



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON ITS OPERATION IN 2023

Through this report, the Línea Directa Aseguradora Audit and Compliance Committee is providing a summary of the composition, operation and main actions of the Committee during 2023, pursuant to the following

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1. Origin

Before the IPO of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ("Línea Directa Aseguradora" or the "Company"), the Company already had an audit, internal control and regulatory compliance committee, with the composition and functions required for this type of body for entities of public interest.

2. Regulation

In addition to the provisions of the Law, the Audit and Compliance Committee's internal regulation is included in the Articles of Association (Article 30) and the Regulations of the Board of Directors (Article 33).

The Articles of Association and the Regulations of the Board of Directors are filed with the Mercantile Registry of Madrid and are publicly accessible on the CNMV website and through the Company's website www.lineadirectaaseguradora.com

3. Composition

Article 33 of the Regulations of the Company's Board of Directors establishes that the Audit and Compliance Committee will consist of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors, all of whom must have the necessary dedication, capacity and experience to carry out their function. The same article establishes that the majority of the members of the Committee must be independent directors.

It also states that the members of the Audit and Compliance Committee as a whole, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

As regards its chair, pursuant to the Regulations, the Board of Directors will appoint the Chair of the Committee from among the independent directors who make it up. The Chair of the Committee will hold that office for a maximum period of four years, at the end of which, they must allow a year to elapse before they can be re-elected. However, this does not affect their ability to continue or be re-elected as a Committee member.

As of December 31, 2023, the composition of the Company's Audit and Compliance Committee is as follows:

Member	Position	Legal Category
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Ana María Plaza Arregui	Chairwoman	Independent External
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary External
Elena Otero-Novas Miranda	Member	Independent External

Non-director Secretary of the Committee: Pablo González-Schwitters Grimaldo

In accordance with the Board Regulations, all members of the Audit and Compliance Committee for 2023 are external (non-executive), most of them independent, and have been appointed in view of their recognised personal and professional prestige and their experience and knowledge for the exercise of their functions.

The professional profiles of the current members of the Committee are available on the corporate website www.lineadirectaaseguradora.com.

In relation to the chairwoman of the Audit and Compliance Committee, Ana María Plaza Arregui has extensive knowledge and a long track record in auditing, accounting and finance, as well as in the identification and control of financial and non-financial risk, and in regulatory compliance. Currently, she is also an independent director and member of the Audit Committee of Grenergy S.A., independent director and chair of the Audit Committee of Corporación Financiera Alba, director and chair of the Audit Committee of Globalvía, and director and chair of the Audit Committee at the Spanish Association Against Cancer. She is also a member of the Advisory Board of the Bankinter Innovation Foundation, Ackermann International and the ESADE Corporate Governance Centre.

Her appointment as chair of the Company's Audit and Compliance Committee took effect on 18 March 2021.

4. Remit

Article 33.5 of the Regulations of the Board of Directors, updated in 2023, ascribes the following functions to the Audit and Compliance Committee:

1. Without prejudice to other tasks assigned to it by the bylaws or the Board of Directors, the Audit and Compliance Committee shall have the following basic responsibilities:
 - (i) To report to the General Shareholders' Meeting, through its Chairman, on the Company's control status and the Committee's activities during the financial year, and on the issues within the Committee's competence raised by shareholders in that meeting.
 - (ii) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, re-election or replacement of the external auditors, as well as their contractual conditions, the scope of their professional mandate, the supervision of activities other than the auditing of accounts and the guarantee of the external auditor's independence.

- (iii) In relation to the external auditor:
- a) Examine, in the event of the resignation of the external auditor, the circumstances which may have led to it.
 - b) Ensure the independence of the external auditor, and that the remuneration for their work does not compromise their quality nor independence.
 - c) Oversee that the Company reports the change of auditor as insider or material information (as appropriate) to the Spanish National Securities Market Commission (CNMV) and accompany it with a statement on the possible existence of disagreements with the outgoing auditor and, where relevant, its work.
 - d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them of the work carried out and on the Company's latest accounting and risk situation.
 - e) Monitor compliance with the audit contract, ensuring that the opinion on the financial statements and the main contents of the audit report are drafted clearly and accurately.
 - f) Ensure that the Company and the external auditor comply with existing rules on the provision of services other than audit work, limits on the concentration of the auditor's business and, in general, all other rules on the external auditor's independence.
 - g) Establish and maintain appropriate relations with the external auditor to receive information on issues that may pose a threat to its independence, for examination by the Committee, as well as any other information related to the auditing procedure, and, where appropriate, the authorisation of services other than those prohibited, as provided for by law, as well as those other communications provided for in the audit legislation and audit rules. In any case, the Audit and Compliance Committee shall receive annually the external auditor's declaration of independence with regard to the company or entities directly or indirectly related to it, as well as detailed and individualized information on additional services provided of any kind and the corresponding fees received from these entities by the external auditor, or by persons or entities affiliated to them in accordance with current regulations.
 - h) Issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report shall, in any event, comment on the provision of the additional services referred to in the previous paragraph.
- (iv) Propose to the Board of Directors the approval of the Audit and Compliance Committee's annual report.
- (v) Know, supervise and assess the process of preparation and the integrity of financial and non-financial information, along with the systems for the control and

