



## REPORT OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE ON ITS OPERATION IN 2023

Through this report, the Línea Directa Appointments, Remuneration and Corporate Governance Committee offers a summary of the composition, operation and main activities of the Committee during 2023, broken down as follows:

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## 1. Regulation

The internal regulations of the Appointments, Remuneration and Corporate Governance Committee of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (hereinafter, "**Línea Directa Aseguradora**" or the "**Company**") are included in the Articles of Association (Article 30) and in the Regulations of the Board of Directors (Article 34), in addition to the provisions of the Law.

The Articles of Association and the Regulations of the Board of Directors are registered in the Mercantile Registry of Madrid and are publicly accessible on the CNMV website and through the Company's website [www.lineadirectaaseguradora.com](http://www.lineadirectaaseguradora.com)

## 2. Composition

Article 34 of the Regulation of the Company's Board of Directors establishes that the Appointments, Remuneration and Corporate Governance Committee will consist of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors, who have the necessary knowledge, skills and experience to carry out their function. The same article establishes that the majority of the members of the Committee must be independent directors.

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.

At 31 December 2023, the composition of the Company's Appointments, Remuneration and Corporate Governance Committee was as follows:

Member	Position	Legal Category
John de Zulueta Greenebaum	Chairman	Independent External
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary External
Rita Estévez Luaña	Member	Independent External

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

Pursuant to the Board Regulations, in 2023 all members of the Appointments, Remuneration and Corporate Governance Committee were external (non-executive) and a majority of them were independent.

The professional profiles of the Committee's members are available on the corporate website at <https://www.lineadirectaaseguradora.com/gobierno-corporativo/consejo-administración/perfil-profesional>.

Their appointments as members of the Company's Appointments, Remuneration and Corporate Governance Committee, as well as the position of Chairman, entered into force on 15 April 2021, following the Company's IPO and the registration of the prospectus by the CNMV.

### 3. Jurisdiction

Article 34.3 of the Regulations of the Board of Directors attributes the following functions to the Appointments, Remuneration and Corporate Governance Committee:

- i. Propose the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
- ii. Submit proposals to the Board of Directors on the appointment of independent directors by co-optation or the resolution of the General Shareholders' Meeting, as well as proposals for the re-election or separation of these directors by the General Shareholders' Meeting.
- iii. Report on proposals for the appointment of the Company's other directors by co-optation or the resolution of the General Shareholders' Meeting, as well as those for the re-election or separation of these directors by the General Shareholders' Meeting.
- iv. Ensuring that when vacancies occur, selection procedures are free from implicit biases that may act as an obstacle to the selection of candidates belonging to the less represented gender on the Board of Directors, ensuring that women are included among the potential candidates to be members of that body.
- v. Propose the appointment, re-election and removal of the Chairmen and members of the Board Committees.
- vi. Assess the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors. To this effect, it will define the duties and abilities required by candidates to fill each vacancy and assess the time and dedication needed for them to carry out their roles effectively, verifying that non-executive directors have sufficient time available for the proper performance of their duties.
- vii. Assess on a regular basis, and at least once a year, the suitability of the Board of Directors as a whole and of its individual members, and inform the Board accordingly.
- viii. Establish a target for representation of the under-represented gender on the Board of Directors and draw up guidelines on how to reach that target.
- ix. Analyse on an annual basis the existence and updating of succession plans for the Chairman, and where applicable, the Vice-Chairman and the Chief Executive Officer, and to submit the outcome of that analysis to the Board of Directors so that the succession takes place in a planned and orderly manner.
- x. In accordance with the provisions of the General Shareholders' Meeting Regulations, report, where appropriate and through its Chairman, to the General Shareholders' Meeting, on the Committees' activities during the financial year, as well as on questions which shareholders may have raised, prior to it being held, on matters that fall within the Committee's remit.
- xi. Report to the Board of Directors on the fitness and standing of those executives who report directly to the Chief Executive Officer or to the Board, and of the key function holders, prior to their appointment by the Board.
- xii. Report on the appointment and removal of directors or directors of subsidiaries or investees acting on behalf of or proposed by the Company.



