



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON ITS OPERATION IN 2022

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 2022, pursuant to the following

Contents:

- 1. Origin**
- 2. Regulation**
- 3. Composition**
- 4. Jurisdiction**
- 5. Operation: Meetings and main actions in 2022**
- 6. Conclusions of the annual assessment**
- 7. Drafting and publication of this report**



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 registered in 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, who 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, 2022, the composition of the Company's Audit and Compliance Committee is as follows:



linea directa

Member	Position	Legal Category
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 2022 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, it is worth mentioning Ana María Plaza Arregui's profound knowledge and extensive professional experience 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 president of the Audit Committee of Corporación Financiera Alba, director and president of the Audit Committee of Globalvía, and director and president 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 the Chairwoman of the Company's Audit and Compliance Committee took effect on 18 March 2021.

4. Jurisdiction

Article 33.5 of the Regulations of the Board of Directors attributes the following functions to the Audit and Compliance Committee:

- i** To report to the General Shareholders' Meeting, through its Chair, on the state of control of the Company and the Committee's activities during the financial year, and on any matters raised by shareholders at the meeting that fall under the Committee's jurisdiction.
- ii** To 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 terms of contract, the scope of their professional



linea directa

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) Supervise the Company's communicating to the CNMV the change of auditor and accompanying this with a statement about any existence of disagreements with the outgoing auditor and, if they are, of the content of the same.

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 any issues that may pose a threat to their independence.

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.

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, 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.

vi 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 periodically make public, (ii) The creation or acquisition of shares in special purpose entities or domiciled in countries or territories that are considered tax havens and, (iii) Transactions with related parties.

vii Analyse the structural and corporate changes planned by the Company and then report to the Board based on the analysis of their economic conditions



linea directa

and accounting impact and, in general, where applicable, on the proposed swap ratio.

viii 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.

ix 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.

x 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.

xi Be familiar with reports on the Company issued by supervisory bodies.

xii 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.

xiii Ensure that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.

xiv Oversee and promote compliance with the Company's Internal Code of Conduct in Securities Markets.

xv Supervise and promote compliance with the Company's Code of Ethics and Supplier Code of Conduct. It will also be aware of the reports and proposals submitted to it by these units and areas.

xvi Supervise the performance of the functions assigned to the Company's Regulatory Compliance Unit and the areas responsible for the protection of personal data and the internal codes of conduct of the Company, as well as supervising the operation and promoting the confidential reporting procedure by employees and other persons related to the company - such as directors, shareholders, suppliers, contractors or subcontractors - of potentially significant irregularities - including financial, accounting and other matters - related to the company they that they become aware of in 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.



linea directa

xvii 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.

xviii 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 their activities verifying that senior management takes into account the conclusions and recommendations of their reports.

xix 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.

xx 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.

xxi 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.

xxii Review the Company's general risk map and submit the corresponding proposals to the Board.

xxiii Oversee and guarantee that the internal audit and compliance functions have sufficient means and resources.

xxiv 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.

xxv 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.

xxvi 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.

xxvii 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 CEO.

xxviii Any other functions attributed to it by the Regulations or by the Board of Directors.

5. Operation: Meetings and main actions in 2022



linea directa

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 2022, the Committee met 10 times, with an attendance ratio of 99%.

The individualised attendance data is as follows:

Director	Attendance at meetings
Ana María Plaza Arregui	10/10
Alfonso Botín-Sanz de Sautuola y Naveda	10/10
Elena Otero-Novas Miranda	9/10

The most significant actions carried out by the Audit and Compliance Committee in 2022 were as follows:

(i) In relation to the external auditor

During 2022, 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 2022, at the Committee meeting of 21 February and the Board of Directors meeting of 23 February 2023, the external auditors presented an unqualified opinion.

Regarding the independence of the auditor, the Audit and Compliance Committee, at its meeting of 21 February 2023, issued a report expressing a favourable opinion on the independence of external auditors, pronouncing, among other aspects, on the provision of services in addition to audit 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 21 February, the Committee proposed the re-election of PwC as auditors of the annual and consolidated accounts for the 2023 financial year, which will be submitted to the General Shareholders' Meeting.

In addition, the Committee has agreed in this year to approve the update to the Internal Audit Policy.

(ii) Economic and financial information



linea directa

During 2022, 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.

(iii) In relation to internal audit

The Audit and Compliance Committee has supervised the actions carried out by the Internal Audit Department and, in particular:

- It has regularly monitored the degree of progress of the annual Internal Audit Plan 2022, analysing the status of ongoing audits and the progress of the proposed recommendations.
- At the first meeting in 2023, it has reviewed the annual Internal Audit report for the year 2022, which includes the main actions carried out by Internal Audit, the audits performed, compliance with the Internal Audit Plan and monitoring of the proposed recommendations.
- It has also approved the annual Internal Audit plan for 2023, which describes in detail the actions it plans to implement during the year, as well as its resources and budget.

In accordance with the International Professional Practices Framework for Internal Audit and Solvency II, at the March 2022 meeting, the Committee reviewed and submitted for approval by the Board a new Internal Audit Policy.

(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 IFRS, pursuant to the new IFRS Policy and the new Accounting Policies Manual approved by the Company.
- The reporting on the state of reserves and solvency.
- Risk Maps.

In addition, during 2022, the Own Risk and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (SFCR) and its revision report, and the



linea directa

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.

(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 has periodically reported on issues such as regulatory developments applicable to the Company or related to its areas of activity, the regulatory risk map, compliance with requirements for the outsourcing of services, the status of ongoing litigation or the regulator's information requirements.

Throughout 2022, the Committee has reviewed and submitted to the Board for approval very relevant policies, such as the Regulatory Compliance Policy and the Criminal Compliance Policy, the Investment Policy, the Internal Audit Policy, the Internal Fraud Policy, the Subscription Policy and the Reserves Policy, as well as the Control and Governance Policy for Sustainable Products.

(vi) Code of Ethics and Whistleblowing Channel

In 2022, the Annual Management Report on the Code of Ethics was presented to the Committee for review, and the level of compliance with the Groups Code of Ethics and the operation of the whistleblowing channel have been periodically monitored. In fact, a new procedure for the whistleblowing channel has been revised on the basis of the new applicable regulatory requirements.

(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.

(viii) Related-party Transactions

The Committee has issued and submitted to the Board for approval fair and reasonableness reports for related-party transactions where these required pursuant to applicable regulations.

(ix) Other

Reporting to the Board



linea directa

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 during the months of December and January 2022-2023 and was based on the completion, by all its members, of a questionnaire that covered the general areas set out in Recommendation 36 of the Code of Good Governance. Specifically, the following matters have been analysed:

- i. Composition, size and structure.
- ii. Organisation and documentation of meetings.
- iii. Dynamics of meetings and internal climate.
- iv. Implementation of the Committee's functions.
- v. Performance of the Committee Chairwoman.
- vi. Additional comments.

In general terms, the assessment of the Committee's operation has been very positive, The following were stressed as main strengths: its composition, the frequency of and level of attendance at its meetings, the interaction of its members with the external auditor, and the good atmosphere at the meetings for working and discussion, as well as its Chairwoman's magnificent performance.

7. Drafting and publication of this report

The Audit and Compliance Committee drafted this report at its meeting of 21 February 2023 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.