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**BOARD REPORT ON
THE 2023-2025 SUSTAINABILITY PLAN
OF LÍNEA DIRECTA GROUP**

This report provides the General Shareholders' Meeting with a summary of the Sustainability Plan for the triennium 2023-2025, approved in January 2023 by the Board of Directors, in accordance with the following

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1. Introduction

Línea Directa Aseguradora has approved and implemented its Strategic Sustainability Plan for 2023-2025, which is structured around the three dimensions of action as regards sustainability: Environmental, Social and Governance (ESG).

With this new Sustainability Plan, the Group defines the roadmap for its ESG strategy, and sets short, medium and long-term targets to promote the company's progress at these levels:

- **Environmental:** incorporating objectives to promote care for the **environment** and the **fight against climate change** into management of the business.
- **Social:** focusing on groups at **risk of exclusion** and promoting **equality** and **diversity**, while also promoting **internal talent**, **road safety**, home safety and healthy habits.
- **Good governance:** focusing on **ethical management** and the company's correct conduct as regards **remuneration** and **transparency**, and many more.

In addition, the Plan's principles were devised by taking consideration of the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda, as well as the interests of **stakeholders**: customers, employees, suppliers, shareholders, investors and analysts.

For the first time, this Plan has been drafted including the most relevant aspects and best practices of indices such as the Dow Jones **Sustainability Index**, new reporting regulations such as the **CSRD (Corporate Sustainability Reporting Directive)**, and the most important issues for international climate memberships such as the **Task Force on Climate-related Financial Disclosure (TCFD)** and the **Carbon Disclosure Project (CDP)**.

Below is a description of the methodology used to draw up the Plan, the main results of the analysis, the materiality matrix and the vision, targets and strategic lines.



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2. Methodology

Advice from a third-party expert was sought to provide an objective methodology for the identification of topics and the creation of the strategic materiality of the **2023-2025 Sustainability Plan**. The process was coordinated by the Sustainability Department, overseen by the Sustainability Committee (composed of the company's Directors most affected by ESG aspects) and ultimately approved by the company's Board of Directors, following a favourable report from the Appointments, Remuneration and Corporate Governance Committee.

The methodology applied included an external context analysis, with the identification of trends and good practices in ESG from a multisectoral point of view, regulatory developments, analyst requirements, sustainability indices and international reporting standards.

The methodology included interviews with the members of the **Management Committee and the CEO** to identify the strategic priorities and the Company's needs and to detect a large number of measures for implementation in ESG matters, all in order to devise the Company's future stance with regards to sustainability.

Company stakeholders were also consulted: surveys asking to prioritise ESG issues were sent to more than **300 customers**, the main **suppliers** from **different areas** of the Company and all of the Groups middle managers, to gain a view of the **perception and importance** of sustainability among **employees**. To complete the assessment, the survey was sent to various Company **investors** to ascertain their sensitivity to ESG issues.

The results were analysed quantitatively and qualitatively, identifying the topics of greatest relevance for all stakeholders. The conclusions of external and stakeholder research and the results from the internal analysis were included. After this identification, the relevant topics were prioritised and organised into a **materiality matrix**, with weighting (see section 4).



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3. Findings of the context analysis

From the context analysis for the 2023-2025 Sustainability Plan, the main conclusions are as follows, broken down according to the three ESG dimensions:

