



Purchasing Regulation

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1. PURPOSE

The purpose of this Regulation is to establish a set of compulsory criteria and principles to be observed in every procurement undertaken on behalf of MAPFRE, and to create a management framework for relations with the group's suppliers in both operating¹ and support services.²

It also guarantees that the actions carried out by every participant in the supply chain are ethical and socially responsible, all geared towards obtaining results, complying with budget criteria, controlling expenditure, managing processes efficiently, and reducing costs while simultaneously achieving an appropriate level of quality in procurements and client services and exercising greater internal control over every stage of the process.

The Procurement Regulation will be complemented by the General Procurement Procedure, which will cover operational aspects.

2. SCOPE OF APPLICATION

This is a global regulation, which means that it applies to every company in which the group has a majority holding and to every organization managed by MAPFRE, irrespective of their geographic location and the type of business they pursue, and it governs the procurement of all goods and services, whatever their nature or type.

We call the structure that is responsible for this function in each region/country and/or company the "Purchasing Organization." It should ensure the compliance with, application, and development of the specific regulations, both for procurements involving support suppliers and those involving operational business services suppliers. This local structure will liaise with the corporate procurement area and ensure that the basic principles defined in this regulation are met, and will also establish specific criteria to govern all procurements.

¹Business provider: suppliers that provide services derived from insurance contracts or services offered by the group's insurance companies or subsidiaries.

² Support suppliers: any other supplier not included in the above.

This Regulation will come into force the day it is approved by the MAPFRE Steering Committee, and its implementation, development, and supervision will be coordinated by the Corporate Procurement and Resources Area, while also being integrated into the Finance Department, which will draw up a calendar for its roll out, and will manage it in accordance with the responsibilities approved for that department by the MAPFRE Steering Committee.

3. PURCHASING ORGANIZATIONAL STRUCTURE

As stated above, the MAPFRE purchasing structure will be divided into purchasing organizations, which will be subdivided into "purchasing groups". The Corporate Procurement and Resources Area will coordinate the process for establishing the most appropriate structure and will have maximum responsibility in terms of supervision and decision-making. The structure has to be effective but simple.

- The **"Purchasing Organization"** is an autonomous management structure and will normally correspond to a geographic location (one for each country) or to a large, complex entity present in different geographic locations.

Some types of purchases, pre-defined by a duly justified opportunity analysis and based on their characteristics, can be made globally by a purchasing organization.

The Corporate Procurement and Resources Area, assisted by the MAPFRE divisions, will draw up the map of MAPFRE "purchasing organizations."

Every "purchasing organization" will have a senior manager who will liaise with the corporate department, draw up the relevant structure of the "purchasing groups" that comprise the organization, and will be responsible for said groups and supervise their actions.

- **"Purchasing Groups"** are defined as the different specialist areas within each "purchasing organization" that have the authority to make procurements in specific categories. They will be responsible for:
 - Drawing up annual purchase plans for their remit.
 - Inviting bids, negotiating, procuring and managing relations with suppliers.
 - Carrying out the functions described in both the general and specific procedures.

- The specific procedure for each "purchasing group" must provide a detailed explanation of all of the department's operational aspects related to the entire purchasing process.
- Designing the approval flow to be implemented, in line with approved procedures.
- In any case, each country/company can decide to create a different purchasing department for procurements involving operational business service suppliers.

4. MAIN PARTICIPANTS AND RESPONSIBILITIES

This section describes the authorities and responsibilities of the main agents involved in the general purchasing process:

- The **Purchasing Department** is responsible for:
 - Ensuring compliance with and the correct implementation of this Regulation by establishing the general purchasing framework and recommending any changes and adaptations it deems necessary to guarantee that the process is aligned at all times with corporate Regulations.
 - Defining and developing the General Procedures and the various specific procedures of the "Purchasing Groups" in accordance with the basic principles established in this Regulation.
 - Supervising and coordinating the application and adaptation of the procedures for every "Purchasing Organization" in order to guarantee the uniformity of the purchasing process across the entire group.
 - Supervising the necessary management tools to ensure that they are aligned with the process established and to guarantee that they are uniform and evolve appropriately over time.
 - Preparing periodic reports for every "Purchasing Organization" as well as for the group as a whole to provide exact information about procurements and to make the necessary improvements to processes and their controls.
 - Coordinating all departments affected by the purchasing process.

