

EXECUTIVE SUMMARY

COMPLIANCE MANUAL

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1. INTRODUCTION

Since the Museum opened in October 1997, it has become a cultural benchmark both nationally and internationally and an example of integrity and transparency in its management, with numerous protocols on action and internal control targeted at all areas within the organization, as well as a Code of Ethics and Best Practices.

2. CRIMINAL LIABILITY OF LEGAL PERSONS

In Spanish law, the criminal liability of legal persons is regulated by Organic Law 5/2010 reforming the Penal Code. This reform introduced article 31 bis, which was later amended by Organic Law 1/2015 dated March 30, 2015.

In accordance with this regulation, a legal person is criminally liable for:

- (i) Any crime committed in its name or on its behalf, and to its direct or indirect benefit, by its legal representatives or by anyone who, acting either individually or as members of a body of the legal person, is authorized to make decisions on its behalf and has authority over organization and control within the entity (first prosecution criterion).
- (ii) Any crime committed during the performance of corporate activities on behalf of and to the direct or indirect benefit of the legal person, performed by anyone while subject to the authority of the natural persons mentioned in point (i) above, in which case the said natural persons would have seriously neglected to fulfil their duties of supervision, vigilance, and control of their activity given the specific circumstances of the case (second prosecution criterion).

The Penal Code has adopted a limited inventory of crimes for which legal persons can be assigned criminal responsibility.

In order to fulfil the duty of control as stipulated in article 31 bis of the Penal Code, the company or organization must implement an effective compliance program to prevent criminal risks.

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A compliance program is an internal control and vigilance system which allows the company to prevent crimes from being committed within it, to the extent possible, or, if crimes are unavoidable, the program significantly lowers the risk of the crimes committed and makes it easy to detect them quickly.

The aforementioned article 31 bis of the Penal Code, in its wording in Organic Law 1/2015 dated March 30, 2015, lists the requirements needed for a compliance program to be effective.

As a general criterion, a compliance program must contain measures that, given the nature and size of the organization, as well as the kind of activities it performs, ensure the development of its activity in accordance with the law, prevent or reduce the risk that crimes will be committed, and ensure that any crimes that are committed are detected quickly.

3. THE COMPLIANCE PROGRAM TO PREVENT CRIMINAL RISKS

As the next step in its ethical commitment and regulatory compliance, the Guggenheim Museum Bilbao has implemented a Compliance Program to prevent criminal risks, which is comprised of the following norms:

1. The Code of Ethics and Best Practices
2. The Code of Conduct
3. The Compliance Manual
4. The Whistleblowing Procedure
5. The Protocol in case of non-compliances

The scope of application of the Compliance Program includes the three entities that make up the Guggenheim Museum Bilbao:

- Guggenheim Museum Bilbao Foundation
- Tenedora Museo de Arte Moderno y Contemporáneo de Bilbao, S.L., and
- Inmobiliaria Museo de Arte Moderno y Contemporáneo de Bilbao, S.L.

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Therefore, a single, common program was created for the Foundation, the Tenedora, and the Inmobiliaria. Consequently, all of its elements, be they regulatory, organic (Compliance Committee) or control (Whistleblowing procedure, disciplinary system), are shared by all three entities.

The individuals and entities that interact with the Museum, including suppliers, customers, advisors, etc., are also indirectly affected by this program.

4. THE CODE OF ETHICS AND BEST PRACTICES

The Code of Ethics and Best Practices contains the ethical commitment that governs the Museum's activity and outlines the principles of action and best practices which should govern the individual and collective behaviors in the Museum from a responsible, ethical perspective. It was approved by the Executive Committee and the Board of Trustees of the Foundation in sessions held on December 14, 2015, and by the Boards of the Tenedora and of the Inmobiliaria in sessions held on March 17, 2016.

Specifically, the purposes of the Code of Ethics and Best Practices are:

- To outline the expected guidelines, rules and behaviors.
- To articulate a series of behaviors and standards which guarantee the trust which must exist in the relationship between the Museum and the community it serves.
- To serve as a guide for management and daily work, and to establish the scope of individual responsibility.

The Code of Ethics and Best Practices revolves around the following principles and values guiding the Museum's activity:

1. Sensitivity and respect for art
2. Integration with the artistic community
3. Commitment to quality
4. Customer orientation
5. Educational orientation

6. Economic orientation
7. Integration and cooperation of the Guggenheim Museums
8. Commitment to society
9. Trust in people
10. Family-responsible company and promoter of equal opportunities of people in all their diversity

5. THE CODE OF CONDUCT

Based on the principles and values established in the Code of Ethics and Best Practices, the Code of Conduct approved by the Executive Committee and the Board of the Foundation and by the Boards of the Tenedora and of the Inmobiliaria in sessions held on June 20, 2016, contains all the behavioral guidelines and general rules that everyone involved in the management, operations, and functioning of the Museum must comply with, regardless of their level in the hierarchy, particularly its employees, managers, members of the governing bodies, volunteers, suppliers, and collaborators, according to the type of relationship they have with the Museum. The Code of Conduct is grouped into the following sections:

1. Compliance with laws and behavior duties.
2. Active non-discrimination and equal opportunity policy.
3. Workplace safety.
4. Transparency in management and anti-corruption policy.
5. Conflicts of interest.
6. Preventing money laundering and the financing of terrorism.
7. Respect for the environment.
8. Confidentiality requirement.
9. Intellectual and industrial property.
10. General rules on exhibiting works of art.

