



MAPFRE INSULAR INSURANCE CORPORATION
INTERNAL AUDIT CHARTER

Approved by the Audit Committee, December 9, 2020

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1. Purpose

The purpose of the Internal Audit Charter is as follows:

- ✓ Inform of the mission and duties defined in the Internal Audit Policy and establish the powers and obligations of the Internal Audit Area in MAPFRE, as well as disseminate knowledge of this function.
- ✓ Define the structure of MAPFRE's Internal Audit Area.
- ✓ Establish the framework of relations between the Internal Audit Area of MAPFRE and the Audit and Compliance Committee, the Chairman, Senior Management and Directorates of the Business Units, Territorial Areas, Regional Areas, Global Corporate Areas, assurance functions and external auditors.
- ✓ Detail the rights and obligations of the auditors, as well as the rules of conduct and the responsibilities of the Internal Audit Manager.
- ✓ Inform of the existence of the Quality Assurance and Improvement Program of the internal audit activity.
- ✓ Formalize and disseminate the main internal audit processes, standards and procedures in MAPFRE.

2. References

The Internal Audit activity is based on the key references included in the Internal Audit Policy listed below:

- ✓ The *"Institutional, Business and Organizational Principles of MAPFRE Group"*, which outlines the institutional and business principles of action and the basic internal rules that regulate the Corporate Governance of MAPFRE S.A. and constitutes the minimum mandatory framework for all entities that integrate MAPFRE and their respective governing bodies.
- ✓ *Article 22 of MAPFRE, S.A. Bylaws*, which determines that an Audit and Compliance Committee shall be in place in any case and establishes its duties.
- ✓ *Rules promulgated by the Regulatory and Supervisory Bodies* in Spain and in those countries in which MAPFRE is present, on matters relating to the field of Internal Auditing.

- ✓ *Article 47 of Solvency II Directive and the Directives on the System of Governance*, as well as its subsequent transposition via articles 65 and 66 of the Law 20/2015, July 14th, Regulation, Supervision and Solvency of the Insurance and Reinsurance Undertakings and the article 44 of the Regulation, Supervision and Solvency rules, which appoints Internal Audit as one of the key functions in the System of Governance of the insurance undertakings and, confers it responsibility for ensuring the adequacy and efficacy of the Internal Control System and other elements of the System of Governance.
- ✓ The IIA's "*International Professional Practices Framework*". The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards¹ and the Internal Auditing definition and mission. The Audit Manager will report periodically to Senior Management and the Audit and Compliance Committee regarding the internal audit activity's conformance to the Code of Ethics and Standards of the Institute of Internal Auditors.
- ✓ The "*Code of Ethics of MAPFRE*", which is inspired by the "*Institutional, Business and Organizational Principles of MAPFRE Group*" and is aimed at reflecting the corporate values and basic principles that shall guide the performance of MAPFRE and of the persons that belong to it.
- ✓ Internal procedures from MAPFRE's Internal Audit Area, primarily, the "*Internal Audit Manual*". It has been made to integrate the regulations and the procedures the Internal audit Area uses.

3. Scope

The scope of application of the Internal Audit Charter extends to the MAPFRE Group entities.

All the officers and employees of MAPFRE must be aware of and comply with this Charter and, accordingly, the Corporate Internal Audit Area must ensure it is adequately disseminated.

¹ The "*International Standards for the Professional Practice of Internal Auditing*" are the reference of the Internal Audit profession worldwide. The purpose of the Standards is, among others, to define the basic principles that represent the internal audit practice as it should be and establish the basis for assessing the performance of the internal audit. The Corporate Internal Audit Area of MAPFRE is a member of the IIA (The Institute of Internal Auditors) and carries out its work following generally accepted auditing standards, assuming the Code of Ethics of the Institute of Internal Auditors as a guideline for behavior of the members of the organization.

4. Structure of the Internal Audit Area

The underlying principles of the Internal Audit Structure are reflected in the Internal Audit Policy, and are the following:

- ✓ [Reporting to the Board of Directors](#) of MAPFRE S.A. through the Audit and Compliance Committee (Delegated Body of the Board) and, in particular, of its Chairman.

The Audit General Manager reports administratively to the Chairman of MAPFRE.