management of the Company's financial and non-financial risks and, where appropriate, the Group – including operational, technological, cybersecurity, legal, social, environmental, political and reputational or corruption, reviewing compliance with regulatory requirements – the suitable scope of the consolidation perimeter and the correct application of accounting standards. In relation to ESG risks (environmental, social and governance), it will send the relevant reports to the Appointments, Remuneration and Corporate Governance Committee, and a joint meeting of both committees may be held if so requested by the Chairman or the majority of its members. Any such joint meeting will be chaired by the oldest chairperson.

- (vi) In relation to the non-financial statement: (i) supervise the process of compiling and presenting the non-financial information relating to the Company and its Group, reporting also on that process and on the completeness and clarity of the information to the Appointments, Remuneration and Corporate Governance Committee, which shall then propose that it be submitted to the Board for its authorisation for issue; (ii) oversee the process of selecting and engaging the independent provider of attest services tasked with verifying the non-financial information and proposing their appointment to the Board of Directors; and (iii) liaise with the independent assurance provider in order to obtain information on the performance of its work, and report thereafter to the Appointments, Remuneration and Corporate Governance Committee.
- (vii) Report to the Board of Directors, in advance, on all the matters provided for in the law, the bylaws and in these Regulations and, in particular, on:
 - (i) The financial information that the company must make public on a regular basis,
 - (ii) The creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories that are considered tax havens and,
 - (iii) Related party transactions.
- (viii) Analyse the structural and corporate changes planned by the Company and then report to the Board based on the analysis of their economic conditions and accounting impact and, in general, where applicable, on the proposed swap ratio.
- (ix) Serve as a communication channel between the Board of Directors and external/internal auditors, to assess the results of audit reports and compliance with the comments and conclusions made, as well as to discuss with the auditors any significant gaps detected in the internal control system during the course of the audit.
- (x) Supervise the application of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.
- (xi) Inform the Board of Directors prior to the adoption of the relevant decisions

establishing companies, companies, associations, foundations and any other type of legal persons (including special purpose entities), as well as any other transactions or operations of a similar nature that, because of their complexity, could undermine the transparency of the Company.

- (xii) Know the reports issued by supervisory bodies on the Company, in particular the Spanish Directorate-General for Insurance and Pension Funds and the National Securities Market Commission, as a result of inspections and to oversee compliance with actions and measures resulting from inspection reports.
- (xiii) Ensure the reliability and transparency of the Company's internal and external information on earnings and activities and, in particular, verify the integrity and consistency of the Company's financial statements, including the annual accounts, notes to the financial statements and management report, prior to its approval or proposal by the Board of Directors and its publication, and oversee the Company's policy in relation to issue prospectuses and other forms of public information.
- (xiv) Ensure that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In those cases where the external auditor has issued their report with a qualified opinion, the Chair of the Audit and Compliance Committee shall clearly explain in the General Shareholders' Meeting the Committee's view on the content and scope of this qualification, and make a summary of it available to shareholders at the time of publication of the call to the General Shareholders' Meeting, together with the Board's other proposals and reports.
- (xv) Oversee and foster compliance with the Company's Internal Regulations of Conduct in the Securities Market, reporting to the Appointments, Remuneration and Corporate Governance Committee.
- (xvi) Supervise and foster compliance with the Company's Code of Ethics, Supplier Code of Conduct and other internal rules of conduct.
- (xvii) Oversee the proper performance of the duties ascribed to the Company's Regulatory Compliance Function and Personal Data Protection Office. It shall also receive and scrutinise reports and proposals submitted to it by such units and areas.
- (xviii) Receive annual reports on complaints and claims and matters received from the ombudsman.
- (xix) Support and monitor the proper functioning of the confidential whistleblowing procedure for employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, so that they may report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe within the company or its group. Such a mechanism shall ensure confidentiality and, in any event, provide for situations in which reports may be made anonymously, respecting the rights of both the whistle-blower and the accused party.