MEDIOAMBIENTE (E)		
	Cambio climático	La lucha contra el cambio climático presenta riesgos (aumento de costes por eventos meteorológicos) y oportunidades para el sector asegurador (nuevas coberturas de motor, hogar y salud).
	Vehículo eléctrico	Se avanza hacia un parque de vehículos eléctricos que obligará a las aseguradoras a adaptar su modelo de negocio.
	Neutralidad en carbono	Se hace mandatorio la elaboración de una hoja de ruta para alcanzar la neutralidad en carbono basándose en objetivos SBTi.
	Economía circular	Las empresas se verán obligadas a incorporar sistemas de gestión y reutilización de residuos dada la futura escasez de recursos.
	Riesgos climáticos	Según el TCFD será necesario profundizar en la identificación, gestión y mitigación de riesgos medioambientales.
SOCIAL (S)		
	Contexto económico adverso	El contexto macroeconómico está marcado por una inflación superior al 10%, el incremento de los costes de la energía y una posible recesión económica para los próximos años que genera un entorno proclive a conflictos con distintos grupos de interés.
	Atracción y retención del talento	Las personas serán el centro de la estrategia de las empresas debido a la escasez de talento, el cambio de prioridades personales y las últimas tendencias de empleo.
	Movilidad sostenible	El cambio de paradigma en la movilidad exige a las aseguradoras a adaptarse a las nuevas oportunidades de negocio y a valorar nuevas alianzas estratégicas.
	Cambios sociales	Diseñar nuevos productos para adaptarse a las necesidades de los clientes: fin del modelo de propiedad, demanda de salud preventiva, valoración de la seguridad de las comunicaciones.
	Cambios demográficos	Ofrecer nuevos productos a colectivos con necesidades específicas: tercera edad (silver economy), millennials, etc.
	Concienciación y reporte ESG	Las empresas tienen un papel fundamental en la concienciación y formación en materia ESG en los Grupos de interés: empleados, proveedores, clientes y sociedad en general, así como en la divulgación y el reporte de información en esta materia.
GOBIERNO (G)		
	Normativas ESG	Las novedades en normativa ESG planificadas obligan a las empresas a adaptar sus políticas a un paradigma diferente en el que los aspectos no financieros son evaluados de igual manera que los financieros.
	Taxonomía	La taxonomía va a permitir evaluar la actividad de las compañías desde un punto de vista ambiental como social.
	Inversiones Sostenibles	El papel del sector asegurador como inversor institucional, le hace protagonista como impulsor de inversiones responsables y en la economía baja en carbono propuesta por la UE.
	Ciberseguridad	Las compañías deben ampliar sus medidas de seguridad a la cadena de valor, garantizar la continuidad de negocio ante ciberataques y ofertar productos de seguridad a la sociedad.
	Cadena de valor	Las empresas deberán incorporar criterios ESG a la selección de proveedores.
	Riesgos emergentes	Identificar y elaborar entornos de control y mitigación de nuevos riesgos como los derivados del cambio climático, de enfermedades infecciosas o de la vulnerabilidad de colectivos.
	Alianzas estratégicas	Incorporación de los ODS al modelo de negocio y adhesión a iniciativas ESG del sector asegurador.
	Debida Diligencia	La normativa vigente obliga a que las empresas dispongan de procedimientos de debida diligencia en materia ESG: Derechos Humanos y sostenibilidad.