The Managers of the Internal Audit Services, Units and Departments report functionally and hierarchically to the Internal Audit General Manager and administratively to the CEO or General Manager of their companies.

Any circumstance that could compromise, in fact or appearance, the independence or objectivity of the Internal Audit Management or any of the internal auditors will be communicated to the Audit and Compliance Committee.

- ✓ [Decentralization of the audit function](#), locating the Internal Audit teams as close as possible to the business Areas and support to business.
- ✓ [Coordinated action](#) of all the Internal Audit Services, Units and Departments following the guidelines established by the [Corporate Internal Audit Area](#).

The Internal Audit Area is structured in Audit Services, Units and Departments. The organizational chart may be consulted in the MAPFRE Internal Audit Manual.

The Corporate Internal Audit Management is composed of the **Audit General Manager**, who directs and coordinates the internal audit teams, and **Audit Managers**, specialized in different matters and functions, who have global competencies over all countries where Internal Audit is present.

The Internal Audit Services (IAS) manage, supervise and coordinate the Internal Audit Units (IAU) and Departments (DPT) for the different MAPFRE Business Units in the world (Insurance, Assistance, Global Risks and RE). There is also an IT and Security Internal Audit Service, with global competencies, responsible for the IT and Security audits of the Group.

5. Mission and Duties of the Internal Audit Area

Internal Auditing is an independent, objective assurance and consultancy activity², designed to add value and enhance the operations of MAPFRE. Its mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. It assists the Organization in fulfilling its objectives by providing a systematic, disciplined approach to assess and improve the effectiveness of the risk management, internal control and corporate governance processes.

As indicated in the Internal Audit Policy, the Internal Audit Area has, in general, the **following functions**:

- ✓ Supervise the adequacy and effectiveness of the [Internal Control System](#) and other elements of the System of Governance.
- ✓ [Prepare an Annual Internal Audit Plan](#) taking into account all activities and the MAPFRE Governance System, adopting a risk-based approach. The Plan is subject to analysis and approval by the Audit and Compliance Committee of MAPFRE S.A. and confirmation by the Board of Directors of MAPFRE S.A.

When necessary, the internal audit function will carry out audits that are not included in such Plan.

- ✓ Comply with the [Annual Internal Audit Plan](#), informing in each report on any deficiencies detected and recommending the way to remedy these. The Audit and Compliance Committee of MAPFRE will be informed periodically of the activities carried out, the work results and the status of the recommendations issued.

The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board and/or Audit and Compliance Committee, management and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for MAPFRE.

- ✓ Effectively coordinate the [communication of information](#) between the Board of Directors, through the Audit and Compliance Committee, and the internal and external auditors.

² Assurance is taken to mean all those tasks that produce an independent evaluation of the processes related to risk management, internal control and governance of the organization, e.g. financial, performance, compliance, systems security and due diligence issues. Consultancy is taken to mean all those advice activities and related services, of the risk management, internal control and governance of the organization, whose nature and scope are agreed with the members of the organization, aimed at providing added value and enhancing the business processes. Given their nature, those consultations related to accounting criteria and principles or involving fiscal and legal issues are duly excluded, as long as it does not play any role in the effective management of risks.

- ✓ **Support the Organization** in the fulfillment of its objectives, providing professionals in fields that may require an independent opinion or development support.
- ✓ Coordinate the work of the **External Auditors** and the analysis of their conclusions, before these are ratified.
- ✓ Gather whatever information proves necessary to **support the Audit and Compliance Committee of MAPFRE S.A.** – and other Audit and Compliance Committees set up in the subsidiaries pursuant to legal requirements or on a voluntary basis – **and the Executive Chairman** of MAPFRE.
- ✓ **Evaluate the compliance of plans, policies, procedures, laws and regulations** that could have a significant impact on the operational and strategic objectives.
- ✓ Coordinate and review the **audit requests** from **clients** and/or **suppliers**.
- ✓ Exercise an active role in the **Anti-Fraud work** in relation to the prevention, detection and communication of Fraud in the Audit work carried out. Address the requirements and requests of the different areas involved in the Anti-Fraud work.

6. Framework of Relations

The framework of relations between the Internal Audit Area and the Organization of MAPFRE is as follows:

- a) **Audit and Compliance Committee:** delegated body of the Board of Directors of MAPFRE S.A. that, among its basic duties, ensures the independence and effectiveness of the Internal Audit function and supervises its performance; to this end, it shall have full access to its action plans, activities, the results of its works and the follow-up of the recommendations delivered in its reports.

