Deputy Secretary, where such a position exists, shall assist the Secretary and shall replace him/her in the event of absence. Except where the Board of Directors should decide otherwise, he/she may attend the meetings of the said Board in order to assist the Secretary in drawing up the minutes.

4. The Board of Directors may appoint a Managing Director from amongst its members who shall be responsible for the high-level supervision of the Company's business and who shall permanently represent the Board of Directors before the General Management.

In the very resolution by which he/she is appointed – which may be subsequently amended as many times as is considered appropriate – the Board shall lay down his/her sphere of activity and the powers he/she shall hold by way of delegation from the Board, which shall be set forth in a public deed.

5. The Board of Directors shall at all times determine which of the Senior Managers defined in the foregoing sections shall exercise executive powers, as well as their hierarchy where there should be more than one.

Normally the Chairman of the Board of Directors shall be the chief executive. In the exceptional event that this should not be the case, the chief executive shall be the First Deputy Chairman.

6. In the event of the death or incapacity of the Chairman, the First Deputy Chairman – or the relevant person pursuant to the provisions of section 2 above – shall temporarily and automatically undertake the functions of the Chairman, and shall call the necessary meetings of the Appointments and Remuneration Committee and of the Board of Directors in order for the appointment of a new Chairman within sixty days following the commencement of his/her temporary tenure.

### **CHAPTER III. APPOINTMENT AND DISMISSAL OF DIRECTORS**

#### **Article 7. Appointment**

1. Those persons to whom the position of a Senior Representative or Managerial Officer is offered shall make a truthful and complete Prior Declaration of their relevant personal, family, professional or business circumstances, with particular

mention of:

- a) Those persons who or entities which are deemed to be linked to them, pursuant to the provisions of section 1.B) of Title IV of the Code of Good Governance.
- b) Those circumstances that may entail a situation of incompatibility pursuant to the law, the corporate by-laws, and the provisions of the Code of Good Governance and these Regulations, or a situation of conflict of interest.
- c) Their other professional duties, in case they might interfere with the dedication that the office requires.
- d) Any criminal proceedings in which they appear as the accused or in which they have been charged.
- e) Any other fact or situation affecting them and which may be of relevance to their activities as a Senior Officer.

The said declaration, which shall include the information and circumstances which are required to appear on the corporate website pursuant to the provisions laid down at article 13 of these Regulations, shall be made using the forms established for this purpose by SISTEMA MAPFRE, and shall include an express acceptance of the rules contained at Title IV of the Code of Good Governance.

2. Senior Officers shall be under a duty to maintain the content of their Prior Declaration permanently up to date, and so any relevant change to their situation with regard to the said Declaration must be notified, in addition to the periodical updating thereof when required by the governing bodies of the Sistema.

#### Article 8. Dismissal

1. All members of the Board of Directors shall stand down at the age of 70. The Chairman and the Deputy Chairmen who perform executive duties, the Managing Directors, and the Secretary of Board shall retire from the said positions at the age of 65, or on the previous date provided for in their respective contracts, but they may continue to be members of the Board without executive powers for a maximum of five years under the same conditions as the External Nominee Directors.
2. Directors shall place all offices they hold, including any positions they hold on the Committees and Sub-Committees, at the disposal of the Board of Directors, and where appropriate in the opinion of the said Board they shall tender their resignation, under the following circumstances:

- a) Where they cease to hold the executive position to which their appointment as a member of the governing bodies was linked.
- b) Where they should incur in any of the situations of incompatibility or prohibition provided for by law.
- c) Where they are charged with – or a court order is issued for the commencement of oral proceedings against them for – an alleged criminal offence, or they are the subject of disciplinary proceedings for a serious or very serious offence pursued by the supervisory authorities.
- d) Where they receive a serious reprimand by the Compliance Committee for having infringed their duties as directors.
- e) Where they are affected by facts or circumstances in which their continued presence on the said governing bodies may prejudice the standing and reputation of the Entity, or put its interests at risk.
- f) Where the reasons for which they were appointed – should there expressly be any – have lapsed.