11. General rules on acquisition and deaccession of artworks.
12. General rules on artwork registry, documentation, and management.
13. General rules on conservation and protection of artworks.
14. General rules on research and archive.

6. THE COMPLIANCE MANUAL

Even though the Code of Ethics and Best Practices and the Code of Conduct contain the set of ethical principles and general rules that all members of the Museum must follow, the Compliance Manual approved by the Executive Committee and the Board of the Foundation, as well as by the Boards of the Tenedora and of the Inmobiliaria in sessions held on June 20, 2016, is the basic set of rules around which the prevention of criminal risks revolves.

The purpose of the Manual is to complete the compliance functions already implemented by the Museum and to adapt them to the standards established in international practice for effective crime prevention programs beyond the levels currently required.

Thus, the Manual regulates all aspects related to this matter: the organic monitoring structure, the evaluation of criminal risks, and the Museum's most important internal controls and procedures aimed at preventing these risks, among others. However, for certain issues, the Manual may also occasionally refer to the other norms making up the Compliance Program.

The Manual is organized into two parts: a General Part and a Special Part.

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The General Part addresses the following issues:

- Scope of application.
- The Museum's activity and the main associated risks.
- Organic control structure.
- The Compliance Committee.
- The Museum's main decision-making bodies.
- Ethical culture and regulatory compliance.
- Knowledge and dissemination of the Compliance Program.
- Monitoring and supervision of implementation of the Program.
- Allocation of adequate resources for the implementation and supervision of the Program.
- Reporting presumably illicit actions.
- Action protocols if irregularities are detected and disciplinary system.
- Review of the Program and ongoing improvement.

The Special Part addresses the following issues:

- Crimes with a special connection to the Museum's activity.
- The Museum's internal rules and controls to prevent the risk of any of these crimes being committed.
- Internal bodies aimed at mitigating the risk that any of these crimes is committed.

7. THE WHISTLEBLOWING PROCEDURE

In order for a Compliance Program to be effective, article 31 bis of the Criminal Code expressly establishes the obligation to inform the internal supervisory body of any deed which may pose a risk of crime or a violation of the internal rules on preventing criminal risks.

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The Executive Committee and the Board of Trustees of the Foundation, as well as the Boards of the Tenedora and of the Inmobiliaria, in their sessions held on June 20, 2016, approved the Whistleblowing Procedure, which states that anyone who is part of the Museum is obligated to report to the Compliance Committee anything of which they are aware which may pose a risk of crime or a violation of the Compliance Manual or the rest of the Compliance Program.

This Whistleblowing Procedure regulates the channel to follow in order to file a grievance before the Committee:

- (i) by email, to the following address: comitePRP@guggenheim-bilbao.es; or
- (ii) by personal meeting or telephone conversation with any member of the Committee.

The Whistleblowing Procedure ensures the reporter's confidentiality and respects the rights of the target of the grievance, including those rights acknowledged in the rules on protecting personal information.

8. PROTOCOL IN CASE OF NON-COMPLIANCES

Another requirement stipulated by article 31 bis of the Penal Code in order for a Compliance Program to be considered effective is that it must have a disciplinary system that properly sanctions violations of the measures contained in the program.

In order to comply with this legal requirement, the Executive Committee and the Board of the Foundation, as well as the Boards of the Tenedora and of the Inmobiliaria, in sessions held on June 20, 2016, approved a Protocol in case of non-compliances, which stipulates the way to act if criminal deeds are detected within the Museum or in the event of violations of the Compliance Program.

Specifically, this Protocol is in charge of regulating the way the corresponding internal investigation must be conducted once the possible violation has been detected; furthermore, it establishes the disciplinary system applicable if this investigation confirms that a violation has indeed occurred, all in accordance with the legal regulations currently in force.

9. ORGANIC CONTROL STRUCTURE

The Museum's organic structure to prevent criminal risks is based on the following:

- (i) the existence of a body, shared among the Foundation, Tenedora, and Inmobiliaria, namely the Compliance Committee, which has the independent authority of initiative and control and is entrusted with supervising the functioning and fulfilment of the Compliance Program;
- (ii) the involvement and maximum cooperation of senior management from all three organizations in preventing criminal risks, as well as in implementing and effectively applying the Compliance Program which they all share; and
- (iii) the allocation of sufficient budget and personnel resources so that the Compliance Committee can perform its functions properly.

10. COMPLIANCE COMMITTEE

The body with specific functions regarding implementation, review, and control of the Compliance Program is the Compliance Committee, which is made up of the Director General, the Deputy Director for Human Resources and Quality, the General Counsel, the Controller, and the Associate Director of Legal and Internal Control.

The Committee serves the following purposes:

- (i) To supervise implementation of the Compliance Program.
- (ii) To report on any significant changes proposed to the Museum's Code of Conduct.
- (iii) To evaluate any changes that should be added to the Compliance Program every year, especially if unregulated areas of risk or procedures that could be improved are detected.
- (iv) To propose approval of the internal rules and controls which will help to prevent crimes from being committed in the Museum.
- (v) To carry out any actions needed in order to properly execute the Compliance Program.

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- (vi) To periodically check implementation of the Compliance Program.
- (vii) To supervise training of the Museum personnel on the Compliance Program.
- (viii) To receive and process any grievances received via the Whistleblowing Procedure.
- (ix) To initiate and conduct internal investigations of any deed that might be a crime in the Museum or a violation of the Manual, as well as to propose to the competent bodies that the appropriate sanctions be imposed.
- (x) To keep a record of all the grievances filed through the Whistleblowing Protocol.