- The different **User Areas** are the requesters of needs. During the procurement process they will be responsible for:
 - Applying the principles established in this Regulation and in the procedures pertaining to it.
 - Planning their procurement needs for goods and services, evaluating them in line with austerity principles, justifying their need and proportionality (cost-benefit analysis), and allocating the necessary budget.
 - With the required authorizations and technical specifications, making the purchase request for the good or service to the relevant purchasing group.

- Carrying out the technical evaluation/approval of the proposals sent by suppliers. Their approval is required to carry out the procurement under their responsibility, in coordination with the Procurement Department.
 - Confirming reception of the goods or provision of the service, as a necessary prior step to supplier payment.
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- The **Administration Areas** will be responsible for:
 - Managing the purchasing budgeting, accounting, allocating, billing and payment processes, and supervising them when any of these tasks are delegated to another department.
 - Ensuring that there is a coherent association between the purchasing tree (categories of the different types of procurement) and the accounts in which they are recorded, based on the accounting systems in force.
 - Updating the list of cost centers to ensure that purchases are correctly allocated.
 - Defining appropriate accounting concepts for purchases, depending on whether they are expenditures or investments and taking into account activation, allocation, and any other criteria.
 - Defining appropriate expenditure approval levels within the department in order to proceed with payment.
 - Liaising with the user areas to establish payment periods for suppliers.
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- The **Legal Areas** will be responsible for:
 - Ensuring that all contractual relationships established by the group as a result of the procurement process comply with current legislation and the MAPFRE policy and regime.
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- The **Real Estate Areas** will be responsible for:
 - Coordinating and managing the development and execution of building projects and ensuring compliance with the regulations established in this document.
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- The **Audit Areas** will be responsible for:
 - Acting in a supervisory capacity to ensure compliance with these regulations and with the general and specific procedures. To this end, it will audit the processes followed by every purchasing organization and its

purchasing groups, as well as the entire purchasing organizational structure as frequently as it deems appropriate.

5. GENERAL PRINCIPLES

The entire purchasing process will be governed and guaranteed by the following General Principles:

▪ Ethical Conduct and Respect for the Law

MAPFRE will require its suppliers to observe the following principles: quality in the services and products offered, integrity in their business practices, socially responsible conduct, transparency, and equitable treatment. It will always use objective criteria when selecting suppliers, in accordance with these Purchasing Regulations.

The selection and procurement of products and services from third parties must be conducted lawfully, meet objective technical, professional, and economic criteria, and always cater to MAPFRE's needs and interests.

No MAPFRE employee may accept or offer sums of money as a commission or gratuity, or any gifts or favors of any other nature for actions undertaken on behalf of MAPFRE. The only exceptions are courtesy gifts that have a symbolic or publicity value of less than 150 euros. Any employee who is given a gift of a higher value than this sum must inform Management, which will decide whether it should be returned or put to some other use.

In all negotiations undertaken on behalf of MAPFRE, employees must always put the interests of the company before their own.

▪ Transparency and Control

The different stages of the purchasing process, which are described at the end of this section, must be carried out with maximum objectivity and impartiality and guarantee equal opportunities for all the participants involved. Furthermore, both the buyers acting on behalf of MAPFRE and the suppliers must fulfill their commitments to the letter.

The entire purchasing process and the tools used to conduct it must be designed to guarantee the contents of this point and, specifically, the approval and selection of suppliers, objective and impartial tenders, contract awards duly justified, documented and approved by the competent bodies, verification of deliveries and/or services rendered, and properly documented payments.

