



**Procedure for the Analysis of
Potential Acquisitions, Disposals
and Other corporate restructuring
operations**

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1. Purpose

The purpose of this document is to define the procedure for the documented and systematic analysis of any potential opportunity to acquire, merge or divest in a company that may be considered by MAPFRE, and any other corporate restructuring operations

2. Scope

Business reorganization operations (mergers and similar agreements): in which there is a global assignment of assets and liabilities against the background of a merger, spin-off or any other similar type of business reorganization of which at least one of the companies involved is owned by MAPFRE.



Acquisition operations: those in which a MAPFRE company acquires another company's capital and assets, in whole or in part, taking over control of the company and/or the management at that point or through a future takeover agreement.

Portfolio assignment operations: acquisition and disposal operations for the insurance portfolio and the assets and liabilities related to it.

Joint venture operations: in which an agreement is reached with another company that is external to MAPFRE to develop a specific investment project.

Divestment operations: those that entail the sale of a majority shareholding or management in a company that belongs to the MAPFRE consolidation perimeter.

Third-party inclusion operations: those in which the acquisition of a shareholding in MAPFRE companies by third parties is analyzed.

Bancassurance operations: agreements with banking entities that include upfront payments or payments other than brokerage fees.

The following fall outside this procedure:

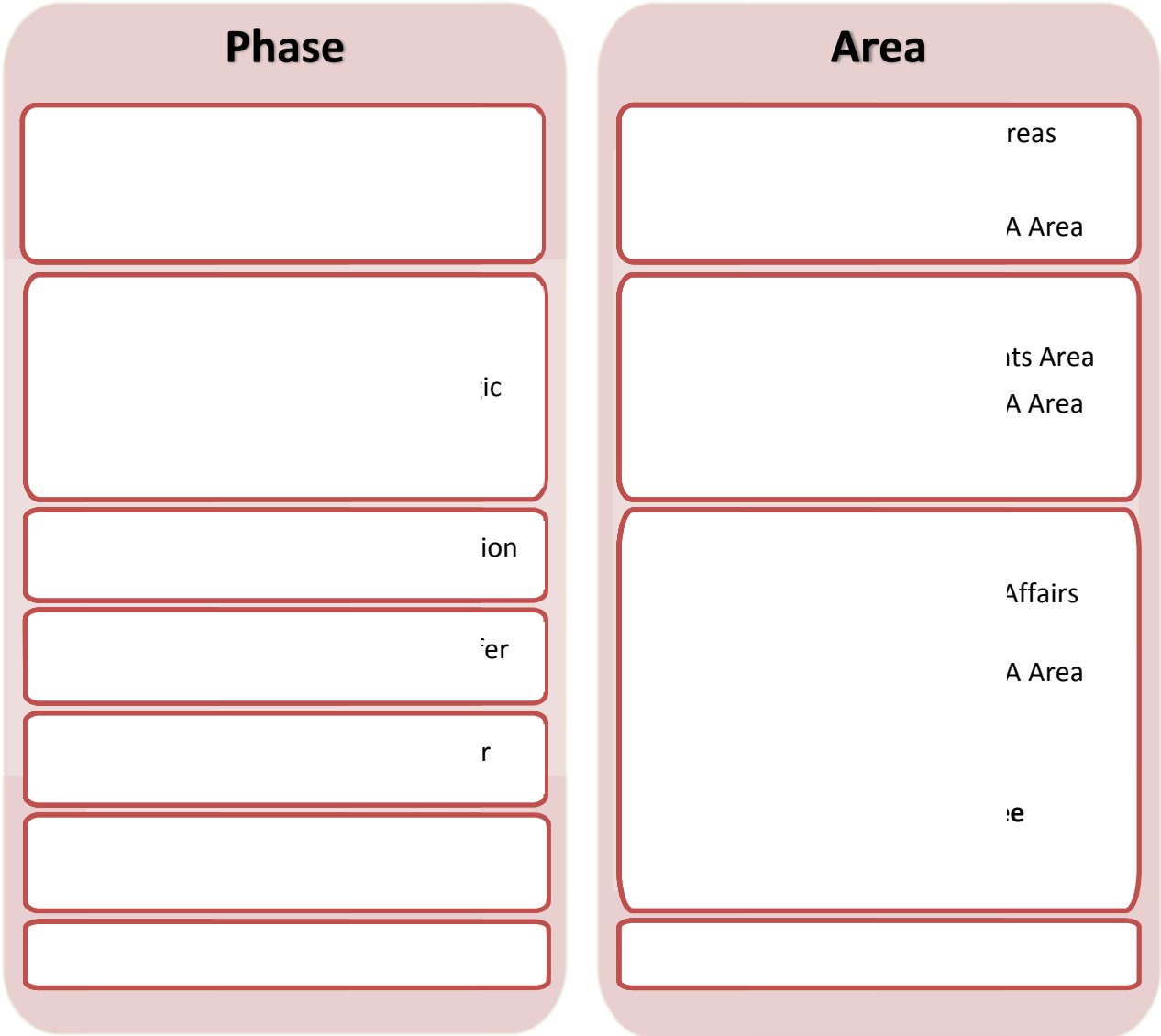
- Alliances or distribution agreements that only include payments of overrides, participation in profits, rappels or *earn-outs* associated with meeting a level of production and/or profit.
- Investment projects for the development of new business initiatives. These projects will be the responsibility of the Global Business, Clients and Innovation Committee. However, in the measure that these projects require investment or significant use of resources, they should use the methodology developed by the M&A Department to analyze their return.
- Investments in assets made within the framework of the responsibilities of the General Management of Investments (financial investments, securities, etc.) and property

