



## 2022 Integrated Annual Report

### Línea Directa Aseguradora S.A.

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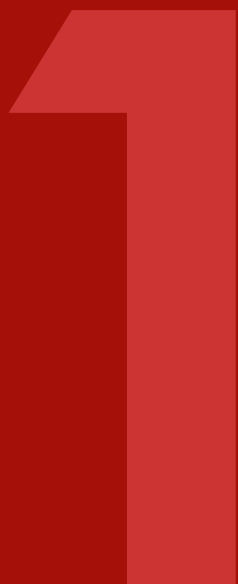
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# Report of the external auditors





**This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.**

## **Independent auditor's report on the annual account**

To the shareholders of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros

## **Report on the consolidated annual accounts**

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### **Opinion**

We have audited the consolidated annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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### **Basis for opinion**

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, [www.pwc.es](http://www.pwc.es)*

Key audit matters	How our audit addressed the key audit matters
<p><b>Valuation of the motor insurance provision for claims</b></p> <p>The Group engages in non-life insurance activities, mainly in the motor, home, and medical assistance lines, recognizing liabilities associated with insurance contracts that reflect the unearned premiums and provision for claims.</p> <p>This last concept includes, among others, the estimated cost of claims pending settlement, payment and not reported, mainly in the motor line, amounting to 317.819 thousand euros as of December 31, 2022.</p> <p>The Group uses statistical methods authorized by the Spanish insurance regulator to calculate the claim provision for the motor line, which reflects the estimated cost of the claims occurred until December 31, 2022. Such actuarial calculations, based on both generally accepted deterministic and stochastic techniques, are complex and incorporate judgments about assumptions made by management.</p> <p>The calculation of the claim provision, given the nature of these liabilities, is a complex estimate that, in the case of the motor line, is significantly influenced by the projection methods, the settlement periods and the assumptions used by management, as well as the impact of the valuation of personal claims in accordance with applicable regulations. For these reasons, the valuation of motor insurance provision for claims is considered as a key audit matter.</p> <p>See notes 2.e, 3.I and 12 of the 2022 annual accounts.</p>	<p>We gained an understanding of the process for estimating and registering the motor insurance provision for claims, which included understanding and evaluating the internal control process, the relevant IT systems, and the most relevant assumptions. Our procedures, in which we have engaged a team of actuarial specialists, have focused on aspects such us:</p> <ul style="list-style-type: none"> <li>• Understanding the methodology used for calculating this provision.</li> <li>• Checking the completeness, accuracy and reconciliation of the data used as inputs for the calculations.</li> <li>• Checking the sufficiency of the motor insurance provision for claims recognized as of the end of the previous reporting period.</li> <li>• Selecting a sample of claims to evaluate the reasonableness of its individual valuation considering the available information.</li> <li>• Performing an actuarial contrast test to evaluate the reasonableness of the provision for claims calculated by a statistical methodology recognized as of the end of the reporting period.</li> <li>• Checking of the actuarial methodology application in accordance with the method authorized by the Spanish insurance regulator.</li> <li>• Checking the adequacy of the disclosures in the attached annual accounts.</li> </ul> <p>In our procedures above, we obtained sufficient appropriate audit evidence to support the estimates of management regarding this matter.</p>

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### **Other information: Consolidated management report**

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Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the consolidated statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

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### **Responsibility of the directors and the audit commission for the consolidated annual accounts**

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The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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### **Auditor's responsibilities for the audit of the consolidated annual accounts**

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Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.





Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and its subsidiaries

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit commission, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

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### **European single electronic format**

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We have examined the digital files of the European single electronic format (ESEF) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

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### **Report to the audit commission of the Parent company**

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The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 24 February 2023.

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### **Appointment period**

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The General Ordinary Shareholders' Meeting held on 24 March 2022 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2022.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of tres years and we have audited the accounts continuously since the year ended 31 December 2016.

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### **Services provided**

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Services provided to the Group for services other than the audit of the accounts are disclosed in note 23.e) to the consolidated annual accounts.



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Consolidated financial  
statements

**Línea Directa Aseguradora, S.A.,  
Compañía de Seguros y Reaseguros and  
subsidiaries**

Consolidated financial statements  
for the year ended  
31 December 2022

Prepared in accordance with International Financial Reporting  
Standards as adopted by the European Union (EU-IFRS)

**Consolidated balance sheet at 31 December 2022**

(in thousand euro)

ASSETS	Notes	2022	2021
<b>Cash and cash equivalents</b>	<b>6</b>	<b>51,661</b>	<b>115,788</b>
<b>Available-for-sale financial assets</b>	<b>7 a)</b>	<b>739,664</b>	<b>864,978</b>
I. Equity instruments		120,886	153,963
II. Debt securities		618,778	711,015
<b>Loans and receivables</b>	<b>7 a)</b>	<b>123,448</b>	<b>120,615</b>
I. Debt securities		-	10,990
II. Deposits with credit institutions		4,515	-
III. Receivables on direct insurance business		58,524	53,538
1. Policyholders		58,524	53,538
IV. Receivables on reinsurance business		12,290	7,969
V. Other receivables		48,119	48,118
1. Tax and social security receivable	14	1,265	1,040
2. Other receivables		46,854	47,078
<b>Hedging derivatives</b>	<b>7 a)</b>	<b>7,808</b>	<b>-</b>
<b>Reinsurers' share of technical provisions</b>	<b>12</b>	<b>19,263</b>	<b>20,153</b>
I. Provision for unearned premiums		4,554	4,280
II. Provision for claims		14,709	15,873
<b>Property, plant and equipment and investment property</b>	<b>8</b>	<b>110,044</b>	<b>110,721</b>
I. Tangible fixed assets		45,368	45,264
II. Investment property		64,676	65,457
<b>Right-of-use assets</b>	<b>9 a)</b>	<b>3,739</b>	<b>4,496</b>
<b>Intangible assets</b>	<b>10</b>	<b>14,482</b>	<b>14,121</b>
I. Other intangible assets		14,482	14,121
<b>Tax assets</b>	<b>14</b>	<b>26,861</b>	<b>28,467</b>
I. Current tax assets		3,397	19,916
II. Deferred tax assets		23,464	8,551
<b>Other assets</b>	<b>11</b>	<b>98,445</b>	<b>89,139</b>
I. Prepaid fees and other acquisition expenses		94,608	87,219
II. Accruals		3,326	1,528
III. Other assets		511	392
<b>TOTAL ASSETS</b>		<b>1,195,415</b>	<b>1,368,478</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.

**Consolidated balance sheet at 31 December 2022**

(in thousand euro)

LIABILITIES	Notes	2022	2021
<b>Debt and accounts payable</b>	<b>7-b</b>	<b>59,288</b>	<b>175,406</b>
I. Due on direct insurance business		2,490	2,526
1. Due to policyholders		2,009	1,939
2. Due to agents, brokers and intermediaries		481	587
II. Due on reinsurance business		1,363	1,244
III. Lease liabilities	9-b	3,768	4,534
IV. Other debts:		51,667	167,102
1. Taxes and social security payable	14	15,520	17,454
2. Due to group companies and associates		-	56
3. Other debts		36,147	149,592
<b>Hedging derivatives</b>	<b>7-b</b>	<b>-</b>	<b>9,447</b>
<b>Technical provisions</b>	<b>12</b>	<b>791,040</b>	<b>738,158</b>
I. Provision for unearned premiums		470,783	449,740
II. Provision for unexpired risks		2,378	3,280
III. Provision for claims		317,879	285,138
<b>Non-technical provisions</b>	<b>13</b>	<b>26,118</b>	<b>22,133</b>
I. Provisions for taxes and other legal contingencies		-	-
II. Provisions for settlement agreements		25,338	21,915
III. Other non-technical provisions		780	218
<b>Tax liabilities</b>	<b>14</b>	<b>28,182</b>	<b>44,456</b>
I. Deferred tax liabilities		28,182	44,456
<b>Other liabilities</b>		<b>287</b>	<b>603</b>
I. Accruals		-	-
IV. Other liabilities		287	603
<b>TOTAL LIABILITIES</b>		<b>904,915</b>	<b>990,203</b>
<b>EQUITY</b>			
<b>Equity</b>	<b>15</b>	<b>320,356</b>	<b>334,909</b>
I. Capital or mutual fund		43,537	43,537
1. Subscribed capital or mutual fund		43,537	43,537
III. Reserves		270,795	260,146
1. Legal and bylaw reserves		9,046	9,046
2. Other reserves		261,749	251,100
IV. (Own shares)		(1,018)	(1,247)
VII. Profit/(loss) for the year		59,523	110,137
VIII. (Interim dividend)		(52,481)	(77,664)
<b>Valuation adjustments:</b>	<b>15 f)</b>	<b>(29,856)</b>	<b>43,366</b>
I. Available-for-sale financial assets		(29,856)	43,366
<b>TOTAL EQUITY</b>		<b>290,500</b>	<b>378,275</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,195,415</b>	<b>1,368,478</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.



**Consolidated statement of profit or loss at 31 December 2022**

(in thousand euro)

NON-LIFE STATEMENT OF PROFIT OR LOSS	Notes	2022	2021
<b>Earned premiums, net of reinsurance</b>		<b>900,647</b>	<b>882,728</b>
Premiums written		946,653	907,520
Direct insurance		946,679	907,189
Change due to impairment of outstanding premiums receivable		(26)	331
Premiums from ceded reinsurance		(26,139)	(23,392)
Change in the provision for unearned premiums and unexpired risks	12	(20,141)	(1,975)
Direct insurance		(20,141)	(1,975)
Change in the provision for unearned premiums, reinsurers' share	18	274	575
<b>Income from property, plan and equipment and from investments</b>		<b>72,406</b>	<b>57,904</b>
Income from investment property		4,391	4,278
Income from financial investments	17	34,525	31,473
Application of impairment adjustments for property, plant and equipment, and investments		-	-
Property, plant and equipment and investment property		-	-
Gains/(losses) on realisation of property, plant and equipment and investments		33,490	22,153
Property, plant and equipment and investment property		-	21
Financial investments	17	33,490	22,132
<b>Claims incurred, net of reinsurance</b>		<b>(681,500)</b>	<b>(597,820)</b>
Claims and other expenses paid		(520,476)	(468,836)
Direct insurance		(534,914)	(478,796)
Reinsurers' share		14,438	9,960
Change in the provision for claims	12	(33,481)	(12,591)
Direct insurance		(32,317)	(19,692)
Reinsurers' share		(1,164)	7,101
Claims-related expenses	19	(127,543)	(116,393)
<b>Change in Other Technical Provisions, net of reinsurance</b>		<b>(637)</b>	<b>(594)</b>
<b>Profit sharing and premium refunds</b>		<b>(637)</b>	<b>(594)</b>
Change in the provision for profit sharing and premium refunds		(637)	(594)
<b>Net operating expenses</b>		<b>(202,182)</b>	<b>(203,458)</b>
Acquisition expenses	19	(180,371)	(181,972)
Administration expenses	19	(26,043)	(26,510)
Reinsurance commissions and profit participation	18	4,232	5,024
<b>Other technical expenses</b>		<b>17,022</b>	<b>22,779</b>
Change in claims paid under settlement agreements		22,750	24,490
Other	19	(5,728)	(1,711)
<b>Expenses from property, plant and equipment and investments</b>		<b>(32,633)</b>	<b>(23,243)</b>
Management expenses from property, plant and equipment and investments	19	(6,298)	(7,791)
Expenses from property, plant and equipment and investment property		(3,243)	(3,245)
Expenses from financial investments and accounts	17 and 9-b	(3,055)	(4,546)
Valuation adjustments for property, plant and equipment and investments		(28)	(28)
Depreciation of property, plant and equipment and investment property		(28)	(28)
Impairment of property, plant and equipment and investment property		-	-
Losses on property, plant and equipment and investments		(26,307)	(15,424)
Property, plant and equipment and investment property		-	(7)
Financial assets	17	(26,307)	(15,417)
<b>Profit/(loss) from non-life insurance</b>		<b>73,123</b>	<b>138,296</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.

**Consolidated statement of profit or loss at 31 December 2022**

(in thousand euro)

OTHER ACTIVITIES	Notes	2022	2021
<b>Profit/(loss) from non-life insurance</b>		<b>73,123</b>	<b>138,296</b>
<b>Other income</b>	20	<b>7,536</b>	<b>10,345</b>
Other income		7,536	10,345
<b>Other expenses</b>	19	<b>(1,901)</b>	<b>(3,461)</b>
Other expenses		(1,901)	(3,461)
<b>Subtotal (Profit or loss from other activities)</b>		<b>5,635</b>	<b>6,884</b>
<b>Profit/(loss) before tax</b>		<b>78,758</b>	<b>145,180</b>
<b>Income tax</b>	14	<b>(19,235)</b>	<b>(35,043)</b>
<b>Profit/(loss) for the year</b>		<b>59,523</b>	<b>110,137</b>
Profit/(loss) attributable to the Parent Company		59,523	110,137
Profit/(loss) attributable to non-controlling interests		-	-
Basic earnings per share (in euro)	16	0.05	0.10
Diluted earnings per share (in euro)	16	0.05	0.10

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.

**Consolidated statement of other comprehensive income for the year ended 31  
December 2022**  
(in thousand euro)

	Notes	2022	2021
<b>Profit/(loss) for the year</b>		<b>59,523</b>	<b>110,137</b>
<b>Items that can be reclassified to profit or loss</b>		<b>(73,222)</b>	<b>(1,266)</b>
Available-for-sale financial assets		<b>(97,622)</b>	<b>(1,610)</b>
Gains/(losses) on valuation adjustments		(86,672)	4,956
Amounts transferred to the statement of profit or loss		(10,950)	(6,566)
Income tax		<b>24,400</b>	<b>344</b>
<b>Other comprehensive income</b>	7	<b>(73,222)</b>	<b>(1,266)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>(13,699)</b>	<b>108,871</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.

**Consolidated statement of changes in equity for the year ended 31 December 2022**

(in thousand euro)

	Notes	Subscribed capital (Note 15)	Legal reserve (Note 15 a)	Other reservation s (Note 15- b)	Own shares (Notes 15-c and 23)	Consolidated profit or loss for the period	(Interim dividend) (Note 15-d)	Valuation adjustment s (Note 15- f)	Total
<b>Adjusted balance at 1 January 2021</b>		<b>37,512</b>	<b>9,046</b>	<b>241,323</b>	<b>-</b>	<b>134,846</b>	<b>-</b>	<b>44,632</b>	<b>467,359</b>
<b>Total recognised income/(expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,137</b>	<b>-</b>	<b>(1,266)</b>	<b>108,871</b>
<b>Transactions with owners or mutual members</b>	15	<b>6,025</b>	<b>-</b>	<b>(126,025)</b>	<b>(1,247)</b>	<b>-</b>	<b>(77,664)</b>	<b>-</b>	<b>(198,911)</b>
Capital increases or mutual fund		6,025	-	(6,025)	-	-	-	-	-
Distribution of dividends or payments due to mutual members	15	-	-	(120,000)	-	-	(77,644)	-	(197,664)
Transactions with own shares or holdings (net)		-	-	-	(1,247)	-	-	-	(1,247)
<b>Other changes in equity</b>		<b>-</b>	<b>-</b>	<b>135,802</b>	<b>-</b>	<b>(134,846)</b>	<b>-</b>	<b>-</b>	<b>956</b>
Payments based on equity instruments		-	-	956	-	-	-	-	956
Transfers between equity items		-	-	134,846	-	(134,846)	-	-	-
<b>Balance at 31 December 2021</b>	15	<b>43,537</b>	<b>9,046</b>	<b>251,100</b>	<b>(1,247)</b>	<b>110,137</b>	<b>(77,664)</b>	<b>43,366</b>	<b>378,275</b>
<b>Adjusted balance at 1 January 2022</b>		<b>43,537</b>	<b>9,046</b>	<b>251,100</b>	<b>(1,247)</b>	<b>110,137</b>	<b>(77,664)</b>	<b>43,366</b>	<b>378,275</b>
<b>Total recognised income/(expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,523</b>	<b>-</b>	<b>(73,222)</b>	<b>(13,699)</b>
<b>Transactions with owners or mutual members</b>	15	<b>-</b>	<b>-</b>	<b>-</b>	<b>229</b>	<b>(21,459)</b>	<b>(52,481)</b>	<b>-</b>	<b>(73,711)</b>
Capital increases or mutual fund		-	-	-	-	-	-	-	-
Distribution of dividends or payments due to mutual members	15	-	-	-	-	(21,459)	(52,481)	-	(73,940)
Transactions with own shares or holdings (net)		-	-	-	229	-	-	-	229
<b>Other changes in equity</b>		<b>-</b>	<b>-</b>	<b>10,649</b>	<b>-</b>	<b>(88,678)</b>	<b>77,664</b>	<b>-</b>	<b>(365)</b>
Payments based on equity instruments		-	-	(365)	-	-	-	-	(365)
Transfers between equity items		-	-	11,014	-	(88,678)	77,664	-	-
<b>Balance at 31 December 2022</b>	15	<b>43,537</b>	<b>9,046</b>	<b>261,749</b>	<b>(1,018)</b>	<b>59,523</b>	<b>(52,481)</b>	<b>(29,856)</b>	<b>290,500</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.



# Consolidated statement of cash flows for the year ended 31 December 2022

(In thousand euro)

	Notes	2022	2021
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
<b>Insurance activities</b>			
Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance		941,666	908,396
Proceeds from ceded reinsurance		5,301	769
Reimbursements of claims		31,078	31,816
Other proceeds from operating activities		(4,653)	764
<b>Total proceeds from insurance activities</b>		<b>973,392</b>	<b>941,745</b>
Payments for direct insurance, coinsurance and accepted reinsurance		(634,169)	(573,740)
Payments for ceded reinsurance		(16,973)	(11,797)
Payments for intermediaries		(16,846)	(19,993)
Other payments for operating activities		(249,655)	(235,591)
<b>Total payments for insurance activities</b>		<b>(917,643)</b>	<b>(841,121)</b>
<b>Other operating activities</b>			
Proceeds from other operating activities		9,507	14,813
<b>Total proceeds from other operating activities</b>		<b>9,507</b>	<b>14,813</b>
Payments for other operating activities		(627)	(1,742)
<b>Total payments for other operating activities</b>		<b>(627)</b>	<b>(1,742)</b>
<b>Income tax</b>			
Income tax collected/(paid)		6,255	(25,036)
<b>Total income tax collected/(paid)</b>		<b>6,255</b>	<b>(25,036)</b>
<b>Total net cash flows from operating activities</b>		<b>70,884</b>	<b>88,659</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
<b>Proceeds from investing activities</b>			
Property, plant and equipment		-	-
Investment property		4,223	4,440
Intangible assets		-	-
Financial instruments		287,666	192,412
Interest received		24,704	26,758
Dividends collected		2,871	2,224
<b>Total proceeds from investing activities</b>		<b>319,464</b>	<b>225,834</b>
<b>Payments for investing activities</b>			
Property, plant and equipment		(1,978)	(3,468)
Investment property		(833)	(1,377)
Intangible assets		(4,838)	(6,205)
Financial instruments		(254,898)	(144,389)
Other payments for investing activities		(4,068)	(4,343)
<b>Total payments for investing activities</b>		<b>(266,615)</b>	<b>(159,782)</b>
<b>Total net cash flows from investing activities</b>		<b>52,849</b>	<b>66,052</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
<b>Proceeds from financing activities</b>			
Disposal of own shares		257	-
Other proceeds from financing activities		30,651	4,047
<b>Total proceeds from financing activities</b>		<b>30,908</b>	<b>4,047</b>
<b>Payments for financing activities</b>			
Dividends to shareholders	15 d)	(73,940)	(197,664)
Acquisition of own and parent company securities	15 c)	(384)	(1,247)
Other payments for financing activities		(148,212)	(6,411)
<b>Total payments for financing activities</b>		<b>(222,536)</b>	<b>(205,322)</b>
<b>Total net cash flows from/(used in) financing activities</b>		<b>(191,628)</b>	<b>(201,275)</b>
Effects of exchange rate changes		3,768	(148)
<b>Total increase/(decrease) in cash and cash equivalents</b>		<b>(64,127)</b>	<b>(46,712)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>6</b>	<b>115,788</b>	<b>162,500</b>
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>51,661</b>	<b>115,788</b>
<b>Components of cash and cash equivalents at end of year</b>			
Cash and banks		35,683	110,292
Other financial assets		15,978	5,496
<b>Total cash and cash equivalents at end of year</b>	<b>6</b>	<b>51,661</b>	<b>115,788</b>

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2022.

## 1. Overview of the Group

The Línea Directa Group consists of Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and its subsidiaries. Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros (the "Parent") was incorporated in Madrid on 13 April 1994 under the name of "Bankinter Seguros Directos, S.A. Compañía de Seguros y Reaseguros". On 6 July 1994, it changed its name to "Bankinter Aseguradora Directa, S.A. Compañía de Seguros y Reaseguros". The decision was reached at the General Shareholders' Meeting held on 26 January 1995 to change its name to "Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros".

The Parent engages in insurance and reinsurance activities in the motor, home and other non-life segments, all of which it is authorised to carry out by the Spanish Directorate General of Insurance and Pension Funds. On 19 July 2017, the Directorate granted authorisation to operate also within the illness line of the healthcare segment. The Parent started selling health insurance products in October 2017.

Its registered office is at calle Isaac Newton 7, Tres Cantos, Madrid, Spain. The Parent operates entirely in Spain and Portugal.

With respect to Portugal, the Group was authorised to operate in the Other insurance segment on 25 September 2017. As this line of activity was residual and immaterial in 2021 and 2020, it has not been deemed relevant to break down the information by geographical area.

The Parent directs and manages its stakes in other entities by organising human and material resources accordingly. The Parent operates in Motor, Home, Health and Other insurance business, as described in Note 3-b). Its business distribution channels are mainly telephone and internet sales.

The Parent's shares have been listed and traded on the continuous market of the Madrid Stock Exchange since 29 April 2021. Bankinter, S.A. holds a 17.4% stake in the Parent, while the remaining 82.6% was distributed among its shareholders by delivering one share in Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for each Bankinter share held (Note 15).

The subsidiaries of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are as follows: Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, Línea Directa Asistencia, S.L.U., Motoclub LDA, S.L.U., Centro Avanzado de Reparaciones, S.L.U., Ambar Medline, S.L.U. LDActivos, S.L.U. and LDA Reparaciones, S.L.U, as described in Note 4, all of which are non-insurance support or investment companies.

In view of the Group's business activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or results.

The 2022 consolidated financial statements accounts were authorised for issue by the Board of Directors on 23 February 2023 and are pending approval by the shareholders at the Annual General Meeting. However, it is the understanding of the directors that such annual accounts will be approved as presented.

## 2. Basis of presentation of the consolidated financial statements

### a) Regulatory financial reporting framework applicable to the Group

These consolidated financial statements have been prepared in accordance with the applicable regulatory framework for financial reporting, which is as follows:

- The International Financial Reporting Standards adopted by the European Union in the form of EU Regulations, in accordance with Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 and its subsequent amendments (EU-IFRS).
- On the IFRS Interpretations Committee (IFRS-IC).
- Regulatory provisions prescribed by the Spanish Directorate General of Insurance and Pension Funds, including the Framework Document in relation to the accounting regime for insurance entities relating to IFRS 4 – Insurance Contracts, published on 22 December 2004.
- The Spanish Commercial Code (Código de Comercio) and other commercial legislation.
- The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its Spanish acronym of "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively, and other provisions issued by the Spanish Directorate General for Insurance and Pension Funds.
- The non-repealed articles of the Regulation on the Organisation and Supervision of Private Insurance (hereinafter, "ROSSP", or the "Regulation"), enacted by Royal Decree 2486/1998, including all partial modifications thereto.
- Formatting and marking requirements set out in the European Commission Delegated Regulation EU 2018/815.

All mandatory accounting principle with a significant impact on the consolidated financial statements have been duly applied.

### b) True and fair view

The accompanying consolidated financial statements have been prepared from the Group's accounting records and are presented in accordance with the applicable consolidated financial reporting framework and, in particular, with the accounting principles and criteria contained therein, so as to provide a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated earnings and consolidated cash flows for financial year 2022.

### c) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the following exceptions:

- Derivative financial instruments and financial assets at fair value through other comprehensive income.
- Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

There has been no early adoption of any standards or interpretations that have been approved by the European Commission but that were not yet in effect at year end 2022.

### d) Functional currency and presentation currency

The consolidated financial statements are presented in thousands of euro, rounded off to the nearest thousand, which is the functional and presentation currency of the Parent and its Subsidiaries.

### e) Critical aspects regarding the valuation and estimation of uncertainty

The preparation of consolidated financial statements in accordance with IFRS-EU requires significant accounting estimates, judgments and assumptions to be made during the process of applying the Group's accounting policies. There follows a summary of the aspects that involved a higher degree of judgement, complexity or where assumptions and estimates were significant in drawing up the consolidated financial statements.

While these estimates have been made on the basis of the best information available in relation to the events analysed at the balance sheet date, it is possible that future events may require these estimates to be modified (upwards or downwards) in subsequent years. Any resulting changes would be reflected in the corresponding consolidated statements of profit or loss and under the heading "Valuation adjustments" in the Group's equity.

The main estimates made by the Group's directors are as follows:

- Provisions for insurance contracts (Note 3 I)):

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 3 I) to these Notes. The Group also relies on judgements and estimates to calculate technical provisions. Statistical methods are used to determine these provisions in the Motor insurance segment. For the other segments in which the Parent operates, an individual estimate is made of the technical provisions for non-life insurance.

On 29 December 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorised the Group to calculate the technical provisions of benefits in the motor sector using the Merz



& Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was first applied at the end of 2021 and did not have a significant impact. In accordance with IFRS 4, the new calculation method does not incorporate the effect of inflation and in response to the substantial increase in inflation in the scale, in 2022 the Group decided to apply expert judgement in the method to reflect this effect.

- Income tax and recovery of tax credits (Note 3 w)):

Under current legislation, taxes cannot be considered definitively settled until the duly submitted returns have been inspected by the tax authorities, or until the four-year limitation period has lapsed. In the opinion of the Group's directors, there are no contingencies that might result in any further significant liabilities for the Group.

- Impairment losses on certain assets (Note 3 d), f), g) and h)):

The Group analyses annually whether there are any indications of impairment on its assets, which are tested for impairment if and when any such indications exist. In particular, the provision for bad debts is calculated on the basis of the age of the invoices, with a different ratio applied for each age bracket. These brackets have been determined on the basis of the Group's experience and the mandatory accounting standards binding on all insurance companies.

- Useful life of intangible assets, property, plant and equipment, investment property (Note 3 f) and h)):

The useful lives of these assets have been calculated on the basis of the Group's directors' best estimate of the period over which they will generate income, taking into account the depreciation and amortisation effectively incurred in their operation, use and enjoyment.

- The fair value of certain non-listed assets and liabilities (Note 3 d)):

To determine the fair value of financial instruments when there is no price available in an active market, the Group's directors have made estimates using a valuation model or technique consistent with accepted market pricing methodology, while maximising the use of observable market data.

- Liability adequacy test:

The assumptions used for the liability adequacy test are described in Note 3 l).

- Determination of the lessee's incremental borrowing rate under IFRS 16:

The incremental borrowing rate has been used to determine the relevant rate for leases in which the Group acts lessee, meaning the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar conditions and levels of risk, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- Employs a cumulative approach based on a risk-free interest rate adjusted to reflect credit risk for leases which have no recent third-party financing; and
- Makes specific adjustments to the lease, such as term, type, asset value and risk.

The Group is exposed to possible future increases in variable lease payments based on a Consumer Price Index (CPI). These changes are not included in the lease liability until they take effect. When the lease payments are eventually updated based on this index, the lease liability is revalued and adjusted against the right-of-use asset.

CPI change in leases in which the Group acts as lessee did not have a significant impact on the Group during the reference periods.

#### f) Comparison of information

The consolidated financial statements present, for comparison purposes, figures for the previous year alongside each of the items in the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the Notes to the consolidated financial statements, in addition to the consolidated figures for 2022.

#### g) Changes in accounting standards

There was no change in accounting policy in financial year 2022 compared with the policy used to draw up the 2021 consolidated financial statements.

#### h) Interpretation standards issued but not applied

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These new standards will entail changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments. However, given the business segments in which the Group operates and the nature and duration of the insurance contracts it markets and sells, these changes are not expected to have a material impact on the Group's consolidated financial statements, or on the management of the business and the Group's dividend policy.

#### IFRS 9 — Financial instruments

The effective date of IFRS 9 was 1 January 2018. However, the Group has elected to take advantage of the temporary exemption from the effective date of IFRS 9 — Financial Instruments, as provided for in paragraphs 20A – 20N of IFRS 4 — Insurance Contracts, as it meets the criteria set out in that standard for its application.

By availing itself of this exemption, the date of application of IFRS 9 is the effective date of IFRS 17 — Insurance Contracts, which, according to the decision of the International Accounting Standards Board (IASB), is 1 January 2023.

The Group has conducted the necessary analyses to be able to apply such deferral and has determined its eligibility by confirming that the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90%, and that the Group does not engage in a significant activity unconnected with insurance, as indicated in paragraph 20D of IFRS 4. The analysis has been performed on the basis of information for the years ended 31 December 2021 and 2022.

The disclosure requirements for financial assets required under IFRS 4 when applying this temporary exemption are set out in Note 8 a) iii).

IFRS 9 replaces IAS 39, but has a similar scope. IFRS 9 contains principles for the financial reporting of financial assets and financial liabilities in order to present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of future cash flows.

In addition, the Group runs a SPPI test for instruments recorded under “Available-for-sale financial assets” and “Loans and receivables”, as this was already a requirement under IFRS 4, in order to analyse the potential impact of the effective application of IFRS 9 — Financial Instruments and to improve the comparability of the information between the entities that are applying this standard. Note 7.a.2) “Financial assets” breaks down the information required under the standard.

## Classification

IFRS 9 establishes a business model system based on how financial assets are used and the characteristics of their cash flows.

Under IFRS 9 there are three measurement categories, each suited for different instruments:

- Financial assets at amortised cost: for financial assets held by the company to collect contractual cash flows; and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income: for those financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms of the financial asset result give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

Gains and losses arising from the revaluation of these assets are recognised in equity, though they may be recycled to profit or loss at the time of sale.

- Financial assets at fair value through profit or loss: a financial asset will be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. This category would include all financial assets that do not pass the SPPI test.

In view of the definition of these categories, an analysis of the impact of IFRS 9 was carried out at 31 December 2022. It was found that the impact is not significant due to the characteristics of the Group's investment portfolio.

The Group's financial assets are predominantly debt securities, which currently pass the SPPI test.

As regards the other financial assets, the most significant change is the recognition of changes in the valuation of investment funds under IFRS 9, which will be made through the consolidated statement of profit or loss due to the characteristics of this type of asset, whereas under IAS 39 this measurement was carried out through adjustments for changes in the value of equity.

However, when it comes to shares, IFRS 9 states that they may be measured at fair value through other comprehensive income without recycling to profit or loss (irrevocable election), or alternatively at fair value through profit or loss, depending on the choice of business model. The Group has assessed the impact of this choice and has decided to apply the irrevocable election in the case of shares.

Lastly, there will be no change in the measurement of derivatives. As a result, changes will continue to be recognised in the consolidated statement of recognised income and expense.

### Measurement of financial instruments

IFRS 9 will have no significant impact in terms of the measurement methods compared to those used under IAS 39, with the exception of impairment.

At initial measurement the Group shall measure the financial asset or financial liability at fair value, including transaction costs that are directly attributable to the acquisition or issue of the instrument.

The Group will subsequently measure the financial asset in accordance with the three alternatives provided for under IFRS 9:

- Amortised cost.



- Fair value through other comprehensive income.
- Fair value through profit or loss.

The Group shall also follow the guidelines for the calculation of impairment of financial assets measured at amortised cost and at fair value through other comprehensive income.

## Impairment

The only relevant impact for the Group when transitioning to IFRS 9 is the impairment loss resulting from the new methodology provided for in the standard, which will now be recognised in other comprehensive income as of the transition date. The Group has performed an analysis of this impact as at 31 December 2022, revealing that it is not significant, considering the financial investments currently held.

## Transition

Commission Regulation (EU) 2022/1491 of 8 September 2022 amending Regulation (EC) No 1126/2008 as regards International Financial Reporting Standard 17, allows companies applying IFRS 9 and IFRS 17 for the first time to apply the classification overlay provided for in paragraphs C28B to C28E of IFRS 9. This means that companies may present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. However, the impairment requirements in Section 5.5 of IFRS 9 need not be applied and any difference between the carrying amount of the previous financial asset and the carrying amount at the date of transition resulting from applying the classification overlay is recognised in equity at the date of transition.

The Group has elected not to apply the classification overlay for financial instruments under IFRS 9 and has opted not to restate financial assets in accordance with paragraph 7.2.15. of IFRS 9.

## IFRS 17 – Insurance contracts

This standard will replace IFRS 4 – Insurance Contracts, which allows for the continued use of local accounting practices and has resulted in insurance contracts being accounted for differently across jurisdictions. This standard, endorsed by the International Accounting Standards Board (IASB), was published on 23 November 2021 in the Official Journal of the European Union (OJEU). IFRS 17 sets out principles for the recognition, presentation and disclosure of insurance contracts so that an entity provides relevant and reliable information to enable users of financial information to assess the effect that these contracts have on the entity's financial statements.

The adoption of IFRS 17 implies amendments to the following standards or interpretations of standards: IFRS 1 — First-time Adoption of International Financial Reporting Standards, IFRS 3 — Business Combinations, IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 — Financial Instruments: Disclosures, IFRS 9 — Financial Instruments, IFRS 15 — Revenue from Contracts with Customers, International Accounting Standard (IAS) 1 — Presentation of Financial Statements, IAS 7 — Statement of Cash Flows, IAS 16 — Property, Plant and Equipment, IAS 19 — Employee Benefits, IAS 28 — Investments in Associates and Joint Ventures, IAS 32 — Financial Instruments: Presentation, IAS 36 — Impairment of Assets, IAS 37 — Provisions, Contingent Liabilities and Contingent Assets, IAS 38 — Intangible Assets, IAS 40 — Investment Property, and SIC Interpretation 27 — Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 17 provides a comprehensive approach to accounting for insurance contracts. It seeks to ensure that companies disclose, in their financial statements, relevant information that fairly represents insurance contracts. This information provides users of financial statements with a sound basis for assessing the effect of insurance contracts on the company's financial position, financial performance and cash flows.

IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation features and will apply for periods beginning on or after 1 January 2023, which is the date of first-time application, although comparative information with a transition date of 1 January 2022 is required.

In 2022, the Group finalised the definition of the accounting policies to be applied under IFRS 17 and installed and adapted the necessary tools to be able to apply them correctly. The Group already draws up monthly figures under IFRS 17 in parallel with IFRS 4 and is ready to comply with the new standard.

### Separation of components

The Group analyses the products it sells to determine whether any of these components are non-insurance and whether they need to be separated and accounted for using other standards such as IFRS 9 for investment components and IFRS 15 for service components. The Group has not identified any components that should be separated, meaning that all components are identified as insurance and will therefore be accounted for under IFRS 17.

### Level of aggregation of insurance contracts

The standard requires entities to identify portfolios of insurance contracts separately, such that a portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line can be assumed to have similar risks and therefore to be in the same portfolio if they are managed together.

The Group determines that similar risks exist based on the characteristics of the coverage of each product, in view of the boundaries of the contracts. The

Group considers that a group of contracts is jointly managed in a manner consistent with the segment grouping envisaged in IFRS 8 — Segment Information.

Likewise, at initial recognition, the Group does not include contracts issued more than one year apart in the same group. Therefore, if necessary, the Group will separate contracts on the basis of the year of issue, i.e. into annual cohorts. As the Group does not sell mutualised contracts on an intergenerational basis, or contracts with cash flow matching, it does not qualify for the exemption from the annual cohort requirement allowed by the standard for EU entities.

Each contract portfolio is further broken down into three groups of contracts:

- Onerous contracts on initial recognition
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- Other contracts

Each group of contracts in the portfolio is assigned a measurement model based on its characteristics and the criteria set out in applicable regulations.

The Group assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in relevant facts and circumstances.

In the case of reinsurance, the groups of contracts shall consist of each individual reinsurance contract.

The Group, based on an analysis of the level of aggregation required by the standard, has segmented the portfolios of contracts into Motor, Home, Health and Other insurance business. This segmentation is in line with the segmentation reported so far under the criteria set out in IFRS 8 for both direct insurance and reinsurance.

The Group has only elected to treat the Health contract portfolio as onerous, based on the prevailing circumstances at the date of transition.

### Recognition of future cash flows and contract boundaries

The Group recognises groups of insurance contracts it issues from the earliest of the following dates:

- a) The start of the coverage period for the group of contracts;
- b) The date on which the first payment is due from a policyholder in the group; and
- c) In the case of an onerous group of contracts, the date on which the group becomes onerous.

If there is no contractual due date, the policyholder's first payment is considered due when it is received.

When measuring a group of insurance contracts, the Group counts all future cash flows within the boundaries of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services, i.e. has the practical ability to reassess the risks of the particular policyholder.

### Measurement models for contracts issued

The implementation of IFRS 17 will entail consistent accounting for all insurance contracts based on the valuation models provided for in the standard, which will use calculation assumptions updated at each reporting date (such as the discount rate, actuarial assumptions and other financial variables).

IFRS 17, with the aim of standardising international insurance accounting practices, envisions three measurement models for insurance contracts:

- General measurement model (Building Block Approach, or BBA), which is the default method.
- Variable Fee Approach (VFA), which is a variant of the general model (BBA) and should be applied to contracts with significant direct participation features.
- Premium Allocation Approach (PAA), which is essentially a simplification of the general model.

### Measurement method for contracts under the Premium Allocation Approach

The standard simplifies the measurement of a group of insurance contracts through the Premium Allocation Approach if, and only if, at the beginning of the group:

- a) The Group reasonably expects that such simplification will result in a measurement of the group's remaining coverage liability that is not materially different from that which would be obtained by applying the requirements of the general model; or
- b) the coverage period of each group contract is one year or less.

The Group's insurance contracts currently have a duration of one year or less, thus allowing the Group to apply the Premium Allocation Approach (PAA) measurement model to all groups of insurance contracts issued.

#### a) Liability for remaining coverage

Under the Premium Allocation Approach, at initial recognition, the liability for remaining coverage will consist of:

- Premiums received on initial recognition, i.e. premiums written less the effect of premium receipts receivable, corresponding to receipts issued as instalment-based receipts yet to be issued.
- Less cash flows from the acquisition of the insurance at that date.
- Plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for the cash flows from the acquisition of the insurance.

The components that make up the liability for remaining coverage are not adjusted for the time value of money and the effect of financial risk, as the cash flows to be paid or received are less than one year.

As all insurance contracts issued have a coverage period not exceeding one year, the Group may elect to recognise insurance acquisition cash flows as an expense when such costs are incurred or capitalised. The Group has chosen to allocate insurance acquisition cash flows to groups of insurance contracts using a systematic method over the period of coverage of the contracts.

This criterion has had no impact on the Group's results with respect to that applied under IFRS 4, although its classification in the consolidated balance sheet will be as a reduction of the liability for remaining coverage, rather than being shown as an asset for the portion of deferred acquisition expenses.

If, at any time during the coverage period, the prevailing circumstances indicate that a group of insurance contracts has become onerous in nature, the Group shall calculate the difference between the carrying amount of the liability for remaining coverage and the cash flows arising from performance related to the remaining coverage of the group. If the cash flows from compliance exceed the carrying amount, the Group recognises a loss in profit or loss and increases the liability for remaining coverage.

The application of the Premium Allocation Approach means that the measurement and recognition of the liability for remaining coverage will be performed in a substantially similar manner as under the previous IFRS 4 framework and will not, therefore, have a material impact on the Group's results.

#### b) Liability for incurred claims

The liability for incurred claims comprises cash flows from the fulfilment of incurred claims that have not been paid. It also includes incurred but not reported claims. These flows are adjusted for the time value of money and the effect of financial risk. The non-financial risk adjustment is also

incorporated into this liability for incurred claims. The calculation of liability for incurred claims under the Premium Allocation Approach is equivalent to the calculation made under general method.

In the case of the Group, the calculation of the liability for incurred claims plus risk margin does not differ significantly from the calculation of the claims provision under the current IFRS 4.

### Reinsurance contracts held

The Group evaluates and measures reinsurance contracts held separately from the related underlying insurance contracts.

The Group divides portfolios of reinsurance contracts based on whether or not they are onerous, applying the same criteria as for direct insurance contracts, except that references to onerous contracts in those paragraphs are replaced by references to contracts with a net gain on initial recognition.

The Group recognises a group of reinsurance contracts held as of the earliest of the following dates:

- a) the beginning of the coverage period for the group of reinsurance contracts held; and
- b) the date on which the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held on or before that date.

However, the Group defers recognition of a group of held reinsurance contracts that provide proportionate coverage until the date of initial recognition of any underlying contract, if that date is after the beginning of the coverage period of the group of reinsurance contracts held.

The measurement methods for reinsurance contracts held are the same as for insurance contracts, as are the requirements for applying the simplified Premium Allocation Approach. With the exception of one proportional reinsurance contract in the health segment, all reinsurance contracts held have a duration of one year or less and the Group has therefore decided to apply the simplified model in their case. The Group has performed an eligibility test for that multi-year proportionate contract, confirming that the application of the simplified model generates a measurement of the Group's liability for remaining coverage that does not differ significantly from that which would be obtained by applying the general approach. Therefore, the Group has decided to apply the PAA model also to this reinsurance contract.

The entity shall also include, in the estimates of the present value of the future cash flows of the group of held reinsurance contracts, the effect of any risk of default by the issuer of the reinsurance contract, including the effects of collateral and losses resulting from litigation.



## Held reinsurance contracts measured under the Premium Allocation Approach

As discussed above, all reinsurance contracts are measured using the Premium Allocation Approach.

Under this method, the initial measurement of the asset is equal to the reinsurance premium paid. The Group measures the amount relating to the remaining coverage by allocating the premium paid over the period of the group's coverage.

When reinsurance contracts held cover a group of onerous underlying insurance contracts, the Group adjusts the asset value for the remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts, or on additional losses on a previously onerous group of underlying contracts. The recognition of this gain results in the recognition of the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. This component is subsequently adjusted for any applicable changes.

## Discount rate

The Group measures the financial effect by the time effect, using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with current market prices and excluding any factors that could influence the market prices of the reference assets but do not affect the flows of the insurance contracts.

The Group calculates the discount rate using the bottom-up approach based on the risk-free curve, and relying on the curve published monthly by EIOPA (European Insurance and Occupational Pensions Authority).

The components of the remaining coverage provision are not discounted using the discount rate as they are less than one year, while the cash flows and risk adjustment that make up the liability for incurred claims are discounted using the discount rate because they have a time horizon of more than one year.

The Group has decided to recognise financial expenses or income under insurance contracts arising from the application of the discount rate by disaggregating their effect in other comprehensive income and in profit or loss.

## Risk adjustment for non-financial risk

The Group adjusts its estimation of the present value of future cash flows through risk adjustment to compensate for any uncertainty regarding the amount and timing of cash flows arising from the non-financial risk.

In the case of the liability risk adjustment for the remaining coverage, it is currently not applicable since, as mentioned above, the Group relies on the Premium

Allocation Approach (PAA) measurement method for all insurance and reinsurance contracts.

In the case of the risk adjustment for the liability for incurred claims, the Value-at-Risk methodology is used with a given confidence interval. The Group has decided to target the 85% percentile.

### Amendment and derecognition of an insurance contract

If the terms of an insurance contract are amended, the Group derecognises the original contract and recognises the modified contract as a new contract, applying IFRS 17 or other applicable standards, if, and only if, any of the following conditions are satisfied:

- a) If the amended terms were foreseen at the inception of the contract:
  - I. The amended contract would have been outside the scope of IFRS 17.
  - II. Different components of the main insurance contract would have been separated, resulting in a separate insurance contract to which IFRS 17 would have been applied.
  - III. the boundaries of the amended contract would have been substantially different.
  - IV. the amended contract would have been included in a different group of contracts.
- b) The original contract met the definition of an insurance contract with direct participation features, but the amended contract no longer meets that definition, or vice versa; or
- c) The Premium Allocation Approach was applied to the terms of the original contract, but, as a result of the amendments, the contract no longer meets the conditions for the application of that criterion.

Therefore, the Group shall derecognise an insurance contract either when the obligation indicated in the insurance contract expires, or has been satisfied or cancelled, or when the contract is substantively amended by any of the circumstances described in the preceding paragraph.

### Comparison of financial reporting under IFRS 4 and IFRS 17

There are certain differences between the standards in the way the information is presented on the balance sheet and also, albeit to a lesser extent, in the statement of profit or loss. However, as mentioned above, as the Group applies the Premium Allocation Approach (PAA) to all insurance and reinsurance contracts, the changes are less significant than they would have been had it applied the General Approach or the Variable Fee Approach. It should be noted:

- 1. In respect of balance sheet insurance liabilities:

- a) For future services, as the Group has opted to apply the simplified PAA method, the treatment is similar to the previous regulatory framework, consisting of the accrual of the premium through the unearned premium provision.
- b) In respect of past services, future cash flows are discounted and a non-financial risk adjustment is included when measuring the liability for incurred claims. In the above framework, this methodology is similar to the one the Group had been using for the Auto segment, as it applies a statistical methodology approved by the regulator, based on the projection of future flows at a percentile always above the best estimate, although flows are not discounted over time and there is no explicit risk adjustment. With respect to the home and health segments where the Group had been applying a case-by-claim valuation method, the new valuation model will signify a change in the measurement approach, although no material effects are expected. The method for calculating the liability for incurred claims is the same under both the general model (BBA) and the Premium Allocation Approach (PAA).
- c) The same criteria as for direct insurance is used for reinsurance contracts held, for both the liability for remaining coverage and the liability for incurred claims.
- d) Therefore, in the balance sheet, the changes in the previous sections imply, in terms of presentation on both the assets and liabilities side, that the headings "Reinsurers' share of technical provisions" and "Technical provisions" are renamed "Assets/liabilities under reinsurance contracts held" and "Assets/liabilities under insurance contracts issued", respectively.

## 2. In relation to the statement of profit or loss

The consolidated statement of profit or loss under IFRS 17 presents, in summary form, the following items that apply to the Group based on the nature of its business and the valuation models applicable in its case:

### Revenue from the insurance service

This heading will show the provision of services arising from the group of insurance contracts, the amount of consideration to which the Group expects to be entitled in exchange for those services, i.e. the amount of premiums received.

Amounts related to changes in the liability for the remaining coverage and the allocation of the portion of the premium that relates to the recovery of the cash flows from the purchase of the insurance.

The Group applies the PPA, whereby the revenue from the insurance service measured under the PAA is similar to the earned premium concept under IFRS 4.

#### Insurance service expenses

Insurance service expenses include claims and other attributable insurance service expenses incurred; amortisation of cash flows from the acquisition of insurance; changes that relate to past service (i.e. changes in cash flows relating to the liability for incurred claims); and losses on groups of contracts and reversals of those losses.

Under IFRS 4, this heading would include claims and operating expenses.

Notably, the above revenue and expense headings of the insurance service:

- do not include investment components
- do not include revenue and expenses related to reinsurance, as they have their own specific heading.

#### Results associated with reinsurance contracts held

This heading shows income under ceded reinsurance contracts, counting ceded insurance premiums, ceded claims incurred and reinsurance commission, which under IFRS 4 were shown net of the direct insurance result under net earned premium, net claims incurred and net operating expenses, respectively.

#### Income from the insurance service

Income from the insurance service less insurance service expense and income associated with reinsurance contracts held comprises total profit/(loss) from the insurance service. Due to the Group's decision to apply the PPA valuation method, this insurance service result is expected to be similar to the technical result without the current financial part under IFRS 4.

#### Net gains/(losses) from investments

This sub-heading shows income obtained from the Group's financial instrument portfolio in the form of interest, dividends, changes in the fair value of financial assets measured at fair value through other comprehensive income and realised gains/(losses) on assets measured at fair value through profit or loss, measured in accordance with IFRS 9.

#### Insurance financial income and expenses

This sub-heading shows the effect of the time value of money on the calculation of insurance liabilities. More precisely, as regards the effect of updating the discount rate for the purpose of calculating the liability for incurred claims, which includes the present value of the associated future cash flows and the non-financial risk adjustment pertaining to the portfolios of contracts measured using the PAA, the Group has preliminarily opted to disaggregate this effect between other comprehensive income and the statement of profit or loss.

### Other income and Other expenses

This heading shows income and expenses not attributable to insurance contracts.

### Profit before tax

This heading will be the sum of profit from the insurance service, net gains/(losses) from investments, insurance financial income and expenses, and other income and other expenses.

Profit before tax less income tax expense will make up profit after tax.

### Transition

IFRS 17 will apply for annual periods beginning on or after 1 January 2023, although comparative disclosures will be mandatory. This means that:

- Each group of contracts must be identified, recognised and measured as if IFRS 17 had always been applied.
- Items that would not exist if IFRS 17 had always been applied should be derecognised from the financial statements.
- Any net difference that may arise in application of the above items shall be recorded in equity.

In this respect, the Group will apply the changes retrospectively, both for the insurance contracts of the direct business and for ceded reinsurance contracts.

### Impacts relating to the transition

The Group has analysed the impacts of the application of IFRS 17. The impacts identified for the transition can be grouped into:

- Impacts resulting from the recognition of onerous contracts, the amount of which does not differ significantly from the current calculation under IFRS 4 of the provision for unexpired risks. The net reinsurance impact of the recalculation is € 912 thousand.
- Impacts due to the calculation of the provision for incurred claims, an analysis of which yields results that are within a similar confidence interval to the provision for claims currently calculated under IFRS 4. The impact of the recalculation of the provision for direct insurance and ceded reinsurance is € 2,318 thousand, mainly due to the calculations of the home and health segments at the level of confidence for the motor segment.
- Impacts due to the exclusion of the accrual of the security surcharge due to the equalisation provision currently made under IFRS 4, but which will not be counted under IFRS 17. The net impact of the deferral due to the increase in the provision is € -2,851 thousand.

The estimated impact at time of transition is:

Thousand euro	1 January 2022
Adjustments due to the adoption of IFRS 17	379
Deferred tax liabilities	(95)
Estimated after-tax transition impact	(285)

The analysis is preliminary as the Group is still in the process of finalising the transition work.

### Main parallels and differences with the Solvency II framework

The implementation within the Group of the Solvency II framework, which came into force on 1 January 2016, has facilitated the implementation of IFRS 17 by unlocking synergies in the organisation of the reporting databases and the common approach of cash flow projections at present value on which both frameworks are based, in order to obtain a balance sheet at market value (both for assets and liabilities) and avoid accounting asymmetries. It should not be forgotten that IFRS are of supplementary use for the measurement of assets and liabilities under Solvency II.

Given the segments in which the Group operates and the nature of the groups of insurance and reinsurance contracts that make up its portfolio, the granularity, level of aggregation and contract boundaries under IFRS 17 are very similar to those used under Solvency II.

It should be noted that the Solvency II balance sheet is calculated for LDA standalone, as the Group is not required to present solvency information at the consolidated level, whereas under IFRS 17 information is presented at the consolidated level only.

The balance sheet is similar under both measurement standards, although in relation to insurance liabilities:

- a) The IFRS 17 liability for incurred claims is similar to the Solvency II claims provision, although the former includes an explicit risk adjustment that would be equivalent to the Solvency II risk margin. However, they are different in their meaning and calculation methodology.
- b) The liability for remaining coverage under the PAA is equivalent to the premium provision, although the former is similar to the provisions for unearned premiums, while under Solvency II it is estimated through projected expected cash flows discounted to present value of future exposure, taking into account contract boundaries.



### Alternative performance measures (APMs)

As the Group will be measuring all of its insurance and reinsurance contracts under the PAA, the main alternative performance measures will remain the same as under IFRS 4.

The combined ratio, adapted to IFRS 17, is not expected to change significantly from how it was under IFRS 4.

### Amendments to IAS 1 — Disclosure of Accounting Policies.

IAS 1 has been amended to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments are effective as of 1 January 2023.

### Amendments to IAS 8 — Definition of Accounting Estimates.

IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. These amendments are effective as of 1 January 2023.

### Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

In certain circumstances under IAS 12, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, these being transactions for which both an asset and a liability are recorded at initial recognition. The amendments clarify that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

The amendments are effective for years beginning on or after 1 January 2023, although earlier adoption is permitted.

- i) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been endorsed by the European Union.

### Amendments to IFRS 16 — Lease Liability in a Sale and Leaseback.

IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, it does not specify how to record the transaction after that date. These amendments explain how a company should account for a sale and leaseback after the date of the transaction.

The amendments are effective from 1 January 2024, although early application is permitted. The amendments are subject to endorsement by the European Union.

### Amendments to IAS 1 — Non-current Liabilities with Covenants.

The IASB has issued a set of amendments to IAS 1 — Presentation of Financial Statements, in response to concerns raised about the application of previous amendments to IAS 1 (in January and July 2020) regarding the classification of liabilities as current or non-current, which would have been effective for periods beginning on or after 1 January 2023.

The new amendment seeks to improve the information disclosed when the right to defer payment of a liability is subject to the fulfilment of covenants within 12 months of the reporting period.

The new amendments are effective for financial years beginning on or after 1 January 2024 and supersede the previous amendments. Early adoption of the amendments is allowed, although they have yet to be approved by the European Union.

### **3. Recognition and measurement standards**

The measurement standards relied on when drawing up the accompanying consolidated financial statements are described below:

#### **a) Subsidiaries**

##### **a.1) Acquisition of control**

Subsidiaries are defined as entities over which the Parent exercises control, whether directly or indirectly through other subsidiaries. The Parent controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee and has the ability to affect those returns through its power over the investee. The Parent has power when it possesses substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the investee when the returns it earns from that involvement have the potential to vary as a result of the investee's financial performance.

Acquisitions by the Parent (or another Group company) of control over a Subsidiary constitute a business combination accounted for using the acquisition method.

This method requires the acquirer to account for, at the acquisition date, the identifiable assets acquired and the liabilities assumed in a business combination and, if any, the related goodwill or badwill on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which control ceases.

The acquisition cost is determined as the sum of the acquisition-date fair values of the assets given, the liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that is contingent on future events or the fulfilment of certain conditions being met and

that is required to be recognised as an asset, liability or equity according to its nature.

Expenses related to the issuance of the equity instruments or financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules governing financial instruments. Fees paid to legal counsel or other professionals involved in the business combination are expensed as incurred. The cost of the combination does not include the expenses generated internally for these concepts, nor any such expenses incurred by the acquired entity.

Any excess, at the acquisition date, of the cost of the business combination above and beyond the proportionate share of the value of the identifiable assets acquired less the liabilities assumed representing the equity interest in the acquired entity is recognised as goodwill. In the exceptional case that this amount exceeds the cost of the business combination, the excess is recognised as income in the consolidated statement of profit or loss.

## a.2) Method of consolidation

The assets, liabilities, income, expenses, cash flows and other items in the financial statements of the Parent and the Subsidiaries are included in the consolidated financial statements of the Group, on the following basis:

- *Standard valuation*: The assets and liabilities, income and expenses and other items contained in the annual accounts of the Group companies have been valued using uniform methods.
- *Aggregation*: The different items of the previously standardised separate annual accounts have been aggregated by type.
- *Elimination of equity investment*: The carrying amounts of the equity instruments of Subsidiaries held directly or indirectly by the Parent are offset against the proportionate share of the equity items of the Subsidiary attributable to those interests, typically on the basis of the values obtained by applying the acquisition method described above. In consolidations subsequent to the year in which control was acquired, the excess or deficit in equity generated by the Subsidiary since the date of acquisition that is attributable to the Parent is presented in the consolidated balance sheet within reserves or valuation adjustments, depending on the nature or type.
- *Eliminations of intra-group items*: Receivables and payables, income and expenses and cash flows between Group companies are eliminated in full. In addition, all results of internal transactions are eliminated and deferred until they are realised vis-à-vis third parties outside the Group.

## b) Segment information

The Group is structured internally into operating segments, which have been defined according to the different categories of products and services provided by the Group. The earnings and results of these segments are regularly reviewed as part of the decision-making process to decide on the resources to be

allocated to the segment and to assess its performance. The Group's Board of Directors, which includes the Chief Executive Officer, identifies the segments from a business perspective and is the supreme decision-making body when it comes to defining these segments. The segments are aligned with the Group's organisational structure and reflect the information provided to Management and the markets.

For the year ended 31 December 2022, the Group comprised the following operating segments in accordance with IFRS 8, whose principal products, services and operations were as follows:

- Motor
- Home
- Health
- Other insurance businesses
- Other activities

Inter-segment transactions are measured at fair value and eliminated on consolidation.

All segments are directly or indirectly related to the insurance business. The motor, home, health and other insurance business segments correspond to insurance-only activities.

- The motor segment includes private motor insurance through a range of products including comprehensive, with and without excess, extended third party and standard third party, among others, motorbike insurance with products such as comprehensive with excess, third party with theft and fire, extended third party etc., or fleet insurance.
- The home segment includes multi-risk home insurance products with various products that include coverage such as theft damage, civil liability, fire damage, aesthetic damage, etc.
- The health segment includes health insurance products under the Vivaz brand in the health care segment.
- The other insurance segment includes various products with stand-alone policies that are not linked to motor, home or health insurance, such as travel insurance for holders of credit cards and wellness insurance.
- The other activities segment mainly relates to auxiliary insurance businesses and commissions from the sale of insurance products of other insurers. It also includes roadside assistance and vehicle repair services that Group subsidiaries provide to third parties outside the Group and that are not, therefore, eliminated on consolidation. The income and expenses of this segment are shown in the headings "Other income" and "Other expenses" in the consolidated statement of profit or loss in relation to other activities. These activities do not meet the quantitative criteria for separate presentation.

The Group's management strategy is to analyse the performance of each segment by its profit after tax. The Group performs virtually all of its business activities in Spain.

There are no differences in accounting policies, nature of activities, valuation and measurement of assets and liabilities between each of the operating segments and there have been no changes from previous years. Note 17 provides quantitative information on the Group's segments.

### c) Cash and cash equivalents

This heading comprises cash in hand, bank current accounts, deposits and reverse repurchase agreements that meet all the following criteria:

- They are convertible into cash.
- At time of acquisition, the item matures within three months.
- They are not subject to significant risk of change in value.
- They form part of the Group's normal cash management policy.

Other short-term, highly liquid investments are also included under this heading provided that they are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

### d) Financial instruments

#### d.1) Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and available-for-sale financial assets. The precise classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are mainly bank deposits, outstanding insurance premium receipts, debt securities and reinsurance receivables. This category includes receivables from third parties on reinsurance operations, as well as from intermediaries and policyholders, subject to adequate provisions for impairment.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently at amortised cost. Accrued interest is recognised at the effective interest rate, which is defined as the discount rate that exactly discounts the carrying amount of the instrument to its total estimated cash flows through to maturity. However, trade receivables with a maturity of up to one year are measured, both on initial recognition and subsequently, at nominal value where the effect of not discounting the flows is not material.

At least at year end, the necessary valuation adjustments for impairment are made if there is objective evidence that not all the amounts owed will be recovered.

The amount of the impairment loss incurred is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Value adjustments, and any reversal thereof, are recognised in the consolidated statement of profit or loss. Reversal of impairment is limited to the carrying amount of the asset recognised at the date of the reversal had no such impairment been recorded.

In particular, impairment of outstanding premiums is calculated on the part of the tariff premiums accrued in the financial year net of the loading for contingencies which, foreseeably and in accordance with lessons learned from previous years, is not going to be collected. This will depend on the age of the premiums and, as the case may be, the current status of the claim before the courts. Note that certain premium receipts may require special treatment due to their unique characteristics or features.

If, in a subsequent period, the amount of the impairment loss decreases and the reduction can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit quality), the reversal of the previously recognised impairment is recognised in the consolidated statement of profit or loss.

Receivables from claim recoveries are capitalised when their realisation is sufficiently guaranteed, that is, once the other insurer acknowledges that its policyholder is at fault and therefore acknowledges its debt with the Group. The amount is recognised at nominal value.

### Available-for-sale financial assets

The Group uses this heading to recognise debt securities, swaps of certain or predetermined flows and equity instruments that were not previously classified as assets held for trading, as other assets at fair value through profit or loss, or as loans or receivables.

They are measured at fair value, which, unless there is evidence to the contrary, will be the transaction price. Changes are recognised directly in consolidated equity until the asset is sold or impaired, whereupon the cumulative gains and losses in consolidated equity are taken to the consolidated statement of profit or loss, provided that it is possible to determine their fair value. Gains and losses resulting from exchange rate differences on monetary financial assets denominated in foreign currency are recognised in the consolidated statement of profit or loss.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired, considering those situations that generate such evidence, whether individually or in combination with others. The Group considers evidence of possible



impairment to be a significant or prolonged decline in the market value of equity or fixed income securities, individually considered, to below their cost or amortised cost.

When there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss previously recognised in equity is removed from equity and recognised in the statement of profit or loss for the year, even if the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss for the year. Meanwhile, reversals associated with debt instruments are recognised in the statement of profit or loss. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

In the case of debt securities, value adjustments are made if there is objective evidence that their value has deteriorated as a result of a reduction or delay in the estimated future cash flows, which may be down to the issuer's insolvency.

When determining whether investments in equity instruments have become impaired, the Group relies on time or percentage ranges to compare the average cost with the market price of the instrument to establish whether there has been a prolonged or significant decline in its market value. In particular, and in accordance with the time or percentage ranges established by the Group, objective evidence of impairment shall be deemed to exist if the stock market price falls by 40% or more in respect of the average acquisition cost or if there has been a continuous decline in value for a period of 18 months or more.

### Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when all the risks and rewards of ownership of the asset have been substantially transferred. In the specific case of accounts receivable, this is generally understood to occur if and when the risks of insolvency and default have been transferred.

Conversely, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, on transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

Derecognition of a financial asset entails the recognition, in the statement of profit or loss, of the difference between the carrying amount of the financial asset and the consideration received, including attributable transaction costs. Any liabilities transferred other than the cash or asset assumed are also recognised.

### Dividend distribution

Dividend income is recognised as income in the consolidated statement of profit or loss when the right to receive payment is established.

## Measurement of financial instruments

At initial recognition, the Group measures its financial assets at fair value, adjusted (for financial assets not recognised at fair value through profit or loss) to reflect the transaction costs that are directly attributable to the acquisition or issuance of the assets.

After initial recognition, the Group measures financial assets at fair value, without deducting transaction costs that may be incurred on sale, except for certain loans and receivables that are measured at amortised cost using the effective interest method.

The fair value of a financial instrument on a given date means the amount for which it could be bought or sold between knowledgeable, willing buyers and sellers on an arm's length basis. The most objective and common reference for the fair value of a financial instrument is the quoted prices of the instrument on an active market.

An active market is one in which the following conditions exist simultaneously:

- The goods or services exchanged in the market are homogeneous.
- Buyers or sellers for a given good or service can be found at virtually any time.
- The prices are known and readily accessible to the public. These prices must also reflect actual, current and regularly occurring market transactions.

There is no need for the market to be regulated, though it must be transparent and deep. Therefore, prices that are known and readily accessible to the public from financial information providers, and that reflect actual, current and regularly occurring market transactions will be considered as valid prices in an active market.

If no price can be found in an active market, the price must be estimated instead through a valuation model or technique, consistent with the accepted methodology used in the market for pricing, while maximising the use of observable market data.

For this purpose, financial instruments have been classified into three levels, depending on the inputs used to determine their fair value:

- Level 1: the financial instrument is valued directly on the basis of its quoted price on active markets, to the extent that this price is observable and can be captured from independent sources.
- Level 2: for instruments for which there is no observable price, fair value is estimated using valuation techniques where all significant inputs are based on observable market data (mainly interest rates and risk premiums).
- Level 3: valuation techniques relying on variables other than those obtained from observable market data.

Instruments may be moved between levels following periodic control processes and verification of quoted prices, as follows:

- If the source of an asset's quoted price is no longer representative, it is moved from Level 1 to Level 2.
- Assets are moved from Levels 2 and 3 to Level 1 if and when a reasonable quoted price source is verified.
- Assets are moved to Level 3 when observable market data are no longer available.

The Group recognises transfers between levels in the fair value hierarchy at the date of the event or change in circumstances that warranted the transfer.

#### d.2) Financial liabilities

The Group classifies its financial liabilities according to the purpose for which they were acquired. Management determines the classification of its financial liabilities at initial recognition.

##### Debt and accounts payable

The Group uses this heading to show both trade and non-trade payables.

These debts are initially recognised at fair value adjusted for directly attributable transaction costs, and are subsequently recognised at amortised cost using the effective interest method. The effective interest rate is the discount rate that exactly discounts the carrying value of the instrument to the expected flow of future payments through to maturity of the liability.

However, trade payables with a maturity not exceeding one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value when the effect of not discounting the cash flows is immaterial.

If existing debts are renegotiated, no substantial change to the financial liability will be deemed to exist when the present value of the cash flows of the new liability, including net fees, does not differ significantly from the present value of the outstanding cash flows under the original liability, both discounted at the effective interest rate of the latter.

##### Derecognition of financial liabilities

The Group derecognises a financial liability or part of one when it has discharged the underlying obligation or is otherwise legally released from the underlying responsibility, whether by virtue of a court ruling or by the creditor itself.

Derecognition of a financial liability entails the recognition, in the statement of profit or loss, of the difference between the carrying amount of the financial

liability and the consideration paid, including attributable transaction costs. Any assets transferred other than the cash or liability assumed are also recognised.

#### e) Hedge accounting

Hedging derivatives are recognised under "Hedging derivatives" on the assets or liabilities side of the consolidated balance sheet, as appropriate.

Hedging derivatives are derivatives whose fair value or future cash flows are intended to offset changes in the fair value or future cash flows of hedged items.

##### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

##### Cash flow hedges

Cash flow hedges cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations. The Group recognised no such hedging arrangements in 2022 or 2021.

##### Measuring hedge effectiveness

In relation to derivatives held by the Group that are classified as fair value hedges, the following steps are taken to measure the effectiveness of the hedge:

First, the Group defines the hedged item through a synthetic bond whose flows are equivalent to the hedged portion of each government bond (Note 7-b i)). The change in the fair value of the synthetic bond is calculated by discounting its flows using the standard Euribor 6m curve. Lastly, it is confirmed that the difference between this change and the change in the fair value of the hedging derivative is within the parameters marked as effective hedging (80% - 125%).

#### f) Property, plant and equipment and investment property

Land, natural assets and buildings that are held to obtain income, capital gains or both and that are not occupied by the Group qualify as real estate investments. Land, natural assets and buildings held for the provision of services or for administrative purposes for own use are treated as property, plant and equipment.

Property, plant and equipment and investment property are recognised at their acquisition price, which includes, in addition to the purchase price, all additional expenses incurred, including finance expenses, until the asset is put into operation.

Asset expansion and improvement costs are added to assets as an increase in the value of the asset only when they result in an increase in its capacity, floor area, or return, or when they lengthen its useful life, whereupon the carrying

amount of the replaced items is derecognised. Under no circumstances does repair and maintenance work qualify as improvements.

These assets are depreciated systematically on a straight-line basis over their estimated useful life, taking into account the depreciation effectively sustained from their operation, use and enjoyment. The following rates are used to calculate depreciation:

<b>Property, plant and equipment and investment property</b>	<b>Rate</b>
Furniture and installations	4–12%
IT equipment	10–25%
Vehicles	25%
Other property, plant and equipment	12–15%
Buildings for own use	2%
Buildings for property investment	2%

The Group reviews the residual value, useful life and depreciation method of property, plant and equipment at the end of each reporting period. Changes in the criteria initially established are recognised as a change in estimates.

At year-end, the corresponding valuation adjustments, if any, are made to property, plant and equipment and investment property. For the purposes of impairment, the Group assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. For property assets, fair value is equal to the appraisal value determined by a valuation company authorised to value property within the mortgage market, in accordance with Order ECO/805/2003 of 27 March, regulating the valuation of property assets and specific rights for certain financial purposes.

Value in use is the present value of expected future cash flows through use and, as the case may be, disposal of the asset in the normal course of business.

Order ECC 371/2013 of 4 March requires insurance companies to instruct an appraisal company to review the valuations of their property assets once two years have elapsed from the previous valuation.

Recoverable amount must be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which it belongs.