The placement of offices held at the disposal of the governing bodies shall be formalized by way of letters addressed to the Chairman of the Board of the corresponding entity, with a copy thereof being sent to the Chairman of the SISTEMA MAPFRE.

- 3. Directors who, at the time of their appointment, do not hold or perform executive or managerial office or functions at the Company, or at another Group entity, may not be appointed to such office or to perform such functions unless they first step down from their position as Director, without prejudice to their subsequently becoming eligible to hold such office.
- 4. Nominee Directors shall furthermore tender their resignation upon the sale by the shareholder that appointed them of its shareholding participation.

Where a shareholder should reduce its shareholding participation, Nominee Directors it has appointed shall resign in proportion to the said reduction.

- 5. MAPFRE's independent directors shall furthermore tender their resignations after they have held office for twelve years uninterruptedly.
- 6. The Board of Directors shall not propose to the General Meeting the dismissal of any independent director prior to the expiry of the term for which he/she was

appointed, unless there is a reason to justify this, identified by the Board of Directors following a report by the Appointments and Remuneration Committee. In particular, a dismissal proposal shall be deemed to be justified in the following circumstances:

- The director has breached the duties that are inherent to the office, no longer meets any one of the requirements laid down in this Code for independent directors, or has incurred in an irremediable situation of conflict of interest pursuant to the provisions of Title IV of the Code of Good Governance.
  - There arise changes in the shareholding structure of the Company that entail a reduction in the number of independent directors pursuant to the criteria laid down in the Code of Good Governance.
7. Where a director should step down from office, whether by way of resignation or for any other reason, prior to the expiry of his/her mandate, he/she should explain the reasons for his/her departure in a letter addressed to the Chairman of MAPFRE and to all members of the Board of Directors of which he/she was a member.

Furthermore, should the said situation arise at MAPFRE S.A. or another company within the Sistema that issues listed securities, in addition to sending the pertinent significant-event communication to the Spanish Securities Market Commission (CNMV), the reason for the departure shall be reported in the Annual Corporate Governance Report.

#### Article 9. Formulation of candidatures by the Board of Directors.

1. The formulation by the Board of Directors of candidatures for the appointment or the re-election of directors shall be preceded by:
  - a) In the case of Independent Directors, the corresponding proposal by the Appointments and Remuneration Committee.
  - b) In the case of Nominee Directors, the pertinent proposal by the shareholder backing his/her appointment or re-election, and a report by the Appointments and Remuneration Committee with regard to the suitability of the proposed candidate; or the pertinent proposal by the Committee itself, where this should propose such an appointment on the grounds that it is in the Company's interest.
  - c) In the case of Executive Directors, the pertinent proposal by the Chairman of the Board of Directors – or by the chief executive should the Chairman of the

Board of Directors not also be the chief executive – and the corresponding report by the Appointments and Remuneration Committee.

2. In the case of re-election, the proposal or report of the Appointments and Remuneration Committee should include an evaluation of the director's performance in office during the previous mandate, and where appropriate, of the offices held by the candidate on the Board, taking into account or valuing the quantity and the quality of the work performed, and his/her dedication to the office.
3. Should the Board of Directors depart from the proposals of the Committee, it should state the motives for its decision and record these in the corresponding minutes.

#### **CHAPTER IV. FUNCTIONING OF THE BOARD OF DIRECTORS**

##### **Article 10. Meetings**

1. The Board of Directors shall hold as many meetings as may be necessary in order to decide on those matters within its powers and which are tabled for its consideration by the Chairman, by the other governing bodies of the Company, or by any of the Directors; and to be informed of, and where pertinent, authorize, the main items dealt with and resolutions approved by the Delegated Committee, the Executive Committee, and the Sub-Committees. It shall hold a minimum of six meetings a year in order to receive information on accounting, administrative, financial, technical, and statistical data referring to each calendar quarter, to approve the Budgets and Strategic Plans, and to draw up the Reports and Annual Accounts.