Subject to the foregoing:

- ✓ To establish, maintain and assure that the Internal Audit Area has sufficient authority to fulfill its duties, the Audit and Compliance Committee must:
 - Approve the Internal Audit Charter.
 - Approve the risk-based internal audit plan, the budget and resource plan of the Area and determine whether there is inappropriate scope or resource limitations. Issue an opinion to the Board for its consideration and ratification.
 - Receive communications from the Audit Manager on the internal audit's performance relative to its plan.

- Propose the appointment and removal of the Audit Manager and issue an opinion to the Board for its consideration and approval.
 - Evaluate and approve the Internal Audit functioning Standards.
 - ✓ The Corporate Internal Audit Area is the habitual channel of communication between the Audit and Compliance Committee and the rest of the Organization of MAPFRE, being responsible for preparing the information required in sessions of such Committee, with the Internal Audit General Manager of MAPFRE attending the same as a speaker – albeit with no voting rights.
 - ✓ The Audit Manager will have unrestricted access to and communicate and interact directly with the Audit and Compliance Committee.
- b) **Executive Chairman, Senior Management and Directorates:**
- ✓ The Corporate Internal Audit Area provides support to the Executive Chairman, Senior Management and Management of the Business Units, Territorial Areas, Regional Areas and Global Corporate Areas of MAPFRE in the fulfillment of their responsibilities.
 - ✓ The Corporate Internal Audit Area aligns its Audit Plan with the relevant risks and performance goals of the Strategic Plan in force at any given time. Each Internal Audit Service and each Internal Audit Unit is under the obligation to report to the Board of Directors and/or Audit Committee and/or Steering Committee on the progress of the Audit Plan, its results and the degree of implementation of the recommendations.
- c) **Assurance key functions: Actuarial, Risks Management and Compliance.**
- ✓ Internal Audit collaborates and maintains a close relationship with the other key assurance functions, making sure with the periodicity determined in the IAP that they develop their functions properly to ensure the existence of an efficient and effective Internal Control System in MAPFRE.
- d) **External Auditors:**
- ✓ The relations of the Audit and Compliance Committee with the external auditors are channeled through the Corporate Internal Audit Area.

The main duties of the Corporate Internal Audit General Area in this regard are the following:

- Inform the Audit and Compliance Committee about the main conclusions of the financial statements audit of the companies that

make up MAPFRE, as well as, where appropriate, of the revisions of the SFCR and Information required by Solvency II.

- Approve the budget for the financial statements audit of all the companies included into the audit scope, as well as all other works not linked to the financial statements audit whose provider is the external auditor shall be submitted to the Audit and Compliance Committee.
- Coordinate the selection of the external auditor.
- Verify its Independence, receiving information about the fees billed for all items as well as all issues that may pose a threat to the independence of the external auditor and inform the Audit and Compliance Committee.

7. Rights and Obligations

MAPFRE's Internal Audit Area has the following rights and obligations in the performance of its functions:

- **Rights:**
 - ✓ All activities, operations and processes may be subject to an Internal Auditing evaluation.
 - ✓ Internal Auditing shall access any kind of documentation, information and/or information system it deems necessary for the fulfillment of its duties.
 - ✓ Internal Auditing shall have access to management, budget and financial-equity information, full reports from the Boards of Directors, Executive Committee, Management Committees and Delegate Bodies as well as those prepared by the Subsidiary Companies of MAPFRE S.A., the Business Units, Territorial Areas, Regional Areas and Global Corporate Areas.
 - ✓ Internal Auditing shall call on the collaboration of any officer or employee of MAPFRE in order to perform its duties.
 - ✓ The Internal Audit Area shall turn to outsourcing in order to commission others to perform those audit-related tasks they feel are necessary.
 - ✓ Internal Audit will be informed of the agreements with Suppliers whose contracts contain any clause that entitles MAPFRE to perform some Audit

work of a Supplier or that a Supplier may perform an audit of MAPFRE. Likewise, Internal Audit will be informed of any audit work requested by a Supplier.