Losses related to the impairment of the CGU initially reduce, where applicable, the value of the goodwill allocated to the CGU and subsequently to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset, subject to the limit for each asset of the higher of its fair value less costs of disposal, its value in use and zero.

At each reporting date, the Group assesses whether there is any indication that the impairment loss recognised in prior periods no longer exists or may have decreased. Impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of the impairment loss is credited to profit or loss.

However, the reversal of the loss cannot have the effect of increasing the carrying amount of the asset above the carrying amount it would have had, net of depreciation, had the impairment not been recognised.

The amount of the reversal of the impairment loss of a CGU is allocated to the assets of the CGU pro rata on the basis of the carrying amount of the assets, with the limit per asset being the lower of its recoverable amount and the carrying amount it would have had, net of depreciation, had the loss not been recognised.

#### g) Right-of-use assets and lease liabilities

##### Identification of a lease

The Group assesses whether a contract contains a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes both consecutive and non-consecutive periods of time. The Group only reassesses the terms and conditions of a contract when it is modified.

##### Accounts of the lessee

For contracts containing one or more lease and non-lease components, the Group allocates the contract consideration to each lease component according to the separate selling price of the lease component and the aggregate individual price of the non-lease components. Such treatment has not been applied to vehicles, applying the practical expedient permitted by the standard, thus not separating the non-lease components and accounting for the lease component and any associated non-lease component as a single lease component.

Payments made by the Group that do not involve the transfer of goods or services from the lessor to the Group are not a separate component of the lease, but form part of the total lease consideration.

The Group has elected not to apply the accounting policies set out below for short-term leases and those where the underlying asset has a fair value of less than five thousand euros. For such contracts, the Group recognises the lease expense on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the inception of the lease. The right-of-use asset consists of the amount of the lease liability, any lease payments made on or before the commencement date, less incentives received, initial direct costs incurred and, as the case may be, an estimate of the



dismantling or restoring costs to be incurred, as indicated in the accounting policy for provisions.

The Group measures lease liabilities at the present value of the lease payments outstanding at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate unless it can reliably determine the lessor's implicit interest rate.

Lease payments payable consist of fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured at the index or rate applicable at the commencement date, amounts expected to be payable under residual value guarantees, the exercise price of the purchase option reasonably certain to be exercised and payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures right-of-use assets at cost, less accumulated depreciation and impairment losses, adjusted for any re-estimation of lease liabilities.

If the contract transfers ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the purchase option price, the depreciation criteria set out in f) Property, plant and equipment and investment property are applied from the commencement date of the lease until the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the useful life of the underlying asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets described in section f) Property, plant and equipment and investment property to right-of-use assets.

The Group measures the lease liability by increasing it by the accrued finance expense, decreasing it by the payments made and re-estimating the carrying amount for lease modifications or to reflect updates of in-substance fixed payments.

In 2021 and 2022, the Group did not incur any expenses for variable lease payments.

### Accounts of the lessor. Operating leases

For contracts containing one or more lease and non-lease components, the Group allocates the contract consideration as indicated in the accounting policy on income and expenses.

The Group classifies as finance leases contracts that at inception substantially transfer the risks and rewards incidental to ownership of the assets to the lessee. Otherwise, they are classified as operating leases.

The Group presents assets leased to third parties under operating leases according to their nature or type in accordance with the accounting principles described in section f) Property, plant and equipment and investment property.

The Group recognises income from operating leases, net of incentives granted, as income over the lease term on a straight-line basis, unless another systematic basis of allocation is more representative of the pattern in which benefit from the use of the asset diminishes.

Initial direct lease costs are included in the carrying amount of the leased asset and are recognised as an expense over the lease term using the same criteria as those used for income recognition.

The Group recognises variable payments as revenue when it is probable that they will be received, which is generally when the events that trigger their collection occur.

The Group recognises modifications to operating leases as a new lease from the effective date of the modification, considering any prepayments or deferred payments for the original lease as part of the lease payments for the new lease.

#### h) Intangible assets

Intangible assets are recognised at acquisition cost or, where applicable, at production cost, less the corresponding amortisation and accumulated impairment losses.

In particular, the following criteria apply:

##### Software

Includes amounts paid for ownership of, or the right to use software where the term of the arrangement exceeds one year. These assets are amortised on a straight-line basis over a period of four years.

For the purposes of impairment, the Group assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

The Group recognises the derecognition of an intangible asset on disposal or when it does not expect to receive future economic benefits from its use or disposal. The date of disposal of an intangible asset is the date on which the buyer acquires control of the asset.

#### i) Prepaid commissions and other capitalised acquisition expenses

Acquisition expenses on premiums, included on the assets side of the consolidated balance sheet, are deferred subject to the limit established in the technical notes for each product and/or segment and the maturity of the policies.

#### j) Inventories

The inventories held by the Group include mainly car spare parts from subsidiary Centro Avanzado de Reparaciones, S.L.U. and batteries from Línea Directa Asistencia, S.L.U.

Inventories are stated at the lower of cost and net realisable value. When the net realisable value of inventories is lower than their cost, the appropriate valuation adjustments are made and recognised as an expense in the consolidated statement of profit or loss. If the circumstances to have caused the impairment cease to exist, the amount of the impairment is reversed and recognised as income in the consolidated statement of profit or loss. The balance of inventories is shown under "Other assets" in the consolidated balance sheet (Note 11).

#### k) Accrued income (assets)

This sub-heading mainly shows the cost of certain services paid in advance by the Group and accrued in the following year.

#### l) Technical provisions

IFRS 4 "Insurance Contracts" generally permits the use of local accounting practices for the recognition of liabilities arising from insurance contracts.

##### Provision for unearned premiums

This represents the fraction of premiums written in the period that is recognised in the period between the reporting date and the end of the policy's coverage period on a policy-to-policy basis and using the premium prices accrued during the period as the basis for calculation, net of the loading for contingencies. The accrual of the annual premium for the calculation of the provision for unearned premiums is calculated on a straight-line basis.

##### Provision for unexpired risks

This complements the provision for unearned premiums where the amount of the latter is not enough to cover the amount of all risks and expenses to be covered during the period of coverage not elapsed since the year end. When calculating this provision, the guarantees are grouped by product and the reference periods of two and four years set out in Article 31 of the ROSSP are applied to the respective segments or commercial products.

## Provisions for claims

The provision for claims represents the total amount of the insurance company's outstanding obligations arising from claims to have occurred prior to the reporting date.

The Group recognises this provision for an amount that enables it to cover the cost of the claims; i.e. the amount that includes all external and internal claims management and processing expenses, irrespective of their origin, produced and to be produced up until the full settlement and payment of the claims, less the cost for amounts already paid.

The provision for claims in turn comprises the following provisions: the provision for claims pending settlement or payment, the provision for claims not reported, and the provision for internal claims settlement costs.

On 18 January 2008, the Group was authorised by the Directorate-General for Insurance and Pension Funds to apply a statistical approach in calculating the technical provision for claims in the motor segment, in accordance with Additional Provision 18 of Law 20/2015, of 14 July.

On 29 December 2021, the Directorate General of Insurance and Pension Funds issued a decision on the application for a change in the statistical methodology used in the Motor segment, in which it authorised the Group to calculate the technical provisions for Motor segment benefits using the Merz & Wüthrich stochastic methodology and the average cost deterministic methodology as a contrast methodology. The methodological change began to be applied at the end of 2021 and did not have a significant impact.

In the provision for benefits in the Home, Assistance and Health segments, for the provision for claims pending settlement or payment, estimates have been made on the basis of an individual analysis of each case file (based on the best information available at year-end). The calculation process is in accordance with the provisions of the Regulation on the Organisation and Supervision of Private Insurance. The provision for claims not reported was calculated in accordance with the formula set out in the Regulation on the Organisation and Supervision of Private Insurance.

A sufficient amount is posted to the provision to cover internal expenses from claim settlements so as to cover the expenses needed for the resolution of all claims outstanding at the close of the financial year. It is calculated in accordance with the Regulation on the Organisation and Supervision of Private Insurance.

## Liability adequacy test

Technical provisions recognised in the accounts undergo regular reasonableness tests to determine their adequacy. These tests are carried out using the most current estimates of future flows from insurance contracts in effect, taking into account the time value of money and using assumptions based on experience.

If the test shows that these provisions are insufficient, they are adjusted, with a charge to profit or loss for the year.

The Group conducts this analysis for each of the segments in which it operates: motor, home, health and other insurance businesses (Notes 12 and 17).

To analyse the adequacy of the provision for claims in the motor and home insurance segments, the Group uses the actuarially accepted and widespread statistical method known as Chain Ladder for projecting claims incurred. This is part of the set of methods based on run-off triangles, which take the value of the best estimate for all business lines.

For the other insurance business line, the valuation methodology used to calculate the provision for claims pending settlement is on an individual claim-by-claim basis, as the claims for the period are settled pending payment and there is no uncertainty about the future trend in their cost or about claims incurred but not reported at that date. It is therefore considered sufficient in accordance with the requirements of IFRS 4.

To calculate the adequacy of provisioning in respect of the provision for motor premiums, the Group calculates the best estimate of the premium provision for ongoing contracts at the reporting date, which takes into account the expected present value of future cash flows.

The cash flow projections used consider all expenses related to all the recognised insurance and reinsurance obligations of insurance and reinsurance undertakings referred to in Article 78(1) of Directive 2009/138/EC.

To achieve a best estimate of the cash flows resulting from future claims, samples of the Group's historical loss experience are used to obtain a cost forecast for each of the motor business lines. A simulation procedure is used to generate a final annual aggregated distribution of claims costs, the average value of which is the best estimate of the cash flows of future claims costs.

Claims management expenses and projected current management expenses are estimated based on the planning exercise.

The cash flows are discounted to their present value by applying the risk-free interest rate curve published by EIOPA each quarter. Technical provisions are estimated considering future management decisions, which mostly stem from the annual planning exercise, where various management scenarios and actions are considered to achieve LDA's strategic, financial and solvency objectives.

To calculate the best estimate of the premium provision for the home insurance, health insurance and other insurance segments, the Group relies on the simplification method described in Technical Annex III of the Guidelines on valuation of technical provisions issued by EIOPA, which is based on applying the planned combined ratio to the unearned premium at the calculation date.

In relation to the Health business line, which the Group started operating at the end of 2017, there is insufficient historical information from which to draw

statistical estimates of premium sufficiency in this segment. Based on the Group's experience, a provision for unexpired risks of € 2,378 thousand (2021: € 3,280 thousand) was posted in December 2022.

### Most significant assumptions and other sources of uncertainty estimation

For assets, liabilities and income and expenses arising from insurance contracts, as a general rule the assumptions that served as the basis for issuing such contracts are used, as specified in the technical terms and conditions.

The estimates and assumptions used are typically reviewed on a regular basis and are based on historical experience and any other factors that may have been considered more reasonable. If there is a change in estimate in a given period, the effect of the change will be applied in that period and, where appropriate, in subsequent periods.

The main assumption is based on the trend and performance of claims, relying on the frequency and costs of claims in recent years. The estimates also rely on assumptions about delays in claims payments and any other external factors that might affect the estimates.

For liabilities, assumptions are based on the best possible estimate at the time the contracts were issued, and, in the event of a proven shortfall, the necessary provisions are made to cover the shortfall.

### m) Reinsurers' share of technical provisions

Technical provisions for ceded reinsurance are calculated in the same way as described for direct insurance, taking into account, where appropriate, the specific terms of the reinsurance contracts underwritten.

### n) Provisions and contingencies

Contingent liabilities are possible obligations arising from past events whose materialisation is conditional upon the occurrence or non-occurrence of one or more future events beyond the Group's control. These contingent liabilities are not recognised in the accounts, though they may be disclosed in the notes to the financial statements.

Provisions are recognised for obligations such as litigation in progress, indemnities or other obligations of undetermined amount or timing when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation based on a reliable estimate of the amount of the obligation.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences. Any adjustments arising from the updating of these provisions are recognised as a financial expense as it accrues. If the liabilities mature within one year, they are recognised at the nominal value of the obligation.



Meanwhile, compensation to be received from a third party at the time the obligation is settled —provided there is no doubt that such reimbursement will be received— is recognised as an asset, except where there is a legal relationship through which part of the risk has been externalised and by virtue of which the Group is not liable. In this situation, the compensation will be taken into account when estimating the amount at which the corresponding provision, if any, should be posted.

#### o) Provision and credit for payments and recoveries under settlement agreements

Shows the estimated amount due to policyholders from the insurer of the injured party and the recoveries made by the latter upon enforcing the settlement agreements.

#### p) Equity

The share capital is represented by common shares. The costs of issuing new shares are charged directly to equity, as a reduction in reserves.

Where the Parent's own shares are acquired, the consideration paid, including any directly attributable incremental costs, is deducted from consolidated equity until the shares are redeemed, reissued or otherwise disposed of. When these shares are sold or subsequently reissued, any amount received, net of any directly attributable incremental transaction costs, is taken to consolidated equity.

As part of its capital management policy, the Línea Directa Group aims to maintain a strong capital position.

The Board of Directors is ultimately responsible for the control and management of the Group's risks and solvency, and therefore monitors the Group's capital position, solvency requirements and available solvency.

Capital management is based on ensuring that the Group has sufficient capitalisation to meet financial obligations; optimising the capital structure through an efficient allocation of resources and managing capital adequacy taking into account the economic, accounting, capital requirements and capital targets set in the risk appetite.

To achieve this, the Group carries out an annual Own Risk and Solvency Assessment (ORSA), based on the outlook for the Group's business and the market. This allows the Group to prospectively project its assets and liabilities and earnings, which in turn can be used to evaluate the likely future performance of the various risks under management, quantify them and estimate changes in solvency and available solvency requirements.

The Parent is required to quantify its solvency ratio, meaning the ratio between available own funds and the solvency capital requirement. The Group is not required to calculate a solvency ratio at Group level as it does not meet the definition of group obligations set out in the Solvency Directive.

The calculation of the Solvency Capital Requirement is regulated by Directive 2009/138 of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as implemented by Commission Delegated Regulation 2015/35 of 10 October 2014 supplementing Directive 2009-138 EC and its subsequent amendments.

The Solvency Capital Requirement is calculated for the following sub-risks which are the main sub-risks of an insurance company: underwriting risk, market risk, counterparty risk and operational risk.

The aim is to maintain an adequate level of solvency. When determining the adequate level of solvency, the risk profile, the results of capital planning for the coming years at the Company at an individual level, the minimum levels required by the regulations and the existing criteria and regulations for optimal capital management were all taken into consideration. The Parent's solvency ratio was 188% in 2022 and 186% in 2021, taking into account the distribution of the extraordinary dividend charged to reserves of € 120 million.

#### q) Non-technical income and expenses

##### Non-technical income

The Group has other revenue not derived from the insurance business, such as roadside assistance services or vehicle repairs and appraisals, all of which are provided to third parties outside the Group, as well as commissions on the sale of insurance products of other entities, remuneration for call forwarding and income from credit card surcharges.

This revenue, in accordance with IFRS 15, is recognised as the performance obligation identified in the customer contract is satisfied. The Group recognises revenue at the fair value of the consideration received or receivable to which it expects to be entitled for the goods or services transferred.

Non-technical income and expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

#### r) Income and expenses

Income is recorded at the fair value of the consideration to be received and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Group's business, less discounts and value added tax. Expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

However, the Group only records profits that have realised by year-end, while foreseeable risks and possible losses arising in the year or in a previous year are reported as soon as they become known.

Financial income and expenses arising from investments related to insurance activity are recognised in the statement of profit or loss for the non-life insurance business. The remainder is recorded in the statement of profit or loss for other activities.

Other income and expenses are distributed accordingly on the basis of net premiums written, except expenses attributable to claims, which are recognised on the basis of the provision for claims.

### Direct insurance

Business premiums are recognised as income over the term of the contracts on an accruals basis and are accrued by posting the provision for unearned premiums.

### Reinsurers' share

Premiums from ceded reinsurance are recognised on the basis of the reinsurance contracts underwritten and by applying the same criteria used for direct insurance.

### Reclassification of expenses by purpose

The reclassification of expenses by type to expenses by purpose has been made on the basis of the following criteria:

- Purpose-specific costs incurred have been classified directly as such.
- Staff expenses are distributed according to the percentage of estimated dedication to each of the purposes.
- Costs that cannot be charged directly are distributed according to the estimated percentage of staff dedication to each purpose.

The following purposes have been established:

- Claims-related expenses
- Investment-related expenses
- Acquisition expenses
- Administration expenses
- Other technical expenses
- Other non-technical expenses

Expenses have been allocated to the different segments based on the Business Unit at which the activity originated.

#### s) Termination benefits upon dismissal

In accordance with current legislation, the Group is obligated to pay compensation to those employees whose employment relationship is terminated under certain conditions. Therefore, termination payments that can be reasonably quantified are recognised as an expense in the year in which the decision is taken and a valid expectation is created vis-à-vis third parties regarding the dismissal. A liability is recognised under the sub-heading "Provisions other than technical provisions" when the disbursement has not been made.

#### t) Employee benefits

The Group has post-employment pension obligations classified as defined contribution plans and as defined benefit plans.

The Group's obligations with its employees with regard to retirement or similar pension plans are fully externalised, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999 of 15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

The aforementioned insurance policies are considered "plan assets" as they are not owned by the Group, but rather by a separate legal entity that is not a related party, as they are only available to pay or finance employee remuneration and as they cannot return to the Group, except where the assets attached to the plan are sufficient to honour all of the obligations.

This collective bargaining agreement also includes coverage for death and disability of employees during the period in which they remain in active service.

#### Defined contributions

The current General State Collective Agreement for Insurance, Reinsurance and Occupational Accident Mutual Societies ushers in a new employee benefits system implemented through a collective life insurance policy suitable for the externalisation of pension commitments in accordance with the provisions of Royal Decree 1588/1999, of 29 November. The Group will contribute an annual premium per employee of 1.9% of their base salary to this insurance policy by no later than 30 September of each year, bearing in mind that employees who had provided services at the same company for 10 years or more will be entitled to have their vested rights recognised in the insurance policy.

This insurance policy will apply to employees hired from 1 January 2017 onward and those who have voluntarily opted to transfer to this new modality. For employees adhered to the old plan who opted to avail themselves of this option, there was a transfer of the mathematical reserve.

The Group has also assumed a retirement commitment with certain executives, which has been externalised in the form of an insurance policy.

The Group records the contributions to be made to defined contribution plans progressively as the employees render their services. The amount of accrued

contributions is recorded as an employee benefits expense and as a liability after deducting any amounts already paid. In the event that the amounts paid exceed the accrued expense, the corresponding assets are only recognised to the extent that they can be applied to reductions in future payments or result in a cash refund.

### Defined benefit plans

Employees hired prior to 1 January 2017 may choose between the system described above and the financial incentive for retirement, whereby if an employee asks to retire in the month in which he or she reaches the normal retirement age defined by Social Security legislation to be eligible for the retirement pension, the company will pay, in a lump sum, an amount equal to one month of salary per five years of service, capped at 10 months, the limit of which will be reached at 30 years of service at the company where the employee is retiring.

The Group includes in defined benefit plans those funded through the payment of insurance premiums where there is a legal or constructive obligation to pay benefits directly to employees when they fall due or to pay additional amounts if the insurer fails to pay benefits for services rendered by employees in the year or in prior years.

The defined benefit liability recognised in the consolidated balance sheet is the present value of the defined benefit obligation existing at the balance sheet date, less the fair value of plan assets at that date.

The expense or income relating to defined benefit plans is recognised under employee benefits expenses and is obtained by adding the net amount of the current year services cost and the net interest cost of the net defined benefit liability or asset. The remeasured amount of the net defined benefit liability or asset is recognised in other comprehensive income. This amount comprises actuarial gains and losses, the net return on plan assets and any changes in the effects of the asset ceiling, excluding amounts included in the net interest on the liability or asset. The costs of administering plan assets and any plan-specific taxes, beyond those included in the actuarial assumptions, are deducted from the net return on plan assets. Amounts deferred in other comprehensive income are reclassified to retained earnings in the same period.

In addition, if the plan assets include eligible insurance policies whose cash flows correspond exactly in amounts and timing to some or all of the benefits payable under the plan, their fair value is equal to the present value of the related payment obligations.

### Payments for share-based services and goods

The Group's Chief Executive Officer and members of the Management Committee are party to an extraordinary share-based remuneration plan under which the Parent is the parent company, following its stock market listing. The purpose of this plan, which was approved at the General Shareholders' Meeting held on 18 March 2021, is to offer beneficiaries the possibility of receiving a

certain number of shares over the three years following the Parent's stock market flotation (Note 23-c).

The Group recognises services received in a transaction with share-based payments at the time such services are received. Since the services are settled in equity instruments, a decrease in equity is recognised.

The Group recognises transactions with share-based payments settled through the Group's equity instruments for the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments delivered.

Deliveries of equity instruments in consideration of services provided by Employees of the Group or third parties providing similar services are valued by reference to the fair value of the equity instruments offered.

#### u) Related-party transactions

As a general rule, transactions between related parties are initially recognised at fair value. If the agreed price differs from its fair value, the difference is recorded to reflect the economic reality of the transaction. These transactions are subsequently measured in accordance with the relevant standards.

#### v) Foreign currency transactions

The functional currency at all Group companies is the euro. Consequently, transactions in non-euro currencies are deemed to be denominated in foreign currency and are recognised at the exchange rates prevailing on the relevant transaction date.

At year-end, monetary assets and liabilities denominated in foreign currency are converted into euro at the exchange rate prevailing at the consolidated balance sheet date. The profit or loss for the year is taken to the consolidated statement of profit or loss.

Changes in the fair value of money instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from exchange changes in the amortised cost of the security and other changes in the carrying amount. The translation difference is recognised in consolidated profit and loss and other changes in the carrying amount are taken to consolidated equity.

#### w) Income tax

Corporate income tax expense is the amount accruing in the year for that tax, comprising both current and deferred tax expense.

Both current and deferred tax expense are recognised in the consolidated statement of profit or loss. However, the tax effect related to items that are recorded directly in consolidated equity is recognised in consolidated equity.



Current tax assets and liabilities are measured at the amounts expected to be paid to, or recovered from, the tax authorities in accordance with prevailing legislation or approved and pending publication at year-end.

If the Group believes that it is probable that the tax authority will accept an uncertain tax treatment, the Group will determine tax gain (tax loss), tax bases, unused tax losses, unused tax credits or tax rates in a manner consistent with the tax treatment used or expected to be used in its income tax returns.

If the Group believes that it is not probable that the tax authority will accept an uncertain tax treatment, the Group will reflect the effect of the uncertainty when calculating the related tax gain (tax loss), tax bases, unused tax losses or unused tax credits or tax rates. The Group will reflect the effect of the uncertainty of each uncertain tax treatment using the most likely amount or the expected value of the probability-weighted amounts, as applicable in each case.

In accordance with IFRIC 23, the Group recognises under current and deferred tax assets and liabilities the amounts that the entity estimates to reflect contingencies arising from litigation with the tax authorities in relation to corporate income tax.

Deferred taxes are calculated, using the liability method, on the temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax is determined by applying the tax regulations and rates approved or about to be approved at the consolidated balance sheet date and that are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, except where the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

## x) Statement of cash flows

The Group uses the following classification criteria when drawing up its consolidated statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents (i.e. short-term, highly liquid investments which are subject to an insignificant risk of changes in value). Cash and cash equivalents means the balances included under "Cash and cash equivalents" in the accompanying consolidated balance sheet.
- Operating activities: typical activities of insurance institutions, as well as other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that do not form part of operating activities.

#### 4. Scope of consolidation

Subsidiaries are all companies over which the Parent exercises direct or indirect control (see Note 3 a)). Subsidiaries are considered from the date on which control is transferred to the Parent and are excluded from consolidation on the date on which consolidation ceases.

The list of entities included in the scope of consolidation is as follows:

Company name	% of direct holding	Relationship	Method of consolidation	Activity	Address	Auditor
Línea Directa Asistencia, S.L.U.	100%	Subsidiary	Fully consolidated	Valuations, vehicle inspections and roadside assistance	Madrid	PricewaterhouseCoopers Auditores S.L.
Moto Club LDA, S.L.U.	100%	Subsidiary	Fully consolidated	Services for motorcycle users	Tres Cantos (Madrid)	PricewaterhouseCoopers Auditores S.L. (*)
Centro Avanzado de Reparaciones, S.L.U.	100%	Subsidiary	Fully consolidated	Vehicle repairs	Torrejón de Ardoz (Madrid)	PricewaterhouseCoopers Auditores S.L.
Ambar Medline, S.L.U.	100%	Subsidiary	Fully consolidated	Insurance brokerage	Tres Cantos (Madrid)	PricewaterhouseCoopers Auditores S.L. (*)
LDActivos, S.L.U.	100%	Subsidiary	Fully consolidated	Asset management on behalf of insurance companies	Tres Cantos (Madrid)	PricewaterhouseCoopers Auditores S.L. (*)
LDA Reparaciones, S.L.U.	100%	Subsidiary	Fully consolidated	Management and repair of special home claims	Tres Cantos (Madrid)	PricewaterhouseCoopers Auditores S.L. (*)

(\*) Limited review of condensed annual accounts.

All significant balances and transactions between consolidated companies have been eliminated in the consolidation process.

There were no changes in the scope of consolidation in 2022 or 2021.

#### 5. Risk management

The organisational structure of risk management and control at Línea Directa Aseguradora is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units.

The Board of Directors is the body responsible for the administration, governance and representation of the Company, in accordance with the duties assigned to it by law, the Bylaws and the Board Regulations. Its members possess the appropriate professional qualifications, expertise and experience and likewise meet the requirements of good repute required under Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and by Línea Directa Aseguradora's own Fitness and Propriety Policy.

The Board of Directors is ultimately responsible for determining the risk control and management policy, including tax risks, and for overseeing internal reporting and control systems. It also establishes and defines the risk appetite, sets limits for the identified risks, and sees to it that they are properly monitored and managed.

The Board of Directors has two advisory committees. In relation to risk management, the Audit and Compliance Committee is responsible, among other functions, for knowing, supervising and assessing the process of drawing up and ensuring the integrity of financial and non-financial information, along with the systems for the control and management of the financial and non-financial risks of the Company and, where appropriate, the Group — including operational, technological, legal, social, environmental, political and reputational or corruption — by reviewing compliance with regulatory requirements, establishing the precise scope of the consolidation perimeter and ensuring the correct application of accounting standards.

In line with best good governance practices and with the provisions of the current regulatory framework, Internal Audit at Línea Directa is an independent area within the organisation. In accordance with the Bylaws and the Rules and Regulations of the Board of Directors, the Internal Audit function is functionally attached and reports to the Audit and Compliance Committee and is administratively subordinate to the Chairman of the Board of Directors.

Internal Audit seeks to ensure that the Company complies with regulatory requirements and achieves its strategic objectives and works to make the risk management processes and internal control framework more effective and efficient by providing a systematic and disciplined risk-based approach. The scope of such activities to be performed by the Internal Audit function and its own strategic objectives shall be determined by the Internal Audit Department, subject to the approval of the Audit Committee, as an independent area within the Group.

As a result of the organisational changes made in 2022, Línea Directa Aseguradora now has a Corporate Risks Area, which brings together, within the same department, the rest of the key functions required under Solvency II: Risks, Compliance and Actuarial Function. The Risks area also has Financial Reporting Control (ICFR) and Data Quality teams. The mission of the area is to build a global risk map of the Company and optimise the control environment so as to ensure the reliable assessment and identification of risks and their integration into forecasts and decision-making.

To ensure adequate management and control of each risk, the Company has built various levels of management or defence:

- A management unit directly responsible for its day-to-day or current management, acting as the first line of defence.

- Control functions as the second line of defence, meaning the Risk Management function, the Actuarial function, the Compliance function and ICFR.
- An oversight function as the third line of defence, in the form of the Internal Audit function.

Without prejudice to the functions ascribed to the Board of Directors and its committees in the Board Regulations, Línea Directa Aseguradora has established a system of committees there to support the achievement of the strategic objectives and provide the Board of Directors, directly or through its committees, with all the information they need to make well-informed decisions.

The various committees are responsible for ensuring the proper implementation, maintenance and monitoring of the risk management system in accordance with the guidelines defined by the Board of Directors.

The most relevant committees when it comes to risk management are as follows:

**Standing Risk Committee:** responsible for facilitating and monitoring the implementation of effective risk management practices at the Línea Directa Aseguradora Group through the reporting of risks by the first lines of defence. It is tasked with controlling and monitoring risks by ensuring that Línea Directa has an adequate level of internal control compatible with the Group's standards and compliant with applicable law and regulations.

The Standing Risk Committee, through the Chief Risk Officer, will maintain fluid and constant communication with the Audit and Compliance Committee. To achieve this, each of the key functions and the Action Plans will be reported to the committee on a quarterly basis and its prior consent will be sought for risks that could have a significant impact on the Group were they to materialise, whether financial or reputational, or that could lead to the Company being held criminally liable.

**Reserves and Claims Committee:** responsible for reserve and reinsurance credit risk management, claims monitoring and for drawing up the reinsurance table. It regularly reports to the Audit and Compliance Committee, through the Chief Financial Officer.

The Investment Committee is governed by the Investment Policy, as approved by the Board of Directors. It is chaired by the Chief Executive Officer and its duties include, among others, that of ensuring that investments are made in accordance with the Investment Objectives approved by the Board of Directors of Línea Directa, and in accordance also with the Investment Policy.

The Investment Committee reports to the Board of Directors through the Chief Financial Officer. In any case, the Audit and Compliance Committee shall be regularly informed of all investment transactions approved by the Investment Committee or, as the case may be, by the Chief Financial Officer, thus contributing to the fulfilment of the Audit and Compliance Committee's role of overseeing the process of drawing up and ensuring the integrity of financial and non-financial information.

This structure guarantees:

- Adequate control, management and reporting of all risks at various levels of “defence”.
- Risks are monitored and reported both vertically and horizontally by both dependent bodies and independent control functions.
- Adequate escalation of reporting, control and decision-making.
- There are various levels of responsibility for and knowledge and control of risks, up to the Group's highest governance level.

The Group Risk Map is the tool that charts all identified risks, and sets out the measures used to assess and control them.

As part of its risk management system, the Parent Company carries out the Own Risk and Solvency Assessment (ORSA), which shows the risk profile of Línea Directa Aseguradora S.A. and is essentially a risk management tool that helps to provide a comprehensive and complete view of all the risks inherent to the business. Decision-useful stress scenarios are defined as part of this process. The Audit and Compliance Committee steers the process and verifies and approves the results. The ORSA report contains a projection of capital consumption and available capital for the three-year time horizon.

### **Risk reporting and information mechanisms**

The Corporate Risk Management Department collates all of the Group's risk information for regular reporting to the Audit and Compliance Committee. It also reports the status of the key risk indicators (KRI scorecard) to enable proper oversight by the Group's management bodies.

The regular risk reports are as follows:

- The Corporate Risk Department reports monthly to the Management Committee on the status of the Group's risks, on the results of control tests and on any key risk indicators (KRIs) that exceed the established thresholds.
- The Corporate Risks Department reports to the Audit and Compliance Committee on the most significant risks present on the Company's risk map, the control tests carried out, the status of recommendations and the performance of KRIs.
- The Internal Audit function attends meetings of the Audit and Compliance Committee as a guest and reports to it on a quarterly basis.

The main risks that could affect the achievement of the Group's objectives can be broken down as follows:

#### **a) Credit risk**

The Group views credit risk as the threat of possible loss or adverse change in financial conditions resulting from fluctuations in the solvency or creditworthiness of issuers of securities, counterparties and any debtors to which the Group is exposed.

Given the nature of the Group's activities, its exposure to credit risk arises from the following factors:

- Reinsurance (credit risk exposure with reinsurance entities).
- Premium financing (credit risk exposure with customers).
- Investment and lending activities (credit risk exposure with security issuers).

The counterparties with which the Group acquires or may acquire significant positions must invariably undergo a prior scoring process. These counterparties include companies that provide insurance for large vehicle fleets and, in particular, reinsurance companies. For the latter, a minimum credit rating of "A" is required as a prerequisite for inclusion within the reinsurance programme. Exceptions to this solvency threshold, together with the reinsurance table for each year, are expressly approved by the Board of Directors.

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	51,661	115,788
Available-for-sale debt securities	618,778	711,015
Loans and receivables	123,448	120,615
<b>Total</b>	<b>793,887</b>	<b>947,418</b>

When it comes to investments, the Investment Committee approves new investment lines and verifies compliance with the Investment Guidelines.

The rating of debt securities and cash and cash equivalents is an average rating of that assigned to the issuer by three of the main rating agencies (Moody's, Fitch and DBRS) and presents the following classification at the end of 2022 and 2021:

	<b>2022</b>	<b>2021</b>
AAA	13,304	6,342
AA	11,264	10,092
A	271,885	296,736
BBB	301,197	363,125
BB	10,359	27,989
B	-	-
N/R	10,769	17,721
<b>Total debt securities</b>	<b>618,778</b>	<b>722,005</b>

The above table includes debt securities included under "Loans and receivables" for an amount of € 10,990 thousand (€ 4,998 thousand with an "A" rating and the rest with no rating) in 2021.

Unrated positions are mainly composed of representative securities whose issuer does not have a rating, but which nevertheless have an issue rating appropriate to the Group's investment policies. In 2021, most of the amount related to a promissory note worth € 6,891 thousand.



	<b>2022</b>	<b>2021</b>
A	40,671	39,512
BBB	10,990	70,780
BB	-	2,998
N/R	-	2,498
<b>Total cash and cash equivalents</b>	<b>51,661</b>	<b>115,788</b>

The impairment losses recognised at year-end 2022 and 2021 are described in Note 7 a) i.

At year-end 2022 and 2021, there were no non-performing balances that were not impaired.

In addition, at 31 December 2021 and through to November 2022, the Group had a monetary guarantee covering a public debt repo transaction (assignment with repurchase agreement of government bonds). Further information on this matter can be found in Note 7-b i).

The Group estimates a provision on the assets side of the consolidated balance sheet to cover possible non-payment of outstanding premium receipts and unissued premium receipts, for the following amounts:

	<b>2022</b>	<b>2021</b>
Premium payments outstanding	59,485	54,472
Provision for outstanding premiums	(961)	(934)
<b>Policyholders</b>	<b>58,524</b>	<b>53,538</b>

Impairment of outstanding premiums is calculated on the part of the tariff premiums accrued in the financial year net of the loading for contingencies which, foreseeably and in accordance with lessons learned from previous years, is not going to be collected. This will depend on the age of the premiums and, as the case may be, the current status of the claim before the courts. Note that certain premium receipts may require special treatment due to their unique characteristics or features.