Unless there should be special reasons to the contrary, meetings of the Boards of Directors should not coincide on the same day with meetings of the Delegated Committee, in order to ensure that each one of these bodies pays the necessary attention separately to discussing the affairs within its remit, even where there is business that should be examined by both bodies.

2. The meeting call shall always include the agenda, which shall be set by the Chairman, and this shall be accompanied by the pertinent information concerning the matters to be discussed, duly prepared.

The Chairman shall take the necessary steps in order to ensure that the directors receive, prior to the meeting, sufficient information regarding those matters that require prior examination on account of their relevance or importance; furthermore, the Chairman shall organize the debates, ensuring and encouraging

the participation of all directors in the deliberations, and ensuring that they can all maintain and freely express their position and vote with regard to the different affairs that are tabled for the consideration of the Board.

3. The Board shall prepare an annual schedule for ordinary meetings, and shall carry out once a year an evaluation of the quality of its work, the performance of the Chairman, and where appropriate of the chief executive should this be a different person, on the basis of the report drawn up by the Appointments and Remuneration Committee for this purpose, and of the functioning of its Committees and Sub-Committees.
4. Directors should abstain from attending and participating in the deliberations and votes of those decisions that affect them personally, and in cases of conflict of interest as provided for in the Code of Good Governance.

The approval of proposals with regard to the appointment, re-election, or dismissal of Directors and other Senior Officers shall be carried out by way of secret ballot, unless there should be unanimous agreement as to the decision to be taken.

#### Article 11. Relations with shareholders

1. The Board of Directors shall oversee the proper channels in order to hear the proposals formulated by the shareholders with regard to the management of the Company, for which purpose informative meetings may be held for shareholders with residence in the most important financial centres of Spain and other countries, and shall establish suitable mechanisms for the regular exchange of information with institutional investors which form a part of the Company's shareholding make-up, without this in any event amounting to a disclosure of information which may confer on the said investors an advantageous or privileged situation with regard to other shareholders.
2. The Board of Directors shall promote the informed participation of the shareholders at the General Meetings, and shall adopt such measures as may be necessary in order to ensure that the said Meetings exercise their powers effectively in accordance with the law and the company by-laws. In particular:
  - It shall place at the disposal of the shareholders, prior to the Meeting, all information that is legally required or that, whilst not legally required, may be of interest and may be reasonably supplied.
  - It shall attend with maximum diligence to the requests for information made by shareholders prior to the Meeting.
  - It shall attend with like diligence to the pertinent questions posed by the

shareholders at the Meeting or Assembly with regard to the various points contained on the agenda.

3. Public applications for voting by proxy carried out by the Board of Directors or by any of its members should explain in detail which way the representative will vote in the event that the shareholder does not issue instructions, and shall reveal, where appropriate, the existence of any conflicts of interest.

#### Article 12. Relations with the markets

1. MAPFRE's Board of Directors, and where appropriate, the Board of Directors of other Group companies that issue listed securities, shall make public and communicate to the Spanish Securities Market Commission (CNMV), within the terms laid down in the applicable legal provisions, all relevant information, which shall be deemed to mean all information which, if known, could have a notable effect on the trading of the said securities.
2. The Board of Directors shall also adopt the necessary measures in order to ensure that the half-yearly and quarterly financial information, and any other financial information that prudence would require it to place before the markets, is drawn up in accordance with the same principles, criteria, and professional practices as are used when drawing up the Annual Accounts, and that they are as reliable as the Annual Accounts. To this effect, the said information shall be reviewed by the Audit Committee.
3. The Annual Accounts submitted to the Board of Directors in order to be drawn up shall be previously certified with regard to their accuracy and integrity by the chief executive of the company, or as the case may be, of the consolidated group, the corresponding Internal Auditing General Manager, and the manager responsible for the drawing-up of the said Accounts
4. Every year, the Board of Directors shall draw up and publish a Corporate Governance Report, the content of which shall comply with the applicable legal provisions.