- **Obligations:**

- ✓ Internal auditors must comply with the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, with the "Institutional, Business and Organizational Principles of MAPFRE Group", "MAPFRE's Code of Ethics", the "Stock Market Internal Regulations of Conduct", all the Solvency II Regulation requirements for the Internal Audit function and any other ethical rule that binds MAPFRE employees, whether in Spain or abroad.
- ✓ The Corporate Internal Audit Area and the Directors of the Audit Services, Units and Departments must provide assistance and advice, within the framework of their duties, to the Audit and Compliance Committee and to the Executive Chairman of MAPFRE, as well as to the Boards, Executive Committees and Audit Committees of the Subsidiary Companies within MAPFRE S.A.
- ✓ Internal auditors must comply with both internal and external operational rules in those countries in which MAPFRE is present.
- ✓ The criteria and actions of the internal auditors must be independent with respect to the Organization.
- ✓ Internal auditors must perform their work with due diligence and professional competence.
- ✓ Internal auditors must maintain the utmost confidentiality with respect to the information they deal with and the conclusions of their work.
- ✓ The Audit Manager will report periodically to Senior Management and the Audit and Compliance Committee on the activity carried out regarding the purpose, authority, responsibility and performance of its plan, compliance with the Code of Ethics and International Standards, as well as significant risk exposures and control issues, including fraud risks, governance issues and other matters requiring the attention of, or requested by, the Board and/or the Audit and Compliance Committee. The Audit Manager will report any response to risk by management that may be unacceptable to MAPFRE.
- ✓ The Audit Manager will coordinate the Internal Audit activities, where possible, and will consider relying upon the work of other internal and external assurance and consulting service providers as needed.

- ✓ The internal audit activity may perform advisory activities and collaborations related to the activities of the company, the nature and scope of which will be agreed with the company, provided the internal audit activity does not assume management responsibility.
- ✓ The Audit Manager must ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner.
- ✓ The Audit Manager will communicate to Senior Management and the Audit and Compliance Committee the impact of resource limitations, if any, on the internal audit plan and of any significant interim changes to the internal audit plan.
- ✓ The Audit Manager will ensure the Internal Audit Area collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- ✓ The Audit Manager must confirm to the Audit and Compliance Committee, at least annually, the organizational independence of the internal audit activity. The Audit Manager will disclose any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

8. Code of Ethics for the Internal Auditors of MAPFRE

The Conduct Rules of the Internal Auditors are:

- ***Integrity and propriety***

Internal auditors:

- ✓ Shall perform their work with honesty, diligence and responsibility.
- ✓ Shall observe the law and make disclosures expected by law and the profession.
- ✓ Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the Organization.
- ✓ Shall respect and contribute to the legitimate and ethical objectives of the Organization.

- **Objectivity**

Where the Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors:

- ✓ Shall not have direct operational responsibility or authority over any of the activities audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.
- ✓ Shall not participate in any activity or relationship that may impair, or be presumed to impair, their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Organization.
- ✓ Shall not participate as members in Management Committees except when they are invited as non-voting participants.
- ✓ Shall refrain from undertaking any audit that may entail a conflict of interests for them.
- ✓ Shall not accept anything that may impair, or be presumed to impair, their professional judgment.
- ✓ Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- ✓ Shall disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.

- **Confidentiality**

Internal auditors:

- ✓ Shall ensure strict care in the use and protection of information acquired in the course of their duties.
- ✓ Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Organization.

- **Proficiency**

Internal auditors:

- ✓ Shall have collectively the necessary knowledge, skills and experience on at least the insurance and financial markets; business strategy and business model; system of governance; financial and actuarial analysis; regulatory framework; information technology; risk management; and fraud.
- ✓ Shall have qualities for dealing with people and communication skills to convey clear and effectively the various aspects of the work.
- ✓ Shall participate only in those services for which they have sufficient knowledge, skills and experience. May outsource those services that require more specific knowledge.
- ✓ Shall perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- ✓ Shall continually improve their proficiency and the effectiveness and quality of the services they provide.

Additionally, the Career Plan for the Internal Audit Function, whose main objective is to establish the criteria and policies regarding Selection, Training, Evaluation, Promotion, Remuneration, Investment and Talent Retention, contains detailed information on all these issues that relate to MAPFRE's internal auditors.

9. Quality Assurance and Improvement Program

The Internal Audit Area will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity.