## **b) Liquidity risk**

The Group treats liquidity risk as the potential temporary inability to honour its payment obligations within the agreed timeframes, due to such obligations maturing before receivables from customers fall due or before financial investments reach maturity. The Group generates daily liquidity from premium income.

The Group manages liquidity risk prudently. The Group is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all

times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

In 2021 and 2022, it distributed several interim dividends (Note 15-d) which has had an impact on the Company's liquidity.

The debts shown under the heading "Debt and accounts payable" fall due in less than one year for both 2022 and 2021.

The maturities of lease liabilities at 31 December 2022 and 2021 are described in Note 9-b.

The following table shows the estimated timing of disbursements for the insurance liabilities recognised at 31 December 2022 and 2021 (amounts without financial discounting):

## 2022

	Estimated cash outflows in the periods							Closing balance
	2023	2024	2025	2026	2027	2028 to 2032	Subsequent periods	
Provision for claims	150,116	108,197	26,785	14,004	7,772	7,794	211	317,879
Due on direct insurance business and coinsurance	2,490	-	-	-	-	-	-	2,490
Due on reinsurance business	1,363	-	-	-	-	-	-	1,363
<b>Total</b>	<b>156,969</b>	<b>108,197</b>	<b>26,785</b>	<b>14,004</b>	<b>7,772</b>	<b>7,794</b>	<b>211</b>	<b>321,732</b>

## 2021

	Estimated cash outflows in the periods							Closing balance
	2022	2023	2024	2025	2026	2027 to 2031	Subsequent periods	
Provision for claims	140,443	86,653	30,796	14,492	4,571	7,781	402	285,138
Due on direct insurance business and coinsurance	2,526	-	-	-	-	-	-	2,526
Due on reinsurance business	1,244	-	-	-	-	-	-	1,244
<b>Total</b>	<b>144,213</b>	<b>86,653</b>	<b>30,796</b>	<b>14,492</b>	<b>4,571</b>	<b>7,781</b>	<b>402</b>	<b>288,908</b>

The Group projects claims benefits payments using, for the most significant business line, namely motor insurance, the actuarially accepted and widely used Chain Ladder methodology for projecting claims incurred, which falls within the set of methods based on "run-off triangles". For the other segments, the projection of claims payments is made on the basis of payment patterns on the historical experience of each segment.

The table below shows the estimated timing of disbursements for the hedging derivatives recognised at 31 December 2022 and 2021:

## 2022

	2023	2024	2025	2026	2027	Subsequent periods	Total
Hedging derivatives	372	872	765	767	772	4,260	7,808
<b>Total</b>	<b>372</b>	<b>872</b>	<b>765</b>	<b>767</b>	<b>772</b>	<b>4,260</b>	<b>7,808</b>

## 2021

	2022	2023	2024	2025	2026	Subsequent periods	Total
Hedging derivatives	(1,320)	(1,234)	(984)	(879)	(838)	(4,192)	(9,447)
<b>Total</b>	<b>(1,320)</b>	<b>(1,234)</b>	<b>(984)</b>	<b>(879)</b>	<b>(838)</b>	<b>(4,192)</b>	<b>(9,447)</b>

The classification of financial assets by maturity (for those with a specific or determinable maturity) is as follows:

## 2022

	2023	2024	2025	2026	2027	Subsequent periods	Total
Financial assets at fair value through other comprehensive income	125,062	47,394	59,165	103,692	35,826	247,639	618,778
Debt securities	125,062	47,394	59,165	103,692	35,826	247,639	618,778
Financial assets at amortised cost	123,448	-	-	-	-	-	123,448
<b>Total</b>	<b>248,510</b>	<b>47,394</b>	<b>59,165</b>	<b>103,692</b>	<b>35,826</b>	<b>247,639</b>	<b>742,226</b>

## 2021

	2022	2023	2024	2025	2026	Subsequent periods	Total
Financial assets at fair value through other comprehensive income	43,503	113,787	51,394	59,065	105,700	337,566	711,015
Debt securities	43,503	113,787	51,394	59,065	105,700	337,566	711,015
Financial assets at amortised cost	120,615	-	-	-	-	-	120,615
<b>Total</b>	<b>164,118</b>	<b>113,787</b>	<b>51,394</b>	<b>59,065</b>	<b>105,700</b>	<b>337,566</b>	<b>831,630</b>

### c) Market risk

The Group views market risk as the risk of loss or of adverse change in its financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along

with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

The Investment Committee, which meets monthly, is responsible for analysing the portfolio's performance, verifying compliance with the investment policy, approving new lines of investment, ensuring compliance with the Investment Guidelines and keeping the Board of Directors regularly informed.

The Group's activities are exposed to fair value interest rate risk arising from fixed-income instruments. The Group enters into fixed-to-floating interest rate swaps to hedge this risk (Note 7-b i)).

In 2021, the unrealised capital gains were recovered following the impact of COVID-19, resulting in a positive impact on the investments held by the Línea Directa Group. However, in 2022, the impact of the war in Ukraine, rising interest rates and higher inflation all caused the investments held by the group to report losses.

The following table provides significant information on the interest rate exposure of the Group's financial assets:

Portfolio	Fixed interest rate		Floating interest rate		Not exposed to risk		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Available for sale:								
Debt securities	575,017	615,766	2,878	8,619	40,884	86,630	618,778	711,015
<b>Total</b>	<b>575,017</b>	<b>615,766</b>	<b>2,878</b>	<b>8,619</b>	<b>40,884</b>	<b>86,630</b>	<b>618,778</b>	<b>711,015</b>

Assets not exposed to risk are subject to hedging through derivatives.

If interest rates at 31 December 2022 had been 100 basis points higher holding all other variables constant, other comprehensive income would have been € 19,653 thousand, gross of tax (€ 29,835 thousand in 2021) lower, mainly due to a decrease in the fair value of fixed rate financial assets classified as available-for-sale.

If interest rates at 31 December 2022 had been 100 basis points lower holding all other variables constant, other comprehensive income would have been € 21,230 thousand, gross of tax (€ 32,751 thousand in 2021) higher, mainly due to an increase in the fair value of fixed rate financial assets classified as available-for-sale.

The Group's activities are also exposed to equity risk, meaning the risk of a reduction in the return on equity investments due to changes in the market price of equities or equity-based indices or financial instruments.

	2022	2021
Equity instruments	120,886	153,963

One of the standard metrics for measuring market risk is Value at Risk (VaR), which is based on a variance-covariance methodology using the historical volatility of stock index prices, exchange rates and yield curves, and the correlation between them, as the main inputs.

This risk metric measures the maximum potential loss of financial instruments due to adverse movements in equity prices, exchange rates and interest rates within a fixed period of time and with a specified confidence level (probability).

The Group uses this indicator as additional baseline information in conjunction with the other regular risk controls it runs on its investment portfolios. For the Group's own calculations, a confidence level of 99.5% and a 12-month period are used, implying that there is a 0.5% probability of underestimating the maximum potential loss for the next 12 months.

If the sensitivity of a 10% fall in the market prices of the equity instruments recorded under "Available-for-sale financial assets" at 31 December 2022 and 2021 is applied, all other things remaining constant, this circumstance would have an impact on the Group's equity of € 5,785 thousand in 2022 (2021: € 9,430 thousand).

In 2016, Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) entered into force for insurance undertakings. This Directive regulates the solvency calculation of insurance undertakings, to measure the ability of the undertakings to meet their future obligations. The result is to compare eligible own funds under Solvency II with the Solvency Capital Requirement (SCR). The Solvency Capital Requirement includes all risks to which the undertaking is exposed (underwriting and non-life health, market, counterparty and operational). The calculation is standardised at European level and is not an accounting ratio. The Parent's solvency ratio was 188% in 2022 and 186% in 2021.

The main sensitivities that have been performed on financial market risk are as follows:

- A 10% decline in equity instruments would have an impact on the solvency ratio of -3% in 2022 and 2021.
- A 30% decline in equity instruments would have an impact on the solvency ratio of -9% in 2022 and 2021.
- A 10% decline in the value of property assets would have an impact on the solvency ratio of -4% in 2022 and -3% in 2021.
- A combination these two scenarios, that is, a 10% decline in equities and a 10% decline in property assets, would have an impact on the solvency ratio of -7% in 2022 and -6% in 2021.

Given the results of these solvency sensitivity analyses, it is not believed that the risks threaten the target solvency ratio set by the Group's governing body of 150%.

#### d) Insurance risk

Insurance business risk focuses on non-life and health underwriting risk, comprising mainly the premium sub-risk (premium adequacy risk) and the reserve sub-risk (technical provisions adequacy risk) for the Motor, Home, Health and Other insurance segments. These risks are managed differently for each business line. Underwriting and health risks also include catastrophe risk and downside risk, with a lower impact than premium and reserve risks.

The Group analyses inherent insurance-related risks for each line of business, both in terms of premiums and reserves, depending on the unique characteristics of each segment.

In the Motor and Home segments, the technical rules and standards are constantly changing and underwriting is adapted accordingly through automatic and preventive mechanisms through which the various products are analysed in order to determine the sufficiency of premiums and technical provisions. Policy performance and returns are also monitored to analyse possible deviations.

The Motor segment has a longer duration between the opening and closing of claims than the Home segment, mainly due to the civil liability guarantee, which lasts longer than the other guarantees. In both segments, the performance of the run-offs of the provision for claims over the life of the claim is positive, as can be seen in Note 12, thanks to an efficient claims management process. The Health segment is heavily influenced by seasonality, with higher levels of policy renewal at the beginning of the year.

The Group relies on reinsurance as a primary tool for mitigating the premium, reserve and catastrophe sub-risks. Reinsurance also forms part of counterparty risk due to the risk of default of the amounts recoverable from the reinsurance companies.

#### Reinsurance policy

The reinsurance system used by the Group is based mainly on an Excess of Loss (XL) structure for each segment, so as to achieve protection against serious losses or catastrophic losses and events caused by natural phenomena not covered by the Insurance Compensation Consortium, using reinsurance to provide stability against this type of random natural catastrophes, for both occurrence and amount, and a quota share reinsurance contract for the health insurance segment signed in 2017.

On 1 September 2017, the Parent entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2029 and comes with a two-year renewal option. This contract includes an assignment of 50% of the premium income and claims cost of most of the policies of the Health segment.

The contract also includes a table of fixed and variable reinsurance commissions payable to the Group. The fixed commission is calculated as a percentage of



the premium ceded and as a fixed amount until 2022. The variable commission is calculated on the basis of the premiums assigned during the term of the contract of the year, and the performance of the claims ratio during the agreed years from 2022 onward. These commissions are capped.

It also envisions profit sharing at the Group based on whether positive technical results are obtained.

In the case of the early termination, compensation will be paid due to cancellation by any of the parties if they are unable to reach an agreement or in any other situation that frustrates the continuation and normal performance of the contract. However, early termination clauses that may pose a threat to the effective transfer of risks and rewards relate in all cases to extremely remote situations.

The performance of the technical result and the credit recognised by the Group will depend on the changes in the main technical aggregates, such as premiums, claims incurred, and acquisition and administrative expenses. There may therefore be differences in respect of the business plan defined by the Group.

Reinsurers must be filed with the National Financial Services Commission, CNSF (Comisión Nacional de Servicios Financieros) and comply with strict security requirements. They must also possess outstanding ratings that demonstrate their financial solvency. Foreign entities must present a certificate of residence in Spain.

The criteria followed for establishing the reinsurance network requires at least an 'A' rating of reinsurance companies. However, a deposit clause will be included in contracts of reinsurance companies with an S&P of rating below AA-. Any exception is approved by the Board of Directors.

The ratings of the various entities that are included in the reinsurance network are reviewed on a quarterly basis, with monitoring of the credit risk ratings published by Standard & Poor's, to control any changes in probability of default of the commitments undertaken.

### Premium sub-risk

The Technical Area of Línea Directa Aseguradora is responsible for modifying products and prices in accordance with the Group's general strategy for the Motor, Home and Other insurance businesses. All these modifications are supported by actuarial analyses documented in the related technical notes and approved by the Technical Committee, which is the body responsible for managing this sub-risk. The Health segment is monitored by the Health Technical Area.

The Technical Committee takes operational decisions that affect prices and risk underwriting terms for the products offered by Línea Directa Aseguradora, ensuring that they are consistent with the strategy and objectives established by the Board of Directors. To do so, it considers the proposals presented by the

Technical Department, also taking into account data on the position of the business and the outlook provided by the relevant business areas for each of the segments.

### Reserve sub-risk

On 29 December 2021, the Directorate General of Insurance and Pension Funds issued a decision on the application for a change in the statistical methodology used in the Motor segment, in which it authorised Línea Directa Aseguradora to calculate the technical provisions for Motor segment claims using the stochastic Merz & Wüthrich methodology, and the deterministic average cost methodology as a contrast methodology. The methodological change was first applied at year-end 2021 and has not had a significant impact compared to the previous methodology.

To estimate the provision for claims in the home, other insurance, health and medical assistance segments, the Group analyses each claim on its merits.

The Claims and Reserves Committee is responsible for managing the Group's reserve risk and reinsurance credit risk. It is entrusted with monitoring the Group's reserves and provisions to ensure adequate coverage of claims, and with approving changes in the policies for the opening and provisioning of claims for all the different levels of coverage and guarantee, thus ensuring the adequacy of reserves, in accordance with the guidelines approved by the Group's Board of Directors.

Furthermore, to ensure that the Group complies with its obligations under Additional Provision 18 of Law 20/2015 of 14 July, and so that the technical provisions shown in the consolidated balance sheet effectively reflect the obligations arising from the contracts underwritten, the controls listed below have been put in place for the posting of provisions for claims:

- Analysis of the trend in subsequent periods of cost deviations of claims occurring before the end of each period. The analysis is carried out on the basis of claims incurred and reported at the end of the reference period. Its purpose is to check and to correct possible cost deviations that occur in claims of those referred to as "long tail", which are caused as a result of not having sufficient information at the reporting date to properly assess them.
- Performance of monthly and quarterly forecasts of claim costs.
- The Group's reserves position is also analysed by independent external consultants at least once a year and the findings are presented to the Board of Directors.

### Concentrations of insurance risk

The Group's insurance business is located mainly within Spain, with no particularly significant concentration in any given geographical area.

The following table shows the premium concentration for those autonomous communities of Spain with a concentration of above 5% for 2022 and 2021:

	2021	2020
Andalusia	23.2%	23.2%
Catalonia	20.8%	20.9%
Madrid	12.7%	12.3%
Valencian Community	12.2%	12.3%
Murcia	4.8%	4.8%
Other	26.3%	26.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Group's business focuses on non-life segments (mainly motor risks), which, in terms of insurance premiums, show the following distribution:

	2022				
	Total	Risks – Motor	Multi-risks – Home	Other insurance businesses	Risks – Health
Premiums written (Direct Insurance)	946,679	772,787	143,713	1,097	29,082
Premiums ceded	(26,139)	(4,746)	(8,234)	(35)	(13,124)

	2021				
	Total	Risks – Motor	Multi-risks – Home	Other insurance businesses	Risks – Health
Premiums written (Direct Insurance)	907,189	748,100	131,243	1,397	26,449
Premiums ceded	(23,392)	(4,723)	(6,707)	(41)	(11,921)

### Sensitivity to insurance risk

At 31 December 2022 and 2021, the Group performed a mixed sensitivity analysis on certain key business parameters. Based on expert judgement and experience of the most sensitive parameters of the business, the effect of a 1% increase in the cost of claims and of a 1% increase in the combined ratio on profit for the year net of tax of each business unit (Motor, Home, Health and Other insurance), and therefore on consolidated equity, was analysed as a measure of sensitivity to insurance risk.

Impact on profit or loss of a 1% increase in the cost of claims by segment:

	<b>2022</b>	<b>2021</b>
Motor	(5,853)	(5,189)
Home	(818)	(660)
Health	(143)	(130)
Other insurance businesses	-	-
<b>Total</b>	<b>(6,815)</b>	<b>(5,979)</b>

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 5,151 thousand for 2022 and € 4,535 thousand for 2021.

Impact on profit or loss of a 1% increase in the combined ratio by segment:

	<b>2022</b>	<b>2021</b>
Motor	(7,533)	(7,473)
Home	(1,298)	(1,191)
Health	(165)	(150)
Other insurance businesses	(11)	(14)
<b>Total</b>	<b>(9,006)</b>	<b>(8,828)</b>

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 6,807 thousand for 2022 and € 6,697 thousand for 2021.

Combined ratio = (Claims incurred net of reinsurance + change in other technical provisions + operating expenses net of reinsurance – other technical income + other technical expenses + profit sharing and premium refunds) / Premiums earned net of reinsurance.

The combined ratio measures the impact of management costs and claims incurred in a financial year on the premiums for that year.

These sensitivity analyses show no direct impact on the solvency ratio due to the Group's shareholder dividend policy, except for the impact associated with the increase in the claims ratio due to the increase in the combined ratio.

#### e) Reputational risk

The Group views reputational risk as the potential loss of customers, reduction in revenues or legal proceedings that the Group may incur due to loss of reputation, bad image or negative publicity with stakeholders.

The Group's stakeholders —at whom it targets its corporate reputation actions and for whom the impact of reputational risk is included in the risk management system— are customers, employees, suppliers, public institutions, shareholders, society, the community, consumers, the press and media and the wider industry.

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function. Thus, the function of reputational risk management falls upon the shoulders of the People and Communication Department, General Secretary's Office and Finance Department through the External Communication, Corporate Reputation and Risk Management and Internal Control departments, respectively.

#### f) Legal risk

The Group distinguishes between the following two main types of legal risk:

- Regulatory risk: regulatory risk is the possibility that the Group's processes and operations may become obsolete or non-compliant with prevailing law and regulation in the event of legal or regulatory changes or new developments.
- Regulatory compliance risk: Regulatory compliance risk is the possibility that changes in the Group's processes and operations may result in non-compliance with current regulations.

#### g) Operational risk

The Group treats operational risk as the potential loss due to inadequate or failed internal processes, people and systems or due to external events.

The Group considers losses caused by operational risks to be all the ways in which these risks may affect the Parent and its subsidiaries, such as economic losses, reputational damage, non-compliances with the law, technological or security failures or degradation of business processes or impact on customers or employees.

The Group's operational risk management system is structured as a cyclical process of continuous improvement consisting of the following phases (Identification, Assessment/Measurement, Mitigation and Monitoring and Control).

Prior to the announcement of the pandemic, the Group already had teleworking arrangements in place for its back and front office departments, thus allowing all Group staff to work remotely and continue their normal activities without any significant impact. During the pandemic period, the Group's operational review and monitoring processes remained within the thresholds agreed by the Board.

#### h) Currency risk

At 31 December 2022 and 2021, the Group had a foreign currency position of € 23,121 thousand and € 47,890 thousand, respectively. These amounts relate to direct investments in financial instruments traded in these currencies, with no currency hedging whatsoever.

The following table shows the Group's exposure to foreign currency risk at 31 December 2022 and 2021 and the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currencies.

	<b>2022</b>		<b>2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
US dollar	9,501	-	31,412	-
Pound sterling	8,292	-	10,093	-
Swiss franc	2,260	-	2,699	-
Danish kroner	569	-	955	-
Other	2,498	-	2,731	-
<b>Total</b>	<b>23,121</b>	<b>-</b>	<b>47,890</b>	<b>-</b>

The Group has no significant exposure to any foreign currency.

#### i) Environmental, social and governance risks

The governing bodies receive information at least quarterly on the key risks to which the Group is exposed and the capital resources available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Risks team, together with the Group's other divisions, periodically analyses the factors that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an assessment of the Group's key risks is made, taking into account prevention and mitigation measures.

The Group has established the management model, processes and methodology for assessing ESG risks. The ESG risk management model is a qualitative assessment with KPIs that help to identify risks that could be considered as more immediate threats and regular monitoring to help ensure the exchange of information between the areas responsible for the risks and the Group's Risks Department.

The Group's ESG risk map shows the risks to which it is exposed, each of them linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018, on non-financial information).

Although the Group does not operate in any critical sector in terms of climate change, it has specific policies and measures that allow us to manage resource consumption efficiently with the aim of minimising our impact on the environment.

The Group also has protocols and concrete measures in place to unlock the full potential of its employees by fostering diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health.

As a result of the ESG initiatives, high levels of compliance were achieved over the term of the 2020–2022 Sustainability Plan. In 2020, 92% of the Plan's goals were achieved, while 91% the indicators were met in 2021. 2022, the objectives of the Sustainability Plan in its variable remuneration, as well as part of the employees (back office). Over the coming years, the Group will continue to pursue decarbonisation objectives, disseminate information on the management of risks and opportunities related to climate change, continue to promote actions to benefit society and improve aspects relating to equality, diversity, disability, wellbeing and safety of employees, review the investment portfolio and the supply chain under ESG criteria and promote sustainable business innovation. All of this accompanied by an ambitious ESG training plan for employees.

#### j) Internal control system

Under Article 46 of the Solvency Directive and Article 66 of Spanish Law 20/2015 on the management, supervision and solvency of insurance companies, the Group is required to have an effective internal control system in place. The system should include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function, at least.

The control activities should be proportionate to the risks arising from the activities and processes being controlled.

It must ensure that the control and reporting mechanisms of the internal control system provide the administrative, management and control body with the information needed for decision-making processes.

#### Internal Control Framework

The Group has the processes necessary for the continuous identification, measurement, control, management and reporting of all the risks to which it is exposed or may be exposed in the future, at both the individual and aggregate level and based at all times on the principle of proportionality.

The Group has a risk map of the business processes that include all of its potentially serious inherent risks, with the residual risk level based on the effectiveness of existing controls. This covers specific transactions that are significant and the risks associated with each process.

Through the risks identified and the key risk indicators (KRIs) defined, the risk management system underpins the Group's process for defining strategies and decision-making, as these KRIs are included in the Group's scorecard, enabling proactive management of these risks.

This report is made available to the Board through reporting to the Audit and Compliance Committee and the Management Committee.

The Group has an effective risk management system that determines how to manage each risk category and area, and any risk aggregation. The risk management system assesses the overall solvency needs identified in the



Group's assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, as well as the description of the frequency and content of the regular stress tests and situations that require specific stress tests. Policies are in place that define the risk categories and risk measurement methods.

The Board has set the risk profile and overall risk tolerance limits and supervises the committees established to monitor and manage potentially serious risks, through the Audit and Compliance Committee.

The internal control environment is therefore considered to have the control and notification mechanisms required to provide the Board of Directors with relevant and accurate information for decision-making. The controls are proportional to the risks and cover all of the Group's areas and lines of business.

The degree to which the risk culture and risk management system have been embedded makes it easier to understand the implications of decisions taken by the Board and Management, depending on the level of risk they are willing to assume.

### Risk reporting and information mechanisms

The Corporate Risk Management Department collates all of the Group's risk information for regular reporting to the Audit and Compliance Committee. It also reports the status of the key risk indicators (KRI scorecard) to enable proper oversight by the Group's management bodies.

The regular risk reports are as follows:

- The Corporate Risk Department reports monthly to the Company's Management Committee on the status of the Group's risks, on the results of control tests and on any key risk indicators (KRIs) that exceed the established thresholds.
- The Risks Department reports to the Audit and Compliance Committee on the most significant risks present on the Company's risk map, on the results of the control tests carried out, on the status of recommendations issued, and on KRI performance.

The Internal Audit function reports quarterly to the Audit and Compliance Committee on the follow-up of audits carried out.

## 6. Cash and cash equivalents

The composition of cash and cash equivalents at banks, cheques and cash on hand at 31 December 2022 and 2021, in thousand euro, is as follows:

	2022	2021
Cash at credit institutions	35,677	110,287
Cash in hand	6	5
Financial instruments maturing within 3 months	15,978	5,496
<b>Total</b>	<b>51,661</b>	<b>115,788</b>

Of the total balance of cash at banks at 31 December 2022 and 2021, a total of € 26,362 thousand and € 70,373 thousand, respectively, was held at Bankinter, S.A. (see Note 22).

At 31 December 2022 and 2021, the Group held a current account that had been pledged to a reinsurer for a total of € 2,100 thousand to secure compliance with certain contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Company's current accounts is negotiated with each bank. In 2022, the current account in dollars accrued an average yield of 1.98% for 2022 (0.18% in 2021) and the current account with Bankinter began to accrue interest of 0.30% from November 2022.

The Group held euro-denominated cash only at year-end 2022 and 2021. Accrued interest is recorded under the sub-heading "Income from financial investments" in the consolidated statement of profit or loss.

## 7. Financial instruments

### a) Financial assets

#### a.1) Balances of financial assets

The classification of financial assets by category and class at year-end 2022 and 2021 is as follows:

	2022	2021
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets		
Equity instruments		
Listed	64,898	97,457
Non-listed	55,988	56,506
Debt securities		
Listed	618,778	711,015
<b>Total financial assets at fair value through other comprehensive income</b>	<b>739,664</b>	<b>864,978</b>
Financial assets at amortised cost		
Loans and receivables		
Debt securities	-	10,990
Deposits with credit institutions	4,515	-
Receivables on direct insurance business – policyholders	58,524	53,538
Receivables on reinsurance business	12,290	7,969
Other receivables	46,854	47,078
<b>Total financial assets at amortised cost</b>	<b>122,183</b>	<b>119,575</b>
Derivatives	7,808	-
<b>Total financial assets at fair value through profit or loss</b>	<b>7,808</b>	<b>-</b>
<b>Total financial assets</b>	<b>869,655</b>	<b>984,553</b>

Financial assets break down as follows:

### Equity instruments

The sub-heading “Equity instruments” at 31 December 2022 showed € 72,074 thousand in shares and € 75,237 thousand in 2021, along with interests in investment and venture capital funds amounting to € 48,812 thousand in 2022 and € 78,726 thousand in 2021. Of the total investment in shares, 2022 included a total of € 16,183 thousand in two listed real estate investment companies in which a Bankinter Group financial institution held a stake, and of € 9,950 thousand in 2021.

From 29 April 2021, the date of the IPO, a total of 239,678 treasury shares were allotted to the Parent in the exchange of these Bankinter shares (Note 15 c).

### Debt securities

This sub-heading includes € 618,778 thousand in 2022 and € 711,015 thousand in 2021 corresponding to fixed income securities and their unmatured accrued interest, of which € 3,475 thousand related to significant shareholders at 31 December 2022 (31 December 2021: € 4,181 thousand).

In 2022 and 2021, accrued and unmatured interest on these investments amounted to € 6,105 thousand and € 7,059 thousand, respectively. The

average return on the fixed income portfolio in 2022 was 2.46% (1.90% in 2021) and 12.59% on equities (10.72% in 2021).

At year-end 2022 and 2021, there were no impairment losses on these debt securities.

Details of financial assets at amortised cost are as follows:

#### Loans and receivables

##### Debt securities

No debt securities were included under this heading in 2022. In 2021, this balance included investments in commercial paper issued by local credit institutions maturing in 2022.

In 2021, accrued and unmatured interest on these investments totalled € 12 thousand.

At year-end 2021, there were no impairment losses on these debt securities.

##### Deposits with credit institutions

At 31 December 2022, the Group had long-term deposits of € 4,515 thousand with Banco Santander.

##### Receivables on direct insurance business

The “Receivables on direct insurance business” sub-heading shows loans to policyholders for premium receipts that are overdue and for premium fractions yet to be issued. The balances comprising this sub-heading of the accompanying consolidated balance sheets at year-end 2022 and 2021, and the related impairment adjustments, are as follows:

	<b>2022</b>	<b>2021</b>
Receivable from policyholders	59,484	54,472
Impairment adjustment	(961)	(934)
<b>Total</b>	<b>58,524</b>	<b>53,538</b>

Impairment losses at year-end 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	(934)	(1,265)
Allowances	(961)	(934)
Amounts utilised	934	1,265
<b>Balance at the end of the year</b>	<b>(961)</b>	<b>(934)</b>

The receivables on direct insurance operations for December 2022 and 2021 mature in 2023 and 2022, respectively.

The impairment allowance for outstanding premiums receivable is calculated on the basis of the age of outstanding receipts and experience for the zero to three months tranche; outstanding receipts aged between three and six months are provisioned for impairment at 50% of their value, while those aged more than six months are provisioned for impairment at 100%. The amount of receipts older than three months is not significant.

### Receivables on reinsurance business

The "Receivables on reinsurance business" sub-heading shows receivables from reinsurers under reinsurance arrangements.

On 1 September 2017, the Group entered into a quota share reinsurance contract for the health business, maturing on 31 December 2025 and with a two-year renewal option, which was subsequently extended to 2029. This contract includes a cession of 50% of most of the policies of the business covered.

At year-end 2022 and 2021, the balances comprising this sub-heading of the accompanying consolidated balance sheet were € 12,290 and € 7,969 thousand, respectively, mainly for health quota share reinsurance.

### Hedging derivatives

The heading "Hedging derivatives" shows one financial swap contract in 2022 and two in 2021. Due to their valuation, in 2022 the swap was recorded as an asset while in 2021 it was recorded as a liability.

The balance at year-end 2022 and 2021 and changes during the year were as follows:

<b>2022</b>				
	<b>Final value at 31/12/2021</b>	<b>Valuation adjustment</b>	<b>Purchases/Sales</b>	<b>Final value at 31/12/2022</b>
SWAP	(6,292)	14,100	-	7,808
SWAP	(3,155)	3,805	(650)	-
<b>Total</b>	<b>(9,447)</b>	<b>17,905</b>	<b>(650)</b>	<b>7,808</b>

<b>2021</b>			
	<b>Final value at 31.12.2020</b>	<b>Valuation adjustment</b>	<b>Final value at 31/12/2021</b>
SWAP	(15,167)	5,720	(9,447)
<b>Total</b>	<b>(15,167)</b>	<b>5,720</b>	<b>(9,447)</b>

The breakdown by type of contract at year-end 2022 and 2021 is as follows:

<b>2022</b>							
Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	(4,077)	(4,077)	(4,077)	Eonia	EUR
<b>Subtotal – Current Account</b>			<b>(4,077)</b>	<b>(4,077)</b>	<b>(4,077)</b>	<b>Eonia</b>	<b>EUR</b>
Swap	BBVA S.A.	1	7,808	7,808	7,808		EUR
Subtotal – Swap			7,808	7,808	7,808		EUR
<b>Total</b>			<b>3,731</b>	<b>3,731</b>	<b>3,731</b>		<b>EUR</b>

<b>2021</b>							
Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	15,565	15,565	15,565	Eonia	EUR
<b>Subtotal – Current Account</b>			<b>15,565</b>	<b>15,565</b>	<b>15,565</b>	<b>Eonia</b>	<b>EUR</b>
Swaps	BBVA S.A.	1	(6,291)	(6,291)	(6,291)		EUR
	BBVA S.A.	1	(3,156)	(3,156)	(3,156)		EUR
Subtotal – Swap			(9,447)	(9,447)	(9,447)		EUR
<b>Total</b>			<b>6,118</b>	<b>6,118</b>	<b>6,118</b>		<b>EUR</b>

The current account of the collateral swaps is not offset against the value of the swap and is therefore recorded separately.

The fair value is calculated as the present value of the outstanding flows between the two parties.

For these swaps, the risk arises from the interest rate or market risk of the underlying securities themselves. The derivative product associated with the underlying is also exposed to these same risks.

The hedged item consists of coupon payments of 2.45% on a BTPS bond on € 50,000 thousand until maturity on 1 September 2033. In exchange, the Company receives payments of Euribor 6M + 1.03% on € 50,000 thousand of the BTPS bond until maturity on 1 September 2033. At 31 December 2021, the Company also had an additional hedged item consisting of coupon payments of 2.35% on a SPGB bond of € 25,000 thousand per annum through to maturity on 30 July 2033, which was subsequently cancelled.

### Other receivables

The balances comprising the “Other receivables” sub-heading at the end of 2022 and 2021, and related impairment adjustments, are as follows:

	2022	2021
Bonds and deposits	300	297
Receivables from recoveries and claims	42,551	42,920
Receivables under claim settlement agreements	2,690	1,743
Sundry receivables	976	2,638
Receivable from Group companies and associates	447	(419)
Impairment allowances on other receivables	(110)	(101)
<b>Total</b>	<b>46,854</b>	<b>47,078</b>

The "Receivables from recoveries and claims" sub-heading shows the amount of outstanding claims that will be recovered under the modules governed by agreement and claims not subject to agreement. The amounts recorded in 2022 and 2021 come to € 42,551 thousand and € 42,920 thousand, respectively.

In 2022 and 2021, outstanding claims to be recovered by the claims settlement modules amounted to € 24,808 thousand and € 22,372 thousand, respectively. Meanwhile, claims with a high probability of recovery, based on acceptance of fault by the other party, amounted to € 17,743 thousand in 2022 and € 20,548 thousand in 2021. The realisation of recoveries based on claims settlement modules is sufficiently ensured because they are classified as such when there is an acknowledgement of fault by the other insurer. For all other recoveries, the Group relies on available information to form expectations as to whether the counterparty will acknowledge fault. Premium refunds are only capitalised in the consolidated balance sheet when they are considered certain, which occurs when the other insurer accepts the claim and there is evidence of this. Refunds are confirmed as certain on a claim-by-claim basis according to the status of the claim at a given date.

"Receivables under claims settlement agreements" corresponds to the monthly settlement with TIREA for the agreement modules.

#### a.2) Classification under SPPI criteria

The fair value of financial assets based on the SPPI approach (required under the temporary exemption provided for in IFRS 9, see Note 2-h) as at 31 December 2022 and 2021 and the change in fair value during those periods are presented below. According to the SPPI criterion, assets are classified into two categories:

- **SPPI:** financial assets whose cash flows represent solely payments of principal and interest on the amount outstanding, excluding any asset that is classified as held for trading under IFRS 9, or that is managed and its performance assessed on a fair value basis.
- **Other:** all financial assets not included in the SPPI category:
  - whose contractual terms do not give rise to cash flows at specified dates that are solely payments of principal and interest on the amount outstanding;



- classified as held for trading under IFRS 9 or that are managed and their performance evaluated on a fair value basis.