#### Article 13. Corporate Website

1. In order to ensure proper compliance with the provisions of Articles 11 and 12 above, and without prejudice to other suitable methods for these purposes, MAPFRE shall have a website in order to enable shareholders to exercise their right to information, to publish the information laid down in the provisions approved by the Spanish Securities Market Commission (CNMV), as well as any other information that may be considered appropriate in the interests of the shareholders and investors.

2. The said website shall include the following information with regard to each one of the Directors: (i) professional and biographical profile; (ii) other Boards of Directors on which he/she sits, including both listed and non-listed companies; (iii) an indication of which category of Director he/she belongs to, stating, in the case of Nominee Directors, the shareholder that proposed his/her appointment or to which he/she is linked; (iv) the date of his/her first appointment as a Director at the Company, as well as the dates of any subsequent re-appointments, and (v) any shares in the Company and derivative financial instruments based on shares in the Company that he/she may hold.
3. In the event that MAPFRE and any one of its dependent companies should be listed on the Stock Exchange at the same time, the website shall contain an accurate and clear explanation of the following:
  - Their respective areas of activity and the possible business relations between them, as well as those between the listed dependent companies and the other Group companies.
  - The mechanisms in place in order to overcome any possible conflicts of interest that may arise.
4. MAPFRE's Board of Directors shall be responsible for making the necessary provisions in order to keep the website up to date.

#### Article 14. Relations with the auditors

1. Relations between the Board of Directors and the External Auditors shall be conducted through the Audit Committee.
2. The Board of Directors shall refrain from procuring the services of auditing firms that receive or are going to receive annually from the GRUPO MAPFRE fees which amount to, for all items, more than 5% of their total annual revenues, and shall report in its annual public documents on the overall fees that the Group has paid to the External Auditors for the various services provided.
3. The Board of Directors shall always seek to draw up the Annual Accounts in such a way that there is no occasion for reservations on the part of the External Auditors. However, where the Board considers that its opinion ought to prevail, the Chairman of the Audit Committee and the External Auditors shall explain in public the content and scope of the discrepancies that have given rise to the said reservations.

## **TITLE II. COMMITTEES AND SUB-COMMITTEES**

### **CHAPTER V. DELEGATED COMMITTEE**

#### **Article 15. Basic Functions, Composition, and Meetings**

1. It is the delegated body of the Board of Directors for the high-level permanent administration and supervision of the ordinary management of the Company and its subsidiaries in their strategic and operational aspects, and for the adoption of the decisions that may be necessary for the proper functioning thereof, all of which in accordance with the powers that the Board of Directors may delegate to it at any given time.

It may delegate specific powers to any of its members for the final implementation of decisions that have previously been debated by the Committee, and for the execution of the resolutions it approves.

2. It shall be composed of a maximum of twelve members, all of whom shall sit on the Board of Directors. Its Chairman, First and Second Deputy Chairmen, and Secretary shall be ex officio those who hold the same office on the Board of Directors, which shall appoint the other members up to a maximum of twelve, and may also appoint a Deputy Secretary who shall not be entitled to vote.
3. It shall meet in ordinary session once a month, and as often as may be necessary on an extraordinary basis in order to discuss the matters submitted for its consideration by any of its members.

#### **Article 16. Powers**

1. **With regard to the Objectives and Strategies**
  - A. To FORMULATE and submit for the approval of the Board of Directors the Overall Business Objectives of the Group, and the Strategic Plans for the attainment of the said Objectives.
  - B. To REPORT, prior to submission to the Board of Directors, on the Overall Business Objectives and Strategic Plans drawn up by the various Divisions and Corporate Areas of the Group, as well as to PROPOSE any amendments thereto.
  - C. To EXAMINE compliance with the said Objectives and Strategies on a periodic basis, and to ADOPT such measures as may be necessary in order to achieve them.