In any case, the entire process (stages, participants, decision-making,

etc.) must be designed to permit traceability and adequate control in order to ensure the absolute reliability of the reports submitted to the group's senior management and oversight bodies. The advantages provided by MAPFRE's advanced technological development will be used to achieve this objective.

The different stages of the purchasing process referred to at the beginning of this section are:

- Analysis of requirements
- Approval of each supplier type
- Analysis of the capacities provided by the different suppliers and their geographic coverage.
- Accreditation of flexibility to change
- Negotiation process, establishing the market prices/rates to be charged
- Review of the quality of the item or service and analysis of added values, implementing management models to measure them
- Verification of compliance with contract terms and conditions
- Payment process

▪ **Uniformity of the Process**

The purchasing processes carried out by every "purchasing organization" must be uniform, irrespective of geographic location. The Corporate Procurement and Resources Area will advise, coordinate, and validate the different procedures carried out under the auspices of these regulations in order to guarantee the uniformity of the process and coordinated conduct.

Likewise, the technological tools that support these procedures must also be uniform. The Technology and Processes Area, in coordination with the Corporate Procurement and Resources Area, will advise on installations and guarantee this principle.

▪ **Management Efficiency**

Every country or "purchasing organization" will promote the global procurement principle, encouraging collaboration and joint action between the different companies and maximizing synergies, with a view to obtaining greater efficiency in every procurement, helping to control expenditure and reduce costs, and contributing to the stability of the services offered to clients. To this end, in every purchasing organization only one "purchasing group" will have authority over the same procurement type, thereby permitting bulk volumes, consistent conduct in every market, fewer purchasing structures and specialized management.

The aim is that all of this will lead to greater quality in procurements and permanent innovation in the processes.

- **Coordinated and Decentralized Management**

These Purchase Regulations are to be applied in every country where MAPFRE is present and are to be managed locally. This means that every country will be regarded as a "purchasing organization" with a simple structure appropriate to its needs, and will liaise with the corporate procurement area (to implement the Regulation and all the established processes locally) and respect the principle of decentralization and autonomy. However, when warranted by a specific business or company type, it will be possible to create "purchasing organizations" that do not correspond to a geographic location.

Furthermore, MAPFRE's governing bodies may establish the exceptions they deem necessary for procurement types whose economic magnitude or strategic importance for the group demand centralized, global management and the capacities of the entire organization.

- **Free Competition**

The process must be designed to guarantee free market and free competition practices. Purchasing organizations **must avoid using a single supplier for a procurement type** and as far as possible, contracts should be temporary and fairly short in order to increase the frequency of tenders, review prices in line with the market, and diversify the risk. In cases where there has to be a single provider for an item or service, a report must be prepared justifying this decision and the award documentation must be kept safely so that the decision and the circumstances that led to it may be verified and reviewed.

Notwithstanding the foregoing, for procurements of operational and/or financial leasing contracts, the term of the contract may reflect the useful life of the assets, with a recommended maximum of four years. In these cases, procurement proposals must always be accompanied by a comparative study between the case for leasing and the case for direct purchase, plus an explanation of the benefits to be gained by proposing the leasing formula. In this type of procurement, special attention must be paid to the financial costs of the operation and the initial value accorded to the goods and services in question in order to ensure that the total cost of the leasing, less the financial costs, and other services are in line with the purchase market costs.

The MAPFRE Regulation regarding this point will be based on the stability, continuity, and loyalty of the group's suppliers, but it will also guarantee that new suppliers have access to the market, will review the situation periodically, and will invite the participation of new actors when circumstances so dictate, thereby guaranteeing at all times the best possible team of approved suppliers and the best possible purchase options.