Financial assets	2022	2021	FV change, 2021-2020
Financial assets at fair value through other comprehensive income			
Available-for-sale financial assets			
Equity instruments			
Other	120,886	153,963	(33,077)
Debt securities			
SPPI	618,778	711,015	(92,237)
Financial assets at amortised cost			
Derivatives			
Others	7,808		7,808
Loans and receivables			
Debt securities			
SPPI	-	10,990	(10,990)
Deposits with credit institutions			
SPPI	4,515	-	4,515
Receivables on insurance business			
SPPI	58,524	53,538	4,986
Receivables on reinsurance business			
SPPI	12,290	7,969	4,321
Other receivables			
SPPI	46,854	47,078	(224)
<b>Total financial assets</b>	<b>861,847</b>	<b>984,553</b>	<b>(122,706)</b>

The credit rating of fixed income issuers and deposits held at credit institutions at 31 December 2022 and 2021 is as follows:

2022							
Rating	AAA	AA	A	BBB	Below investment grade	No rating	Total
<b>Public fixed income</b>							
SPPI	5,082	2,927	171,476	177,011	-	-	<b>356,496</b>
<b>Private fixed income</b>							
SPPI	8,222	8,337	100,409	124,186	10,359	10,769	<b>262,282</b>
<b>Total fixed income</b>	<b>13,304</b>	<b>11,264</b>	<b>271,885</b>	<b>301,197</b>	<b>10,359</b>	<b>10,769</b>	<b>618,778</b>
% fixed income	2%	2%	44%	49%	2%	2%	100%
<b>Deposits with credit institutions</b>							
SPPI	4,515	-	-	-	-	-	<b>4,515</b>

2021							
Rating	AAA	AA	A	BBB	Below investment grade	No rating	Total
<b>Public fixed income</b>							
SPPI	6,342	-	191,924	198,080	-	-	<b>396,346</b>
<b>Private fixed income</b>							
SPPI	-	10,092	104,812	165,045	27,989	17,721	<b>325,659</b>
<b>Total fixed income</b>	<b>6,342</b>	<b>10,092</b>	<b>296,736</b>	<b>363,125</b>	<b>27,989</b>	<b>17,721</b>	<b>722,005</b>
% fixed income	1%	1%	41%	50%	4%	2%	100%

The credit rating is based on the scales used by the major international credit agencies.

### a.3) Income and expenses from financial assets

The amount of net gains and losses by category of financial asset at year-end 2022 and 2021 is as follows:

2022			
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Other financial assets
Interest on bank deposits	185	-	-
Income from premium instalments	4,571	-	-
Net losses on swap valuation	-	-	20,843
Losses on realisation of investments	-	(5,464)	-
Interest on fixed-income securities	-	15,343	-
Income on equity instruments	-	8,248	-
Net valuation gains on fixed income securities covered by swap	-	-	(20,843)
Gains/(losses) on realisation of investments	-	12,647	-
Positive exchange differences	-	3,269	-
Negative exchange differences	-	498	-
Other expenses	-	-	(645)
<b>Net result in profit and loss</b>	<b>4,756</b>	<b>34,541</b>	<b>(645)</b>
Change in fair value	-	(73,221)	-
<b>Net result in other comprehensive income</b>	<b>-</b>	<b>(73,221)</b>	<b>-</b>

2021			
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Other financial assets
Interest on bank deposits	447	-	-
Income from premium instalments	4,503	-	-
Net losses on swap valuation	-	-	13,480
Losses on realisation of investments	-	(1,937)	-
Interest on fixed-income securities	-	16,463	-
Income on equity instruments	-	7,159	-
Net valuation gains on fixed income securities covered by swap	-	-	(13,480)
Gains/(losses) on realisation of investments	-	8,652	-
Positive exchange differences	-	42	-
Negative exchange differences	-	(191)	-
Other expenses	-	-	(1,433)
<b>Net result in profit and loss</b>	<b>4,950</b>	<b>30,188</b>	<b>(1,433)</b>
Change in fair value	-	(1,266)	-
<b>Net result in other comprehensive income</b>	<b>-</b>	<b>(1,266)</b>	<b>-</b>

In 2022, the financial derivatives were classified as financial assets due to their value, whereas in 2021 they were classified as financial liabilities.

No amount for significant ineffectiveness in derivative hedging had to be recognised in the consolidated statement of profit or loss in 2022 and 2021.

The amounts of fair value hedge adjustments made to the hedged item recognised in the statement of profit or loss are as follows:

2022					
31 December 2022	Nominal	Carrying amount	Heading of the consolidated balance sheet	Changes in fair value used as the basis for recognising ineffectiveness in the period	Ineffectiveness reported
Hedging derivatives	50,000	7,808	Hedging derivatives	14,303	-

2022					
31 December 2022	Nominal	Carrying amount	Heading of the consolidated balance sheet	Cumulative fair value adjustment on the hedged item	Changes in fair value used as the basis for recognising ineffectiveness in the period
Fixed-income instruments	50,000	40,884	Debt securities	(15,817)	13,813

2021					
31 December 2021	Nominal	Carrying amount	Heading of the consolidated balance sheet	Changes in fair value used as the basis for recognising ineffectiveness in the period	Ineffectiveness reported
Hedging derivatives	75,000	9,447	Hedging derivatives	5,720	-

2021					
31 December 2021	Nominal	Carrying amount	Heading of the consolidated balance sheet	Cumulative fair value adjustment on the hedged item	Changes in fair value used as the basis for recognising ineffectiveness in the period
Fixed-income instruments	75,000	85,971	Debt securities	9,447	5,720

#### a.4) Fair value breakdown

Financial assets at fair value with changes in other comprehensive income are as follows, by valuation level:

2022				
	Carrying amount	Fair value Level 1	Fair value Tier 2	Fair value Tier 3
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Equity instruments				
Listed	64,898	64,898	-	-
Non-listed	55,988	-	28	55,960
Debt securities				
Listed	618,778	617,793	985	-
<b>Total</b>	<b>739,664</b>	<b>682,691</b>	<b>1,013</b>	<b>55,960</b>

2021				
	Carrying amount	Fair value Level 1	Fair value Tier 2	Fair value Tier 3
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Equity instruments				
Listed	97,457	97,457	-	-
Non-listed	56,506	-	28	56,478
Debt securities				
Listed	711,015	702,923	8,092	-
<b>Total</b>	<b>864,978</b>	<b>800,380</b>	<b>8,120</b>	<b>56,478</b>

The fair values of non-current loans and receivables are not included because their carrying amounts are a reasonable approximation of fair value.

To determine Level 2 fair values for the years 2022 and 2021, a model has been used in which discounted future cash flows, including the redemption value, are discounted from a yield curve with two main components:

- Zero coupon swap curve of the currency in which the issue is denominated, which is considered to be the best approximation of the risk-free interest rate.
- Additional risk spread, which will be the spread added or deducted from the zero-coupon swap curve reflecting the risks inherent in the issuance being assessed, such as: Credit risk, illiquidity and optionality risk.

The following table sets out the valuation methods used in 2022 and 2021 to determine Level 3 fair values, along with the unobservable inputs used and the interrelationship between key inputs and fair value.

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Type	Valuation method	Variables used (non-observable)	Interrelationship between key variables and fair value
Net asset value of investments in private equity funds with renewable energy generating assets as the underlying	<p>Discounted cash flows: the most widely accepted method, which treats the investment as a cash flow generator. To obtain its value, this method calculates the present value of the future cash flows by taking into account the implicit risk of achieving them. Thus, the discounted cash flow method estimates the cash flows that the asset/investment will generate in the future, and then discounts them at an appropriate discount rate, depending on the risk associated with achieving those cash flows. The discount rate used is based on the resulting WACC (weighted average cost of capital), according to the different sources of financing (equity vs. debt) and their respective weights. For the 2022 measurements, the discount rate is between 3% and 6%. The discount rate was between 2.9% and 4.5% for 2021.</p> <p>The expected cash flows are determined on the basis of the following key assumptions:  Regulated income – return on investment and operations in accordance with Spanish Order ETU/130/2017, which places this reasonable return at 7.398% for the 2020–2031 period.  Price Pool  Production – number of hours  Inflation  OPEX of each facility  CAPEX  Residual value and cost of dismantling  Cash flows are discounted at a discount rate representing the average of the various sources of financing for each asset, weighted by the market value of each source of financing, reflecting in each case the risk assumed in financing the assets.</p>	WACC and Return on investment	The higher the WACC the lower the fair value, and the higher the return on investment the higher the fair value (bearing in mind that income depends on prevailing regulations)
Net asset value of the underlying funds	As funds of funds, the value of each unit is calculated as the sum of the net asset values provided by each of the underlying funds. Valuation as per the amounts communicated by the fund management companies, which are compared with the net asset values included in the annual accounts. These fund management companies are filed and registered with the CNMV. In each fund the fair value is calculated according to the valuation reports and financial statements provided by each of the Investee Entities.	<p>Net asset value of each fund</p> <p>% holding in the portfolio of each fund</p>	<p>The higher the net asset value of the underlying funds, the higher the value of these funds.</p> <p>The higher the percentage holding in the underlying funds, the greater the proportional value of that fund to the investing funds.</p>
Net asset value of shares	Relates to shares held in SOCIMIs (Spanish REITs). The valuation methodology is based on the standards and techniques recommended by RICS, using the relevant methods of comparison (comparable transactions) and cash flow discounts (based on the estimated income and expenses of the asset over a 10-year period).	Market data on returns, discount rates and annual valuation by an independent expert.	The higher the value of the property investments, the higher the net asset value of the Company.
Net asset value of loans	The manager of the BNY Mellon fund conducts a daily valuation of the fund. In carrying out its calculation, the fund manager relies on public sources to retrieve the daily price of the loans. These public sources are independent price providers, such as Bloomberg, Markit and Reuters. These price providers generate their information from actual transactions supplied to them by the trading desks of the main financial institutions, on the basis of cross-trading during the day and the level of supply and demand for each loan during the day.	<p>Quotations provided by the trading desks of the main financial institutions.</p> <p>Specialised sources, Markit Partners/LoanX and IDC/Reuters</p>	Prices calculated on the basis of the information supplied to them by the trading desks of the main financial institutions.

The Investment Committee is responsible for supervising and controlling investments and their financial results, together with economic and financial information, and ensuring compliance with the Investment Guidelines to which the Group is subject.

Changes in financial assets measured in accordance with valuation techniques based on unobservable data (Level 3) are as follows:

Equity instruments	Non-listed
<b>Balance at 31 December 2020</b>	<b>39,852</b>
Purchases	17,924
Sales	(8,839)
Statement of profit or loss	4,378
Other comprehensive income	3,163
<b>Balance at 31 December 2021</b>	<b>56,478</b>
Purchases	6,107
Sales	(3,202)
Transfers to level 1	(7,000)
Statement of profit or loss	1,125
Other comprehensive income	2,452
<b>Balance at 31 December 2022</b>	<b>55,960</b>

The amounts recognised under "Other comprehensive income" can be found under the sub-heading "Gains/(losses) on valuation adjustments" in the consolidated statement of other comprehensive income.

During the year ended 31 December 2022, there was a transfer of financial assets from Level 3 to Level 1 Logistics, amounting to € 7,000 thousand. During the year ended 31 December 2021, there were no transfers of financial assets between the different levels. The Group considers transfers between levels to occur on the date on which the event or change in circumstances that caused the reclassification occurs (IFRS 13.95).

## b) Financial liabilities

### b.1) Balances of financial liabilities

The classification of financial liabilities by category and class at year-end 2022 and 2021 is as follows:

	2022	2021
Financial liabilities at amortised cost		
Debt and accounts payable		
Due on insurance business with policyholders	2,009	1,939
Due on insurance business with brokers	481	587
Due on reinsurance business	1,363	1,244
Lease liabilities (Note 10-b)	3,768	4,534
Due to group companies and associates	-	56
Other debts	36,147	149,592
<b>Total financial liabilities at amortised cost</b>	<b>43,768</b>	<b>157,952</b>
Hedging derivatives	-	9,447
<b>Total hedging derivatives</b>	<b>-</b>	<b>9,447</b>
<b>Total financial liabilities</b>	<b>43,768</b>	<b>167,399</b>



Details of financial liabilities at amortised cost are as follows:

### Due on reinsurance business

The sub-heading "Due on reinsurance business" shows the debts owed to reinsurers. The balances comprising this sub-heading of the accompanying consolidated balance sheets at year-end 2022 and 2021 are as follows, by reinsurance type:

	2022	2021
Reinsurance – Penalties and other guarantees	1,363	828
Reinsurance XL	-	416
<b>Total</b>	<b>1,363</b>	<b>1,244</b>

### Other debts

Details of the sub-heading "Other payables" at year-end 2022 and 2021 are as follows:

	2022	2021
On goods delivered and services rendered	31,750	30,207
On securities lending	-	115,306
Outstanding remuneration	4,397	4,079
<b>Total other debts</b>	<b>36,147</b>	<b>149,592</b>

At 31 December 2021, the sub-heading "On securities lending" showed the monetary guarantee received for a public debt repo transaction (assignment of government bonds with repurchase agreement) with a total carrying amount of € 115,306 thousand, including uncollected accrued interest and comprising two repos, one for Spanish Government securities and the other for Italian Government securities, both of which matured on 10 January 2022. The counterparty to the transactions was Banco BBVA. Guarantees on the transactions amounted to € 115,306 thousand. On 10 January 2022, the two repo transactions were renewed with the same Spanish and Italian government securities, although in November 2022 the Group ultimately agreed to settle the repo definitively.

Under the repo transactions described above, the Group retained both the risks and the rights of ownership of the asset. It therefore retained the contractual rights to receive the cash flows from the financial asset, but assumes the contractual obligation to pay the cash flows to BBVA under the terms of the agreement signed with the bank.

The "Outstanding remuneration" sub-heading includes other recurring incentives, of an annual, quarterly and monthly nature, pending payment for € 4,397 thousand as at 31 December 2022 (€ 3,683 thousand at December 2021).

### **b.3) Fair value breakdown**

The fair value of derivatives is calculated through the use of valuation techniques. Valuation techniques maximise the use of available observable market data and rely as little as possible on entity-specific estimates.

As all significant inputs required to calculate their fair value are observable, the swaps are included in Level 2. The fair value has been calculated as the present value of estimated future cash flows based on estimated interest rate curves.

For current debts and payables, details of fair values have not been provided because their carrying amounts are a reasonable approximation of fair value.

During the years ended 31 December 2022 and 2021, there were no transfers of financial liabilities between the different levels.

## **8. Property, plant and equipment and investment property**

### **a) Property, plant and equipment**

At 31 December 2022 and 2021, the balance of this sub-heading in the accompanying consolidated balance sheet and the changes therein during those years are as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
<b>Cost at 31.12.2020</b>	<b>17,905</b>	<b>24,827</b>	<b>19,626</b>	<b>23,174</b>	<b>6,865</b>	<b>507</b>	<b>92,904</b>
Additions	-	-	924	2,359	70	98	3,451
Retirements	-	-	(3)	(9,292)	1	-	(9,294)
Transfers	-	390	117	-	-	(507)	-
<b>Cost at 31/12/2021</b>	<b>17,905</b>	<b>25,217</b>	<b>20,664</b>	<b>16,241</b>	<b>6,936</b>	<b>98</b>	<b>87,061</b>
Additions	1,725	42	846	775	88	250	3,276
Retirements	-	-	(25)	(3,627)	6	-	(3,646)
Transfers	-	-	88	-	-	(88)	-
<b>Cost at 31/12/2022</b>	<b>19,630</b>	<b>25,259</b>	<b>21,572</b>	<b>13,389</b>	<b>7,030</b>	<b>260</b>	<b>87,140</b>
<b>Accumulated depreciation at 31.12.2020</b>	<b>-</b>	<b>(6,626)</b>	<b>(14,406)</b>	<b>(20,244)</b>	<b>(4,043)</b>	<b>-</b>	<b>(45,319)</b>
Additions	-	(494)	(1,238)	(1,461)	(323)	-	(3,516)
Retirements	-	-	3	84	-	-	87
Transfers	-	-	-	9,202	-	-	9,202
<b>Accumulated depreciation at 31/12/2021</b>	<b>-</b>	<b>(7,120)</b>	<b>(15,641)</b>	<b>(12,419)</b>	<b>(4,366)</b>	<b>-</b>	<b>(39,546)</b>
Additions	-	(505)	(1,204)	(1,563)	(323)	-	(3,599)
Retirements	-	-	-	3,624	-	-	3,624
Transfers	-	-	-	-	-	-	-
<b>Accumulated depreciation at 31/12/2022</b>	<b>-</b>	<b>(7,625)</b>	<b>(16,845)</b>	<b>(10,358)</b>	<b>(4,366)</b>	<b>-</b>	<b>(39,521)</b>
<b>Impairment allowances at 31/12/2020</b>	<b>(2,251)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,251)</b>
<b>Impairment allowances at 31/12/2021</b>	<b>(2,251)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,251)</b>
<b>Impairment allowances at 31/12/2022</b>	<b>(2,251)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,251)</b>
<b>Carrying amount at 31.12.2020</b>	<b>15,654</b>	<b>18,201</b>	<b>5,220</b>	<b>2,930</b>	<b>2,822</b>	<b>507</b>	<b>45,334</b>
<b>Carrying amount at 31/12/2021</b>	<b>15,654</b>	<b>18,097</b>	<b>5,023</b>	<b>3,822</b>	<b>2,570</b>	<b>98</b>	<b>45,264</b>
<b>Carrying amount at 31/12/2022</b>	<b>17,379</b>	<b>17,634</b>	<b>4,727</b>	<b>3,031</b>	<b>2,337</b>	<b>260</b>	<b>45,368</b>

The main additions at 31 December 2022 and 2021 relate to information processing equipment and the acquisition of a car park.

In 2022 and 2021, the Group derecognised fully depreciated items of property, plant and equipment amounting to € 3,624 thousand and € 12,580 thousand, respectively.

At 31 December 2022 and 2021, no impairment losses had been recognised.

The Group has taken out insurance policies with third parties to cover risks that could affect its property, plant and equipment. The coverage provided under these policies is considered sufficient.

The following table provides a breakdown of the fair value at 31 December 2022 and 2021 of the properties included under property, plant and equipment, such fair value as determined by an authorised property valuation company (see Note 3 f):

<b>2022</b>					
<b>Description</b>	<b>Cost value</b>	<b>Accumulated depreciation</b>	<b>Impairment</b>	<b>Net carrying amount</b>	<b>Market value</b>
Land and buildings at I. Newton, 7 (Tres Cantos)	5,394	(1,920)	-	3,474	11,314
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,423)	(734)	5,214	5,457
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,766)	(1,275)	16,812	17,413
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,199	(201)	(105)	5,893	7,860
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(315)	(137)	1,895	1,911
C/ Einstein 1 (Tres Cantos)	1,725	-	-	1,725	1,725-
<b>Total</b>	<b>44,889</b>	<b>(7,625)</b>	<b>(2,251)</b>	<b>35,013</b>	<b>45,680</b>

<b>2021</b>					
<b>Description</b>	<b>Cost value</b>	<b>Accumulated depreciation</b>	<b>Impairment</b>	<b>Net carrying amount</b>	<b>Market value</b>
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,823)	-	3,135	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,345)	(734)	5,292	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,528)	(1,275)	17,050	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,593	(137)	(105)	6,351	6,026
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(287)	(137)	1,923	1,951
<b>Total</b>	<b>43,122</b>	<b>(7,120)</b>	<b>(2,251)</b>	<b>33,751</b>	<b>41,864</b>

The market value is based on the comparison method (based on the replacement principle), which values property assets by comparison with other property values on the market and, on the basis of concrete information on actual transactions and firm offers, derives current cash purchase prices for these properties on the basis of homogenisation coefficients (Level 2).

## b) Investment property

The Group's investment property comprises property assets held for lease. In 2022, rental income from investment property owned by the Group amounted to € 4,358 thousand (2021: € 4,203 thousand), as recognised under "Income from property, plant and equipment and from investments" in the accompanying consolidated statement of profit or loss.

Activity recognised under this sub-heading in 2022 and 2021 is as follows:

	Land	Buildings	Plant	Total investment property
<b>Cost at 31.12.2020</b>	<b>32,409</b>	<b>38,241</b>	<b>157</b>	<b>70,807</b>
Additions	-	155	132	287
<b>Cost at 31/12/2021</b>	<b>32,409</b>	<b>38,396</b>	<b>289</b>	<b>71,094</b>
Additions	-	-	3	3
<b>Cost at 31/12/2022</b>	<b>32,409</b>	<b>38,396</b>	<b>292</b>	<b>71,097</b>
<b>Accumulated amortisation at 31.12.2020</b>	<b>-</b>	<b>(4,749)</b>	<b>(110)</b>	<b>(4,859)</b>
Additions	-	(768)	(10)	(778)
<b>Accumulated amortisation at 31/12/2021</b>	<b>-</b>	<b>(5,517)</b>	<b>(120)</b>	<b>(5,637)</b>
Additions	-	(767)	(17)	(778)
<b>Accumulated amortisation at 31/12/2022</b>	<b>-</b>	<b>(6,284)</b>	<b>(137)</b>	<b>(6,421)</b>
<b>Carrying amount at 31.12.2020</b>	<b>32,409</b>	<b>33,492</b>	<b>47</b>	<b>65,948</b>
<b>Carrying amount at 31/12/2021</b>	<b>32,409</b>	<b>32,879</b>	<b>169</b>	<b>65,457</b>
<b>Carrying amount at 31/12/2022</b>	<b>32,409</b>	<b>32,112</b>	<b>155</b>	<b>64,676</b>

At year-end 2022 and 2021, there were no restrictions whatsoever on the realisation of new investment property or on the collection of income therefrom, or on the proceeds from any possible sale or disposal. Furthermore, no investment property was subject to guarantees or reversion.

The depreciation rates used are described in Note 3 f) of these notes to the consolidated financial statements.

No investment property was sold or disposed of in 2022 or 2021.

At 31 December 2022 and 2021, no impairment losses had been recognised.

All properties were insured against the risk of fire and third-party liability in 2022 and 2021.

The following table provides a comparison between the carrying amount and the fair value of investment property (land and buildings), as determined by an authorised property valuation company (see Note 3 f), at 31 December 2022 and 2021.

<b>2022</b>					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Fair value
C/ José Echegaray, 9 (Madrid)	6,902	(931)	-	5,971	8,023
C/ Chamberí 8 (Madrid)	42,022	(2,968)	-	39,054	52,574
Avda. de Bruselas 22 (Madrid)	21,881	(2,385)	-	19,496	25,345
<b>Total</b>	<b>70,805</b>	<b>(6,284)</b>	<b>-</b>	<b>64,521</b>	<b>85,942</b>

2021					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Fair value
C/ José Echegaray, 9 (Madrid)	6,902	(832)	-	6,070	8,077
C/ Chamberí 8 (Madrid)	42,022	(2,614)	-	39,408	45,050
Avda. de Bruselas 22 (Madrid)	21,881	(2,071)	-	19,810	25,564
<b>Total</b>	<b>70,805</b>	<b>(5,517)</b>	<b>-</b>	<b>65,288</b>	<b>78,691</b>

The rental income discount method is used to obtain fair value. This method discounts expected future profits (expected cash flows from rent or associated economic activity) and uses unobservable inputs such as current occupancy and the probability of future occupancy and/or current or expected delinquency of collections (Level 2).

Future receivables from undiscounted operating leases for the years 2022 and 2021 are as follows:

	2022	2021
Within one year	3,225	3,225
Between 1 and 5 years	2,851	2,851
Beyond 5 years	-	-
<b>Total future receivables</b>	<b>6,076</b>	<b>6,076</b>

## 9. Right-of-use assets and lease liabilities

### a) Right-of-use assets

Details and movements by asset class for right-of-use assets in 2022 and 2021 are as follows:

	Buildings	Furniture and other property, plant and equipment	Total right-of-use assets
<b>Cost at 31.12.2020</b>	<b>3,547</b>	<b>4,312</b>	<b>7,859</b>
Additions	49	3,454	3,503
<b>Cost at 31/12/2021</b>	<b>3,596</b>	<b>7,766</b>	<b>11,362</b>
Additions		556	556
Retirements	(159)	-	(159)
<b>Cost at 31/12/2022</b>	<b>3,437</b>	<b>8,322</b>	<b>11,759</b>
<b>Accumulated amortisation at 31.12.2020</b>	<b>(1,514)</b>	<b>(3,632)</b>	<b>(5,146)</b>
Additions	(485)	(1,235)	(1,720)
<b>Accumulated amortisation at 31/12/2021</b>	<b>(1,999)</b>	<b>(4,867)</b>	<b>(6,866)</b>
Additions	(367)	(905)	(1,272)
<b>Accumulated amortisation at 31/12/2022</b>	<b>(2,366)</b>	<b>(5,772)</b>	<b>(8,138)</b>
<b>Carrying amount at 31.12.2020</b>	<b>2,033</b>	<b>680</b>	<b>2,713</b>
<b>Carrying amount at 31/12/2021</b>	<b>1,597</b>	<b>2,899</b>	<b>4,496</b>
<b>Carrying amount at 31/12/2022</b>	<b>1,071</b>	<b>2,550</b>	<b>3,621</b>

The "Buildings" heading mainly includes offices and car parks leased by the Group to third parties. The average duration of these contracts is 6 years. The lease term has been determined as the non-cancellable period together with the contractual renewal options that the Group is reasonably certain to exercise.

"Furniture and other property, plant and equipment" mainly shows the leasing of replacement vehicles which the Group offers to insured customers while their vehicle is under repair. The average duration of these vehicle leasing contracts is 3 years. The lease term has been determined as the non-cancellable period on the basis of the vehicle leasing contracts.

As indicated in Note 3-g), the Group has elected not to recognise in the balance sheet lease liabilities and right-of-use assets relating to short-term leases (leases of one year or less) and leases of low-value assets (amount in euro of € 5 thousand or lower).

The expense associated with these exemptions is classified in the consolidated statement of profit or loss by purpose and in the statement of cash flows under the sub-heading "Payments for other activities". The total lease expense subject to IFRS 16 treatment but exempted by term or amount, amounted to € 471 thousand in 2022 (2021: € 725 thousand).

In 2022 and 2021, the Group did not incur any expenses for variable lease payments.

## b) Lease liabilities

Details of movements in lease liabilities during the years ended 31 December 2022 and 2022 are as follows:



	<b>2022</b>	<b>2020</b>
Balance at the beginning of the year	4,534	2,766
Additions	1,495	3,770
Finance costs	(63)	(63)
Payments	(2,198)	(1,939)
<b>Balance at the end of the year</b>	<b>3,768</b>	<b>4,534</b>

The contractual maturities of undiscounted lease liabilities, i.e. including future interest payable, for the years 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Within one year	1,913	2,022
Between 1 and 5 years	1,762	2,647
Beyond 5 years	-	-
<b>Total future payments</b>	<b>3,675</b>	<b>4,669</b>

The discount rate used by the Group is the incremental borrowing rate, which is the rate at which the Group could obtain financing under comparable terms and conditions.

The weighted average incremental borrowing rate was 1.45% and 1.37% for 2022 and 2021, respectively.

## 10. Intangible assets

At 31 December 2022 and 2021 the balance of this heading related entirely to software. Changes in 2022 and 2021 are as follows:

	Software	Assets in course of construction	Total intangible assets
<b>Cost at 31.12.2020</b>	<b>96,337</b>	<b>106</b>	<b>96,443</b>
Additions	4,043	2,304	6,347
Retirements	(5,709)	-	(5,709)
Transfers	22	(22)	-
<b>Cost at 31/12/2021</b>	<b>94,693</b>	<b>2,388</b>	<b>97,081</b>
Additions	1,320	3,518	4,838
Retirements	-	-	-
Transfers	930	(930)	-
<b>Cost at 31/12/2022</b>	<b>96,943</b>	<b>4,976</b>	<b>101,919</b>
<b>Accumulated amortisation at 31.12.2020</b>	<b>(83,755)</b>	<b>-</b>	<b>(83,755)</b>
Additions	(4,771)	-	(4,771)
Retirements	5,566	-	5,566
<b>Accumulated amortisation at 31/12/2021</b>	<b>(82,960)</b>	<b>-</b>	<b>(82,960)</b>
Additions	(4,477)	-	(4,477)
Retirements	-	-	-
<b>Accumulated amortisation at 31/12/2022</b>	<b>(87,437)</b>	<b>-</b>	<b>(87,437)</b>
<b>Carrying amount at 31.12.2020</b>	<b>12,582</b>	<b>106</b>	<b>12,688</b>
<b>Carrying amount at 31/12/2021</b>	<b>11,733</b>	<b>2,388</b>	<b>14,121</b>
<b>Carrying amount at 31/12/2022</b>	<b>9,506</b>	<b>4,976</b>	<b>14,482</b>

The additions recognised in 2022 and 2021 mainly relate to technological developments and the purchase of software licences.

There were no retirements during 2022. The retirements of software applications in 2021 were mostly due to the decommissioning of computer processing equipment.

At 31 December 2022 and 2021 there were no intangible assets subject to guarantees or reversals.

## 11. Other assets

The following table provides a breakdown of this heading at 31 December 2022 and 2021.

	2022	2021
Acquisition costs	94,608	87,219
Accruals	3,326	1,528
Inventories	511	392
<b>Total</b>	<b>98,445</b>	<b>89,139</b>

Deferred acquisition expenses relate to expenses directly attributable to the collection of premiums that accrue annually over the term of the policy, mainly commission expenses and marketing expenses.

Deferred acquisition expenses are recognised in accordance with the accounting principles explained in Note 3 i). Changes in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	87,219	83,055
Additions	94,608	87,219
Retirements	(87,219)	(83,055)
<b>Balance at the end of the year</b>	<b>94,608</b>	<b>87,219</b>

Additions shows acquisition expenses for the year that are to be accrued in the following year, in correlation with the income earned from premiums written in each year. Unearned premium income corresponds to the unearned premium provision at that date. Retirements for each year relate to the derecognition of accrued acquisition expenses from the previous year.

At 31 December 2022, the sub-heading "Accruals" includes the cost of certain services prepaid by the Group and accrued in 2022, amounting to € 3,326 thousand (2021: € 1.528 thousand).

## 12. Technical provisions

Activity in 2022 and 2021 in relation to each of the technical provisions shown in the accompanying consolidated balance sheets is as follows:

### Direct insurance

Thousand euro	Balance at 1 January 2022	Change in the statement of profit or loss	Change in adjustments and settlements in the statement of profit or loss	Balance at 31 December 2022
<b>Technical provisions:</b>				
Unearned premiums	449,740	21,043	-	470,783
Provision for unexpired risk	3,280	(902)	-	2,378
Provision for claims	285,138	32,317	424	317,879
<b>Total</b>	<b>738,158</b>	<b>52,458</b>	<b>424</b>	<b>791,040</b>

Thousand euro	Balance at 1 January 2021	Change in the statement of profit or loss	Change in adjustments and settlements in the statement of profit or loss	Balance at 31 December 2021
<b>Technical provisions:</b>				
Unearned premiums	446,423	3,317	-	449,740
Provision for unexpired risk	4,622	(1,342)	-	3,280
Provision for claims	265,446	26,211	(6,519)	285,138
<b>Total</b>	<b>716,491</b>	<b>28,186</b>	<b>(6,519)</b>	<b>738,158</b>

### Ceded and retroceded reinsurance

Thousand euro	Balance at 1 January 2022	Change in the statement of profit or loss	Balance at 31 December 2022
<b>Technical provisions:</b>			
Unearned premiums	4,280	274	4,554
Provision for unexpired risk	-	-	-
Provision for claims	15,873	(1,164)	14,709
<b>Total</b>	<b>20,153</b>	<b>(890)</b>	<b>19,263</b>

Thousand euro	Balance at 1 January 2021	Change in the statement of profit or loss	Balance at 31 December 2021
<b>Technical provisions:</b>			
Unearned premiums	3,705	575	4,280
Provision for unexpired risk	-	-	-
Provision for claims	8,772	7,101	15,873
<b>Total</b>	<b>12,477</b>	<b>7,676</b>	<b>20,153</b>

The provision for claims breaks down into the following provisions:

Thousand euro	2022	2021
Provision for benefits pending settlement and payment	302,113	270,997
Provision for claims not reported	2,260	1,630
Provision for internal claims settlement expenses	13,506	12,511
<b>Provision for claims</b>	<b>317,879</b>	<b>285,138</b>

The movement in 2022 and 2021 in the provision for claims pending settlement and payment is shown below:

Thousand euro	2022	2021
<b>Balance at 1 January</b>	<b>270,997</b>	<b>253,018</b>
Cost incurred		
Current year	631,904	518,437
Prior years	(65,509)	(21,651)
<b>Total</b>	<b>566,395</b>	<b>496,786</b>
Expenses paid		
Current year	(379,607)	(341,822)
Prior years	(155,307)	(136,985)
<b>Total</b>	<b>(534,914)</b>	<b>(478,807)</b>

The provision for unexpired risks is there to supplement the provision for unearned premiums, if the latter is not enough to cover the cost of all the risks and expenses for which the insurance company is responsible over the period of coverage that has not elapsed upon reaching the end date of the financial year. In 2022, the Group recognised a total of € 2,378 thousand for this item under the Health segment (€ 3,280 thousand in 2021).

The following table shows changes in 2022 and 2021 in the Group's provision for claims without reinsured coverage and roadside assistance, corresponding solely to claims

outstanding as at 31 December 2022 and 2021, respectively, and broken down by segment.

	<b>Provision at 31/12/2021</b>	<b>Net payments</b>	<b>Provision at 31/12/2022</b>	<b>Surplus (Deficit)</b>
Motor, general liability insurance	193,587	105,237	83,656	4,694
Motor, other coverage	52,360	32,089	14,545	5,726
Home	21,252	15,126	5,112	1,014
Health	4,163	2,525	689	949
<b>Total</b>	<b>271,362</b>	<b>154,977</b>	<b>104,002</b>	<b>12,383</b>

	<b>Provision at 31.12.2020</b>	<b>Net payments</b>	<b>Provision at 31/12/2021</b>	<b>Surplus (Deficit)</b>
Motor, general liability insurance	173,104	94,571	72,978	5,555
Motor, other coverage	55,828	25,390	15,493	14,946
Home	20,492	14,218	6,267	7
Health	3,223	1,718	233	1,273
<b>Total</b>	<b>252,647</b>	<b>135,897</b>	<b>94,971</b>	<b>21,781</b>

In the above tables, please note that:

- a) The column "Provision at prior year-end" shows the provision for claims pending settlement and payment in the consolidated balance sheet at that date, on the understanding that:
  - i. It does not include roadside assistance coverage and other supplementary reinsured coverage, such as claims for fines, or legal assistance. The amount of the provision for these types of coverage at each date is certain and there is no uncertainty as to their subsequent performance.
  - ii. Claims incurred but not reported (IBNR), which form part of the provisions for claims on the liabilities side of the consolidated balance sheet, are not included in the provision at the end of 2022 and 2021 in all segments, as the provision for outstanding, reported and unreported claims is calculated jointly using the methods described in Note 3-I.
  - iii. Provisions under the "Other insurance business" segment are not included, as the amounts involved are insignificant.
  - iv. Provisions for claims settlement expenses, which, together with the provision for outstanding claims and the provision for claims incurred but not reported (IBNR), make up the provision for claims on the liabilities side of the consolidated balance sheets are not included in the above tables as they are posted to meet all the internal costs of settling claims outstanding at a date on which the Group ceases operations and therefore have no further life beyond the date on which the provision is posted.