4. Materiality analysis

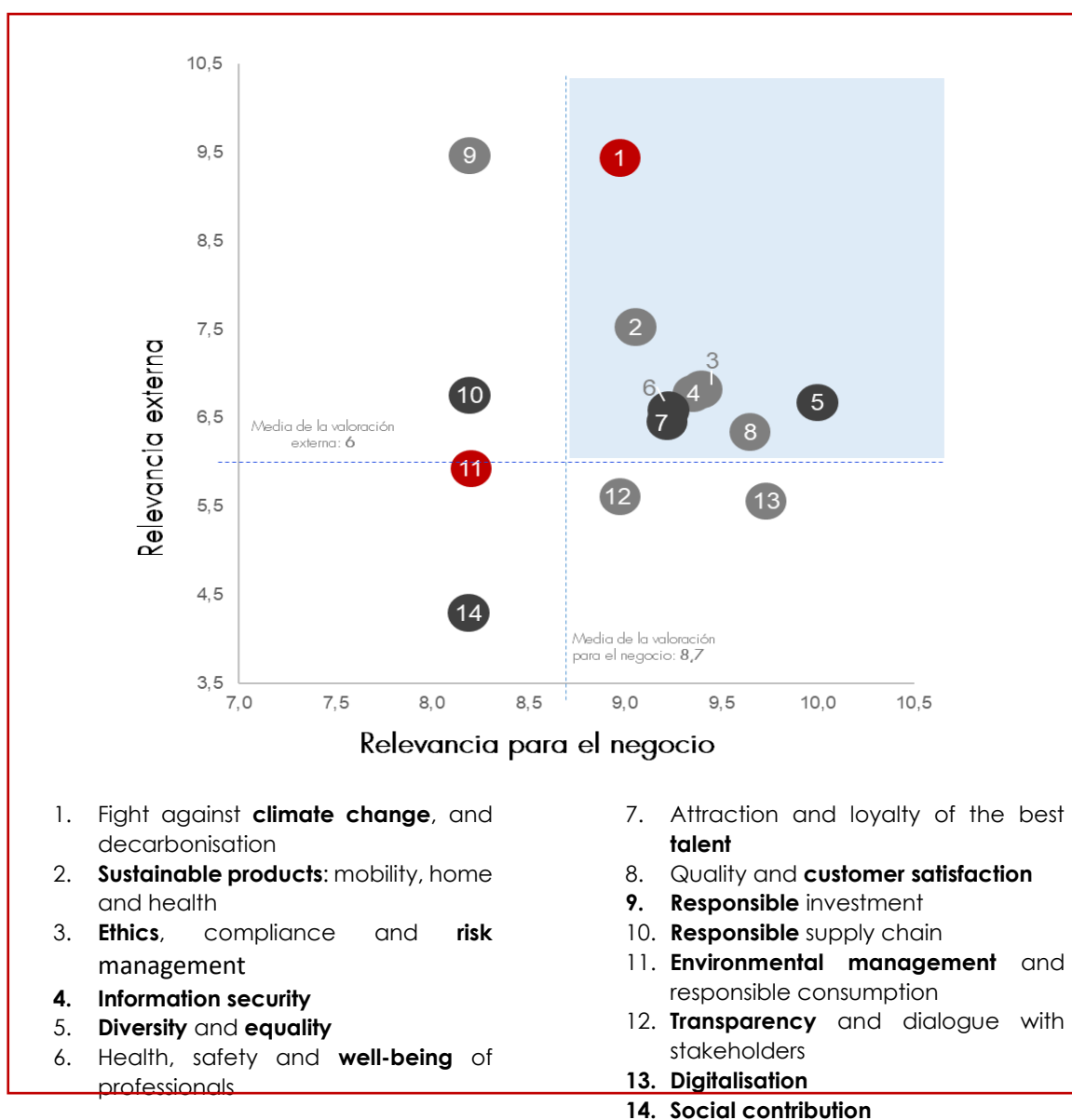


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In the materiality analysis, Línea Directa Group has compiled the importance of each of the **material issues** based on the trends, requirements and materiality of the Sustainability Plan for the stakeholders.

The Plan's materiality matrix was built from two axes:

- **Business relevance:** impact of the issues on the achievement of the Company's strategic objectives, weighing the opinion of the Management Committee.
- **External relevance:** importance of the issues according to the expectations of the stakeholders, the context and trends that may affect the Company, the non-financial reporting standards and the requirements of analysts and investors.





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5. Vision and goals

The 2023-2025 Sustainability Plan has defined the following vision: "Lead the **Línea Directa Group** towards **sustainable growth**, by promoting the **ESG dimensions from within** and placing its **direct model** as the **best asset** for the **stakeholders** in the face of the **opportunities and challenges** in the **next three years**".

- The vision includes the main aspects pursued by the company's Strategic Plan. First, there is a conviction to include the entire Group in the scope of sustainability, to advance all business units towards the same common goal.
- In addition, it emphasises **sustainable growth**, linking the concept of **sustainability to the business**. Through this Strategic Plan, the Group wants to take a step forward and integrate sustainability into its business, find the new business opportunities derived from the economy's decarbonisation and the implementation of a circular economy. And want to do so, in a fair and inclusive way with the stakeholders.
- The vision shows the conviction that the promotion of ESG dimensions must be integrated into the **Company's culture**, so that it operates naturally. And it must be come from the inside out.
- Another important aspect conveyed in the vision is the conviction that the **direct business model** has great strengths at a time of transition towards a new, more sustainable economic model. Its agility and flexibility; its innovative and disruptive imprint on the insurance sector; its transparency and proximity, given its lack of intermediaries, etc. In addition, it is a more efficient model in resource use, since it does not have offices across the country, and offers telephone service and digital channels to its customers.
- Finally, the Group stresses the importance of being alert to the **economic and social context**, so as to be able to offer a response to its customers and their uncertainty generated by the volatile environment; and of being very aware of the business opportunities that may arise for the future.

The Sustainability Plan has established 6 general goals, which will be essential during the triennium 2023-2025. Based on these priorities, 15 strategic lines and 26 blocks of actions have been established.



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The Plan's general goals are as follows:

1. Generate business: attract and retain customers.

Through the Sustainability Plan, the Company aims to create **commercial offerings** in response to the **new opportunities** in Mobility, and Home and Health, linked to sustainability. Also **digitalisation** and **innovation** at the service of people, and service quality and excellence will be promoted and fostered – with the **customer always at the heart** of all commercial activity.

2. Attraction and care for talent/Culture of Sustainability.

During the triennium, the focus will continue to be on the Company's people, with special attention to attraction, loyalty and care for the **talent**, to adapt the structure to the new changes and challenges on the market. Therefore, it will be very important to continue promoting the **well-being of its employees**; define procedures for all its actions in matters of Equality, Diversity and Human Rights; and, finally, incorporate sustainability into the Company's culture, with an **ESG training programme** aimed at all members of the Company. This emphasis will be critical to embedding sustainability into the natural way of doing things, from the inside out, throughout the organisation.

3. Generate shareholder value and attract responsible investment.

The company wants to become a **sustainable stock market value**, which responds to the ESG expectations of its shareholders and investors in the short, medium and long term. With this end in mind, it will continue to incorporate **sustainable finance** criteria, by following the taxonomy, monitoring its assets on sustainable issues and adhering to international initiatives that add value to the Company. Línea Directa considers it essential that its reporting remains **transparent** and contains information verified by third parties for investors and analysts. It also essential to enter ratings and strategic indices for sustainability.