- **Guarantee the Competitiveness of the Process**

The Group's procurement strategy must encourage competition between suppliers in every market, ensuring maximum opportunities for all concerned while simultaneously demanding the efficiency, quality and stability of the services rendered. To this end, **the general duration of contracts/awards will be between one and two years**, with an optional third-year extension clause for MAPFRE. Contract/award periods in excess of three years (two plus one) must be the exception and must be properly justified.

In cases where contracts longer than those mentioned in the previous paragraph must be signed, approval must be reinforced, as mentioned in the General Procedures, except for contract terms of four or five years, when the reason for the longer term is the acquisition of goods whose amortization and/or service life is those 4 or 5 years. In the latter case, reinforced approval will not be necessary.

This point will not apply to duration clauses in excess of the aforementioned periods which are optional for MAPFRE, that is, that allow the company to continue a contract or give notice of its termination unilaterally. For example, in the case of lease contracts that bind MAPFRE to one year but the owner to 15 years, in which the company may terminate the contract every year, and other similar cases.

- **Authority and Responsibility of the Participants**

Procurements may only be made by purchasing groups properly constituted and sanctioned by the company (purchasing organizations), and within these groups by personnel who have this authority. These members of staff may not be the same as the person or persons proposing the procurement.

Furthermore, in all "purchasing groups" there must be a process to establish responsibilities, define participants, and monitor procurement conditions.

- **Separation of Duties**

At least two people, from two different areas, must participate in the procurement process, and depending on the amounts and/or criticality of the purchases there has to be an appropriate authorization process (described in the General Procedure and in the Specific Procedure of each procurement group) in which every validation is performed by the employee or manager with the adequate proportional profile according to the magnitude of the procurement. This aspect must be clearly defined in the procedure which every purchasing group will be obliged to draw up and approve, based on these Purchasing Regulations and the accompanying General Procedure.

In cases where the Managing Department is the same department making the procurement, this purchase should be approved by a third department/person

with sufficient authority and/or, depending on the amount, by the relevant Management Committee.

- **Procurement of Consultancies and Advisory Services**

These services will preferably be carried out using MAPFRE's internal human and material resources. If it is deemed more appropriate to hire a third party for the service, the proposal must adequately justify this need.

In all cases, when a consulting service is hired, knowledge of the service and its supervision and control must be carried out and stay within internal MAPFRE organizations.

Both the tender conditions and the subsequent contract formalizing the procurement must clearly state the scope, price of the service and completion periods. The execution of the agreement must take these into account and there may be no extensions in excess of 25% of the contract price. However, the General Procedures will contain a table of procurement types and the maximum deviation allowed in each case.

In the event of a deviation beyond what is allowed, the need will have to be justified again, new approval will have to be sought, and the contract will have to be put out to tender again.

The documentation relating to the conformity of consultancy, advisory, and professional outsourcing contracts must be sufficient to properly accredit the quality of the work undertaken and its compliance with the service scope conditions.

In this type of procurement, compliance with the price, deadlines, and scope defined during the development and finalization of the project should be ensured to the highest degree possible.

All contracts of this type must contain penalty clauses for non-compliance.

In all cases, the *“Regulation for Hiring Consulting Services* should be complied with.

- **Outsourced Services**

To outsource a function and/or activity that would otherwise be carried out by a MAPFRE GROUP company, the provisions of the GROUP's Outsourcing Regulation (approved by the Board of Directors on June 24, 2015) should be observed.

In these types of services, when possible, outsourcing the function and/or activity to another MAPFRE GROUP company should be considered as a first choice.

If this is not possible and the work must be outsourced to external companies, in addition to the items mentioned in the Outsourcing Regulation, the following aspects must be included when managing the procurement:

- Establishing a detailed assessment of the provider to ensure that they can satisfactorily carry out the functions and/or activities required (appropriate financial, technical, and human resources for the task).
- Drawing up a written contract with the provider which clearly outlines the terms and conditions of the outsourcing agreement.
- Ensuring that this contract has a maximum term of 5 years; after this maximum time frame has passed, it must be put out to tender again.
- The provider can only terminate the contract if they give enough notice for MAPFRE to find an alternative to provide the service.
- Any subcontracting of services by the provider must be approved by the MAPFRE company responsible for the service.
- A condition subsequent will be included in favor of the outsourcing company that allows it to automatically terminate the contract if the supplier fails to comply with their obligations as established in the GROUP's Outsourcing Regulation or if they do not have the approval of the supervising authorities, in cases where these are involved.