2. With regard to the Operational Management

- A. To FORMULATE and submit to the Board of Directors the annual Budgets for Income, Expenses and Results, and the annual Financial Position Forecasts for the Group as a whole.
- B. To PREPARE the annual Budgets and Forecasts of the various Divisions, prior to their submission to the Board of Directors, and to PROPOSE any amendments thereto.
- C. To EXAMINE on a monthly basis compliance with the Budgets and Forecasts of the Group and of its various Divisions and Corporate Areas, and to ADOPT such measures as may be necessary in order to attain them.
- D. To IDENTIFY the main risks facing the Company and the Group as a whole, and to ADOPT – or to PROPOSE to the Board of Directors as the case may be – the appropriate measures so that they may be properly anticipated and managed.
- E. To RECEIVE AND ANALYSE information concerning significant events of a tax nature, official inspections or the filing of claims, proceedings or appeals of special relevance.
- F. To BE INFORMED OF the main issues discussed and the resolutions approved by the Steering Committees of the Divisions and Corporate Areas of the Group, by the Boards of Directors and Executive Committees of the Operating Units and Main Companies, and to AUTHORISE, where appropriate, the said resolutions.

Under all circumstances, the Steering Committee SHALL BE IMMEDIATELY INFORMED by the chief executives of the Group and its various entities of any relevant contingency that may result in a loss, disbursement or decrease in assets of more than 4 million Euros for a Division or Company, or of 8 million Euros for the Group as a whole, as well as of any measures adopted or under consideration to face said contingency.

3. With regard to General Policies

- A. To LAY DOWN rules and general policies for the Group as a whole, in order to ensure the coordinated and synergetic performance of the various Divisions, Corporate Areas and Companies, especially with regard to:

- Management Information
- Management of Cash and Liquid Assets
- Equity optimisation by country
- Administration and Investments
- Human Resources and Labour Relations
- Communications and Image
- Information Technologies
- Security
- Legal affairs
- Commercialisation and marketing
- Customer care

B. To EXAMINE on a periodical basis compliance with such rules and policies – and those established by the Board of Directors with regard to Investments, Financing, Risk Management & Internal Control and Social Responsibility – and to ADOPT such measures as may be necessary in order to attain them.

C. To ESTABLISH on an annual basis the general guidelines with regard to remuneration and working conditions, and to AUTHORISE the signing of Collective Bargaining Agreements or other agreements of a general nature with employee representatives.

4. With regard to Special Transactions

To AUTHORISE in advance the following operations:

- a) Formalisation of agreements that contain payment duties in excess of one million Euros for any Group company, or two million Euros for such companies as a whole.
- b) Special debt transactions that exceed 25 million Euros for any Group company, or 50 million for such companies as a whole.
- c) All purchases of buildings undertaken by Group companies for their own use the amount of which exceed 6 million Euros.
- d) All purchases of buildings undertaken by Group companies that are not for own use.
- e) Special investment transactions in chattels, which are deemed to be those that – whether quantitatively or qualitatively – exceed the limits set by the Committee itself on the Financial Investments Department.

- f) Transactions for the acquisition, integration, merger, take-over or demerger of entities in which any Group company takes part.
- g) Creation, liquidation or winding-up of any Group company, as well as any increases or decreases in its share capital, and the assignment or sale of holdings in such entities.
- h) The commencement of new business activities or in a new country.
- i) Co-operation agreements or business alliances with non-Group entities.
- j) Transactions of significant importance between Group companies.
- k) The provision of guarantees of any sort unrelated to the normal activity of each Group company.

The Committee may delegate the granting of authorisation for the operations set forth in sections a), b), c), d), e) and j) above to other bodies or to one or several of its members.

5. With regard to Senior Management and Representative Officers

- A. To AUTHORISE the appointment, dismissal and remuneration of the Senior Managers of the Company and of the main companies belonging to the Group where the said authorisation is not expressly reserved for the Board of Directors.
- B. To AUTHORISE the appointment, dismissal and re-election of the Senior Representative Officers where the said authorisation is not expressly reserved for the Board of Directors or for the Appointments and Remuneration Committee.

6. With regard to Other Matters

- A. To APPROVE the Expense Budgets of the Corporate Areas of the Group and the criteria for their allocation to the various Divisions and Companies.
- B. To APPROVE the initiatives or action plans that represent a substantial increase in the expenses of the Group as a whole.
- C. To RESOLVE disputes of particular importance between Group companies.