- b) The second column, "Net payments", relates to the heading "Claims and expenses paid – Direct insurance" in the consolidated statement of profit or loss for the insurance business, but counting only those claims incurred prior to the date of the provision shown in the first column of the table. Therefore, net claims payments for claims incurred in the reference year are not counted.
- c) The third column showing the provision at the end of the following year includes the amount of the provision for claims incurred in the previous year and prior years.
- d) Lastly, the fourth column, "Surplus (Deficit)", is the result of:
  - i. (+) First column showing the provision at the end of the previous financial year.
  - ii. (-) Second column showing Net payments.
  - iii. (-) Third column showing the provision at the end of the following year.

If this addition yields a positive figure, it means that the provision at the end of the previous year will show a surplus one year later, while if it is negative, it will show a deficit.

As can be seen in the following tables, the Group, due to its reserve management policies, has historically positive run-offs, with efficient management of its claims, where the performance of claims incurred (loss ratio) is linked to the Group's organic growth, with no major deviations from one year to the next. As described in Note 5 d), the Claims and Reserves Committee is the body responsible for managing the Group's reserve risk. It is entrusted with monitoring the Group's reserves and provisions to ensure adequate coverage of claims, and with approving changes in the policies for the opening and provisioning of claims for all the different levels of coverage and guarantee, thus ensuring the adequacy of reserves, in accordance with the guidelines approved by the Group's Board of Directors.

The Group has assessed the impact of the new injury scale and no significant changes in the trend of provisions are expected.



Changes in Non-Life direct insurance claims incurred, without counting reinsured coverage and roadside assistance, from the year of occurrence of the claims through to the end of financial year 2022 are as follows, including a breakdown by year of occurrence of the provision for claims for this insurance segment at year-end:

Year of occurrence	Item	Year of occurrence	Trend of claims in the years following year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	Beyond 9 years later
2012 and earlier	Provision pending	938,174	296,153	151,135	83,717	49,760	28,290	15,929	10,556	5,486	2,710	2,339
	Accumulated payments	1,446,447	1,928,909	2,013,676	2,047,460	2,064,632	2,073,890	2,078,312	2,080,895	2,083,757	2,085,157	5,972,897
	<b>Total cost</b>	<b>2,384,621</b>	<b>2,225,062</b>	<b>2,164,811</b>	<b>2,131,178</b>	<b>2,114,391</b>	<b>2,102,180</b>	<b>2,094,241</b>	<b>2,091,451</b>	<b>2,089,242</b>	<b>2,087,867</b>	<b>5,975,236</b>
2013	Provision pending	171,017	46,329	19,785	11,096	6,080	2,989	1,310	896	463	269	
	Accumulated payments	259,565	339,064	351,061	355,401	358,382	361,505	362,928	362,638	362,128	362,210	
	<b>Total cost</b>	<b>430,582</b>	<b>385,393</b>	<b>370,846</b>	<b>366,497</b>	<b>364,462</b>	<b>364,494</b>	<b>364,238</b>	<b>363,534</b>	<b>362,591</b>	<b>362,479</b>	
2014	Provision pending	181,728	52,988	24,945	14,456	7,158	4,322	3,405	1,963	988		
	Accumulated payments	240,886	320,928	335,240	341,384	345,661	348,250	348,997	349,991	349,921		
	<b>Total cost</b>	<b>422,615</b>	<b>373,917</b>	<b>360,185</b>	<b>355,841</b>	<b>352,819</b>	<b>352,572</b>	<b>352,402</b>	<b>351,954</b>	<b>350,908</b>		
2015	Provision pending	190,121	57,242	26,438	13,941	7,095	3,430	2,171	1,500			
	Accumulated payments	247,882	329,431	345,672	352,475	357,172	359,078	359,748	360,369			
	<b>Total cost</b>	<b>438,003</b>	<b>386,673</b>	<b>372,111</b>	<b>366,416</b>	<b>364,267</b>	<b>362,508</b>	<b>361,919</b>	<b>361,869</b>			
2016	Provision pending	213,455	80,001	43,518	16,746	10,027	5,860	3,505				
	Accumulated payments	254,659	337,615	359,453	373,518	380,109	383,410	385,588				
	<b>Total cost</b>	<b>468,114</b>	<b>417,615</b>	<b>402,971</b>	<b>390,265</b>	<b>390,137</b>	<b>389,270</b>	<b>389,093</b>				
2017	Provision pending	220,134	75,241	33,156	17,451	8,496	5,135					
	Accumulated payments	274,878	376,029	401,368	412,851	419,016	420,900					
	<b>Total cost</b>	<b>495,012</b>	<b>451,280</b>	<b>434,524</b>	<b>430,302</b>	<b>427,512</b>	<b>426,035</b>					
2018	Provision pending	209,500	62,410	37,441	16,940	9,852						
	Accumulated payments	302,136	413,420	440,856	453,158	457,424						
	<b>Total cost</b>	<b>511,636</b>	<b>475,830</b>	<b>478,297</b>	<b>470,098</b>	<b>467,276</b>						
2019	Provision pending	223,591	87,557	40,244	20,679							
	Accumulated payments	338,329	453,694	478,608	491,023							
	<b>Total cost</b>	<b>561,920</b>	<b>541,251</b>	<b>518,825</b>	<b>511,702</b>							
2020	Provision pending	179,604	61,587	30,598								
	Accumulated payments	279,694	365,600	384,335								
	<b>Total cost</b>	<b>459,298</b>	<b>427,187</b>	<b>414,933</b>								
2021	Provision pending	229,635	74,071									
	Accumulated payments	339,130	452,808									
	<b>Total cost</b>	<b>568,766</b>	<b>526,879</b>									
2022	Provision pending	253,580										
	Accumulated payments	371,682										
	<b>Total cost</b>	<b>625,262</b>										

### 13. Non-technical provisions

Details of the provision for tax and other legal contingencies in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	-	492
Allowances	-	-
Amounts utilised	-	(492)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

Provisions for payments under claims settlement agreements in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	21,915	16,174
Allowances	25,338	21,915
Amounts utilised	(21,915)	(16,174)
<b>Balance at the end of the year</b>	<b>25,338</b>	<b>21,915</b>

Details of other non-technical provisions in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	218	183
Allowances	780	218
Amounts utilised	(218)	(183)
<b>Balance at the end of the year</b>	<b>780</b>	<b>218</b>

The reduction in the balance of provisions is due to the payment of provisions and in no case due to a reduction in the estimate.

## 14. Tax position

Following the IPO of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros in April 2021, Bankinter, S.A. ceased to be the Parent for VAT purposes of the Insurance Group, comprising Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, and several of its subsidiaries (Línea Directa Asistencia S.L.U., Centro Avanzado de Reparaciones, CAR, S.L.U., Ambar Medline, S.L.U. and LDA Reparaciones), leading to the departure of this Insurance Group from the VAT Group 128/09. Simultaneously and uninterruptedly, the Boards of Directors of these Companies agreed to re-qualify themselves with effective date 1 April 2021 for the Special Regime of Chapter IX of the Title of Law 37/1992 on Value Added Tax, thus forming the new VAT Group 0130/21, whose Parent Company is Línea Directa Aseguradora, S.A. Insurance and Reinsurance Company.

On 22 April 2015, Línea Directa Aseguradora, S.A. notified the tax authorities of its decision to file consolidated tax returns, as permitted under the Spanish Corporate Income Tax Law, thus forming and becoming the parent of a new consolidated tax group (Tax Consolidation Group No. 486/15) comprising the following companies:

Parent	Tax no.
Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros	A80871031
Subsidiaries	Tax no.
LDActivos, S.L.U.	B86322880
Línea Directa Asistencia, S.L.U.	B80136922
Centro Avanzado de Reparaciones CAR, S.L.U.	B84811553
Ambar Medline, S.L.U.	B85658573
Moto Club LDA, S.L.U.	B83868083
LDA Reparaciones, S.L.U.	B87619961

Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2022 and 2021 at 25%.

The reconciliation between accounting profit and taxable income for income tax purposes for 2022 and 2021 is as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Statement of profit or loss</b>	<b>Income and expenses recognised directly in equity</b>	<b>Statement of profit or loss</b>	<b>Income and expenses recognised directly in equity</b>
Accounting profit/(loss) for the year	59,523	-	110,137	-
Corporate income tax	(19,235)	-	(35,043)	-
Consolidation adjustments with no tax impact	752	-	277	-
<b>Permanent differences:</b>				
Increases	2,171	-	2,865	-
Reductions	(2,021)	-	(4,072)	-
Taxable profit/(loss)	79,660	-	144,250	-
<b>Temporary differences:</b>				
Originating in the year				
Increases	22,395	97,602	2,095	1,375
Reductions	-	-	-	-
Originating in previous years				
Increases	4	-	2	-
Reductions	(1,753)	-	(6,104)	-
Tax losses carried forward	-	-	(10)	-
<b>Tax base</b>	<b>100,306</b>	<b>97,602</b>	<b>140,233</b>	<b>1,375</b>

Details of current and deferred income tax expense recognised in the consolidated statement of profit or loss for 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Current tax expense	24,299	34,049
Adjustments to deferred taxes	(5,065)	995
<b>Corporate income tax expense</b>	<b>19,235</b>	<b>35,044</b>

Income tax expense recognised in 2022 and 2021 was calculated on the basis of the taxable profit/(loss) shown in the above table, as follows:

	2022	2021
Accounting profit/(loss) before tax	78,758	145,180
Tax rate	25%	25%
Tax payable	19,689	36,295
Deductions on tax payable	(819)	(1,142)
Impact of consolidation adjustments	200	73
Adjustment for settlement of previous year CIS	(1)	122
Non-deductible expenses	543	716
Non-taxable income	(505)	(1,017)
Deductions and amounts utilised, net	128	-
Tax losses carried forward	-	(3)
<b>Corporate income tax expense</b>	<b>19,235</b>	<b>35,044</b>

### Consolidated statement of profit or loss

The increases in permanent differences in 2022 and 2021 arise from various transactions that are not deductible for income tax purposes, relating specifically to the contributions made by the Parent for contingencies under pension plans, which are not tax deductible in accordance with Article 14.2 of the Corporate Income Tax Law, and to the donations made by the Parent to Fundación Línea Directa and certain other entities.

The reductions in permanent differences in 2022 and 2021 are the product of gains arising from redemptions of equity investments in companies and private equity funds of the Parent.

The amount of temporary differences arising in the year mainly consists of adjustments to provisions, which, according to Articles 13 and 14 of the Corporate Income Tax Law, are not deductible for tax purposes, as well as the application of part of the equalisation reserve made this year. Reductions arising in prior years relate mainly to the reversal of positive adjustments in respect of non-deductible provisions.

### Income and expenses recognised directly in consolidated equity

Temporary changes originating in the year include the depreciation or revaluation of investments classified as available for sale.

### Tax assets and liabilities

Tax assets and liabilities were as follows at 31 December 2022 and 2021:

	2022	2021
<b>Tax assets</b>		
Current tax		
Withholdings for the year / Corporate income tax credit	3,397	19,916
Deferred tax		
Temporary differences	23,464	8,551
Other receivables		
Tax and social security receivable	1,265	1,040
<b>Tax liabilities</b>		
Current tax		
Corporate income tax debt		
Deferred tax		
Temporary differences	28,182	44,456
Other debts		
Personal income tax/corporate income tax/non-resident income tax payable	3,123	5,030
VAT payable	223	608
Social security payable	2,981	3,073
Insurance Compensation Consortium payable	1,596	1,496
Tax payable on insurance premiums	6,288	5,938
Other taxes payable	1,308	1,309

Current tax assets correspond to the amount of corporate income tax payable (receivable) for 2022 and 2021, net of payments on account and income tax withholdings for the year that will be settled in the following year.

The tax assets due to temporary differences relate to temporary differences arising in the year, as indicated in the reconciliation of accounting profit and the tax effect on capital losses of the "available-for-sale" investment portfolio.

Temporary differences existing at 31 December 2022 will be reversed from 2023 onwards, and deferred income tax is therefore calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the prior year (reductions).

Current tax liabilities show the amount of corporate income tax payable for the year, net of payments on account.

At 31 December 2022 and 2021 deferred tax liabilities relate to the tax effect on:

- Under PCEA, the Group recognises an equalisation reserve that is reclassified for presentation purposes in accordance with IFRS requirements. The Group bases its taxation on the PCEA. Therefore, from the balance arising from the equalisation reserve recognised under the PCEA, a deferred tax liability of € 24,137 thousand arose at year-end 2022 (2021: € 29,389 thousand), which will be settled with the tax authorities in the year in which it is applied in

accordance with the PCEA. The reduction in the amount is due to the application of part of the equalisation reserve in 2022.

- 2 The tax impact of capital gains on the "available-for-sale" investment portfolio, amounting to € 4,045 thousand at year-end 2022 (2021: € 15,066 thousand).
- 3 The tax impact of the carrying amount of certain assets acquired in 2012, 2011, 2010 and 2009 and which are fully depreciated for tax purposes, in accordance with Additional Provision 11 of the Corporate Income Tax Law, amounted to € 0 thousand (€ 0.9 thousand in 2021), as they were fully reversed in 2022.



Changes in deferred tax assets and liabilities in 2022 and 2021 are as follows:

	Balance at 31.12.2020	Originating in profit and loss		Originating in equity		Balance at 31.12.2021	Originating in profit and loss		Originating in equity		Balance at 31.12.2022
		Additions	Retiremen ts	Additions	Retiremen ts		Additions	Retire ments	Additions	Retiremen ts	
<b>Deferred assets</b>											
Positive temporary differences in assets	2,573	546	(1,544)	-	-	1,575	355	(543)	-	-	1,387
Capital losses on available-for-sale assets	800	-	-	-	(188)	612	-	-	13,380	-	13,992
Taxes deferred	6,161	-	-	-	-	6,161	-	-	-	-	6,161
Rights to deductions and rebates	81	-	-	85	(72)	94	-	-	74	-	167
Deductions to be applied	-	-	-	-	-	-	-	-	1,749	-	1,749
Tax deductions and bonuses to be credited	-	-	-	100	-	100	-	-	133	(233)	-
Temporary differences due to IFRS conversion adjustments	13	-	(4)	-	-	9	-	(2)	-	-	7
<b>Total</b>	<b>9,628</b>	<b>546</b>	<b>(1,548)</b>	<b>185</b>	<b>(260)</b>	<b>8,551</b>	<b>355</b>	<b>(545)</b>	<b>15,335</b>	<b>(233)</b>	<b>23,464</b>
<b>Deferred liabilities</b>											
Tax effect of the Equalisation Reserve	(29,389)	-	-	-	-	(29,389)	-	-	5,252	-	(24,137)
Capital gains on the portfolio of available-for-sale assets	(15,674)	-	-	531	77	(15,066)	-	-	11,021	-	(4,045)
Liabilities – temporary differences from tax deduction for maintaining jobs	(3)	-	2	-	-	(1)	-	1	-	-	-
<b>Total</b>	<b>(45,066)</b>	<b>-</b>	<b>2</b>	<b>531</b>	<b>77</b>	<b>(44,456)</b>	<b>-</b>	<b>1</b>	<b>16,272</b>	<b>-</b>	<b>(28,182)</b>

## Inspections in progress

In relation to the last tax agency's inspection of the Parent Company (income tax for years 2011, 2012 and 2013), the assessments signed in protest were appealed before the Central Tax Appeals Board (TEAC) in 2019, which delivered its decision on 13 December 2022, partially upholding the Parent Company's claim. The Parent Company now plans to lodge a contentious-administrative appeal before the National Court (Audiencia Nacional) to continue appealing the part of the claim rejected by the TEAC.

In addition to the above, the Group has analysed each uncertain tax treatment separately by virtue of IFRIC 23. The analysis revealed that it is probable that the Spanish tax authorities will accept the current tax treatments considered uncertain. Therefore, no additional contingency was disclosed at 31 December 2022 and 2021 relating to the calculation and presentation of the Group's income tax expense.

Pursuant to Inspection Order 51/2016 of 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in 2016. On 22 December 2017, the Parent was notified of the findings and the corresponding arguments were then lodged by the Company on 25 January. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds. On 27 May 2019, a lawsuit was filed with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, in which the allegations presented by the Company were partially upheld. On 9 June 2021, the Company filed an appeal in cassation before the Supreme Court for the part of the ruling that was not upheld, having been admitted for processing on 21 December 2021 and specifying that the issue does present cassational interest. On 23 September 2022, the Supreme Court ruled in favour of the Directorate's criteria.

The Board of Directors does not believe that these proceedings will ultimately result in any significant contingency, control measure or any other risks that might have a significant impact on the Group's consolidated annual accounts.

## 15. Equity

The composition and movement in equity in 2022 and 2021 is presented in the accompanying consolidated statements of changes in equity.

On 19 March 2020, the Annual General Meeting of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to € 1,184 million— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. The transaction was cleared on 22 March 2021 by the European Central Bank and by the Spanish Directorate General for Insurance and Pension Funds.

Prior to the admission of the Parent's shares to trading, on 5 April the General Shareholders' Meeting approved an extraordinary dividend of € 120 million payable to Bankinter. The Management Centre attached to the Directorate General for Insurance and Pension Funds analysed the proposal to distribute the extraordinary

dividend and raised no objection to its implementation as it will have no material effect on the Company's future solvency or its ability to protect the rights and interests of policyholders.

On 15 April 2021, the National Securities Market Commission ("CNMV") approved and registered the prospectus relating to the shares of the Parent Company ("Informative Prospectus") in the corresponding official registry, with registration number 11157. Following the aforementioned distribution and approval of the prospectus, the Company's shares were subsequently admitted to trading on the continuous market on 29 April 2021 (Note 1).

Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to € 1,184 million— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 18 March 2021, the General Shareholders' Meeting of the Parent passed the following resolutions in unison:

- i. Changing the number of shares into which the share capital of the Company is divided, so that the share capital is divided into 1,088,416,840 shares.
- ii. In accordance with Article 296 of the Capital Companies Law, increasing the share capital of the Company, charged to Voluntary reserves and Unrestricted reserves, on the basis of the consolidated financial statements closed on 31 December 2020, duly audited and approved by the general shareholders' meeting under Resolution 1, for a total of € 6,024,673.60. As a result, the Company's share capital will be increased to € 43,536,673.60 by raising the par value of the shares to € 0.005535263126 per share (taking into account the new number of shares approved, at the same time as this capital increase, in the previous paragraph, yielding a total of € 1,088,416,840 with a par value of € 0.04).

As a result, the 2,400,000 registered shares previously held by the Parent, each with a par value of € 15.63, rose to 1,088,416,840 shares, each with a par value of € 0.04.

Name of shareholder	Amount of voluntary reserve to be netted	Shares that increase in par value	Numbering (both inclusive)		Final par value per share
Bankinter, S.A.	6,024,671.09 €	1,088,416,386.00 €	1	$\begin{matrix} \uparrow \\ \circ \end{matrix}$ 1,088,416,386	0.04 €
Hispamarket, S.A.	2.51 €	454.00 €	1,088,416,386	$\begin{matrix} \uparrow \\ \circ \end{matrix}$ 1,088,416,840	0.04 €
	6,024,673.60 €	1,088,416,840.00 €			

At 31 December 2022, the Parent's share capital amounted to € 43,537 thousand and was represented by 1,088,416,840 registered shares, each having a par value of € 0.04, all fully subscribed for and paid up and conferring the same rights and obligations.

The shareholders of the Parent with a stake equal to or greater than 3% of the share capital as at 31 December 2022 and considered significant shareholders according to the regulations of the Securities Market are the following:

	<b>2022</b>	
	<b>Number of shares</b>	<b>%</b>
Carlival	212,277,276	19.50%
Bankinter	189,555,907	17.42%
Fernando Masaveu Herrero	57,919,846	5.32%
Lazard Asset Management	34,778,950	3.20%

	<b>2022</b>	
	<b>Number of shares</b>	<b>%</b>
Carlival	208,426,443	19.15%
Bankinter	189,550,907	17.42%
Fernando Masaveu Herrero	50,905,871	4.68%
Lazard Asset Management	34,778,950	3.20%

At 31 December 2022 and 2021 the Parent had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

#### a) Legal reserve

In accordance with prevailing commercial legislation, companies that obtain profits during the financial year must allocate 10% of these profits to the legal reserve until this reaches at least 20% of share capital. The legal reserve may be used to increase share capital but only in respect of the part of the reserve that exceeds 10% of share capital already increased. Aside from this purpose, and until the legal reserve exceeds 20% of share capital, it may only be used to offset losses and provided that no other reserves are available for this purpose.

At 31 December 2022 and 2021 the balance of this reserve was above the minimum requirement.

## b) Other reserves

At 31 December 2021 and 2022, these reserves were unrestricted.

The equalisation reserve set up by the Parent in the amount of € 93,608 at year-end 2022 and € 107,582 thousand at year-end 2021 will be freely available for the sole purpose of offsetting possible future excess on the claims ratio.

## c) Own shares

The balance of this sub-heading of equity in the consolidated balance sheet is shown net of equity in accordance with IAS 32 – Financial Instruments: Presentation.

Since 29 April 2021, the date of the IPO, on which the Parent was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. Thus, the number of own shares acquired by the Parent in 2021 was 795,643 shares, at an average price of € 1.57, accounting for 0.11% of the total number of issued shares.

In November 2022, the Group offered its employees a flexible share-based remuneration plan. Under this agreement, a total of 224,000 shares were purchased at an average price of € 0.99 per share, of which 204,676 were ultimately delivered.

Changes in treasury shares are as follows:

Thousand euro	Cost of purchase	Nominal value	Number of shares
<b>Balance at 1 January 2021</b>	-	-	-
Additions	1,247	32	795,643
<b>Balance at 31 December 2021</b>	<b>1,247</b>	<b>32</b>	<b>795,643</b>
<b>Balance at 1 January 2021</b>	<b>1,247</b>	<b>32</b>	<b>795,643</b>
Additions	221	9	224,000
Disposals	(450)	(18)	(362,732)
<b>Balance at 31 December 2022</b>	<b>1,018</b>	<b>24</b>	<b>656,911</b>

The breakdown of own shares at year-end 2021 and 2022 is as follows:

Acquisition date	Type of acquisition	Instruments	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
29/04/2021	Exchange	239,678	1.32	316	316
04/05/2021	Purchase	186,570	1.61	300	300
06/05/2021	Purchase	94,700	1.58	150	150
21/07/2021	Purchase	64,332	1.77	114	114
22/07/2021	Purchase	85,957	1.73	150	150
23/07/2021	Purchase	59,702	1.74	104	104
26/07/2021	Purchase	27,293	1.76	48	48
27/07/2021	Purchase	23,183	1.75	41	41
28/07/2021	Purchase	14,228	1.75	24	24
01/05/2022	Delivery	-157,593	1.57	-247	-247
11/05/2022	Sale	-463	1.26	-1	-1
26/05/2022	Sale	-1	1.32	0	0
15/11/2022	Purchase	214,000	0.99	212	212
16/11/2022	Purchase	10,000	0.94	9	9
22/11/2022	Delivered to employees	-104,529	0.99	-103	-103
22/12/2022	Delivered to employees	-100,147	0.99	-99	-99
<b>Total</b>		<b>656,911</b>	<b>1.44</b>	<b>1,018</b>	<b>1,018</b>

#### d) Interim dividend

2022

The Board of Directors, at its meetings held on 21 April 2022, 20 September 2022 and 13 December 2022, agreed to the distribution of interim dividends against 2022 profits for a total amount of € 52,481 thousand. At 31 December 2022, there were no outstanding payments.

The legally required interim accounting statement drawn up by the Group in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of those interim dividends, as follows:

Liquidity statement for the period:

	Resolution of		
	13.12.2022	20.09.2022	21.04.2022
<b>Net profit at date of resolution</b>	58,312	48,976	24,189
Less:			
Other reserves	-	-	-
Dividends paid	(44,079)	(21,770)	-
<b>Unrestricted profit</b>	<b>14,233</b>	<b>27,206</b>	<b>24,189</b>
<b>Proposal to pay interim dividends</b>	<b>8,402</b>	<b>22,309</b>	<b>21,770</b>
<b>Total dividend to be paid</b>	<b>8,402</b>	<b>22,309</b>	<b>21,770</b>
<b>Cash liquidity prior to payment</b>	<b>20,782</b>	<b>178,141</b>	<b>108,217</b>
Expected receipts less expected payments	577	(28,743)	18,514
<b>Remaining cash</b>	<b>21,359</b>	<b>149,398</b>	<b>126,731</b>

2021

At its meeting of 5 April 2021, the Board of Directors of the Parent resolved to pay an extraordinary dividend of € 120,000 thousand. This dividend was agreed prior to the IPO that took place on 29 April 2021. The dividend was fully paid as at 31 December 2021.

In addition, the Board of Directors, at its meetings held on 29 June 2021, 23 September 2021 and 13 December 2021, agreed to the distribution of interim dividends of 2021 profits for a total amount of € 77,664 thousand. At 31 December 2021, there were no outstanding payments.

The legally required interim accounting statement drawn up by the Group in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of those interim dividends, as follows:

Liquidity statement for the period:

	Resolution of		
	29.06.2021	23.09.2021	13.12.2021
<b>Net profit at date of resolution</b>	29,596	58,211	86,293
Less:			
Other reserves	(1,634)	-	-
<b>Unrestricted profit</b>	<b>27,962</b>	<b>58,211</b>	<b>86,293</b>
<b>Proposal to pay interim dividends</b>	<b>26,636</b>	<b>25,754</b>	<b>25,274</b>
<b>Total dividend to be paid</b>	<b>26,636</b>	<b>25,754</b>	<b>25,274</b>
<b>Cash liquidity prior to payment</b>	<b>61,410</b>	<b>84,669</b>	<b>144,460</b>
Expected receipts less expected payments	63,888	(17,561)	(12,634)
<b>Remaining cash</b>	<b>125,298</b>	<b>67,108</b>	<b>131,826</b>



Before passing the resolution to distribute the interim dividend, the Group requested authorisation from the Spanish Directorate General of Insurance and Pension Funds and received a positive response from the regulator.

#### e) Distribution of profits at the Parent

The proposed distribution of profit of the Parent for financial year 2022, which the Board of Directors submitted to the Annual General Meeting for its approval, is presented comparatively together with the distribution of profit for financial year 2021, as follows:

	Thousand euro	
	2022	2021
Distribution basis (Individual profit/(loss) of Línea Directa Aseguradora, S.A. de Seguros y Reaseguros)	70,681	108,115
Distributed:		
to interim dividends	52,481	77,664
to Equalisation Reserve	7,121	-
to Voluntary Reserve	9,989	8,992
to final dividend	1,090	21,459

#### f) Valuation adjustments

The main item recognised off the consolidated statement of profit or loss is the valuation adjustments made to available-for-sale assets to reflect the amount of capital gains and losses net of tax. Capital losses net of tax came to € -29,856 thousand at 31 December 2022 (€ 43,366 thousand in capital gains at 31 December 2021).

#### g) Capital adequacy

At the date of authorisation for issue of these consolidated financial statements, the Group's directors can confirm that an internal assessment of risks and solvency has been carried out and that Línea Directa Aseguradora is compliant with overall solvency requirements based on its risk profile, approved risk tolerance limits and business strategy.

The Group has implemented processes that are commensurate with the nature, scale and complexity of the risks inherent in its business and that enable it to properly identify and assess all existing or potential risks to which it may be exposed in the short and long run.

The directors do not expect to encounter any significant obstacles that might impede the Group's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of the Group's operations. The report on the financial position and solvency of Línea Directa Aseguradora for 2022 will be approved by the Board of Directors at its meeting held in March 2023.

## 16. Earnings per share

### Basic:

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year:

	2022	2021
Profit/(loss) for the year attributable to the owners of the Parent	59,523	110,137
Weighted average of shares issued (thousands of shares)	1,088,417	1,088,417
Weighted own shares (thousands of shares) (*)	(705)	(536)
Weighted average number of common shares outstanding (thousands of shares)	1,087,712	1,087,881
<b>Basic earnings per share (in euro)</b>	<b>0.05</b>	<b>0.10</b>

(\*) Refers to own shares held in treasury and weighted according to the period in which they were issued (Note 15-c).

At 31 December 2022, there were 657 thousand treasury shares (31 December 2021: 796 thousand), making the weighted average number of ordinary shares outstanding lower than the weighted average number of shares issued at that date.

### Diluted:

Diluted earnings per share are calculated by adjusting the profit for the year attributable to owners of the Parent and the weighted average number of ordinary shares outstanding for all dilutive potential ordinary shares: The dilutive effect on earnings per share at 31 December 2022 and 2021 was not material.

## 17. Segment information

Below is a breakdown of income and expenses by segment, as well as the profit/(loss) of the insurance business for the year by segment, this being a performance measure used by the Group's Management.

The breakdown of non-life insurance business income and expenses by segment, as well as the profit or loss for the year by segment, for the years ended 31 December 2022 and 2021 is as follows:

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

## 2022

	Motor	Home	Health	Other insurance businesses	Consolidated
Total premiums earned, net of reinsurance	753,278	129,799	16,505	1,065	900,647
Total claims incurred in the period, net of reinsurance	(585,329)	(81,840)	(14,321)	(10)	(681,500)
Profit sharing	-	-	-	(637)	(637)
Total net operating expenses	(150,800)	(41,989)	(9,327)	(66)	(202,182)
Other income and expense for the non-life insurance business	17,506	(241)	(243)	-	17,022
<b>Technical profit/(loss)</b>	<b>34,655</b>	<b>5,729</b>	<b>(7,386)</b>	<b>352</b>	<b>33,350</b>
Total investment income	63,773	5,717	2,872	44	72,406
Total investment expenses	(32,433)	(177)	(22)	(1)	(32,633)
<b>Income from the non-life insurance business account</b>	<b>65,995</b>	<b>11,269</b>	<b>(4,536)</b>	<b>395</b>	<b>73,123</b>

## 2021

	Motor	Home	Health	Other insurance businesses	Consolidated
Total premiums earned, net of reinsurance	747,292	119,067	14,981	1,388	882,728
Total claims incurred in the period, net of reinsurance	(518,866)	(66,003)	(12,951)	-	(597,820)
Profit sharing				(594)	(594)
Total net operating expenses	(154,310)	(39,888)	(9,147)	(113)	(203,458)
Other income and expense for the non-life insurance business	22,877	(5)	(93)	-	22,779
<b>Technical profit/(loss)</b>	<b>96,993</b>	<b>13,171</b>	<b>(7,210)</b>	<b>681</b>	<b>103,635</b>
Total investment income	50,352	5,016	2,479	57	57,904
Total investment expenses	(23,040)	(179)	(22)	(2)	(23,243)
<b>Income from the non-life insurance business account</b>	<b>124,305</b>	<b>18,008</b>	<b>(4,753)</b>	<b>736</b>	<b>138,296</b>

Given the type of products marketed by the Group and the segments in which it operates, there are no individual customers that can be considered significant in terms of concentration of ordinary revenues.

The amount of Other income and expenses in the consolidated statement of profit or loss, for the years ended 31 December 2022 and 2021, is as follows:

	2022	2021
Other income	7,536	10,345
Other expenses	(1,901)	(3,461)
<b>Profit/(loss) from other activities</b>	<b>5,635</b>	<b>6,884</b>

Details of "Other income" are shown in Note 20.