All outsourced services that involve people who are external to MAPFRE **must be recorded in the human resources databases**, differentiating between staff who provide services on our premises and those who provide services outside our premises. External staff who provide services at MAPFRE workplaces may not enter the premises without the knowledge of the Human Resources Division in order to guarantee compliance with all legal requirements and sufficient control by MAPFRE.

In any case, all outsourced services must be monitored and supervised by internal structures, ensuring at all times that if, for whatever reason, the supplier can no longer provide the service, MAPFRE will have sufficient knowledge, control, and tools to guarantee the continuity of the activity.

Procurements of this type must meet all the relevant requirements established in the Solvency II Directive.

For more details, please see the “**OUTSOURCING REGULATION FOR MAPFRE GROUP INSURANCE AND/OR REINSURANCE FUNCTIONS AND/OR ACTIVITIES**,” approved by the Board of Directors on June 24, 2015.

▪ **Property Purchases and Procurement of Building Works**

Given their importance, all purchases of properties for use by the group must be carried out by committees/governing bodies specially created for this purpose, and they must always analyze the benefits of acquisition by purchase and acquisition by leasing.

The procurement of building works traditionally raises three fundamental problems: compliance with the initial building project, compliance with the budget, and compliance with completion deadlines. For this reason, in addition to all of the aforementioned aspects, the areas responsible for these types of procurement must take into account the following:

- **Preliminary tasks:** If there are internal technical structures, they must undertake and manage the projects, which may only be outsourced when this is not possible.
- **Project budget:** In order to be approved, all projects must contain a complete and itemized budget, including the final total cost and all the items and headings required to deliver the completed project to the Business Unit for implementation and launch of activity. The maximum budget deviation allowed is 10% of the final cost. If the final cost is higher than this, it must be submitted for approval again before the work is contracted. For building works in excess of 500,000 euros, with a foreseeable need for structural interventions, the overall budget (costs and completions) must include an estimate for these structural interventions. The purpose of this procedure is to try to minimize the impact of unforeseen circumstances that may arise during the course of the construction project and lead to major cost and/or completion deviations. As far as possible, this estimate should also be included even if the decision is to purchase the property.
- **The building project** put out to tender must contain all the necessary items for its complete execution. If any modifications are made during the works and imply an additional cost of more than 10% of the final cost approved, they must be itemized and the project must be resubmitted for approval.
- **Compliance with completion deadlines.** The project submitted for approval must also contain the completion periods, or at least the estimated dates if the exact dates are not known. It must also indicate the estimated dates in which the completed project will be turned over to the Management Area for the implementation and launch of activity (with all the requisite planning and/or legal permits).
- **Additional contracts.** The final project budget must also contain all the additional contracts required for the launch and execution of the project, not just the part for the main construction. For example, the overall budget of an office building for use by the group must not only contain the costs of the construction work but also the implementation costs and the estimated annual maintenance costs for the next five years, so as to provide a clear picture of the economic impact of the entire project. Under no circumstances may these procurements be governed by additional contracts outside the main project.

For building projects in excess of 1 million euros, a monitoring committee must be created to control and manage compliance with these aspects during the execution. The building user, the area responsible for the procurement and the real estate area in charge of the works must be represented on this committee. A monitoring committee may also be created voluntarily where a project is of particular importance but does not exceed 1 million euros.

For acquisitions, sales or rentals of properties for the group's own use (including premises to accommodate the activities of the group's non-insurance subsidiaries), a committee must always be created to analyze, supervise, and, where appropriate, approve these operations in line with the limitations established by each entity or governing body authorized to do so.