investments, as well as internal corporate restructuring processes, whether voluntary or for legal or fiscal reasons.

3. Project Phases



Each acquisition project is different due to a number of variables. Generally speaking, however, we can establish seven main phases which any acquisition or investment project must complete. This diagram shows a scheme for this and the areas that will regularly participate in each phase.



This same scheme will also be applied to divestment operations, although, naturally, the final phase will be separation rather than integration. Sometimes this effect will take place

immediately, and on other occasions it will require a preliminary period of cooperation with the buyer (data migration, obtaining authorizations, etc.).

With this in mind, it is considered necessary to establish specific divestment procedures, at least in some of the aforementioned phases. The specific features of each case shall be indicated in detail during the procedure described in this document.

Persons taking part - as few as possible - are obliged to maintain the strictest level of secrecy and will have to sign the pertinent confidentiality agreement.

These are processes in which it is necessary to maintain the highest degree of confidentiality due to their impact on the market, the negative effect they may have on employees, stakeholders and third parties and because the failure to comply with the duty of secrecy is a breach of the undertaking made by the people involved.



4. Merger or Acquisition Projects



4.1. Identification of Potential Opportunities

The Territorial and Regional Areas, Business Units and M&A Division of the Group (hereinafter "DM&A") shall be responsible for identifying potential opportunities.

Generally speaking, a potential acquisition is identified by the investment banks - specialists in M&A - and consultancies which usually act as external advisors in any process for the acquisition or sale of companies or businesses.

The DM&A will be responsible for maintaining regular contact with Investment Banks in order to guarantee, through this channel, the identification of all opportunities that may be of interest to MAPFRE.

Furthermore, the DM&A will coordinate any contact that might be necessary between the Investment Banks and the Territorial and Regional Areas and the Business Units to improve knowledge of markets or businesses.

In certain markets or businesses, it will be necessary to conduct an active search for acquisition opportunities to enable us to focus on those which interest MAPFRE most. This course of action enables us to save time and effort in identifying potential acquisitions that fit inside the strategic framework from the outset and enable direct negotiations with the seller in contrast to the usual auction processes. On the other hand, they may reduce negotiating capacity given the interest shown in the active search.

If a potential acquisition is identified by other Corporate Areas of the group, such as Business and Clients or Corporate Strategy and Development, it must be communicated to the DM&A immediately for coordination.

If it is necessary to undertake this active search through Investment Banks, the DM&A will coordinate the selection process.

In order to recruit the services of an Investment Bank as an advisor, it will be necessary to clearly define the objective, scope and expected result, in order to guarantee its efficiency.

The DM&A will keep a record of all the operations offered, and for this purpose it will also be informed of those operations that might be ruled out in the initial phases.

4.2. Preliminary Analysis and Strategic Alignment

The Corporate Strategy and M&A Area (hereinafter "**ACEM&A**") will be responsible for the analysis of the strategic alignment of each potential acquisition. This analysis will take place with the participation of the Corporate Business, Clients and Innovation Area.



Investment and divestment processes should comply with the strategic development framework previously defined by MAPFRE in its Strategic Plans.