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- xiii. Propose to the Board of Directors, on the basis of the specific needs of the new directors, the setting up of an induction programme which provides knowledge considered to be sufficient on the Company, its operation and its corporate governance rules. In addition, it will also ensure that training programmes to update the existing directors' knowledge are also established, when circumstances make this advisable
- xiv. Report to the Board of Directors on the candidates for appointment as Patrons of the LINEA DIRECTA FOUNDATION, which the Company is responsible for.
- xv. Propose to the Board, for its approval, the directors' remuneration policy and their individual remuneration, as well as the corresponding annual report on directors' remuneration, which the Board shall put to the vote of the General Shareholders' Meeting, on an advisory basis.
- xvi. Propose to the Board the individual remuneration of the executive directors and, where appropriate, the external directors, for the performance of duties other than those in their capacity as a director, and other terms and conditions of their contracts.
- xvii. Propose the remuneration policy of senior management, including general managers or those who perform their senior management duties with direct report to the Board, Executive Committees or CEOs, as well as individual remuneration and other basic terms and conditions of their contracts.
- xviii. The remuneration of identified staff who, while not members of senior management, carry out professional activities that could have a material impact on the Company's risk taking.
- xix. Monitor the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.
- xx. Report on the approval and substantial amendment of the Company's general system of executive remuneration and the basic conditions of their contracts. It is also part of its functions to oversee the remuneration system of the executives in charge of the internal audit function, and the risk management and internal control, regulatory compliance verification and actuarial functions.
- xxi. Review the remuneration programmes on a regular basis, evaluating their adaptiveness and performance and ensuring that directors' remuneration conforms to standards of moderation and corresponds to the Company's earnings.
- xxii. Ensure the transparency of remuneration and the inclusion in the notes to the financial statements and in all other annual reports that contain information on the remuneration of directors and senior managers, and, for such purposes, submit all applicable information to the Board.
- xxiii. Report on incentive plans for executives or employees linked to the performance of the Company's share price or other variable indices and on the remuneration systems of the entity's management team based on group personal pension schemes or deferred remuneration systems where appropriate.
- xxiv. Ensure that potential conflicts of interest do not jeopardise the independence of any external advice provided to the Committee.
- xxv. Report on the Company's main corporate governance projects and regulations, prior to their approval by the Board of Directors.

- xxvi. Propose to the Board of Directors the approval of the Company's annual corporate governance report in the sections of its competence.
- xxvii. Oversee the Company's corporate governance with the aim of supervising compliance with the rules adopted by the Company and to guarantee the balance of power, the proper functioning of the Company's governing and management bodies, the independence of directors and the adaptation of the system to new rules and recommendations and to national and international best practices, ensuring that the corporate culture is aligned with the Company's mission and values.
- xxviii. Supervise and ensure that the conditions that ensure the effective independence of independent directors are maintained in substantive aspects such as the attitude, capacity for discussion and effective participation of independent directors.
- xxix. Ensuring that the climate of the Board of Directors and the relationships between directors encourage debate and the freedom of expression of all Board members, and that the Board meetings discuss and resolve matters by giving them the weight and depth they require.
- xxx. Ensure that the annual meetings schedule of the Board of Directors and its Committees includes the most important issues for the Company.
- xxxi. Propose to the Board of Directors any practices that it considers contribute to the development of the Company's Corporate Governance and advise the Chairman of the Board of Directors on this matter.
- xxxii. Gather information on the process undertaken by the Audit and Compliance Committee of identifying, assessing and overseeing ESG (environmental, social and governance) risks, with the option of holding joint meetings between both committees, if so requested by the Chairman or by a majority of the members of the Appointments, Remuneration and Corporate Governance Committee. Joint meetings shall be chaired by the oldest from among the Chairs.
- xxxiii. Set out the guidelines, criteria and reference standards that should govern the process of drawing up the non-financial statement, reporting to the Board on such matters.
- xxxiv. Review, validate and report to the Board of Directors on the non-financial statement prior to its drafting, considering the information received from the Audit and Compliance Committee on the preparation process and the integrity of the information.
- xxxv. Review and validate the relevant sections of any corporate report, whether mandatory or voluntary, that relates to sustainability.
- xxxvi. Monitor the Company's sustainability strategy, practices and objectives, assessing its degree of compliance and reviewing its sustainability policies and ensuring they are aimed at value creation.
- xxxvii. Oversee the Company's environmental and social practices to ensure that they are suitably aligned with the policies and strategy approved by the Board.
- xxxviii. Report to the Board of Directors on memberships of national or international associations and involvement in initiatives that involve the assumption of commitments or good practices by the Company.
- xxxix. Review any matter within its remit that may be given to it by the Board of Directors, the Chairman, the Vice-Chairman or the CEO.