The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics.

The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The Area's AQIP can be consulted in MAPFRE's Internal Audit Manual.

The Audit Manager will communicate to Senior Management and the Audit and Compliance Committee on the internal audit activity's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external

assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside MAPFRE.

The results of the periodic internal and external assessments will be communicated at the end of such assessments, and the results of the continuous surveillance will be communicated at least annually.

10. Internal Audit main Processes, Standards and Procedures

The Internal Audit Charter includes various aspects related to the Internal Audit Plan (IAP), Communication and Execution of the Audit work, Audit Report, Status and Follow-up of Internal Audit Recommendations, etc. which are dealt with in detail in the different sections of the Internal Audit Manual. In the following sections, only the main processes, standards and procedures that are of interest and mandatory for all members of the organization are included.

10.1 Internal Audit Plan (IAP)

The Internal Audit Services, Units and Departments prepare the Annual Internal Audit Plan (hereafter IAP) on an annual basis taking into account all the activities carried out, as well as MAPFRE's System of Governance. For this purpose, the following variables are considered:

- Requirements from the Management of the Business Units, Territorial and Regional Areas, local Companies and Corporate Areas of MAPFRE;
- Advices from the Boards of Directors, Audit Committees, Management Committees and local Executive Committees;
- Guidelines from the Audit and Compliance Committee of MAPFRE S.A.;
- Contents of the Strategic Plans;
- Results of the Risk analyses (Risk-based IAP);
- Objectives required by the Supervisory Bodies of each country, monitoring compliance with internal and external rules (laws, regulations, corporate policies, specific rules, etc.);
- Guidelines from the Corporate Internal Audit Management;
- The experience acquired from the works performed in previous years.

Although the IAP includes a series of works to be carried out, where appropriate, Internal Audit may be requested to conduct works not contained in this Plan, which will depend on their priority and availability of the resources.

The Annual Internal Audit Plan of MAPFRE's IAS/IAU/DPT is subject to the following processes:

1. It will be incorporated into the aggregated IAP (MAPFRE's IAP) of the Corporate Internal Audit Area, subject to the analysis and approval of the Audit and Compliance Committee of MAPFRE S.A. and of the Board of Directors of MAPFRE S.A.
2. The individual IAP of each IAS/IAU/DPT, which prior to its approval will be notified to the corresponding Senior Management, will be analyzed and endorsed by the local Audit Committee, if any, and submitted to the Board of Directors of the corresponding Company for approval.
3. Periodically, the Audit and Compliance Committee of MAPFRE S.A. will keep track of MAPFRE's IAP and of those entities whose Board of Directors has delegated the functions of its Audit Committee to the Audit and Compliance Committee of MAPFRE S.A. However, the local Audit Committees, or in default thereof the Boards of Directors, will follow up the individual IAP within the agreed deadlines as laid down in their respective bylaws or in the regulations of the local supervisory bodies.

10.2 Communication and Execution of the Audit work

The start of the audit work, planned or not in the IAP, will be informed well in advance to those responsible for the process, area or aspect audited. Depending on the criteria of the Manager, and exceptionally, special internal audit work may be initiated without prior notice.

The performance of internal audit work normally takes place in three phases: work planning, execution of review procedures (field work) and issuance of the report.

Once these three phases are covered, the follow-up of recommendations is carried out:

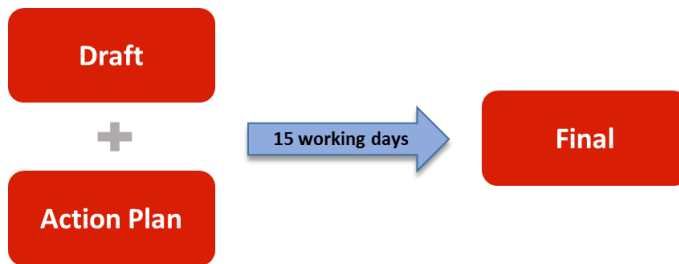


- Internal Audit may access any type of documentation, information, person and/or information system considered necessary for the fulfillment of the duties.

Requests for information, documentation, access to software or databases, ... made within the framework of any audit that has already been reliably communicated to those responsible for the processes, areas, departments or subsidiaries to be audited, must be addressed in the maximum term of **3 working days**. All documentation, information or access granted will be treated by the Internal Auditors under the highest principles of confidentiality and, once the necessary audit evidence has been obtained, will be returned intact and in order to who has provided it.