The analysis of markets and businesses involving the study of potential acquisition and its alignment within MAPFRE's strategic preferences must be documented in an opinion that will contain the proposal made by regional and Territorial Areas and the Business Units and the opinion of the participating Corporate Areas. Any discrepancies that arise will be taken down, along with their corresponding reasons.

The opinion, whether favorable or not, will be communicated to the Senior Management of the Group as a preliminary step to the submission to the Committee of Acquisitions and Divestments of the Group (hereinafter "**CAD**" - composition of the CAD according to Annex I).

The CAD shall play a continuous role in acquisition projects from the outset until they are totally executed. Its intervention will therefore be an efficient help, and never a filter or obstacle in performing the transaction. Therefore, the acquisition projects shall be submitted to the opinion of the CAD as soon as possible once this phase has been completed.

In this respect, the CAD must consider the combination of several acquisition projects, in which case, the economic requirements concerning return and financing possibilities shall be globally evaluated, proposing the priority of each one of them if they cannot be achieved in combined form. This is without prejudice to the powers attributed to the competent Governing Bodies in this field.

4.3. Study of the Project and Negotiation

The CAD intervenes, directs and coordinates all tasks that have to be performed in each acquisition or divestment process. It is a service body, not a decision-making body.

The CAD will coordinate the negotiation of the acquisition contract, the performance of due diligence and the conclusion of the transaction, as well as the execution of operations contained in the financing plan.

With the assistance of the Territorial and Regional Areas and the Business Units involved, it will promote the creation of the work teams (internal and external) that are necessary to analyze the information, take part in the due diligence, prepare a valuation that is as accurate as possible in accordance with the information available, and negotiate the terms of the transaction.

In all its tasks, the CAD will seek the following objectives:



- Rigor in a potential acquisition process
- Efficiency in resources applied to the acquisition operations
- Objectivity in information and in valuations
- Preliminary study of possible consequences of acquisitions
- Monitoring and subsequent evaluation of compliance with estimates

The DM&A will coordinate the preparation of an “Acquisition Form”, which will be used as a scorecard to provide a summary of the main aspects of the operation that are analyzed (financial, accounting, business, legal, organizational, etc.) and regarding the company that is the object of the acquisition.

The DM&A will prepare a summary document of the company acquisition, disposal and restructuring projects underway and report the status and upcoming milestones of each one. This document will be submitted quarterly to the Global Business, Clients and Innovation Committee.

4.4. Obtaining information and submitting a non-binding offer

Given that the information to be obtained in the acquisition processes is not public, MAPFRE must sign a Confidentiality Agreement with the aim of offering protection to the company subject to the risk of improper disclosure of information. Before it is signed, any Confidentiality Agreement has to be subject to review by the General Counsel and Legal Affairs Area.

Furthermore, the General Counsel and Legal Affairs Area will ask each MAPFRE employee involved to sign a specific confidentiality document for each acquisition project that they have access to, for professional reasons.

Once the Confidentiality Agreement is signed, an Information Memorandum and Process Letter will be received with in-depth information on the company that is the object of the acquisition and the structure of the transaction.

The objective of this phase is to obtain and develop all possible information to be able to assess the most critical financial and organizational aspects of the company and thus be able to evaluate it and submit an offer

In this phase of the project, the aim will be to attempt to undertake as many tasks as possible with in-house resources. However, if for any reason it were considered advisable to recruit the services of an external advisor, mainly an investment bank, an M&A specialist, a consulting firm or a legal advisor, the DM&A will coordinate the selection of the former and Legal Affairs will coordinate the latter.

Contracting of external advisors will be subject to the approval processes that MAPFRE deems suitable in each case. According to current regulations, given the difficulty entailed in preparing a budget for these types of services, budgets that exceed 250,000 euros must be approved by the Executive Committee.

The DM&A, together with the Regional Financial Directors who are involved, will perform the pertinent Financial Analysis which will be based on the available information, and, in general terms, will include:

- Analysis and evolution of the historical and estimated income statement.
- Breakdown of premiums and claims ratio and expenses by lines.
- Analysis of the HR/geographical/corporate structure of the company.
- General review of all balance sheet items with a special focus on the most relevant ones in insurance companies: technical provisions, shareholders' equity and investments.

The DM&A will perform a Valuation of the project. In each project the DM&A will decide on the application of the valuation methodology that is most appropriate in accordance with the characteristics of the target company and the information available. As a general rule, the dividend discount or discount cash flow methodology will preferably be used. Insofar as possible, this methodology will be complemented with valuations performed based on ratios of previous transactions and/or listed companies.