- xl. Any other functions attributed to it by these Regulations or by the Board of Directors.

#### 4. Operation: Meetings and main activities in 2023

Pursuant to the provisions of Article 34.6 of the Board Regulations, the Appointments, Remuneration and Corporate Governance Committee shall meet each time the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and whenever it is appropriate for the proper development of its functions. In any case, it will meet once a year to prepare information on the directors' remuneration that the Board of Directors has to approve and include in its annual public documentation.

In 2023, the Appointments, Remuneration and Corporate Governance Committee **met 6 times**, with an **attendance ratio of 100%**.

The individualised attendance data is as follows:

Director	Attendance at meetings
John de Zulueta Greenebaum	6/6
Alfonso Botín-Sanz de Sautuola y Naveda	6/6
Rita Estévez Luaña	6/6

The most significant actions carried out by the Appointments, Remuneration and Corporate Governance Committee in 2023 were as follows:

##### (i) Remuneration of directors

In particular, the CNRGC, at its meetings in January and February 2024, reported favourably and proposed to the Board of Directors the following matters, which were approved:

- The specific determination of the components of the fixed remuneration accrued in 2023 by the directors, in accordance with the amounts provided for in the Policy, and its update for 2024 on fixed remuneration for executive functions, also in accordance with the provisions of the Policy.
- Scrutiny of the level of compliance with the parameters on which the accrual of the annual variable remuneration of the executive director is based, and the specific calculation of said remuneration for 2023.
- The calculation of the financial and non-financial parameters to which the variable remuneration of the executive director accruing, as the case may be, in 2024 will be pegged.

The Board of Directors unanimously reviewed and approved the reports and proposals of the Appointments, Remuneration and Corporate Governance Committee at its meetings held in January and February 2024.

In addition, the General Shareholders' Meeting approved a long-term incentive plan, pegged to the achievement of various financial and non-financial targets over a period of three years (2023–2025), whereby it is only possible to obtain such remuneration through management that generates sustainable results over time. This incentive is governed by a specific set of regulations that were analysed by this Committee and approved by the Board following the 2023 General Meeting.

**(ii) Appointment of members of the Management Committee**

The Committee has reviewed the conditions for recruiting new members of the Management Committee or new hires who are direct reports of the CEO, and has issued the corresponding reports of aptitude and good repute.

**(iii) Remuneration of the Management Committee and the identified group**

The Appointments, Remuneration and Corporate Governance Committee monitored the remuneration structure applicable to these groups, assessing compliance with the objectives set in relation to variable remuneration accrued in 2023.

**(iv) As regards the workforce**

The Committee has been informed about very relevant aspects concerning the Company's staff, such as the monitoring of their general remuneration structure, the review of a specific flexible remuneration plan for shares during the months of November and December 2023, or the results of the employee experience survey carried out in 2023.