▪ **Main Contractors and Subcontracts**

In this regard, the general MAPFRE policy will be to hire the service provider and/or manufacturer of the item or work directly, avoiding the use of intermediaries, except in cases where the volume in question or another circumstance clearly adds value and an improvement over the direct procurement method.

Having awarded the contract to a bidder, MAPFRE must still monitor and guarantee the chain of subcontracts, and under no circumstances may the contractor subcontract work at more than two levels removed: in other words, the subcontractor (excluding MAPFRE group companies from the chain) may only subcontract one other company. For all procurements in excess of 500,000 euros p.a., MAPFRE will require a written statement listing all the companies that have been awarded contracts, including the main contractor and the subcontractors, and it must validate and approve each and every one of them before any work commences.

Below this amount, the above will be also applying when:

- The Local Purchasing Procedures of the country or Unit so require due to its specific characteristics (economic conditions of the country, size of the company, business situation, etc.).
- Or when the purchasing manager so decides due to the particularities of the service/supply to be procured.

All contracts drawn up on behalf of MAPFRE must contain clauses governing the terms and conditions of subcontracting.

▪ **Social Corporate Responsibility and Sustainability**

MAPFRE promotes ethical and socially responsible conduct in all of its activities, and this principle must also apply to any procurement processes implemented.

In keeping with its Code of Ethics and Conduct, MAPFRE requires all of its suppliers to conduct their business according to principles and values that are similar to its own.

For this reason, in addition to requiring compliance with the legislation and regulations of each country, MAPFRE expects the activities of its suppliers and contractors to demonstrate a commitment to integrity and professional ethics, avoiding conflicts of interest, extortion, bribery or any other form of corruption as well as the use of unfair competition or any practice that contravenes human rights (mainly occupational health and safety rights) or is harmful to the environment, during the course of their activities or provision of their services. By acting in this way, we not only build a serious reputation but generate trust on the part of our shareholders, clients, and society in general.

To this end, MAPFRE will provide its suppliers with detailed information about its principles and values, its current Code of Ethics and Conduct, and its policy as a socially responsible group. MAPFRE may include clauses in the contracts it draws up to permit the unilateral termination of the contractual relationship should it discover that the provider's actions contravene the group's social responsibility policy and/or compromise MAPFRE's reputation.

▪ **Environment**

All procurements must aim to respect the environment and, in the provision of services, promote the good practices and values pursued by MAPFRE in line with the group's Environmental and Energy Regulation.

MAPFRE's commitment to environmental conservation and the promotion of energy saving and efficiency must be made patent in the approval and selection of suppliers. This is to be achieved by ensuring that tender terms and conditions include environmental and energy criteria for suppliers and products, either as compulsory requirements or as aspects to be taken into account during the decision-making process.

6. SUPPLIER MANAGEMENT

▪ **Relations with Suppliers**

Relationships with suppliers must be based on the following:

- Ethical principles and compliance with the law and/or existing legal framework.
- Integrity of business practices.
- Professionalism and reliability.
- Sufficient solvency. Major concentrations of operations with a single supplier must be avoided in order to minimize the risk. Objective criteria in the approval, selection, and procurement process.
- Guaranteeing market prices.
- Proper quality assurance.
- Guaranteeing payment in the periods agreed.

Procurements must meet appropriate technical, professional, and economic criteria and must always cater to MAPFRE's needs and interests.

To guarantee maximum efficiency and control, "purchasing groups" must divide the supplier base into different segments according to the criteria defined in the General Procedure. In addition to other factors, these criteria will evaluate the importance of the provider to the company, its negotiating capacity and the volume of its business with the group, which may not exceed 50% of the provider's total revenue. In fact, as a general criterion, it is recommended that it not exceed 25% of its revenue. Any exceptions to this limit must be approved by the company's governing bodies.