- D. To AUTHORISE the structure of RED MAPFRE and the location of the Regional Headquarters.
- E. To AUTHORISE the location of the registered offices of the Group in Spain and abroad.
- F. To TAKE, in general terms, such decisions as may be deemed appropriate for the proper functioning of the Group in strategic, operational and management aspects, within the powers that have been delegated to it by the Board of Directors.
- G. To GRANT powers of attorney within the limits of the powers conferred for this purpose by the Board of Directors, and any special powers that may be deemed necessary or convenient for the execution of the resolutions that it approves.

## **CHAPTER VI. AUDIT COMMITTEE**

### Article 17. Basic Functions, Composition, and Meetings

1. It has the following basic functions:
  - a) To verify that the Annual Accounts – as well as the half-year and quarterly financial statements, and any other economic information that must be submitted to the regulatory or supervisory agencies – are true, complete and adequate in order to offer a true image of the assets, financial situation, and results of the GRUPO MAPFRE; that they have been prepared in accordance with the applicable accounting rules and internal guidelines laid down by the General Secretariat of the Group, and that they are provided in a timely manner with the correct content.
  - b) To propose the appointment of the External Auditor of the Company, and to be informed of its performance and of any fact or circumstance that might compromise its independence.
  - c) To supervise the activities of the Internal Audit Department, for which purpose it shall have full access to its action plans, the incidents arising from and results of its work, and the follow-up of any recommendations and suggestions from the internal and external auditors. At the close of each

financial year, the Internal Auditing Directorate-General shall file an activities report.

- d) To be informed of the processes surrounding financial information, risk-management, and internal control of the Company, and to formulate such observations or recommendations as it may consider pertinent in order to improve them.
  - e) To report to the Shareholders General Meeting with regard to questions raised about any matter within its remit.
  - f) To draw up an annual report on its functions and activities performed during the financial year, for submission before the Shareholders General Meeting.
2. It shall be composed of a minimum of three and a maximum of seven members, who shall be appointed by the Board of Directors, taking into account the know-how, experience, and aptitudes of the directors, especially with regard to accounting, auditing, and risk-management. The Chairman of the Committee shall be an independent director, and the majority of its members shall be non-executive directors. They shall be appointed for a maximum term of four years, and may only be re-elected after one year has elapsed since they stepped down. The Secretary shall be Secretary of the Board of Directors. The Group Internal-Auditing General Manager shall attend all meetings.
  3. It shall meet in ordinary session once every quarter, and as often as may be necessary on an extraordinary basis.

#### Article 18. Powers

1. With regard to the information and internal-control systems:
  - a) To supervise the drafting process and the integrity of the financial information relating to the Company and the Group, reviewing compliance with the applicable regulations, the proper delimitation of the consolidation perimeter, and the proper application of the accounting criteria.
  - b) To periodically review the internal-control and risk-management systems, so that the main risks may be properly identified, managed and exposed.
  - c) To ensure the independence and efficiency of the Internal Auditing function; to propose the selection, appointment, re-election, and dismissal of the person in charge, as well as its annual budget; to receive periodical information on its activities, and to verify that the Senior Management takes into account the conclusions and recommendations of its reports.

- d) To establish and supervise a mechanism that will allow employees to report in confidence any potentially-significant irregularities, especially of a financial and accounting nature, which they may detect within the company.

2. With regard to the External Auditor:

- a) To submit proposals to the Board of Directors for the selection, appointment, re-election, and replacement of the External Auditor, as well as with regard to its contractual conditions.
- b) To receive information on the Auditing Plan and on the results of the execution thereof on a regular basis from the External Auditor, and to verify that the Senior Management takes its recommendations into account.
- c) To ensure the independence of the External Auditor, and for this purpose, to VERIFY:
  - That the Company communicates a change of External Auditor as a significant event to the Spanish Securities Market Commission (CNMV), and that this should be accompanied by a declaration with regard to the existence of any possible disagreements with the outgoing auditor, and the content thereof.
  - That the Company and the External Auditor should abide by the rules in force on the provision of services other than those of auditing, the limits on the concentration of the Auditor's business, and in general the rules laid down in order to ensure the independence of the auditors.
  - That, in the event the External Auditor should resign, the Committee should receive sufficient information in order to examine the circumstances that have led to this.
- d) To ensure that, as far as possible, the External Auditor of the Group assumes responsibility for auditing all of the companies of which it is composed.