As a general principle, the valuation performed should not include the synergies achieved from the use of MAPFRE best practices. The company valuation has to be neutral in order to equal the initial offer conditions in a competitive process and provide senior management with an objective item for the economic valuation of the company.

However, whenever possible, a separate estimate should be made of synergies as well as the integration costs (surplus staff, need to incorporate different management software, incorporating MAPFRE control items, etc.).

Furthermore, it will be necessary to use the information available in this phase to estimate the effect the acquisition may have on MAPFRE and/or the subsidiary that will ultimately make the investment. This analysis will be conducted with the usual return indicators adjusted to the nature of each project (combined ratio, EBITDA/Revenue, ROE, estimated dividends, capital consumption, accounting impact, etc.).

A Report will be drawn up regarding each project. Each report shall include all the aspects analyzed in this phase, so the CAD and the governance bodies can make the pertinent decisions using complete information.

At the request of the CAD, the competent Governance Bodies will be responsible for approving the submission of the Non-binding Offer and of its terms and conditions. The AGM and AL Area will be responsible for preparing the final text, based on a draft that will be prepared by the ACEM&A.

4.5. Due Diligence and Submitting a Binding Offer



Due diligence consists of an analysis of the information regarding the past, present and future of the target company. The documentation and information will be analyzed exhaustively in a broad range of areas: strategic, financial, legal, commercial, operational, technological and human resources. Due diligence is important to identify the opportunities and risks of the transaction. Any new information that comes to light will have an impact on the price, on the terms of the contract and might possibly lead to calling off the deal.

When necessary, due diligence will be contracted out to external advisors, primarily external consultants and legal advisors and may include the following areas, depending on the characteristics of the acquisition and the information that is available:

- Financial and Actuarial Review
- Fiscal Review
- Legal Review
- Human Resources Review
- Technological Systems Review
- Review of Internal Control Reports
- Review of the reports from the Risk, Internal Audit and Compliance Areas

In-house teams shall also take part in the due diligence. They may be necessary to support external advisors in matters considered to be especially important in each project and to take part directly in the meetings organized with both the management team of the company that is the object of the transaction and with the seller.

These in-house teams should also include members of the Regional Area or Business Unit organization involved and of the MAPFRE subsidiary in the country where the target company of the transaction operates.

A due diligence report shall be drawn up and submitted to the CAD.

Furthermore, bearing in mind the greater amount of information available in this phase of the project, the CAD will be sent an Valuation Update and an update on the effect that the acquisition may have on MAPFRE and/or the subsidiary that will ultimately make the investment, based on the usual return indicators adjusted to the nature of each project (combined ratio, EBITDA/Revenue, ROE, estimated dividends, capital consumption, accounting impact, etc.).

At the request of the CAD, the competent Governing Bodies will be responsible for approving the submission of the Binding Offer and its terms and conditions, and the General Counsel and Legal Affairs Area will be responsible for drawing it up.

4.6. Operation Formalization

The General Counsel and Legal Affairs Area shall be responsible for drawing up and negotiating the content of the contractual documents signed for the formalization of the operation.

The CAD, through its Chairman, will be responsible for continuously reporting to the Governance Bodies regarding the development of each acquisition.

Every year, the DM&A will draw up a monitoring report on the acquisitions performed, which will be submitted to the CAD. This report will be used to analyze compliance with the business hypotheses considered in the acquisition process and the reasons for the differences. Accordingly, the Business Units will have to keep separate management information on each of the acquisitions that can be used to draw them up.

As a general rule, the acquisitions that are of significant importance to MAPFRE and have taken place in the last five years will be included in the report. Nonetheless, this period can be extended to ten years for acquisitions of life insurance companies, large companies or companies that are deemed suitable due to their complexity.

4.7. Integration

The greatest challenge posed by a merger or acquisition begins in the integration phase.

The integration does not begin at the point at which the documents used to conclude the transaction are signed, rather it is an essential process that begins with the due diligence. The integration should begin to be planned beginning with the first liaisons with the target company; this will create an advantage when concluding the transaction.

Hence, the teams that are created to develop the due diligence and the subsequent phases of the project will need to be equipped with adequate internal resources from MAPFRE S.A., or from the Business Unit, Regional Area and/or local Companies of MAPFRE.

