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 **MAPFRE | MIDDLESEA**

Circular to Shareholders
35th ANNUAL GENERAL MEETING
22 APRIL 2016

This document is important and requires your immediate attention
CIRCULAR to SHAREHOLDERS

Shareholders are advised that they should consider seeking the advice of an appropriate independent advisor before taking any decision in connection with the proposed resolution.

Extraordinary resolution being put to MAPFRE Middlesea p.l.c.'s Annual General Meeting to be held on Friday 22 April 2016

The Annual General Meeting of the Members of MAPFRE Middlesea p.l.c. (the "Company") has been convened for Friday 22 April 2016 at 09:30 hrs at the Fortress Suite, Corinthia Hotel, St George's Bay, St Julians Malta. Apart from considering the normal business transacted at an annual general meeting, it is also proposed to table the extraordinary resolution set out hereunder for consideration by the Annual General Meeting ("AGM").

This Circular contains information about the extraordinary resolution being proposed for adoption at the AGM. This circular is being sent to all shareholders entitled to attend and vote at the meeting to enable them to understand better the nature of the resolution that is to be considered at the AGM and to provide the necessary information about the resolution to assist shareholders to make a properly informed decision.

This Circular is being issued and sent to all shareholders in compliance with the Listing Rules of the Listing Authority currently applicable in Malta.

This Circular includes the text of the proposed resolution and the principal purpose and effect of the proposed resolution.

Extraordinary Resolution

The proposed text of the extraordinary resolution is as follows:

IT IS RESOLVED TO amend specific articles of the current Articles of Association in line with the details provided in the Circular to Shareholders

Article 81(3) to delete the wording highlighted in blue and insert the wording highlighted in red

The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from Meetings of the Directors or any Committee ~~of~~ **created by** the Directors or General Meetings or otherwise in connection with the business of the Company

Article 90(1) to delete the wording highlighted in blue and insert the wording highlighted in red

The Directors shall cause minutes to be made in books provided for the purpose:-

- (a) of all appointments of officers made by the Directors;
- (b) of the names of the Directors present at each Meeting of the Directors and of any Committee ~~of~~ **created by** the Directors;
- (c) of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of Committees ~~of~~ **created by** the Directors.

Article 90(2) to delete the wording highlighted in blue and insert the wording highlighted in red

It shall not be necessary for Directors present at any Meeting of Directors or Committee ~~of~~ **created by** the Directors to sign their names in the Minute Book or other book kept for recording attendance. Any such minute as aforesaid, if purporting to be signed by the Chairman of the Meeting at which the proceedings were held, or by the Chairman of the next succeeding Meeting or by any two of the Directors, shall be receivable as prima facie evidence of the matters stated in such minutes without any further proof.

Insert sub articles 92 (6) and (7) so that article 92 will now read as follows

The office of a Director shall be vacated in any of the following events, namely:-

- (1) if he ceases to be a Director by virtue of the Act.
- (2) if he becomes of unsound mind, is convicted of any crime involving public trust or of any crime punishable by imprisonment, or is declared bankrupt.
- (3) if he becomes prohibited by law from acting as a Director.
- (4) if he resigns his office by notice in writing under his hand to the Company or offers in writing under his hand to resign and the Directors resolve to accept such offer.
- (5) if not having leave of absence from the Directors, he fails to attend the Meetings of the Directors on three consecutive occasions, unless prevented by illness, unavoidable accident or other unavoidable cause which may seem to the Directors to be sufficient, and the Directors resolve that his office be vacated.
- (6) upon reaching the age of seventy (70).**
- (7) if he has served on the board for twelve (12) consecutive years. (For the purposes of this sub article (7) any period served as a Director prior to 22 April 2016 shall not be taken into account).**

Insert sub articles 95 (3) and (4) so that article 95 will now read as follows

- (1) The Company shall make a call for nominations for election to the office of Director by notice published as an advertisement in at least two (2) daily newspapers. The Company shall grant a period of at least fourteen (14) days for nominations and for the nominee's acceptance of the nomination to be submitted. All such nominations shall on pain of nullity contain notice in writing signed by a member duly qualified to attend and vote at such Meeting of his intention to propose such person for election.
- (2) No person shall be eligible for election to the office of Director or to be appointed as Director unless he satisfies the Company that he has been approved as a fit and proper person to act as Director of the Company by the Competent Authority in terms of the Insurance Business Act or any Regulations or Rules issued thereunder.
- (3) No person shall be eligible for election to the office of Director or to be appointed as Director if he will already have reached the age of seventy (70) on the date of the election or appointment.**
- (4) No person shall be eligible for election to the office of Director or to be appointed as Director if he has already served on the board for twelve (12) consecutive years. (For the purposes of this sub-article (4) any period served as Director prior to 22 April 2016 shall not be taken into account).**
- (5) In the event that there are as many nominations as there are vacancies, or less, no election will take place and those nominees will be automatically appointed Directors.