The breakdown of investment income and expenses of the consolidated non-life insurance business by segment for the years ended 31 December 2022 and 2021 is as follows:

<b>2022</b>					
	<b>Motor</b>	<b>Home</b>	<b>Health</b>	<b>Other insurance businesses</b>	<b>Consolidated</b>
<b>Income from investments in property, plant and equipment</b>	<b>3,678</b>	<b>628</b>	<b>80</b>	<b>5</b>	<b>4,391</b>
<b>Income from financial investments</b>	<b>26,605</b>	<b>5,089</b>	<b>2,792</b>	<b>39</b>	<b>34,525</b>
<b>Gains/(losses) on realisation of investments</b>	<b>33,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,490</b>
On investments in property, plant and equipment	-	-	-	-	-
Financial investments	33,490	-	-	-	33,490
<b>Total investment income</b>	<b>63,773</b>	<b>5,717</b>	<b>2,872</b>	<b>44</b>	<b>72,406</b>
<b>Investment management expenses</b>	<b>(6,098)</b>	<b>(177)</b>	<b>(22)</b>	<b>(1)</b>	<b>(6,298)</b>
Expenses from managing investments in property, plant and equipment	(3,043)	(177)	(22)	(1)	(3,243)
Expenses from managing financial investments	(3,055)	-	-	-	(3,055)
<b>Investment valuation adjustments</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
Depreciation of investments in property, plant and equipment	(28)	-	-	-	(28)
<b>Losses on investments</b>	<b>(26,307)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,307)</b>
Losses on investments in property, plant and equipment	-	-	-	-	-
Losses on financial investments	(26,307)	-	-	-	(26,307)
<b>Total investment expenses</b>	<b>(32,433)</b>	<b>(177)</b>	<b>(22)</b>	<b>(1)</b>	<b>(32,633)</b>

<b>2021</b>					
	<b>Motor</b>	<b>Home</b>	<b>Health</b>	<b>Other insurance businesses</b>	<b>Consolidated</b>
<b>Income from investments in property, plant and equipment</b>	<b>3,633</b>	<b>567</b>	<b>71</b>	<b>7</b>	<b>4,278</b>
<b>Income from financial investments</b>	<b>24,566</b>	<b>4,449</b>	<b>2,408</b>	<b>50</b>	<b>31,473</b>
<b>Gains/(losses) on realisation of investments</b>	<b>22,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,153</b>
On investments in property, plant and equipment	21	-	-	-	21
Financial investments	22,132	-	-	-	22,132
<b>Total investment income</b>	<b>50,352</b>	<b>5,016</b>	<b>2,479</b>	<b>57</b>	<b>57,904</b>
<b>Investment management expenses</b>	<b>(7,588)</b>	<b>(179)</b>	<b>(22)</b>	<b>(2)</b>	<b>(7,791)</b>
Expenses from managing investments in property, plant and equipment	(3,042)	(179)	(22)	(2)	(3,245)
Expenses from managing financial investments	(4,546)	-	-	-	(4,546)
<b>Investment valuation adjustments</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
Depreciation of investments in property, plant and equipment	(28)	-	-	-	(28)
<b>Losses on investments</b>	<b>(15,424)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,424)</b>
Losses on investments in property, plant and equipment	(7)	-	-	-	(7)
Losses on financial investments	(15,417)	-	-	-	(15,417)
<b>Total investment expenses</b>	<b>(23,040)</b>	<b>(179)</b>	<b>(22)</b>	<b>(2)</b>	<b>(23,243)</b>

## 18. Reinsurance activities

The results of ceded and retroceded reinsurance activities in 2022 and 2021 are as follows:

	2022	2021
Premiums from ceded reinsurance	(26,139)	(23,392)
Change in the provision for unearned premiums, reinsurers' share	274	575
Benefits paid under ceded reinsurance	14,438	9,960
Change in the provision for benefits under ceded reinsurance	(1,164)	7,101
Reinsurer's share of fees and expenses	4,232	5,024
<b>Profit/(loss) from ceded and retroceded reinsurance</b>	<b>(8,359)</b>	<b>(732)</b>

## 19. Other operating expenses

Below is a breakdown of net operating expenses by type and purpose for 2022 and 2021:

Operating expenses by purpose:

	2022	2021
<b>Operating expenses by purpose</b>		
Claims-related expenses	(127,543)	(116,393)
Acquisition expenses	(180,371)	(181,972)
Administration expenses	(26,043)	(26,510)
Investment costs	(6,298)	(7,791)
Other technical expenses	(5,728)	(1,711)
Other non-technical expenses	(1,901)	(3,461)
<b>Total operating expenses by purpose</b>	<b>(347,884)</b>	<b>(337,838)</b>

## Operating expenses by type:

	2022	2021
<b>Operating expenses by type</b>		
Fees and other portfolio expenses	(39,070)	(40,328)
Staff expenses (Note 23-b)	(126,040)	(117,147)
External services	(161,471)	(157,641)
Leases	(764)	(725)
Repair and maintenance work (premises and properties)	(2,281)	(2,546)
Other IT services	(27,399)	(26,238)
Utilities and supplies	(5,072)	(4,088)
Advertising and publicity	(49,692)	(47,559)
Public relations	(662)	(492)
Independent professional services	(1,677)	(991)
Other services	(73,924)	(75,002)
Taxes	(610)	(609)
Depreciation and amortisation (Notes 8, 9 a) and 10)	(10,124)	(10,785)
Expenses recognised directly to purpose	(10,569)	(11,328)
<b>Total operating expenses by type</b>	<b>(347,884)</b>	<b>(337,838)</b>

Each expenditure heading in the above table corresponds to the corresponding expenditure type as per its description. "Other services" shows expenses incurred by subsidiaries for services associated with claims incurred in the policy portfolio of the Group's parent, such as services rendered by crane drivers and vehicle inspectors, which are allocated to "Claims-related expenses" on the statement of profit or loss of the Group's non-life insurance business.

The statement of profit or loss shows expenses by purpose, i.e. on the basis of their function in the operating cycle of the insurance business (expenses attributable to claims, acquisition of insurance contracts, administrative activities, investments or other technical items).

Expenses are initially recognised by type, and are then reclassified to purpose if their purpose does not coincide with their type. The reclassification made under the following headings is shown below:

- 1) Claims-related expenses. Shows the expenses of claims handling staff, depreciation of fixed assets assigned to claims management, fees paid for claims management and expenses incurred for other services necessary for claims handling.
- 2) Net operating expenses. This heading includes:
  - Acquisition expenses. Showing fees and commissions, production staff costs, depreciation of fixed assets assigned to this activity, costs of studying and processing applications and drawing up policies, as well as advertising,

propaganda and commercial organisation costs directly related to the acquisition of insurance contracts.

- Administration expenses. These mainly include the costs of staff engaged in these functions and depreciation of the fixed assets assigned to this activity, as well as costs of litigation related to premiums and costs of handling claims and of ceded and accepted reinsurance.
- 3) Investment costs. These include the costs of investment management staff, depreciation of fixed assets assigned to this activity and other internal and external investment management expenses, the latter including fees, commissions and brokerage fees accrued.
  - 4) Other technical expenses are those belonging to the statement of profit or loss for the non-life insurance business that cannot be allocated to one of the above-mentioned purposes. They are mainly general management expenses.

## 20. Other income

Details of other income in the statement of profit or loss for other activities is as follows:

	2022	2021
<b>Other income from other activities</b>		
Intermediation income from credit cards and other insurers' policies	547	613
Commission payment for Insurance Compensation Consortium	629	596
Income from bank branch management	1,069	868
Income from management expenses passed on	44	231
Income from profit sharing in businesses delivered to Bankinter	450	957
Reclassified non-technical income	4,797	7,080
<b>Total Other income from other activities</b>	<b>7,536</b>	<b>10,345</b>

The sub-heading "Non-technical income reclassified" shows income from Subsidiaries that is not eliminated upon consolidation, as well as other ancillary insurance income.

## 21. Pension commitments

### a) Defined contribution

Under the terms of the collective bargaining agreement for the industry, the Group is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a life risk insurance policy renewable annually. This policy generated staff expenses for premiums paid of € 593 thousand in 2022 and € 306 thousand in 2021.



The collective bargaining agreement also imposes a savings and pension insurance obligation. For employees hired on or after 1 January 2017 and those who have voluntarily opted to transfer to this new system (approximately 95% of the total workforce), the Group has externalised the obligations by arranging a new insurance contract as an alternative to the existing defined benefit policy. This new contract is for a defined contribution policy covering more contingencies than the old system. The initial effective date of the commitments under the new policy is 1 January 2018 for all staff members concerned.

To ensure the effective transfer of the mathematical reserve set up for this group under the old plan, this reserve was surrendered and a premium covering the value of this reserve was then contributed to the new defined contribution policy. This policy resulted in staff expenses for premiums paid of € 739 thousand in 2022 (2021: € 708 thousand) and a mathematical provision of € 5,602 thousand at 31 December 2022 (31 December 2021: € 4,845 thousand).

No policy surrenders took place in 2022 or 2021. All the premiums for 2022 were paid in December 2022. All the premiums for 2021 were paid in December 2021.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2022, this policy accrued premiums of € 626 thousand and its mathematical provision at year-end amounted to € 9,554 thousand. A surrender totalling € 1,102 thousand also took place during the period. In 2021, this policy accrued premiums of € 1,118 thousand and its mathematical provision at year-end was € 11,677 thousand. The contributions made to this policy are entirely voluntary for the Group and are made at the discretion of the Board of Directors.

The Group also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of € 66 thousand in 2022 and its mathematical provision at year-end came to € 704 thousand. In 2021, the policy accrued premiums of € 107 thousand and its mathematical provision at year-end was € 630 thousand.

## b) Defined benefit

For those employees hired prior to 1 January 2017 and who have decided not to migrate to the new system under the collective agreement, there is an obligation to pay a retirement bonus that will only be collected if the employee retires at the corresponding ordinary age at any given time and does so while in the entity's active employ. This obligation is externalised in the form of a matching policy and therefore the Group does not recognise any provision in its consolidated financial statements.

In 2022 and 2021, the Company made contributions only for those employees hired prior to 1 January 2017 and who chose not to avail themselves of the new

system, with total premium payments of € 105 thousand and € 246 thousand, respectively.

The present value of commitments made by the Company for post-employment benefits at 31 December 2022 was € 644 thousand, compared to € 628 thousand at 31 December 2021. These amounts include the outstanding mobilisation rights of employees who decided to join the new plan as of 1 January 2018. In 2022 and 2021, there were redemptions of € 50 thousand and € 37 thousand respectively.

Defined benefit pension obligations are externalised through group life insurance contracts, which allocates investments whose flows coincide in both time and amount with the amounts and timing of the insured benefits.

The present value of the commitments has been determined by independent qualified actuaries, who have applied the following actuarial assumptions for their quantification:

Actuarial assumptions	2022	2021
Technical interest rate	Based on year in which premium is issued	Based on year in which premium is issued
Mortality tables	GR95 for the initial segment. For new additions since 2005, PERMF 2020 for the Línea Directa Aseguradora policies and PERMF 2020 for Línea Directa Asistencia policies.	GR95 for the initial segment. For new additions since 2005, PERMF 2020 for the Línea Directa Aseguradora policies and PERMF 2020 for Línea Directa Asistencia policies.
Annual wage growth rate	Línea Directa Aseguradora: 1.44% Línea Directa Asistencia: 3.1%	Línea Directa Aseguradora: 1.5% Línea Directa Asistencia: 1.9%

At 31 December 2022 and 2021, there were no accrued contributions outstanding.

## 22. Related party transactions

"Related parties", in addition to the dependent and associated entities, are considered the "key personnel" of the Management of the Group (members of its Board of Directors and the Management Committee), as well as the shareholders who may directly or indirectly exercise control of the Group, as well as those or a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information of the related transactions to be provided by companies issuing securities admitted to trading on official secondary markets.

Following the admission to listing of Línea Directa Aseguradora on 29 April 2021, the Bankinter Group and all the companies comprising that group are considered Significant Shareholders. Prior to that date, the Línea Directa Group was part of the Bankinter Group, which held a 99.99% stake. From the day of admission to trading until

31 December 2022, and as indicated in Note 15, Bankinter's stake dropped to 17.42% and it has had no seat on the Group's Board of Directors since the date of the IPO.

In 2022 and 2021, there were no intercompany transactions between Group companies that were not eliminated on consolidation.

#### a) Direct insurance transactions

##### Insurance brokerage fees

Insurance brokerage fees accrued in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Significant shareholders	5,909	6,039
<b>Total</b>	<b>5,909</b>	<b>6,039</b>

##### Issuance of insurance premiums

The following table shows insurance premiums issued in 2021 and 2020:

	<b>2022</b>	<b>2021</b>
Significant shareholders	1,037	1,332
<b>Total</b>	<b>1,037</b>	<b>1,332</b>

#### b) Transactions due to services rendered and received

This heading shows the aggregate amount of income and expenses recognised in the consolidated statement of profit or loss or other consolidated comprehensive income that concerns related party transactions.

	<b>Significant shareholders</b>	
	<b>2022</b>	<b>2021</b>
Services received	1,546	1,478
Finance costs	479	391
<b>Total expenses</b>	<b>2,025</b>	<b>1,869</b>
Services rendered	880	1,573
Finance income	801	677
<b>Total income</b>	<b>1,681</b>	<b>2,250</b>

The amounts of expenses and income with significant shareholders relate to transactions with Bankinter Group companies that were carried out at arm's length.

Within expenses, "Services received" corresponds mainly to brokerage commissions for the sale of insurance policies in the Home segment. Meanwhile, financial expenses relate mainly to financial services, such as fees and commissions for managing receipts and for collecting card-based payments of insurance policy receipts.

Income from services rendered largely relates to remuneration under collaboration agreements for the marketing, sale and issuance of "Affinity" cards and the provision of personalised offers of financial products and services intended for the Group's existing policyholders.

Interim dividends totalling € 52,481 thousand were announced in 2022. As indicated in Note 15-d, in 2021 an extraordinary dividend of € 120,000 thousand and interim dividends of € 77,664 thousand were announced for that year. No interim dividends were announced in 2020.

#### c) Balances with related parties on the consolidated balance sheet

The following table shows the relevant headings of the consolidated balance sheets at 31 December 2022 and 2021:

		Significant shareholders	
	Note	2022	2021
Assets			
Available-for-sale financial assets			
I. Equity instruments	7 a)	10,175	9,950
II. Fixed-income securities	7 a)	3,475	4,181
Cash and cash equivalents			
Cash and cash equivalents	6	26,362	70,373
Other receivables			
Other receivables	7 a)	447	(419)
Other assets			
Accruals		34	34
Total asset balances		40,493	84,119
Liabilities			
Due to group companies and associates	7-b	-	56
Total liability balances		.	56

#### d) Remuneration and other benefits of the Board of Directors

The remuneration accrued by the Group's directors and senior management in 2022 amounted to € 1,104 thousand and € 4,052 thousand, respectively (€ 1,133 thousand and € 3,029 thousand, respectively, in 2021), broken down as follows:

2022:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated benefits	Total
Senior Management	3,419	380	191	-	62	4,052
Directors	830	22	31	221	-	1,104
<b>Total</b>	<b>4,249</b>	<b>402</b>	<b>222</b>	<b>221</b>	<b>62</b>	<b>5,156</b>

2021:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated benefits	Total
Senior Management	2,332	440	190	-	67	3,029
Directors	816	74	26	209	8	1,133
<b>Total</b>	<b>3,148</b>	<b>514</b>	<b>216</b>	<b>209</b>	<b>75</b>	<b>4,162</b>

Senior Management comprises the Group's Management Team, without counting the current CEO and the former Chairman, who are named as directors, along with their fellow directors.

The Directors section includes the remuneration of the members of the Board of Directors in their capacity as such and for their executive functions. Remuneration for executive functions includes, in particular, that paid to the former Chief Executive Officer for the period running from 1 January 2022 to 17 February 2022, as well as the remuneration paid to the current Chief Executive Officer for her current functions as of 17 February 2022. The table does not include the remuneration received by the former Chief Executive Officer upon leaving the Company, who in 2022 received € 405 thousand for this item, with a total of € 270 thousand outstanding over the following three years.

The "Fixed salary" item of Senior Management includes the amounts accrued for the departure of members of the Management Committee, in accordance with prevailing law and regulations.

The item "Variable salary" does not include amounts accrued during the year that are to be deferred to future years and which are subject to malus and clawback clauses. In 2022, the variable salary to be deferred over the next three financial years amounted to € 159 thousand for Senior Management. In the case of the Chief Executive Officer, the portion shown in the table relates to the non-deferred accrued portion of their salary, having accrued another portion in shares. The amount to be deferred over the following three years amounts to € 29 thousand, half of which will be received in cash and the other half in kind. The variable salary not included in the table above for 2021 that is deferred over the following three years amounts to € 293 thousand for Senior Management and € 39 thousand for the directors.

The heading "Allowances" shows, in 2021, the amounts received by all individuals that held the position of Board member during the year, including the € 26

thousand received by two directors who stood down following the filing of the IPO prospectus with the CNMV.

The item "Consolidated social security" includes a defined contribution savings and retirement scheme in the form of a savings policy for the Group's Senior Management. The savings policy for the Group's Senior Management accrued € 62 thousand in 2022 and its mathematical provision at year-end came to € 664 thousand. In 2021, it accrued premiums of € 67 million and its mathematical provision at year-end was € 631 million. These premiums do not include any voluntary contributions made by the executives.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management and the CEO. These defined contribution policies are also externalised and regular contributions are made for the different members of the group (Note 21). In 2022, this policy generated premium payments of € 626 thousand (€ 1,118 thousand in 2021) and € 1,102 thousand was surrendered, while in 2021 there were no surrenders. The mathematical provision for pensions for members of Senior Management amounted to € 9,554 thousand at 31 December 2022 (€ 11,677 thousand in 2021). The contributions made are not shown in the table above because they are non-vested remuneration, since there are events and circumstances that may entail their non-payment in the future.

In 2022 and 2021, the Group paid € 55 thousand in D&O insurance premiums for members of Senior Management and other executives with decision-making powers at the Group.

At 31 December 2022 and 2021, no advances or loans had been granted by the Parent to the members of its Board of Directors or Senior Management and no obligations had been assumed on their behalf as way of guarantee or collateral.

## 23. Other information

### a) Guarantees with third parties

The amount of guarantees committed to third parties at 31 December 2022 and 2021 amounts to € 1,874 thousand, relating mainly to a guarantee facility for investment in advertising. Further, € 701 thousand was committed in respect of a facility for court deposits and bonds covering claims at 31 December 2022 (31 December 2021: € 362 thousand). At 31 December 2022, the Group had submitted guarantees and deposits under office rental agreements amounting to € 121 thousand (31 December 2021: € 27 thousand), maturing annually.

### b) Staff expenses and average number of employees

The breakdown of staff expenses in 2021 and 2020 is as follows:

	2022	2021
Wages and salaries	93,716	86,064
Termination benefits	5,270	1,926
Social security contributions and others	27,054	29,157
<b>Total personnel expenses</b>	<b>126,040</b>	<b>117,147</b>

The average number of Group employees on the payroll in 2022 and 2021, broken down by occupational category, is as follows:

	2022			2021		
	Total	Female	Male	Total	Female	Male
Managers	71	36	35	70	35	35
Senior sales reps/technicians	361	171	190	360	176	184
Sales reps/technicians	695	420	275	698	419	279
Staff	1,411	833	578	1,452	851	601
<b>Total</b>	<b>2,538</b>	<b>1,460</b>	<b>1,078</b>	<b>2,580</b>	<b>1,481</b>	<b>1,099</b>

Meanwhile, the distribution by gender of the Group's employees and directors, broken down by category and gender, was as follows at 31 December 2022 and 2021:

	2022			2021		
	Total	Female	Male	Total	Female	Male
Directors	7	4	3	6	3	3
Managers	74	37	37	70	35	35
Expert professionals	356	169	187	365	176	189
Professionals	676	412	264	705	422	283
Staff	1,394	814	580	1,436	847	589
<b>Total</b>	<b>2,507</b>	<b>1,436</b>	<b>1,071</b>	<b>2,582</b>	<b>1,483</b>	<b>1,099</b>

The average number of employees with a degree of disability greater than or equal to 33% in 2022 was 39 (2021: 40).

### c) Share-based remuneration plan

The Group's Chief Executive Officer and members of the Management Committee are included in an extraordinary remuneration plan of the Group, consisting of the delivery of shares over the three years following the IPO. The Plan was approved at the Annual General Meeting held on 18 March 2021, which was set as the award date of the Plan. It is intended to motivate and build the loyalty of plan members by offering them the option of receiving a certain number of shares within the three years following the date of the Company's stock market listing. The main features of the plan are as follows:



- iii. The number of shares to be delivered per participant is the result of dividing € 100 thousand by the average share price over the 30 trading days following the date of the IPO. As this average price was € 1.6339, the number of shares to be delivered is 61,203 shares per participant. With 13 participants, the plan will entail the delivery of a total of 795,639 shares worth € 1,300 thousand.
- iv. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (April 29, 2022), the second batch of 33% on the second anniversary (April 29, 2023), and the remaining 34% on the third anniversary (April 29, 2024). The requirement for the delivery of each batch of shares is that the subject must remain with the Company on the date of each of the three anniversaries, unless otherwise agreed, and without prejudice to the lock-up requirement in respect of those shares already received should the subject leave the Company, unless they are recouped under the terms of the "clawback" clause.

The cost of the programme for the Group is recorded as a staff expense with a balancing entry in a reserve for own shares in equity in the consolidated balance sheet. This expense will be progressively written off on the three anniversaries as and when the shares are delivered to the employees.

At 31 December 2021 and 2022, the staff expense accrued and recognised amounted to € 956 thousand. This allocation was made on the assumption that all plan members would meet the tenure condition on each anniversary.

The value of the incentive to be received in shares of the Parent is assessed on the basis of the fair value of the equity instruments allocated at the grant date, considering the terms and conditions of the Plan. The number of equity instruments included when determining the amount of the transaction is adjusted each year through to the vesting date.

The Parent has 637,586 treasury shares available for the remuneration plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, the Parent has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. The average purchase price of these shares was € 1.57 per share. Some shares were delivered in 2022, while the others are shown in equity (Note 15-c).

Of the 13 participants in the Remuneration Plan, 12 are employees of the Parent, while one of them is employed by another Group company, namely Línea Directa Asistencia.

The Parent will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

#### d) Employee share plans under the Flexible Remuneration programme.

At the end of 2022, employees were offered the opportunity to partake in a share purchase plan as part of their flexible remuneration. The plan was aimed at all employees of the Parent Company (not including other group companies) with a minimum of six months' tenure, and did not apply to members of the Board of Directors.

It was a one-off programme lasting two months (November and December 2022) aimed at facilitating the acquisition of Línea Directa shares among employees through a flexible remuneration programme subject to a beneficial tax regime. The conditions for being able to include the plan in the flexible remuneration programme were as follows: the amount to be allocated would be capped at € 12,000 per year, the shares must be held for three years, and the delivery may not exceed the upper limit for overall remuneration in kind of 30% of the total remuneration, nor may the minimum wage be affected in any way.

The Plan was launched at a 5% discount on the share price. The Plan was approved by the Board of Directors in September and October 2022, following a report by the Appointments, Remuneration and Corporate Governance Committee.

Changes in treasury shares under the employee share ownership plan are as follows:

Acquisition date	Type of acquisition	Instruments	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
15/11/2022	Acquisition under the employee programme	214,000	0.99	210	210
16/11/2022	Acquisition under the employee programme	10,000	0.94	9	9
22/11/2022	Delivered to employees	-104,529	0.96	-100	-100
22/12/2022	Delivered to employees	-100,147	1.00	-100	-100
<b>Total</b>		<b>19,324</b>	<b>4</b>	<b>19</b>	<b>19</b>

#### e) Services provided to the Company

The following is a breakdown of the audit fees and other services provided by PricewaterhouseCoopers Auditores, S.L. during the year for the consolidated and separate financial statements of the consolidated companies (fees excluding expenses and VAT):

	2022	2021
Audit services	241	250
Other services required by law	111	100
Other attest services	45	43
<b>Total audit and related services</b>	<b>397</b>	<b>393</b>
<b>Total professional services</b>	<b>397</b>	<b>393</b>

The heading "Other services required by law" mainly shows the fees for the review of the report on the financial position and solvency of the Group and its subsidiaries, as well as for the independent external attest service under limited assurance of the Non-Financial Statement (NFS).

The main items included under "Other attest services" relate to the issuance of the agreed-upon procedures report on the Group's Internal Control over Financial Reporting (ICFR) system, the limited review of the condensed consolidated interim financial statements for the year and limited reviews of the Group's subsidiaries.

#### f) Information on the environment and on greenhouse gas emission allowances

The Group did not make any investments or incur any expenses in relation to environmental protection activities in 2022 or 2021.

The Group's directors consider that no significant contingencies exist when it comes to environmental protection and improvement and did not consider it necessary to post any provision for environmental risks and expenses at 31 December 2022 or 2021.

No amount was allocated to those items, nor was there any changes in expenses or provisions in 2022 and 2021, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

#### g) Information on conflicts of interest affecting directors and their related persons

At the end of 2022 and 2021, none of the Group's directors, nor any person related to them within the meaning of Law 229 on Public Limited Companies, notified the other directors of any conflict they may have, either directly or indirectly, with the Group's own interests.

#### h) Customer Service Department

The Customer Service Department operates in compliance with Order ECO 734/2004, of 11 March, on customer care departments and services of financial institutions, which seeks to regulate the requirements all such departments and services must meet.

The aim of the Customer Service Department (CCS) and the Consumer Ombudsman is to address and resolve any complaints or claims that any individual or legal entity may submit to the Company, guided by the principles of impartiality, speed, economy, publicity, due process and efficiency, and acting with total autonomy in respect of the Company's other departments with regard to the criteria and guidelines to be applied in discharging its functions so as to ensure fully independent decision-making.

In 2022, a total of 5,809 incidents were handled (6,207 incidents in 2021), 398 (6.85%) of which qualified as complaints (374 (6.03%) complaints in 2021) and 5,411 (93.15%) as claims (5,833 (93.97%) claims in 2021). Of the total, 20.86% related to Policy quoting and management, 69.48% to Accident management and 3.10% to the Roadside assistance service (2021: 23.23%, 68.52% and 2.66%, respectively).

The breakdown by type of case managed by the Group in 2022 and 2021 is as follows:

	<b>2022</b>		<b>2021</b>	
	Number	% of total	Number	% of total
Complaints	398	7%	374	6%
Claims	5,411	93%	5,833	94%
<b>Total cases handled</b>	<b>5,809</b>	<b>100%</b>	<b>6,207</b>	<b>100%</b>

The breakdown by department of the cases generated by the Group in 2022 and 2021 is as follows:

	<b>2022</b>		<b>2021</b>	
	Number	% of total	Number	% of total
Quotations and Policy Management	1,212	21%	1,442	23%
Accident management	4,036	69%	4,253	68%
Roadside assistance service	180	3%	165	3%
Other	381	7%	347	6%
<b>Total cases handled</b>	<b>5,809</b>	<b>100%</b>	<b>6,207</b>	<b>100%</b>

Main issues raised by customers:

1. Rejection of damage claim following expert inspection.
2. Delays in processing and repairing damage.
3. Policy exclusions.
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2022, 82.10% (73% in 2021) have been considered estimated and 38.13% valid (35.28% in 2021).

In 2022, a total of 428 cases were heard by the Consumer Ombudsman (801 cases in 2021). A decision was handed down against the insured claimants in 32.94% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 67.06% of decisions went with the policyholder in 2022, while in 2021 this figure was 41.82%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. It also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

#### i) Average supplier payment period

The following table provides the information required under Final Provision Two of Law 31/2014, of 3 December.

	<b>2022</b>	<b>2021</b>
	<b>Days</b>	<b>Days</b>
Average supplier payment period*	18.55	17.29
Ratio of transactions paid*	18.51	17.26
Ratio of transactions outstanding*	20.24	17.89
	<b>Amount (in thousand euro)</b>	<b>Amount (in thousand euro)</b>
Total payments made	334,881	313,571
Total payments outstanding	7,859	14,623

(\*) When a figure is shown in brackets, it means that the amount is negative, representing either a faster average payment in relation to the maximum payment period prescribed by law, or otherwise that the outstanding transactions are, on average, at a point in time prior to reaching that maximum period.

	<b>2022</b>
	<b>Days</b>
Invoices paid within the legal limit	112,931
Percentage of total invoices	90.58%
Total invoices	124,682
	<b>Amount (in thousand euro)</b>
Monetary volume within legal limit	278,227
Percentage of total monetary value of payments to suppliers	81.18%
Total monetary value of invoices	342,740

The data shown in the above tables on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2022 and 2021.

The term "average payment period to suppliers" means the time taken in paying, or the delay in paying, trade payables. This "average payment period to suppliers" is calculated as a ratio where the numerator is the sum of the ratio of transactions paid divided by the total amount of payments made plus the ratio of transactions outstanding divided by the total amount of payments outstanding, while the denominator is the total amount of payments made divided by the amount of payments outstanding.

The ratio of transactions paid is calculated as a ratio where the numerator is the sum of the products corresponding to the amounts paid divided by the number of days of payment (difference between the calendar days running from the end of the maximum legal payment period through to effective payment of the transaction), while denominator is the total amount of payments made.

Meanwhile, the ratio of transactions pending payment is a ratio where the numerator is the sum of the products corresponding to the amounts pending payment, divided by the number of days pending payment (difference between the calendar days running from the end of the maximum legal payment period through to the close date of the consolidated financial statements), and the denominator is the total amount of payments pending.

In September 2022, Law 18/2022 amended Additional Provision Three, on the duty to disclose information contained in Law 15/2010, which in turn amended Law 3/2004, on measures to combat late payment in commercial transactions. This amendment states that listed companies must publish on their website, in addition to the average payment period, the monetary volume and the number of invoices paid in a period shorter than the legal maximum period, as well as the ratio of those invoices to the total number of invoices and the total monetary amount of payments made to suppliers.

## 24. Events after the reporting period

No significant events have occurred after the end of 2022 and up to the date of authorisation for issue of these consolidated financial statements.



linea directa



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Bienvenido

# Consolidated Management Report



## 11. COMPANY OVERVIEW

### 1.1 Business model

Línea Directa Aseguradora has a profitable and sustainable business model that generates value for shareholders, customers, suppliers, employees and society. The strategy that underpins it is founded on those pillars that identify and differentiate the Línea Directa Group in the market and that the company summarises in **"The value of being direct"**, which refers to its direct insurance marketing model, **with no middlemen, recurrent and solid growth, technical excellence, customer focus, quality of service** and a **vocation for innovation**. The Group's mission, vision and corporate purpose, defined as **"Innovate, protect and bring closer"**, guide this corporate strategy.

#### The direct model

Línea Directa Aseguradora started its activity in 1995 with a **disruptive business model based on eliminating the middleman and direct marketing** and that, thanks to the advantages for both the company and its customers, quickly turned the company into a success story in the Spanish insurance market.

The company operates without offices or intermediaries, using **exclusively telephone and digital channels**, centralising all its operations at its headquarters in Tres Cantos (Madrid). Together with a flat organisational structure, technical excellence and the advanced digitalisation of its processes, this allows the Línea Directa Group to be more efficient and competitive with respect to the intermediary, more traditional model, as it passes on these internal savings to the customer in the form of complete products

and an extraordinary quality of service at more competitive prices.

Thanks to this, Línea Directa Aseguradora has maintained sustained and recurrent growth throughout its 27 years of activity, among the highest in the industry, with premium income exceeding **€946 million** and a customer base of **more than 3.4 million policyholders** at the end of 2022. This places the company in **13th place in the ranking of Non-life entities in Spain** by premium income.

#### Focus on the customer

One of the priority strategies of Línea Directa Aseguradora is to maintain robust growth and differentiate itself from the market, accelerating the generation of new business and increasing the loyalty of its policyholders, placing the focus of the entire corporate strategy on the customer.

For this purpose, the organisational structure was reorganised in 2022, whereby the **Motor and Home business areas were integrated** and organised into two new areas. Firstly, the **Customer Area**, responsible for **attracting new business and new customers**. Secondly, the **Portfolio Area**, an area responsible for fostering a more continuous and closer relationship with customers, **strengthening and securing the long-term loyalty of policyholders**.

Línea Directa Aseguradora has not only achieved outstanding growth over time with respect to the market, but also has one of the highest policyholder retention rates. The **excellent loyalty of its policyholders** comes from a highly competitive product range, based on policies with broad and differential coverage, a high quality of customer service and an excellent user experience thanks to the growing offer of agile and useful digital services.

The Group reinforces that range of products and services with a **loyalty programme**, through which Línea Directa policyholders can access a wide range of discounts, promotions and commercial benefits. By the end of 2022, **580,153 customers joined the programme**.

### Technical excellence

Another strategic priority of the Línea Directa Group is the continuous improvement of its levels of **efficiency and** therefore of **profitability**.

The company has a sophisticated underwriting and pricing model that allows it to offer each customer a personalised price, tailoring the product and rates to the customer's circumstances, risk and needs, while ensuring greater control over claims experience. Additionally **claims costs are kept under control** thanks to structural capabilities such as a close relationship with suppliers and a differential system for spare parts management, and strict control of overhead expenses.

All this has led to **business margins recurrently higher than the average for the sector** which, together with a quality range of products and services offered, uphold the greater competitiveness of the Línea Directa Group.

The combined ratio of Línea Directa Aseguradora, which measures the profitability of the insurance activity, has been up to 10 percentage points better than the sector average over the last few years, which has enabled the company to consolidate its position as one of the most profitable Spanish insurers, with an **ROE** of 17.8% in 2022.

### Innovation and digitalisation

The business model developed by Línea Directa is also a tool that drives the **culture of innovation** in the organisation. The Group's centralised organisational structure and operations provide the alignment and agility that, together with direct contact with customers at all stages of business, give the Group a greater ability to adapt to ever-changing customer needs with specific products and to improve customer service and experience.

In recent years, the Group has launched innovative insurance products such as **Llámalo X, the first insurance policy on the market with car included, Respira policy, an insurance policy with specific coverage for electric cars and plug-in hybrids, and Safe&Go, the first policy that covers the mobility of PMV users**. This product innovation is the fruit of a real vocation to do things differently and from direct contact with the market, the sector and the customers.

Because the direct model offers its services centrally from a single geographical location, it requires a strong commitment to technology that provides flexibility and immediacy for business and support processes. Línea Directa has been at the forefront of the insurance sector since its foundation in the field of digitalisation, both in its internal processes and in the provision of services, with the aim of increasing the efficiency of the organisation and offering the best user experience.

Nowadays, Group customers can use digital channels, whether it be the website or the mobile application, to manage all insurance-related procedures and receive solutions to their claims quickly and easily. The agility and usefulness that the Group's digital services provide to users has led them to achieve a high penetration in the company's customer base.

At the end of 2022, the Group had more than **1.13 million estimated active apps for Línea Directa and Penélope Seguros**, an **increase of 40.8% over the previous year**. **86.5% of policyholders already interact with the company using digital channels** and a high percentage of them also make frequent transactions online. Specifically, **53% of Motor claims and 40.2% of Home claims were opened in 2022 via the web or the app**, and **55.2% of tow trucks were requested digitally**.

### Business lines

Línea Directa Aseguradora is a multi-line insurance group specialising in non-life insurance. The company was born as an entity specialised in car policies and has consolidated its position as **one of the leading car insurers in the Spanish market**, where it occupies **5th place in the ranking**. The Group has diversified its business lines over the years and now offers a complete range in the Motor, Home and Health segments.

### Motor insurance

Motor insurance is the Group's main line of business. At the end of 2022, this segment accounted for 81.6% of the company's premium income, with revenues of **€772.8 million**, and **75% of the policyholder portfolio, with over 2.5 million customers**. These figures consolidate Línea Directa Aseguradora as the fifth insurance group in Spain in the Motor sector.

The company, under the Línea Directa brand, offers a comprehensive and personalised range of car, motorbike and professional vehicle policies for individuals, large companies, SMEs and the self-employed.

The Group also operates in the Motor segment with the **Penélope Seguros** brand, created in 2012 to provide policies with coverage

specially designed for women and unique services that respond to the most common demands of female drivers, and **Aprecio**, an insurance policy designed for motorbike users.

This personalisation strategy and the commitment to innovation are enabling the Línea Directa Group to address, with a specific and competitive range of products and services, the challenge posed to the insurance sector by the changes taking place in the field of mobility as a result of greater environmental awareness and the new habits of vehicle ownership and use.