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- (xx) Receive information on disciplinary measures that may affect the Company's directors, as a result of employment misconduct or breaches of internal codes of conduct, convey the relevant policies and instructions to the Company's competent bodies and in those cases which, in the Committee's judgment, are of particular importance, take the final decision.
- (xxi) Guarantee the independence, autonomy and universality of the internal audit function, and propose its budgets. Propose the selection, appointment and removal of the head of the internal audit service, ensuring that his activity is mainly focused on material risks (including reputational risk) and receive periodic information about his activities verifying that senior management takes into account the conclusions and recommendations of his reports.
- (xxii) Supervise the activities of the Company's internal audit and, where appropriate, its subsidiaries, approve its annual work plan and annual activities report, along with the approval or amendment of the policy of the internal audit function, which shall include its functions and competences.
- (xxiii) Supervise the development by the Company and, where appropriate, its subsidiaries, of the following functions: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) actuarial.

The Audit and Compliance Committee shall develop this supervisory power with the information provided to it by the heads of each of these functions, who shall appear periodically before the Committee and whenever they are requested by it to do so. In addition, the Audit and Compliance Committee shall have the power, where it considers it appropriate or opportune, to propose the appearance of any of these heads of function before the Company's Board of Directors.

As part of its supervisory role over the risk management and internal control function, the Audit and Compliance Committee will periodically review the functioning of appropriate internal control systems to ensure the proper management of the Company's risks. The Committee shall ensure that the policies and systems established in internal control matters are implemented effectively in practice.

- (xxiv) Discuss with the external auditors any significant gaps that may have been detected in the risk management and internal control system during the course of the audit.
- (xxv) Review the Company's general risk map and submit the corresponding proposals to the Board.
- (xxvi) Oversee and guarantee that the internal audit and compliance functions have sufficient means and resources.
- (xxvii) Report on the related party transactions of directors and significant shareholders, with the power, where appropriate, to authorise them in the terms set out in these Regulations.

- (xxviii) Approve or amend internal policies that relate to the functions and competences of the Audit and Compliance Committee and which in turn shall contain their functions or competences.
- (xxix) Be informed of the irregularities, breaches or material risks detected in the course of the control activities of the specific areas within its scope in the Company.
- (xxx) Review any other matter within its remit that may be given to it by the Board of Directors, the Chairman, the Vice Chairman or the Chief Executive Officer.
- (xxxi) Any other functions attributed to it by these Regulations or by the Board of Directors.

5. Operation: Meetings and main actions in 2023

As provided for in Article 33.6 of the Board's Regulations, the Audit and Compliance Committee will meet periodically according to needs and at least four times a year.

In 2023, the Committee met 7 times, with an attendance ratio of 100%.

Key actions carried out in 2023 include:

(i) Supervision of the financial information regularly reported

During 2023, the Audit Committee reviewed and, where appropriate, submitted to the Board for approval, after referral to the regulator and the market, the quarterly financial reports, the half-yearly consolidated financial statements with the interim consolidated management report, the individual and consolidated Annual Accounts with the annual management report, the dividend distribution proposal or the Solvency and Financial Condition Report.

(ii) Monitoring of internal audit

The Head of Internal Audit reported quarterly to the Audit and Compliance Committee on the actions carried out by the Internal Audit Area. The Committee regularly monitored the degree of progress towards the 2023 annual plan of Internal Audit, analysing the status of ongoing audits and the progress achieved in implementing the recommendations put forward.

The Audit and Compliance Committee also approved the annual Internal Audit plan for 2024, which describes in detail the actions it plans to implement during the year, as well as its resources and budget.

The committee also reviewed the Internal Audit Policy in 2023.

(iii) Relations with the external auditor

During 2023, the external auditors have been summoned and have attended the meetings of the Committee where they have been required to report on issues such as the review of the

solvency and financial condition report (SFCR), the recommendations on internal control and risks, the review of the interim statements and the main conclusions of the audit of the annual accounts, both individual and consolidated.

Regarding the individual and consolidated annual accounts for the year ended 2023, at the Committee meeting of 27 February and the Board of Directors meeting of 29 February 2024, the external auditors presented an unqualified opinion.