As a general rule, contracts should not be drawn up with individuals, and where this proves to be in MAPFRE's interests the necessary measures must be adopted to avoid the supplier's dependence on the group. To this end, and as a general regulation, the total amount billed to MAPFRE may not exceed 50% of the supplier's income. Procurements of this type are subject to special validation by the respective legal areas to guarantee proper conduct.

▪ **Approval Of Suppliers**

All companies that wish to supply goods or services to MAPFRE must be approved to guarantee that they have the sufficient technical, financial and quality capacity to fulfill the commitments undertaken. The evaluation of prospective suppliers must pay particular attention to the soundness and reliability of their business from both the financial/solvency and technical points of view.

All suppliers, including those already approved and prospective ones, must be registered in MAPFRE's established information systems so that there is a single database, broken down by "purchasing organization."

The approval process will be coordinated by the corporate department in conjunction with the other purchasing groups involved, and in each country by the purchasing organization that has been designated to control the process.

Suppliers will be approved in accordance with the criteria described in the General Procedures, specifically in the section entitled Selection, Approval and Evaluation of Suppliers.

The general requirements for becoming an approved provider are to have market conduct that is compatible with the group's ethical principles; in other words, to carry out all activities in accordance with current legislation and, in particular, with the legislation governing the specific activity. Prospective suppliers must also be up-to-date with their labor, occupational risk prevention, and tax obligations.

Approval will not be given to suppliers who refuse to sign or comply with the following clauses:

- Data Protection
- Provider Data Processing
- Charter of Environmental and Energy Commitments
- Provider Equality Clause
- Statement of the relationship that contractors, shareholders, or persons associated with the provider may have with persons associated with MAPFRE.
- Social Responsibility Clause
- Institutional, Business, and Organizational Principles of the MAPFRE GROUP.
- Global Compact Principles
- Code of Ethics and Conduct
- MAPFRE Code of Ethics

Contracts may not be drawn up with any provider who has not been approved. Approval criteria will be detailed in the general procedures and local procedures for each country. However, approval does not imply any commitment or obligation on the part of MAPFRE, or any right on the part of the supplier, except the entitlement to be entered in MAPFRE's database of approved suppliers.

Approval will exceptionally not be mandatory for suppliers called “known suppliers,” who have maintained a past business relationship with MAPFRE, and who, in addition, meet the following criteria:

- Their contracts do not exceed €50,000 p.a.
- Their services/goods are infrequently used
- There are few alternatives to the service due to relocation

▪ **Continuous Evaluation of Suppliers**

All suppliers identified as strategic and priority for the group, as well as all those that do not have this status but have billed the group for more than 1.5 million euros in the previous year, must be evaluated annually, notwithstanding any lower amounts established in the General Procedure for each procurement category.

The evaluation will be undertaken in accordance with the criteria established in the General Procurement Procedures.

Suppliers who do not pass the evaluation process should be informed and if they do not comply with the minimum requirements set by the requesting department and Procurement Department, they may be excluded from the Approved Suppliers List.

More restrictive criteria for the mandatory evaluation of suppliers who have annual billing of less than 1.5 million euros can be adopted when:

- The Local Purchasing Procedures of the country or Unit so require due to its specific characteristics (economic conditions of the country, size of the company, business situation, etc.).
- Or when the purchasing manager so decides due to the particularities of the service/supply to be procured.

7. APPLICATION OF THE REGULATION

These regulations aim to improve procurement criteria, the purchasing process, and the control and knowledge of purchases while simultaneously guaranteeing their flexibility, efficiency and cost-effectiveness. To fulfill these aims, the application of this text must be managed by as few designated people and committees as possible and must involve the simplest possible actions. To this end, the process management software will be automated to the highest possible degree and the committees will comprise a small number of members to guarantee flexibility in the decision-making process.

In keeping with all of this, the organizational structures must preferably be composed of existing resources and this Regulation should not warrant an increase in the current structure.