



Report formulated by the Línea Directa Aseguradora, S.A. Appointments, Remuneration and Corporate Governance Committee Compañía de Seguros y Reaseguros about the inclusion of a modulating indicator for the CEO's annual variable remuneration according to the P&L of Línea Directa Group, which is submitted for approved in item six of the agenda of the General Shareholders' Meeting scheduled for 30 March 2023, on first call, or 31 March 2023, on second call.

This document is drafted in accordance with the provisions of article 529 novodecies of the Spanish Corporate Enterprises Act¹, which establishes, that the General Shareholders' Meeting must approve any modification or replacement of the directors' remuneration policy.

Under the aforementioned article 529 novodecies, the amendment to the remuneration policy for directors must be justified and must be put forward with a specific report from the Appointment and Remuneration Committee. Both documents must be published on the corporate website when the General Meeting is called.

In compliance with these legal precepts, the Appointments, Remuneration and Corporate Governance Committee ("**CNRGC**" or the "**Committee**") of the board of directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros (the "**Company**") has drawn up this detailed legal report (the "**Report**") which will be proposed to the Board in plenary session at the 2023 Annual General Shareholders Meeting, justifying the inclusion in the Remuneration Policy for Directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros of a modulating indicator for the CEO's annual variable remuneration according to the P&L of Línea Directa Group, and its submission to the approval of the General Shareholders' Meeting, as a separate item on the agenda.

¹ Royal Legislative Decree 1/2010 of 2 July, approving the revised text of the Spanish Corporate Enterprises Law ("**Spanish Corporate Enterprises Law**" or "**LSC**").



I. Reason for the proposal to include a modulating indicator for the CEO's annual variable remuneration

This proposal to modify the CEO's variable remuneration system responds to the desire to promote good remuneration practice linked to the "pay for performance" model, at a time when the Company's strategic direction is strongly committed to the progressive improvement of results.

Therefore, the proposal's aim is to increase the alignment of the CEO's annual variable remuneration with the strategic priorities of both the Company and its shareholders in achieving results by Línea Directa Group. The Company's performance will directly affect the degree of fulfilment of the annual goals and impact the CEO's effective remuneration.

II. Proposal for a modulating indicator for the CEO's variable remuneration

The CEO's variable remuneration will be paid out based on financial and business objectives, with a weighting of 70%, and non-financial objectives, with a weighting of 30%, as provided for in the Company's Remuneration Policy. Each of the objectives will have a minimum threshold of achievement, below which the right to receive the variable remuneration will not apply. In addition, each of these objectives may be surpassed by up to 140%.

Further, the Board of Directors may include, at the substantiated proposal from the CNRGC, an indicator that modulates the degree of fulfilment of the financial and non-financial objectives established annually (the "**modulator**"), multiplying the degree of fulfilment of these objectives by between 0.5 and 1.5 depending on a fulfilment scale to be approved by the Board of Directors at the proposal of the CNRGC.

In relation to the 2023 annual variable remuneration, at the proposal of the CNRGC, the Board of Directors has proposed that the modulator be the Group's consolidated Profit Before Tax ("**PBT**"), which will modulate the achievement of the financial and non-financial objectives between 0.5% for an achievement of 67.4% of the Group's consolidated target PBT in the 2023 annual financial statements; and 1.5% for an overachievement of 132.6% of the target PBT.

Therefore, if the minimum achievement of the PBT target were not reached, the achievement of each of the financial and non-financial objectives would be multiplied by 0.5.



III. Conclusion

In accordance with the provisions of this Report, the CNRGC considers that the modulating indicator for the CEO's annual variable remuneration should be approved, and the Company's Directors' Remuneration Policy should be amended in these terms, with no impact on the rest of its content and its validity.



APPENDIX

PROPOSED RESOLUTION

Six. Inclusion of a modulating indicator for the CEO's annual variable remuneration according to the P&L of Línea Directa Group.

Approve, in the terms set out below, the inclusion of a modulating indicator for the CEO's annual variable remuneration that modulates the degree of fulfilment of the objectives to which said remuneration is linked, in order to enhance the alignment of the CEO's remuneration with the strategic priorities of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and its shareholders as regards Línea Directa Group's P&L.

As set forth in the Remuneration Policy of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, the CEO's variable remuneration will be paid out based on financial and business objectives, with a weighting of 70%, and non-financial objectives, with a weighting of 30%. Each of the objectives will have a minimum threshold of achievement, below which the right to receive the variable remuneration will not apply. In addition, each of these objectives may be surpassed by up to 140%.

Further, the Board of Directors may include, at the substantiated proposal from the CNRGC, an indicator that modulates the degree of fulfilment of the financial and non-financial objectives established annually (the "**modulator**"), multiplying the degree of fulfilment of these objectives by between 0.5 and 1.5 depending on a fulfilment scale to be approved by the Board of Directors at the proposal of the CNRGC.

In relation to the 2023 annual variable remuneration, after favourable information from the CNRGC, the Board of Directors has proposed that the modulator be the Group's consolidated Profit Before Tax ("**PBT**"), which will modulate the achievement of the financial and non-financial objectives between 0.5% for an achievement of 67.4% of the Group's consolidated target PBT in the 2023 annual financial statements; and 1.5% for an overachievement of 132.6% of the target PBT.

Therefore, if the minimum achievement of the PBT target were not reached, the achievement of each of the financial and non-financial objectives would be multiplied by 0.5.

By approving this resolution, which is accompanied by a substantiated report from the CNRGC, the Directors' Remuneration Policy of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros is considered amended. The remaining content and its validity will remain unchanged.

The Board of Directors is empowered to implement this resolution, and may specify its content, as well as the contracts and other documentation to be used or adapted for this purpose. The Board of Directors is authorised to delegate (with the power of substitution



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when appropriate) to the CNRGC, and all without prejudice to the powers that exist or may be conferred in relation to this resolution.