**(v) Corporate governance**

Various policies were reviewed, including the Sustainability Policy in order to update the structure, membership and functions of the Sustainability Committee, the Internal Regulations Management Policy and the Human Rights Due Diligence Procedure. A succession procedure for the positions of Chairman and Chief Executive Officer were also approved.

In October 2023, the Committee prepared an amendment to the Regulations of the Board in which, among other significant changes, it addressed the necessary coordination between the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee, describing the remits of each committee and stating that they may collaborate on such matters as sustainability, climate risk and non-financial reporting.

The Committee also launched a Training Programme for directors during the year, in line with the recommendations in the CNMV's Code of Good Governance. In particular, it arranged sessions on corporate governance, data protection and cybersecurity, delivered by external advisors and experts, and also planned the training sessions for 2024.

The Committee also reviewed and updated the skills matrix for directors in 2023.



In early 2024, the Committee reported favourably on the 2023 annual corporate governance and the 2023 directors' remuneration reports to be made available to shareholders at the next General Shareholders' Meeting.

**(vi) Sustainability**

In 2023, the Committee monitored compliance with the objectives set out in the 2023–2025 Sustainability Plan, as well as the progress made by the Sustainability Committee in implementing the actions included in the Plan.

The Committee monitored the preparation of the 2023 Non-Financial Statement, including the review of issues such as the international reporting standard to be used or the method for calculating the main indicators.

Also in 2023, the Committee members took note of the progress made towards the process of being listed on the Dow Jones Sustainability Index, incorporating best practices with the aim of forming part of this index in the near future.

Within this framework, the committee worked alongside the Audit and Compliance Committee in drawing up the report for the Task Force on Climate-related Financial Disclosures (TCFD), which will soon be published.

**(vii) Assessment of the Board and the Committee**

In 2023, the Committee oversaw the performance review process for both the Committee and the Board, while relying on the advice of the external and independent firm Georgeson, in accordance with the provisions of the Code of Good Governance. The procedure and results are described in point 5 of this Report.

**(viii) Proxy advisors**

The Committee followed up on the meetings held between the Company and the proxy advisors, with a view to explaining the Company's corporate governance system and identifying its recommendations and expectations in this regard.

**(ix) Reporting to the Board**

The Committee promptly informed the Board of Directors, through its Chairman, of the main matters addressed and submitted the matters that fell within its remit for approval.

**5. Conclusions of the annual assessment**

The assessment process of the Appointments, Remuneration and Corporate Governance Committee was carried out over the months of November, December and January 2023-2024 with the collaboration of independent external advisor Georgeson. The process involved all committee members completing a questionnaire broadly covering the aspects set out in Recommendation 36 of the Code of Good Governance, as well as personal interviews with the independent directors.

Specifically, the following matters were analysed:





- i. Composition, size and structure.
- ii. Organisation and documentation of meetings.
- iii. Dynamics of meetings and internal climate.
- iv. The Committee's performance in discharging its remit.
- v. Performance of Committee Chairman.

The findings of the review have not led to any relevant changes in the internal organisation of the company, although an Action Plan has been approved to introduce certain improvements. These include increasing the time spent during the meetings on specific issues such as strategic matters, formalising a procedure to specify the channels of interaction between the management team and the members of the Board, which has already been approved by the Committee, and implementing the amendments made to the Regulations of the Board in relation to the coordination between the Committees in overseeing corporate information and sustainability, while continuing to work on the plan to refresh the Board's knowledge of relevant matters.

The overall assessment of the performance of the Committee Chairman was "Excellent".

#### **6. Drafting and publication of this report**

The Appointments, Remuneration and Corporate Governance Committee drafts this report at its meeting of 27 February 2024 and submits it for the approval of the Board of Directors, which agrees to publish it on the corporate website ahead of the Annual General Shareholders' Meeting, pursuant to Recommendation 6 of the Code of Good Governance.