4. Brand with ESG reputation

The Sustainability Plan features actions to enhance the **sustainability attribute** of the brand. This new reputational attribute must be consistent and reflect the Company's ethics and social, environmental and good governance commitment, and therefore improve the brand's reputation among stakeholders.



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5. Social and environmental contribution.

Línea Directa Aseguradora will continue to act directly on **social and environmental aspects**, with specific and concrete action. It will maintain its commitment to **road safety**, materialised through the Línea Directa Foundation. It will continue to release reports and studies for the **promotion** of **safe homes** and will foster **healthy habits** through its health line. Additionally, the Company will strengthen its corporate volunteering and its Social Action Plan, which involves collaboration with the third sector and the most disadvantaged groups.

Its environmental contribution will focus on the fight against **climate change**, and implementing measures to move towards **carbon neutrality**, circular economy and waste management measures.

6. *Top of mind* among stakeholders (institutions and society)

Línea Directa wants to become a company of choice among its stakeholders and, therefore, be top of mind for all of them as an insurer committed to its three areas of action of sustainability, ESG.

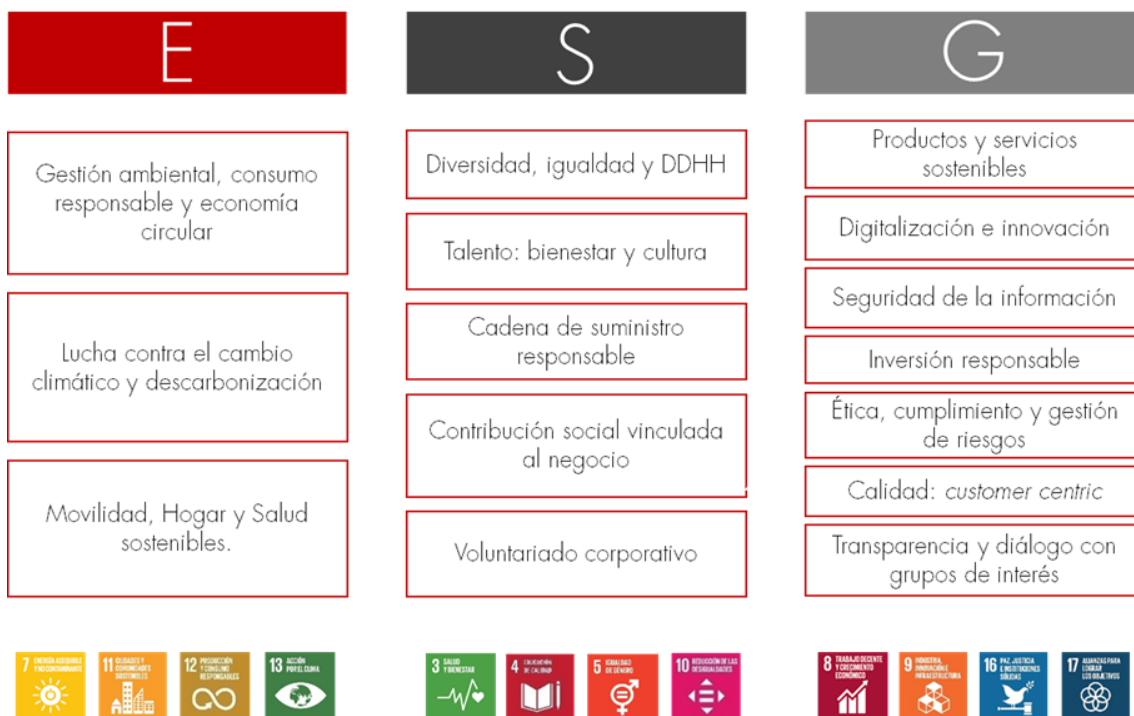


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6. Strategic lines of the 2023-2025 Sustainability Plan.

The 2023-2025 Sustainability Plan has 6 major goals to be worked on in **15 strategic lines of action**, as follows: 3 in the Environmental axis, 5 in the Social axis and 7 in the Corporate Governance (ESG) axis.

These strategic lines are based on the materiality analysis carried out for the 2023-2025 Sustainability Plan, the context analysis, analysis of market trends, analysis of rating requirements and international reporting and sustainability standards. They establish the **priorities** that the Company must address in the next triennium, creating the following **Plan's action matrix**:



From these strategic lines, the 2023-2025 Sustainability Plan contains around **150 actions planned** for the next three years, with a dual focus: **respond to the company's strategic objectives as regards ESG, provide value to all stakeholders** and be **aligned with the United Nations Sustainable Development Goals (SDGs)**.

The Company's Board of Directors released this report on 23 February 2023, for the information of the General Shareholders' Meeting.