10.3 Internal Audit Reports

- Once the field work and the wrap-up meeting have been completed, internal audit shall issue the *Draft Report and the Action Plan* addressed exclusively to the chief managers of the audited processes. The latter shall submit their remarks and comments on the facts observed mentioned in the report together with the corresponding action plans, within a **maximum period of 15 working days** from the reception. This period includes the approval process of the Local Audit Committee.



- Action plans must include the following information:
 - The actions to be carried out in order to implement the recommendations made.
 - Date on which the recommendation will be implemented.
 - Name of the person responsible for implementing the actions indicated.
 - In the event that the recommendation is graded as not considered, we will proceed as described in heading 9.4 Status and Follow-up of Recommendations of Internal Audit.

The **definition** of the **dates** for the **implementation** of the recommendations **must be set by the manager responsible for the process** or audited area at the time of completing the Action Plan. Therefore, strict criteria are necessary for its establishment, taking into account the need to involve other Areas, if required. Moreover, implementation deadlines exceeding 6 months should be avoided, especially when referring to recommendations classified as Critical, which by their relevance should be implemented as soon as possible.

- Once the duly completed action plan has been received, the *Report* with action plans will be sent to the Local Audit Committee Members for their approval. Once approved, the *Report* will be issued as *Final*, which is sent to the auditee and/or responsible for the audited process or area, to the chief executive, to the Audit General Manager, and to all those members of the entity or Group that have responsibility and/or interest on the scope of the audit.

In the event that the Action Plan is not completed and submitted within the above-mentioned deadline, it will be claimed and, if this situation persists, the Final Report will be issued together with the not completed Action Plan in order not to delay in excess the issuance of this report.

- The **Audit Report** will generally consist of the following sections:
 - **Executive summary**, which shows a summary of the main aspects of the audit: scope, assessment and main findings or recommendations.

- **Scope**, which states or mentions the scope of the audit work and its objectives. Where appropriate, it will indicate whether there has been any limitation of the scope.
- **Appreciation and Conclusions**, which provides the general assessment of the work and summarizes the most relevant aspects. Any limitation to the scope shall specify how it has affected the assessment of the audit.
- **Findings, Recommendations and Action Plan**, where, if observed, the most significant aspects of the audit, its respective recommendations and action plans are stated.
- **Additional proposals**, which indicate, if any, those proposals that are not considered audit recommendations and that could be an improvement or an alternative way of focusing certain processes or activities that would add value to the company and that do not pose risks for the entity., No Action Plan will be issued and Internal Audit will not follow up on these aspects.
- **Evaluation Questionnaire**, together with the Final Report, the addressees in charge of the audited processes will also receive an Evaluation Questionnaire to assess the audit works carried out. Although the completion of this questionnaire is voluntary, Internal Audit shall provide the necessary means for achieving the highest percentage of response.
- **Internal Note**, in case of Low degree recommendations, an Internal Note will be issued for the auditee, which will collect the issues of a Low nature, which are not liable to demonstration or follow-up by Internal Audit.
- A report will be made periodically with the summary of audits assessed as Needs Improvement or Poor, results of the Corporate audits and outstanding audits without assessment.

10.4 Status and Follow-up of Recommendations of Internal Audit

Recommendations can be classified as follows:

- **Not Implemented**, recommendations in which the actions planned for their implementation are pending or in progress.

In general, except in very exceptional and justified cases, it is not possible to modify the Implementation Date that the person responsible committed in his action plan for the implementation of the recommendation. In these exceptional cases, the process established in the Internal Audit Manual will be followed.

- **Implemented**, those whose implementation has been reported by the person responsible in writing (Audiweb, e-mail, letter, etc.), provided the necessary evidence to prove its effective implementation and verified by Internal Audit, as long as the cost benefit ratio allows it.
- **Not Considered**, those that the responsible manager has decided not to implement reasoning such decision, or those that, due to structural or computer changes, have ceased to make sense or validity.