## **CHAPTER VII. APPOINTMENTS AND REMUNERATION COMMITTEE**

### Article 19. Basic Functions, Composition, and Meetings

1. This is the delegated body of the Board of Directors for the co-ordinated development of the appointments and remuneration policy that should be applied to Senior Representative and Managerial Officers of the Company and its subsidiaries.

2. It is composed of a minimum of three and a maximum of seven members, the majority of whom shall be non-executive members, appointed by the Board of Directors, taking into account the know-how, aptitudes, and experience of the directors, for a maximum term of four years, with the possibility of re-election.
3. It shall meet as often as necessary in order to properly carry out its functions and powers.

#### Article 20. Powers

##### 1. With regard to Appointments

- A. To propose to the Board of Directors the criteria that should be applied in the selection of candidates for the appointment of the Senior Representative Officers of the Company and the Main Companies of the Group, assessing the skills, know-how, and experience necessary for each office, as well as the time and dedication needed for the proper performance thereof.
- B. To propose to the Board of Directors the designation of candidates for independent or nominee directors, ensuring that persons of both sexes who meet the conditions and capacities necessary for the office are taken into consideration, and that the process for the selection of the proposed candidates should not be implicitly biased, thereby hindering the selection of persons of one or other sex, and taking into consideration, where appropriate, the potential candidates suggested by the Directors.
- C. To inform the Board of Directors as to the suitability – in connection with meeting the requirements laid down in this Code – of the candidates proposed by significant shareholders for the appointment of Nominee Directors, and those proposed by the Chairman, or where appropriate, by the MAPFRE chief executive, for the appointment of Executive Directors.
- D. To be heard with regard to the Chairman's proposals for the appointment of Senior Managerial Officers.
- E. To examine and plan the succession of the Chairman, and where appropriate, of the Company's chief executive, and to submit before the Board of Directors in due time and manner the corresponding proposals so that the said succession may take place in orderly manner.
- F. To propose to the Board of Directors the candidates for the appointment of those Patrons of the FUNDACIÓN MAPFRE whose appointment corresponds to the company.

G. To authorize the appointment of the External Directors of the remaining companies of the Group.

2. With regard to remuneration and contractual conditions

A. To propose to the Board of Directors the criteria that ought to be applied for the remuneration and other economic consideration due to Senior Representative and Managerial Officers of the Company and its subsidiaries, and to ensure that these are complied with.

B. To propose to the Board of Directors, on the basis of the said policy, the updating or modification of the remuneration due to members of the Board and its delegated bodies in order to be approved, or where appropriate, to be submitted before the Shareholders General Meeting.

C. To establish, by delegation of the Board of Directors, the remuneration for each one of the Executive Directors or Senior Managerial Officers, and all other contractual conditions.

For the exercise of the powers set forth above, the Committee shall consult with the Chairman, and where appropriate, the Company's chief executive, and shall take into consideration his/her proposals in those matters relating to the Executive Directors and Senior Managerial Officers.

### **CHAPTER VIII. COMPLIANCE COMMITTEE**

#### **Article 21. Basic Functions, Composition, and Meetings**

1. This is the delegated body of the Board of Directors for the supervision of the proper application of the rules of good governance that ought to apply at the Company.

2. It shall be composed of a minimum of three and a maximum of five members, all of whom shall be non-executive members. The Chairman shall be ex officio the Second Deputy Chairman of the Board of Directors.

The Committee may appoint a Minutes Secretary, chosen from amongst the members of the Legal Affairs Directorate-General.

3. It shall meet whenever the Board of Directors or its Chairman should request the drafting of a report, or the approval of proposals, and otherwise whenever this should be necessary in order for the proper performance of its functions.