Furthermore, it is essential to anticipate the involvement of specialist teams in different fields in the project; this will help to reduce the time and the cost of implementing the business and control models established by MAPFRE. The person directly responsible for the acquired business will have to submit and obtain the approval of the strategic plan of the company, which will have to include, among other sections, the implementation of the processes, business operation and control tools and systems that might be defined, while the DCO has to coordinate and lead the IT corporate/regional teams, Processes, Businesses, HR, etc., and select the process and business specialist teams, who act as teams of reference for the implementation of models defined in the incorporations of new companies in countries where MAPFRE does not have a sufficiently large local structure.

5. Divestment Projects

Companies have traditionally considered divestments to be more tactical than strategic. For many corporations, these types of decisions are not really due to a divestments policy, but rather they have been the result of unplanned reactive situations such as:

- Changes in local regulations of the country where the parent company is headquartered.
- Changes in local regulations in the country where the subsidiary is headquartered.
- Application of regulatory standards on market concentration.
- Cash generation at times when it is difficult to raise capital.
- Payment of debts and/or reduction in leverage of the corporation.
- Lack of continued return of the initial investment.

MAPFRE's corporate strategic plan will be used as the reference to analyze the strategic alignment of any divestment.

Any divestment project that has an origin other than strategic analysis should be channeled through the DADQ so it can be analyzed in conjunction with the Territorial and Regional Areas, the Business Units involved and ACEM&A. The conclusions from this analysis will be presented to the CAD.

The CAD will have to issue an opinion on each divestment project's degree of conformity with MAPFRE's Strategic Plans and, in particular, with the economic return requirements.

As with the acquisition projects, planned divestments should be valued by the DADQ.

Furthermore, an estimate of the effect the divestment may have on MAPFRE will be prepared, based on the usual return indicators adjusted to the nature of each project (combined ratio, EBITDA/Revenue, ROE, estimated dividends, capital consumption, accounting impact, etc.).

Generally speaking, the active search for potential buyers will require investment banks to be contracted in order to guarantee contact with any candidates that may be interested, and thus the highest possible competition.

Usually, the seller due diligence has certain characteristics that set it apart. It requires a large amount of company information to be gathered, digitized and uploaded from very different areas such as Administration, Human Resources, Legal Area, Information Technology, etc. It is also necessary to coordinate access to the information of all the candidates interested, responses to questions which may arise and compliance with the established schedule.

Taking all this into account, it may be necessary to contract the services of an investment bank to coordinate the process and an Internet platform that contains all its information and can be accessed remotely by all candidates. The DADQ will coordinate the recruitment of both external advisors insofar as they are considered to be necessary for the process.

At the request of the CAD, the competent Governance Bodies shall be responsible for accepting any of the Offers Received.



6. Procedure for Acquisitions and Divestments of Reduced Size and Complexity

All operations included within the scope defined in Section 2, with an economic investment or divestment impact under 10 million euros and that correspond to the Iberia, Noram and Brazil Regional Areas can be managed by applying the following specifications to the procedure in question.

- They can deal autonomously with the aspects included in Section 4.3 Study of the Project and Negotiation, Section 4.4. Information and Non-binding Offer and Section 4.5 Due Diligence and Binding Offer of this procedure.

Hence, they must observe the principles defined herein and act in coordination with the DM&A and the AGM and AL Area.

- In any event, for purposes of clarification the Strategic Alignment phase will require the participation of the Corporate Areas, as established in Section 4.2 of this procedure.

Contracting any external consultancy service (investment banks, business advisors, auditors or legal advisors, etc.) shall require the approval of ACEM&A and AGM and AL Area Management, as corresponds. When required by regulations, the latter shall submit these services to approval by the pertinent MAPFRE Governance Bodies.

Acquisitions and divestments of reduced size and complexity will not require approval by the CAD. However, at the request of its Chairman or any of its members, the CAD may consider applicable the general procedure described in Sections 4 and 5 for operations with

Corporate Strategy and M&A Area

an economic investment or divestment impact not exceeding 10 million euros, of there are circumstances that recommend doing so.



Annex I

Committee of Acquisitions and Divestments

- Fernando Mata Verdejo (Committee Chairman)
- Aristobulo Bausela Sánchez
- José Corral Vázquez
- Ángel Dávila Bermejo
- Juan Fernández Palacios
- Koldo Gurtubay Francia
- Claudio Ramos Rodríguez
- Jaime Tamayo Ibañez