In case that the person responsible for the audited process decides not to implement a recommendation, he/she must duly justify the reasons leading to that decision, as well as the risks assumed by its non-implementation. Depending on the relevance of the fact, this circumstance shall be submitted to the local Audit Committee and involves, on the part of the responsible, an assumption of responsibility for any future effects which may arise as a result of the non-implementation.

All **“Not Considered” Critical or High grade** recommendation, which the responsible manager has decided not to implement, must be **signed by the corresponding CEO**, indicating the risks assumed in making such decision.

- Periodically, the Management and the Audit and Compliance Committee of MAPFRE will be informed of the status of the recommendations issued.

Internal Audit will conduct regular monitoring, in writing of the evolution of the recommendations classified as Not Implemented, in order to check compliance with the implementation dates set out in the Action Plan or in the follow-up of recommendations processes following the Action Plan.

- If during the audit field work of a process that has already been audited it is detected that a recommendation, which had already been classified as implemented by the person responsible for the process, it is not effectively implemented, the person responsible for the Action Plan is considered to have committed serious misconduct.

In this circumstance the Audit Manager will communicate this to the Corporate Internal Audit Management, who will notify the Audit and Compliance Committee of MAPFRE S.A. if it is considered that a serious misconduct has been committed. Additionally, based on the criticality of the event, the following actions shall be taken:

1. Inform the Chief Executive of the MAPFRE company to which the audited process belongs and, where required, the Audit Committee in the country.
2. Inform the Human Resources Department of the MAPFRE subsidiary involved so that it takes the measures it considers necessary in such circumstances.

3. Downgrade the Report, duly explaining this fact in the conclusions section of the Audit Report.

10.5 Pending Internal Audit situations

The following shall be considered pending audit situations:

- Information requirements carried out by Internal Audit and not completed within the prescribed deadline;
- Failure to reply to the Draft Report and Action Plan within the deadline of 15 working days;
- Failure to implement the actions indicated in the *Action Plans* within the deadlines established;
- Incorrect information on the implementation of actions referred to in the *Action Plans*.

At "Pending Internal Audit Situations", depending on the volume of issues, their importance and frequency, the Audit Manager may take the following actions:

1. **Communicate such circumstance** to the **Corporate Internal Audit Management**, who will decide whether to inform the Audit and Compliance Committee of MAPFRE S.A.
2. **Report to the maximum executive of the entity** of MAPFRE to which the audited process belongs and, if appropriate, to the Audit Committee in the country.
3. **Report to the Human Resources Department** of the affected MAPFRE subsidiary to take the relevant measures for such circumstance.

10.6 Official Inspections

The following shall be immediately notified to the Audit Manager:

- a. The beginning of any inspection, tax inspection or audit process by official bodies at any MAPFRE company, regardless of their nature (inspections by the country's Supervisory Body, tax inspections, local inspections, labor inspections...);

- b. The end of the above-mentioned inspections and their results, by sending the relevant supporting documentation; and
- c. Details of the content of all and any prosecution.

The Audit Manager will initiate an internal audit work, when necessary, through which an *Action Plan* will be generated to promote the follow-up actions required to ensure that the appropriate corrective, preventive or response measures are taken in order to, on one hand, increase the quality of the internal controls involved and, on the other hand, to avoid recurrence.

10.7 Other Aspects

Management of Resources	<ul style="list-style-type: none"> ✓ In order to ensure the principle of independence, the management of the human, physical, technological and financial resources allocated to Internal Audit, according to their respective IAP (as approved by the Audit and Compliance Committee of MAPFRE S.A. and the Audit Committee in the country, if any), shall be administered by the Audit Director.
“Audit” Term	<ul style="list-style-type: none"> ✓ The word “audit” shall be exclusively applied to generically designate the works and activities carried out by Internal Audit, by third parties hired by the IAS/IAU/DPT, by external auditors or by auditors of the official supervisory bodies. Therefore, no other work or activity implemented in MAPFRE, regardless of its nature, origin or person responsible may use the referred word, prohibiting also its use in contracts, letters, communications, reports, notes or any other document that has no relevance to the activities of internal audit, external audit or official bodies. ✓ As an exception, quality internal audits performed according to the international ISO standard can be referred to as Audits.
Doubts about this Charter	<ul style="list-style-type: none"> ✓ Any conflict arising from the application of this Charter shall be subject to the consideration of the Corporate Internal Audit Management, which will be responsible for its resolution.