Article 108 to delete the wording highlighted in blue and insert the wording highlighted in red

The Directors may create Committees and delegate to them any of their powers. Except where the law requires any particular Committee to be composed entirely of Directors, Committees created by the Directors may be composed of persons who are not members of the Board; provided that any Committee so formed shall at all times have at least one Director as a member thereof. ~~The Directors may delegate any of their~~

~~powers to Committees consisting of such Member or Members of their body as they think fit.~~ Any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. Save as aforesaid the Meetings and proceedings of a Committee consisting of three or more Members shall be governed by the provisions of these Articles regulating the proceedings and Meetings of Directors

Article 109 to delete the wording highlighted in blue and insert the wording highlighted in red

All acts done by any Meeting of the Directors or of a Committee ~~of~~ **created by** the Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment or continuance in office of any such Director or person acting as aforesaid, or that they or any of them were or was disqualified from holding office or not entitled to vote, or had in any way vacated their or his office, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified and had continued to be a Director, and was entitled to vote.

Article 112 to delete the wording highlighted in blue and insert the wording highlighted in red

A resolution of the directors, including alternate directors, or of a committee ~~of~~ **created by** the directors, may be taken by means of a conference telephone (or by means of any other communication equipment) which allows all persons participating to hear each of the others at all material times. Any decision so arrived at will be deemed a decision of a meeting of the directors, or a committee ~~of~~ **created by** the directors (as appropriate), and all of the provisions of these Articles relating to meetings of directors will apply, *mutatis mutandis*. A director or alternate director participating in such a decision will be deemed to be present in person, and will be entitled to vote or be counted in a quorum accordingly. Such a decision will be deemed to have been arrived at where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the proceedings was at the time.

Explanatory Note

The three main changes being submitted to the Shareholders for their approval, are aimed at providing more flexibility to the Board of Directors in appointing Committee members, since at the moment the Memorandum and Articles of Association precludes the Board from appointing Committee members who are not Board Members. This will enable the Board of Directors to bring external expertise in specific areas by appointing external members on the Board Committees in order to exert and monitor the internal control areas within the Company. The risks of having Committee members who are not Board members might entail that the said Committee members might not be aware of discussions held at Board level. These risks are planned to be mitigated by having Board members sitting on the Committees to ensure that any gaps are addressed in the best possible manner. This proposed change would also give the possibility to have an independent opinion of the workings of the Board Committees in order to have a wider and more knowledgeable evaluation. The appointment of Board Committee will remain the prerogative of the Board of Directors and the latter will have to power to appoint and remove Committee Members as and when deemed appropriate. One or more members of the Board of Directors will always be appointed as Committee Members and the responsibility of the Board Committee will remain with the Board of Directors.

The other two changes being submitted to the Shareholders are in relation to the retiring age for Directors and the number of years that a Director can be appointed on the Board of Directors. The official retiring age in Malta is of 65 years and the Board feels that allowing an additional five years before retiring from being a Board Member is deemed as being appropriate. The number of consecutive years in which a Board Member is appointed on the Board should also be regulated in order to ensure a proper succession and for new blood to join the Board. The risks associated with the said changes entail losing seasoned, experienced and professional Directors who have been with the company for a long number of years and who know the company very well. These risks are planned to be mitigated by having high level Directors with a wide knowledge in different sectors that would give added value to the Board and Company. In addition the Listing Rules specify that a Board Member may not be considered as being independent after twelve consecutive years of being a Board Member and this benchmark was also taken into consideration. Furthermore MAPFRE Middlesea p.l.c is a subsidiary of MAPFRE Internacional S.A., which in turn is a subsidiary of MAPFRE S.A. and it is deemed appropriate to follow MAPFRE policy on corporate governance issues which would also be in line with local legislation, namely the Companies Act, Listing Rules and Insurance Business Act.

The Board of Directors are of the opinion that the proposed changes will enhance the working of the Board of Directors and the Board Committees and the Board does not feel that the above changes will impinge negatively on the workings of the Board, Committees, Management and Company as a whole.

Declaration by Directors

All the Directors of the Company, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

List of current Board Directors

Martin Galea
Nikos Antimissaris
Charles Borg
Antoinette Caruana
John Cassar White
David G. Curmi
Javier Fernández-Cid
Pedro López Solanes
Paul Testaferrata Moroni Viani
Joseph F.X. Zahra

Documents available for inspection

The following documents or certified copies thereof will be available for inspection at the Company's registered office at Middle Sea House, Floriana, Malta for at least fourteen (14) days from the date of publication of the Circular:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the last Annual Financial Report of the Company; and
- (c) the last half-yearly Financial Report of the Company.

Notice to Shareholders

Shareholders are advised that they should consider seeking the advice of an appropriate independent advisor before taking any decision in connection with the above.

The Directors recommend that shareholders should approve the proposed resolution described above in the best interests of the company and the shareholders as a whole.

In the eventuality that shareholders have sold or otherwise transferred any or all of their securities in the Company, this Circular is to be passed on to the person effecting the sale or transfer for transmission to the purchaser or transferee.

30 March 2016

Approved and issued by MAPFRE Middlesea p.l.c., Middle Sea House, Floriana FRN 1442, Malta.