#### Article 22. Powers

1. To oversee the enforcement of the rules of good governance established at any given time, and to propose, where pertinent, such improvements as may be appropriate.
2. To propose the updating of the said rules, where appropriate.
3. Any other powers conferred on it by the Code of Good Governance.

### **CHAPTER IX. FUNCTIONING OF THE COMMITTEES AND SUBCOMMITTEES**

#### Article 23. Meetings

1. Meetings are called by the Secretary following a request by the Chairman, either at his/her own initiative or following a request by at least three members – in the case of the Delegated Committee – or by any of its members – in the case of Sub-Committees – who, in the event the meeting is not held within fifteen days, may call the meeting directly by way of notarial communication. Those Group Managers whose presence is considered to be relevant to the deliberations may also be called to attend the meetings.

Meetings may be called by letter, electronic mail, fax, or telegram at least seventy-two hours in advance. Meetings may be validly held without being called in advance where all members of the Committee are in attendance and there is unanimous agreement to hold the meeting.

2. A meeting shall be quorate when those in attendance, either in person or by proxy, constitute more than one half of the members, and the Chairman or any of the Deputy Chairmen is present, or the Chairman has given his/her express consent. The Committee shall approve resolutions by way of absolute majority of the members in attendance at the meeting, and the person chairing the meeting shall have a casting vote.
3. In the event the Chairman and the Deputy Chairman are absent or ill, or these positions are vacant, the meeting shall be chaired by the eldest of those in attendance; in the event the Secretary is absent or ill, or the position is vacant, the functions of the Secretary shall be performed by the Deputy Secretary, and in default thereof, by the youngest member of those in attendance.
4. Where it is advisable for reasons of urgency or efficiency in the opinion of the Chairman, and provided that none of the members objects, the Committee may

take decisions with regard to specific proposals submitted for its deliberation by the Chairman without a formal session being held. In order to do this, the Secretary shall send – by post, electronic mail, messenger, telegram, fax, or any other suitable means – the corresponding proposals and documents to the members of the Committee, who shall communicate their agreement or concerns by way of the same means within forty-eight hours of receipt of the said documents, and it shall be deemed that those proposals which have obtained the conformity of the majority of the members of the Committee are approved.

5. Minutes shall be kept of all meetings, which may be approved by the Committee, at the close of the meeting or at the following session, or by the Chairman of the meeting and a member of the Committee to which the said Committee delegates this power.

The minutes shall be signed by the Secretary of the Committee or of the session, by the person chairing the meeting and, as the case may be, by the member of the Committee who has approved them by way of delegated powers.

Decisions adopted in writing and without a session being held shall be recorded in the minutes book by way of a document signed by the Chairman, the Secretary, and the member to whom this power is delegated by way of the resolutions that have been approved.

6. The Secretary of the Committee shall issue, in as short a time as possible, the communications as necessary addressed to the competent bodies of the Company and of the entities affected by the decisions taken at the meeting.
7. A report shall be made to the Board of Directors concerning the main items dealt with and the resolutions approved by the Committee.

### **TITLE III. OTHER BY-LAW BODIES**

#### **CHAPTER X. EXECUTIVE COMMITTEE**

##### **Article 24. Functions and composition**

1. The Board of Directors may set up an Executive Committee which shall be in charge, under the supervision of the Delegated Committee, of implementing and executing the decisions of the latter, drawing up draft decisions and plans for approval by the Delegated Committee, and taking decisions with regard to ordinary management within the powers conferred on it at any given time, in order to achieve co-ordinated and synergetic management of the ordinary

operations of the Company and its subsidiaries.

2. It shall be composed of a maximum of twelve members, appointed from amongst the members of the Board of Directors and the Senior Managers of the Company and its subsidiaries, and it shall be chaired by the Chairman of the Board of Directors or by the person delegated thereby. The Board of Directors shall appoint, and where appropriate, shall dismiss, the remaining members and the Secretary, and where appropriate, the Deputy Secretary.
3. Its operational rules and powers shall be determined by the Board of Directors, and shall be contained in a public deed.