Regarding the independence of the auditor, the Audit and Compliance Committee, at its meeting of 27 February 2024, issued a report expressing a favourable opinion on the independence of the external auditors, pronouncing, among other aspects, on the provision of audit-related services, concluding that there are no threats to the independence of the external auditor that have required the application of safeguard measures or that could be a cause for incompatibility. In addition, all the work has been previously authorised by the Committee.

At the same meeting on 27 February, the Committee proposed the re-election of PwC as auditors of the annual and consolidated accounts for the 2024 financial year, which will be submitted to the General Shareholders' Meeting.

A new policy on the selection, engagement and relations with the auditor was approved in 2023.

(iv) Internal control and risk management

The Committee has supervised and monitored:

- The Risk Management and Internal Control report (quarterly and annual)
- Information on the system of ICFR, in accordance with the ICFR Policy and the Company's Accounting Policy Manual.
- The reporting on the state of reserves and solvency.
- Risk Maps.

In addition, during 2023, the Own Risk and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (SFCR) and its revision report, and the Quantitative Reporting Templates (QRTs) have been submitted to the Committee for review prior to their approval by the Board and their communication to the regulator.

The General Risk Policy, the Credit Risk Management Policy and Operational Risk Management Policy were also reviewed in 2023 and the ORSA Policy was approved.

(v) Regulatory Compliance

The Audit and Compliance Committee has supervised the actions reports submitted by the Company's Regulatory Compliance function every quarter, and monitored the Annual

Compliance Plan. It periodically reported on issues such as regulatory developments applicable to the Company or related to its areas of activity, the regulatory risk map, the outsourcing of certain services, the status of ongoing litigation, or the regulator's information requirements.

Throughout 2023, the Committee reviewed and submitted highly significant policies to the Board for approval, such as the Policy on the whistleblowing channel of the Línea Directa Group, the Brand Policy and the Integrity Policy. The Dividend Policy, the Underwriting Policy and the Tax Policy were likewise updated, in addition to those mentioned elsewhere in this report.

(vi) Code of Ethics and Whistleblowing Channel

In 2023, the Ethics Manager submitted to the Committee the Annual Code of Ethics Management Report for 2022 and the Committee monitored the level of compliance with the Group's Code of Ethics and the functioning of the whistleblowing channel.

An updated Supplier Code of Conduct and a Whistleblowing Channel Policy were approved in 2023, based on the new regulatory requirements in this realm.

(vii) The Actuarial Function

The Committee has overseen the management of the Actuarial Function, and reviewed quarterly and annually the monitoring reports from this function.

The Actuarial Function policy was also updated in 2023.

(viii) Reporting to the Board

The Committee has promptly informed the Board of Directors, through its Chairwoman, of the main matters addressed and has submitted the matters within its jurisdiction for approval.

6. Conclusions of the annual assessment

The Audit and Compliance Committee's self-assessment process was carried out alongside the external independent firm Georgeson during the months of October to December 2023, during which time all committee members were asked to complete a questionnaire covering the general areas set out in Recommendation 36 of the Code of Good Governance. The Georgeson team also conducted individual interviews with the four independent directors of Línea Directa, in order to understand their perceptions and expectations regarding the functioning and effectiveness of Línea Directa's various management bodies, and to further enrich the assessment results from the questionnaires.

The following aspects of the Committee's performance were analysed as part of the assessment process:



- Interaction and information-sharing between the Board and its Committees
- Overall assessment of the Audit and Compliance Committee
- Composition of the Audit and Compliance Committee (size, mix of expertise, skills and experience)
- Dynamics of the Audit and Compliance Committee (agenda, documentation, number and length of meetings)
- Performance of the duties entrusted to the Audit and Compliance Committee

Broadly speaking, the Committee's performance was viewed in a very positive light. Notably, all of those surveyed believed that the Committee has a structured agenda of matters to be addressed, that it focuses on the most relevant matters, and that the number of Committee meetings held and the length of each meeting were just about right. It should also be noted that, in general, all members participate actively during the meetings in a way that adds value, that the issues are sufficiently discussed, and that the dynamics of the meetings are appropriate.

The overall rating of the performance of the Committee's Chairman was "Excellent".

7. Drafting and publication of this report

The Audit and Compliance Committee drafted this report at its meeting of 27 February 2024 and submitted it for the approval of the Board of Directors, which agreed to publish it on the corporate website in advance of the Ordinary General Meeting, pursuant to Recommendation 6 of the Code of Good Governance.