Línea Directa, committed to renewing the vehicle fleet and with the aim of positioning itself in the zero-label motor segment, began in 2016 to promote the purchase of electric vehicles with the launch of an insurance policy, **Póliza Respira**, which includes specific coverage for these cars at a highly competitive price. In 2022, as part of this strategy, it extended this policy to plug-in hybrid vehicles, the sustainable models most in demand by consumers today.

The company had a total of **18,453 electric and plug-in hybrid vehicle policies** at the end of 2022 and has achieved a market share of 5.8% of new registrations of these cars in the private motor segment.

Also, in 2020 the Group began marketing **Llámalo X**, the **first fully comprehensive insurance with car included for a fixed price per month**, including maintenance and related taxes, in response to the uncertainty generated in consumers by the restrictions on the most polluting vehicles and the rise of new forms of ownership, such as renting. Llámalo X has so far marketed more than **1,900 policies** with highly sought-after vehicle models, including hybrid cars.

The company has also positioned itself at the forefront of the Spanish insurance sector in the face of the boom in the use of personal mobility vehicles (PMVs), such as electric scooters and bicycles. In view of this scenario, and since 2021, Línea Directa Aseguradora has been marketing **Safe&Go, the first PMV insurance that covers people,, is fully managed through a mobile application and works under the on/off or pay-as-you-go model.**

### Home insurance

Home insurance, a business line in which the Group began to operate in 2008, is the main lever for diversification of Línea Directa's business. With a premium income of **€143.7 million** and more than **752,000 homes insured**, this line already accounts for more than 15% of the Group's income and 21.7% of the customer base.

Línea Directa has been growing year after year in revenues and customers above the market thanks to a very competitive range of products and services based on a flexible multi-risk policy, with differential coverage and which allows customers to pay only for what they need. This has placed the company in **12th place in the home segment ranking** by business volume, according to the latest available data from ICEA.

In recent years, the Group has complemented its home insurance range through marketing alliances with companies in other sectors that give its customers access to other home-related services under advantageous conditions.

### Health insurance

As part of the company's strategy of diversifying its business, in late 2017 Línea Directa Aseguradora started operations in the health insurance business under the Vivaz brand. Vivaz has reached

**109,000 policyholders** and **€29 million in revenues**, in just five years in a market highly concentrated in four large specialist companies, making it one of the 25 largest health insurers in Spain.

Vivaz's organic and market leading growth in both revenues and customers is based on a differentiated value proposition. **Vivaz is a 100% digital** product, with a simple, flexible and very competitive offer and, in addition, promotes healthy habits among its policyholders. Vivaz has a medical team in alliance with DKV, made up of **30,000 professionals and 1,000 health centres** with which it provides a high quality health service and responds to all the demands of its policyholders. In this way, Vivaz is creating a new market, appealing to customers who have never taken out private health insurance before.

The prominent digital nature of Línea Directa Aseguradora's health insurance brand is evidenced by the cutting-edge telemedicine solutions it offers to customers. Through the Vivaz app, the Company provides health care via mobile phone by means of a chat service and video medical consultation with a complete team of specialists in general medicine, paediatrics, psychology, gynaecology, dermatology, allergology, sexology, nutrition and dietetics and personal training.

In 2022, the company launched Home-spital, a pioneering programme in Spain offering a teleradiologic device to its customers. Policyholders can have a real consultation with their doctor through a remote physical examination supported by Artificial Intelligence (AI).

Vivaz handled a total of **42,872 chat and video** and **video** consultations in 2022, compared to 38,042 in the previous year. Almost 50% of these consultations were for general medicine,



followed by video consultations with nutritionists, paediatricians and gynaecologists.

Vivaz pays special attention to preventive medicine and the promotion of healthy lifestyles among policyholders and society, in the conviction that prevention is the best way to preserve health. To this end, the company encourages its policyholders to follow healthy habits, such as walking at least 10,000 steps a day, sleeping at least 7 hours a day and eating a healthy diet. Vivaz policyholders who monitor their good physical activity and sleep habits receive rewards for tracking, including discounts of up to €200 on the renewal of the policy.

### Safe&Go

One of the phenomena that is part of the new mobility scenario is the emergence and rise of personal mobility vehicles (PMVs), such as electric scooters and bicycles, especially in urban areas.

The increase in accidents involving these vehicles has led legislators to consider establishing the requirement that PMV users will have to take out liability insurance, to cover at least the damage caused to third parties in the event of an accident involving an electric scooter or a bicycle.

Aware of this new reality, in September 2021 Línea Directa Aseguradora launched Safe&Go, the first 100% digital insurance aimed at users of all types of PMV.

Safe&Go can be contracted at the customer's request, only to cover the journey to be made, under the concept of "on/off insurance" or pay-per-use insurance: by the second, by the minute, or for a whole year. To do this, users can **activate and**

**deactivate their insurance policy through the Safe&Go app and only pay for the actual time of use** for each ride.

The pay-per-use plan has a flat rate of **2 cents per minute**. There are three different packages in the annual package, depending on the scope of coverage, ranging from €16.35 for the most basic product to €33.2 for the most comprehensive product.

Safe&Go offers insurance cover that is unique in its category, as it not only covers damage caused to third parties, but also physical damage suffered by the user himself, and even legal defence.

### Línea Directa Asistencia

Línea Directa Asistencia is a Group subsidiary specialising in verification, expert assessment and travel assistance services. The company operates through a network of thousands of employees throughout Spain, providing vehicle and personal assistance 24 hours a day, 365 days a year.

Each year, the Group's assistance subsidiary handles nearly **600,000 roadside services**. Also, thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this service to Spanish and foreign customers, inside and outside Spain.

The subsidiary has a team of mechanics who specialise in diagnosing breakdowns over the phone at the time of assistance, so they can decide what is the best option for the customer at a given time, send information to the employee for an on-site repair, find out if a tow truck is necessary or whether the policyholder can continue to drive their vehicle to the repair shop. This, together with predictive technology, makes it possible to identify the complexity of the breakdown immediately, in addition to



assessing all the particular needs of each case and offering comprehensive management on each call.

The company's wide-ranging and excellent partners network guarantees a service with a high level of customer satisfaction. Línea Directa Asistencia's service is rated as "excellent" by 7 out of 10 respondents, with an **average tow truck arrival time of 30 minutes and a level of on-site repairs in 45% of cases.**

Another of the Línea Directa Asistencia portfolio's services is the verification of risks prior to contracting, with more than **160,000 verifications.**

### Advanced Repair Centre (CAR)

Línea Directa Aseguradora has **a network of nearly 500 collaborating workshops and two Advanced Repair Centres (CAR)**, one in Madrid and the other in Barcelona, its own state-of-the-art repair shops that offer customers a comprehensive service, from the opening of the claim to the repair of the vehicle, always in accordance with the Group's high standards of quality, commitment and excellence.

The two Línea Directa Aseguradora workshops carried out a total of **17,108 repairs** in 2022. **CAR Madrid**, running since 2008, repaired more than **9,800 vehicles** in 2022, 6% less than in the previous year. **CAR Barcelona**, established in 2018, handled **7,240 claims in the year** (-5.5%).

The two CARs **are now able to manage their entire customer relationship 100% online**, allowing customers to carry out a wide range of transactions over the Internet, such as changing their appointments, requesting a replacement vehicle and checking the status of their repair. In 2022, both workshops were also

finalising the complete digitalisation of their internal process management.

All this has resulted in an excellent rating by its users. The **NSS** (Net Satisfaction Score or satisfaction index for purchasing products or services) **of CAR Barcelona and CAR Madrid was 44.73% and 45.21%**, at the end of 2022, compared to the score of 33.66% for non-collaborating garages.

As part of this commitment to quality in policyholder care and the service provided at the time of the claim, Línea Directa has its own fleet of replacement vehicles consisting of nearly 1,200 units that are made available free of charge to customers who need them when they leave their vehicle for repair at a partner garage. This service has enabled the Group to increase the percentage of customers who choose to repair in Línea Directa workshops, which operate with very high quality standards, as well as the NSS of these workshops. At the end of 2022, 50% of customers had chosen partner garages and the customer satisfaction rate reached 47.71%.

### LDA Reparaciones

In 2017, Línea Directa Aseguradora applied its high quality standards in the management of claims and repairs to the Multi-risk line of business by setting up its subsidiary LDA Reparaciones, through which it operates its own network of repairers in the Home segment, conceived with the characteristics and functions of an official service. The Group has thus been able to increase its know-how of the home repair process, shorten the average life of files and increase the recommendation rates of policyholders.

The English versión is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered oficial. In case of discrepancy, the Spanish version shall prevail



LDA Reparaciones is made up of eight professionals from the plumbing, masonry and painting trades who work **in the Madrid region**. The company carried out almost **24,800 repairs** in 2022, of which more than **7,000 were handled by its own network**, a volume that puts the average per professional at around six repairs per day.

LDA Reparaciones is very highly rated by its customers. **The 2022 NSS stood at 41.96%.**



## 1.2 Organisational structure and corporate governance

The Línea Directa Aseguradora Group is made up of:

- The parent company, LÍNEA DIRECTA ASEGURADORA, S.A., COMPAÑÍA DE SEGUROS Y REASEGUROS, with tax number A-80871031 and registered address in Tres Cantos (Madrid), at calle

Isaac Newton, 7 (the "Company" or "Línea Directa Aseguradora"); and

- Subsidiaries, wholly owned by the parent company, according to the following organisation chart:



The Corporate Governance Policy, approved in 2022 and available on the corporate website, sets out the corporate and governance structure of the Línea Directa Group, its underlying principles, the bodies that compose it and the basic rules governing its internal functioning.

The Company's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021.

One of the priorities of Línea Directa Aseguradora in its listing was to build a robust and updated corporate governance system in accordance with the main recommendations of good governance in terms of composition, diversity and functioning of the governing bodies, while also laying the foundations for the progressive analysis and monitoring of best good governance practices.

The general shareholders' meeting is the sovereign body of the Company. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say. On 24 March 2022, the first General Meeting of Línea Directa Aseguradora as a listed company was held, bringing together the company's shareholders, both in person and online, for the first time, with a 77.65% quorum in attendance.

The board of directors of Línea Directa is the highest supervisory and representative body of the Company. It exercises the non-delegable powers established in the law and the board regulations – among others, the determination of general business strategies and the setting of fundamental policies, such as risk control and management (including tax), corporate governance or sustainability – and delegates the day-to-day management of the Company to the executive bodies and the management team.

Línea Directa demonstrated its commitment to good governance throughout 2022 by adopting a raft of measures, most notably:

- the adoption of the corporate resolutions relating to the appointment and subsequent ratification by the General Shareholders' Meeting of Patricia Ayuela as Chief Executive Officer.
- the preparation of the proceedings and formulation of the documents and reports necessary for shareholders to participate and adopt decisions at the General Meeting.
- approval and updating of the appropriate internal regulations to strengthen the company's governance system.

- approval and monitoring of the Group's strategy.
- review and approval of financial and non-financial information to be communicated to regulators and the market.
- supervision of the functioning of the committees.
- appointment of members of the management team, reporting to the Chief Executive Officer, and regular interaction with senior management.

Seven members make up the new Board of Directors, which is an appropriate and efficient size for its effective functioning.

With regard to the composition of the Board of Directors, 57% of its members are independent and 57% are women, exceeding the minimum recommended thresholds in this area. Furthermore, only one of the directors is an executive.

The Chairman of the Board of Directors has no executive functions, being a separate position from that of Chief Executive Officer.

There are two advisory committees (the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee) which are composed entirely of external (non-executive) directors and a majority of independent directors, including their chairmen.

These Committees assume the powers provided for by law and in the CNMV's Code of Good Governance, as set out in the Regulations of the Board of Directors of the Company. It should be noted that the Appointments, Remuneration and Corporate Governance Committee is responsible for the competencies related to the strategy and practices in sustainability matters recommended by the Code of Good Governance.

The Company approved and updated its internal regulations (Bylaws, Regulations of the General Shareholders' Meeting, Regulations of the Board of Directors) and its corporate policies (Corporate Governance Policy, Director Selection Policy, Policy on Engagement with Shareholders, Investors and Proxy Advisors, Policy on Related Party Transactions, Policy on Director Remuneration, etc.) in accordance with the latest reform of the CNMV's Code of Good Governance and incorporating the new provisions of Spanish Law 5/2021, amending the Corporate Enterprises Law.

At the executive level, the Company has a Management Committee, composed of the CEO and the directors responsible for the main functional areas of the Company: Portfolio, Commercial, Home, Health, Services and Benefits, Technical Area, Finance, Digital Transformation, Technology, Marketing, General Secretariat, and People, Communication and Sustainability. There are also specific committees for analysis and deliberation on highly relevant issues such as investments or sustainability, as well as specific teams that manage the critical functions of Línea Directa as an insurance company: operational risk management, regulatory compliance, actuarial function and internal audit function.

Without prejudice to the Company's regular contact with shareholders and other stakeholders throughout the year, and the information permanently available on the corporate website (<https://www.lineadirectaaseguradora.com/gobierno-corporativo>) the Company provides a particularly detailed account of Línea Directa's corporate governance system and practices in its annual Corporate Governance Report, which is filed with the CNMV and can be found on the corporate website along with the other documents related to the announcement of the next General Shareholder's Meeting.

## 12. BUSINESS PERFORMANCE

### 2.1 Economic scenario

2022 was marked by clear signs of a slowdown in global economic activity as a result, among other factors, of the Ukraine war, high inflation rates and the tightening of monetary policies. Economic activity, however, has shown a strong level of resilience, partly due to the dynamism of labour markets and fiscal policy measures.

The pace of commodity price growth has eased thanks to the slowdown in activity itself, improving bottlenecks and a relatively warm autumn. There are signs that inflation is starting to ease in some economies, albeit with underlying rates remaining very high. The pace of growth in food prices generally continued to increase in the final months of 2022.

As a result, the major world central banks are continuing with the process of tightening their monetary policies.

With regard to the Spanish economy, the rate of growth in activity eased markedly from the third quarter of 2022. According to the growth data published by the National Institute of Statistics, GDP increased by 0.2% quarter-on-quarter in the fourth quarter, well below the growth rate noted between April and June (2.2%). This slowdown was mainly due to the confluence of the abovementioned factors of an eminently global nature, which negatively influenced the decisions of economic agents in both Spain and most of our neighbouring countries. These factors notably included the energy crisis –and uncertainty about potential supply disruptions in some economies– persistently high inflation rates, the consequent tightening of monetary policy by the major global central banks, and the widespread deterioration

in confidence. In addition, the slowdown in the rate of GDP growth in Spain over the second half of the year was also due to the lower contribution of the sectors most affected by the health crisis, after the marked improvement they had experienced in the second quarter as a result of the withdrawal of virtually all of the measures to contain the pandemic.

In the final period of the year, in a context in which the abovementioned factors continued to have a significant impact on activity, the deterioration in the confidence of households and businesses in our country would have continued –in view of the adverse performance recorded by some qualitative indicators– as well as the tightening of financial conditions. However, the Social Security affiliation data show a growth in employment in the fourth quarter similar to that in the third, with permanent contracts accounting for a growing proportion of the total. These developments in the labour market would be supporting private consumption, which, even within a marked weakness –as a result, among other factors, of the significant loss of purchasing power that households have been suffering –could have maintained a modest dynamism in the final months of the year. In this regard, the results of the latest edition of the Bank of Spain's Survey on Business Activity (EBAE) point to a certain stability in business turnover levels in the fourth quarter, albeit with a marked heterogeneity of performance by production sectors.



With regard to the financial situation, this has been characterised by a sharp increase in both official and interbank market interest rates. After more than a decade of ultra-low or negative interest rates, economic agents face an adjustment mainly induced by central banks in response to inflation.

Interest rates in the money, sovereign debt and corporate markets have reacted to monetary policy and uncertainty. The rise in official interest rates has also been passed on to sovereign debt yields.

Country	Bond yield (%)		
	1Y	5Y	10Y
Spain	2.7	3.1	3.6
Germany	2.6	2.6	2.6
United States	4.7	4.0	3.9

Source: Refinitiv, 2022 closing figures

The leading stock indices have posted falls caused by the rise in long-term interest rates and growing concerns about economic performance in different areas. In the United States, the tightening of monetary policy may have had a greater impact, while European indices have been more affected by the worsening of the macroeconomic outlook.

Spanish equities closed the year with the blue-chip Ibex35 down 5.5% in 2022, compared with the 7.9% rise in 2021.

	2022	% var.
Ibex35	8,229.1	-5.5%

Spain	12M '22	12M '21	12M '20
CPI % var.	+5.7%	+6.5%	-0.5%
IPRI % var.	+14.7%	+35.2%	-1.4%
GDP % var.	+5.5%	+5.5%	-11.3%
Unemployment	12.9%	13.3%	16.1%

Source: INE, EPA

Eurostoxx Insurance	307.3	+0.4%
Eurostoxx50	3,793.6	-11.7%
Dow Jones Industrial Average	10,962.8	-8.7%
S&P 500	3,839.5	-19.4%

Source: 2022 closing figures

In the foreign exchange markets, the US dollar has gained against major currencies. These movements are in response to the increased tightening of monetary policy observed and forecast in the United States and the search for safe-haven assets due to the high level of uncertainty. The euro has been at 20-year lows against the dollar, with the exchange rate per unit dollar trading above parity.

	2022	% var.
Oil (\$/barrel)	85.9	+10.5%
Gold (\$/oz)	1,824.4	-0.2%
€/€	1.07	-5.9%
€/£	0.88	+5.3%

Source: 2022 closing figures

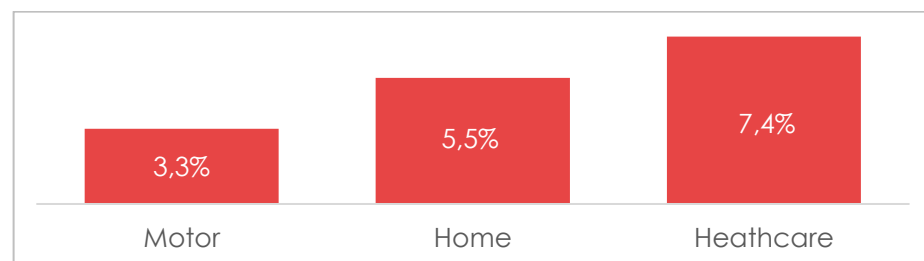
## 2.2 Performance of the Spanish insurance market

Regarding insurance, the sector has been directly impacted by the abovementioned challenges, although it continues to maintain high levels of robustness. In 2022, the Non-Life segment increased its turnover by 5.2% to €40.24 billion.

The Motor segment regained momentum in improving turnover, posting growth of 3.3% as of December 2022 compared to the 0.9% decline registered in 2021. However, registrations fell by 5.5% in 2022. Compared with pre-pandemic levels, registrations have fallen by 35%. This is particularly affecting the age of the car population, which is among the oldest in Europe. Two third of Spanish insured vehicles are over 10 years old, with more polluting and unsafe vehicles.

Meanwhile, the Home segment performed very well in the year, with a 5.5% increase in its premium volume. Activity and prices in the real estate market have continued to increase, although there are signs of a slowdown against a backdrop of rising interest rates with the resulting increase in the cost of financing and the worsening of the economic outlook.

The Health segment also reported turnover growth of more than 7.4%, thus consolidating its status as one of the drivers of the Non-Life segment.



Source: ICEA, latest figures available at December 2022

Profit on the Non-Life technical account was significantly down as a result of the Motor segment, due to the higher claims frequency and fierce inflation that caused the rising cost of claims.

The Motor, Home and Health segments present the following combined ratios:

	Motor		Home		Health	
	2022	2021	2022	2021	2022	2021
Loss ratio	76.9%	71.8%	61.9%	62.3%	80.6%	79.5%
Expense ratio	21.1%	22.3%	34.6%	33.5%	13.6%	13.6%
Combined Ratio	98.0%	94.1%	96.4%	96.7%	94.2%	93.1%

Source: ICEA (latest figures available at December 2022)

## 12.3 Business performance

### Relevant corporate events

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These new standards will entail changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments. However, given the business segments in which the Group operates and their nature and duration, these changes are not expected to have a material impact on the Group's consolidated financial statements, or on the management of the business and the Group's dividend policy.

Further details on the impacts and implications of these new regulations are included in the Group's consolidated financial statements, under "Interpretation standards issued but not applied".

## Business performance

### Main figures

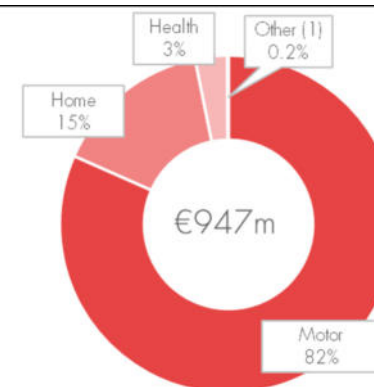
The following table summarises the consolidated statement of profit or loss as at December 2022, showing the various components of profit or loss and their comparison with the same period of the previous year.

Premiums written were up 4.4% to €946.7 million. Meanwhile, premiums earned, net of ceded reinsurance, grew 2.0% during the year.

Thousand euro	2022	2021	% var. 22/21
<b>Gross written premiums (GWP)</b>	<b>946,679</b>	<b>907,189</b>	<b>4.4%</b>
Earned premiums, net of reinsurance	900,647	882,728	2.0%
<b>Technical result</b>	<b>33,350</b>	<b>103,635</b>	<b>-67.8%</b>
<b>Financial result</b>	<b>39,773</b>	<b>34,661</b>	<b>14.7%</b>
Non-technical result	5,635	6,884	-18.1%

<b>Profit/(loss) before tax</b>	<b>78,758</b>	<b>145,180</b>	<b>-45.8%</b>
Income tax	(19,235)	(35,043)	-45.1%
<b>Profit/(loss) before tax</b>	<b>59,523</b>	<b>110,137</b>	<b>-46.0%</b>
EPS (euro)	0.05	0.10	-45.9%
Loss ratio	75.7%	67.7%	8.0 p.p.
Expense ratio	20.6%	20.5%	0.1 p.p.
<b>Combined ratio</b>	<b>96.3%</b>	<b>88.3%</b>	<b>8.0 p.p.</b>
<b>Clients</b> (thousands)	<b>3,459</b>	<b>3,345</b>	<b>3.4%</b>

Motor premiums account for 82% of business volume, followed by Home and Health in order of importance:





The technical result, which measures the difference between premium income and claims payments and expenses, amounted to €33.3 million, down 67,8% as a result of the inflationary pressures in the cost of claims compared with the previous year. The cost of claims was particularly impacted by the marked increase in repair and replacement costs, the higher injury expense and the 13% increase in fatal accidents, plus the ageing of the car population, with a higher claims frequency.

The financial result amounts to €39.8 million, an increase of 14.7% compared with the previous year. The financial result includes net realised capital gains of €10.9 million (compared with capital gains of €6.6 million as at December 2021). These capital gains mainly include capital gains in foreign currency taking advantage of the rise in the dollar and capital gains from the sale of investment funds prior to the introduction of IFRS 9 in order to avoid volatility in the result with the recognition of changes in valuation through the income statement. Adjusted for this effect, the financial result is up 2.6%

The profit from other activities was down 18.1% and mainly relates to auxiliary insurance businesses and commissions from the sale of insurance products of other insurers. It also includes roadside assistance and vehicle repair services provided by subsidiaries to third parties outside the Group, activities that have also suffered a reduction in margins as a result of inflation.

Profit after tax totalled €59.5 million, down 46% on the same period of the previous year due to the increase in the cost of claims mentioned previously.

## Management ratios

The combined ratio stood at 96.3% at the end of 2022. The loss ratio, up by almost 8 points, reflects the increase in claims frequency in the Auto sector and especially the cost inflation shock in the second half of the year. The consolidated expense ratio, which stands at 20.6%, continues to show the strict control of expenditure across all business lines.

	Loss ratio		Expense ratio		Combined Ratio	
	2022	2021	2022	2021	2022	2021
Motor	77.7%	69.4%	17.7%	17.6%	95.4%	87.0%
Home	63.1%	55.4%	32.5%	33.5%	95.6%	88.9%
Health	86.8%	86.4%	58.0%	61.7%	144.8%	148.1%
Other	0.9%	0.0%	66.0%	50.9%	66.9%	50.9%
<b>Total</b>	<b>75.7%</b>	<b>67.7%</b>	<b>20.6%</b>	<b>20.5%</b>	<b>96.3%</b>	<b>88.3%</b>

## Statement of profit or loss by segment

Below is a detailed summary of changes in the statement of profit or loss by line of business:

### Motor

The Motor segment resumed its growth trajectory and posted an increase of 3.3%, in line with the market, which grew by the same percentage (source: ICEA). Meanwhile, the number of policyholders increased by 2.7% to almost 2.6 million at 31 December 2022.

Registrations fell by 5.5% in 2022, still a long way short of pre-pandemic figures. This is a key indicator in the market that is

leading to an ageing of insured vehicles, with the average vehicle age now standing at more than 14 years.

The cost of claims was particularly impacted by the marked increase in repair and replacement costs, the higher injury expense and the increase in fatal accidents, plus the ageing of the car population, with a higher claims frequency.

Meanwhile, expenses continue to reflect an extraordinary performance that is part of a strategy of strict cost containment and greater efficiency in the retention of policies. The Company remains committed to digitisation and technology.

	2022	2021	% var.
<b>Gross written premiums (GWP)</b>	772,787	748,100	3.3%
<b>Premiums earned, net of reinsurance</b>	753,278	747,292	0.8%
Claims incurred, net of reinsurance	(585,329)	(518,866)	12.8%
Net operating expenses	(150,800)	(154,310)	-2.3%
Other technical expenses and income	17,506	22,877	-23.5%
<b>Technical result</b>	34,655	96,993	-64.3%

Thousand euro

Loss ratio	77.7%	69.4%	8.3 p.p.
Expense ratio	17.7%	17.6%	0.1 p.p.
<b>Combined Ratio</b>	95.4%	87.0%	8.4 p.p.

	2022	2021	% var.
<b>Clients (thousands)</b>	2,597	2,528	69

## Home

The Home segment delivered an excellent performance, with turnover up 9.5% on the same period of the previous year. This represents an outperformance of the wider market, which grew by 5.5% (Source: ICEA).

The number of policyholders in the segment grew by 5.6% to reach 752 million at 31 December 2022.

	2022	2021	% var.
<b>Gross written premiums (GWP)</b>	143,713	131,243	9.5%
<b>Premiums earned, net of reinsurance</b>	129,799	119,067	9.0%
Claims incurred, net of reinsurance	(81,840)	(66,003)	24.0%
Net operating expenses	(41,989)	(39,888)	5.3%
Other technical expenses and income	(241)	(5)	5130.8%
<b>Technical result</b>	5,729	13,171	-56.5%

Thousand euro

	2022	2021	p.p. var.
Loss ratio	63.1%	55.4%	7.7 p.p.
Expense ratio	32.5%	33.5%	-1.0 p.p.
<b>Combined Ratio</b>	95.6%	88.9%	6.7 p.p.
<b>Clients (thousands)</b>	752	712	40

Moreover, the change in the technical result of the Home segment reflects a significant one percentage point decrease in the expense ratio, although the claims frequency has been mainly affected by water and glass damage, which has had a considerable impact on claims incurred for the year.

## Health

Vivaz, the Company's health insurance brand that rewards customers for healthy lifestyle habits, registered premium growth of 10% compared with 7.4% for the sector (Source: ICEA, Health segment).

Thousand euro	2022	2021	% var.
<b>Gross written premiums (GWP)</b>	29,082	26,449	10.0%
<b>Premiums earned, net of reinsurance</b>	16,505	14,981	10.2%
Claims incurred, net of reinsurance	(14,321)	(12,951)	10.6%
Net operating expenses	(9,327)	(9,147)	2.0%
Other technical expenses and income	(243)	(93)	161.8%
<b>Technical result</b>	(7,386)	(7,210)	2.4%

	2022	2021	p.p. var.
Loss ratio	86.8%	86.4%	0.4 p.p.
Expense ratio	58.0%	61.7%	-3.7 p.p.
<b>Combined Ratio</b>	144.8%	148.1%	-3.3 p.p.

<b>Clients (thousands)</b>	110	105	5
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The number of policyholders reached almost 110,000 customers, marking an increase of 4,823 policyholders.

In this business segment, the Company has proportional reinsurance in which it cedes 50% of the premium and claims.

The change in the combined ratio reflects the continuous improvement in the selection and underwriting of risk, with a 3.3 percent decrease in 2022.

## Other Insurance Businesses

This line of business includes several products, such as travel assistance insurance for Bankinter and Bankinter Consumer Finance credit card holders and the recently launched Vivaz Safe&Go, the first pay-as-you-go insurance for users of personal mobility vehicles.

As of 31 December 2022, premiums written in this business amounted to €1,097 thousand, down 21.5% as a result of a lower premium in one of the travel insurance contracts. The combined ratio was outstanding and stood at 66.9%.

Thousand euro	2022	2021	% chg.
<b>Gross written premiums (GWP)</b>	1,097	1,397	-21.5%
<b>Premiums earned, net of reinsurance</b>	1,065	1,388	-23.2%
Claims incurred, net of reinsurance	(10)	(0)	n/a

Thousand euro	2022	2021	% chg.
Profit sharing and premiums refunds	(637)	(594)	7.2%
Net operating expenses	(66)	(113)	-41.3%
Other technical expenses and income	-	-	-
<b>Technical result</b>	352	681	-48.3%
	2022	2021	p.p. chg.
Loss ratio	0.9%	0.0%	0.9 p.p.
Expense ratio	66.0%	50.9%	15.1 p.p.
<b>Combined Ratio</b>	66.9%	50.9%	16.0 p.p.
<b>Clients (thousands)</b>	4	5	(1)

### Condensed consolidated balance sheets:

The Company's balance sheet at 31 December 2022 is as follows:

Thousand euro	2022	2021	% var.
<b>Assets</b>			
Cash and cash equivalents	51,661	115,788	-55.4%
Available-for-sale financial assets	739,664	864,978	-14.5%
Equity instruments	120,886	153,963	-21.5%
Debt securities	618,778	711,015	-13.0%
Loans and receivables	123,448	120,615	2.3%
Hedging derivatives	7,808	-	-

Thousand euro	2022	2021	% var.
Reinsurers' share of technical provisions	19,263	20,153	-4.4%
Property, plant and equipment and investment property	110,044	110,721	-0.6%
Investment property	64,676	65,457	1.4%
Property, plant and equipment	45,368	45,264	-3.6%
Intangible assets	14,482	14,121	2.6%
Other assets	129,045	122,102	5.7%
<b>Total assets</b>	1,195,415	1,368,478	-12.6%

### Liabilities and Equity

Debt and accounts payable	59,288	175,406	-66.2%
Hedging derivatives	-	9,447	-100.0%
Technical provisions	791,040	738,158	7.2%
Provision for unearned premiums	470,783	449,740	4.7%
Provision for unexpired risks	2,378	3,280	-27.5%
Provision for claims	317,879	285,138	11.5%
Non-technical provisions	26,118	22,133	18.0%
Other liabilities	28,469	45,059	-36.8%
<b>Total liabilities</b>	904,915	990,203	-8.6%
Equity	320,356	334,909	-4.3%
Valuation adjustments	(29,856)	43,366	-168.8%
<b>Total equity</b>	290,500	378,275	-23.2%
<b>Total liabilities and equity</b>	1,195,415	1,368,478	-12.6%

The most relevant changes include:

- The decrease as of December 2022 in Cash and Cash Equivalents reflects lower cash exposure in order to reduce counterparty risk for solvency purposes and the payment of dividends carried out during the year.
- The Equity instruments heading mainly reflects a lower exposure to investment funds prior to the introduction of IFRS 9, which will be classified at fair value with changes in the income statement.
- Debt securities express a lower fair value of fixed income as a result of the sharp rise in interest rates. This decrease is also reflected under the Adjustments for Changes in the Value of Total equity heading.
- Technical provisions reflect the performance of the business. In particular, the Provision for Unearned Premiums reflects the increase in turnover and the Provision for claims reflects the higher cost of incurred claims chiefly in the Motor segment, which is heavily impacted by the increase in repair and replacement costs, the higher injury expense and the increase in fatal accidents.

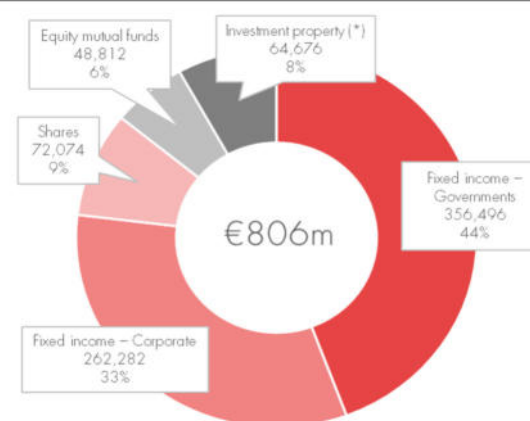
Changes in Other assets and liabilities are a result of the business management process.

The Company has no subordinated liabilities or financial debt.

### Investment portfolio

At year-end 2022, the investment portfolio amounted to €806 million and is distributed as follows:

- Fixed income of €618.8 million, comprising €356.5 million in government bonds and €262.3 million in corporate bonds.
- Equities and equity funds for a total of €72 million and €48.8 million, respectively.
- Investment property amounting to €66.4 million.



The credit rating of fixed income investments is as follows. Of the total, 97% has a rating of BBB or higher.

Fixed income	12M 2022	%
AAA	13,304	2.2%
AA	11,264	1.8%
A	271,885	43.9%
BBB	301,197	48.7%
Below BBB	10,359	1.7%

No rated	10,769	1.7%
<b>Total</b>	<b>618,778</b>	<b>100%</b>

The average maturity of the fixed income portfolio is 3.62 years.

Meanwhile, investment property comprises three properties, with an occupancy ratio of 100%. The Company also has four buildings for its own use and a recently acquired car park. Off-balance sheet capital gains on investment property and properties for own use amounted to €32.1 million before tax.

### Changes in equity

Consolidated equity totalled €290.5 million. The book value per share amounted to €0.27 at 31 December 2022 (€0.35 at 31 December 2021). Changes in net equity include:

- The reduction in the unrealised capital gains on the available-for-sale portfolio in the year amounting to €73.2 million, largely as a result of the sharp rise in interest rates;
- profit for the year, amounting to €59.5 million; and
- The dividends paid throughout the year for a combined total of €73.9 million.

### Return on equity

Return on equity (ROE), represented by the ratio of profit after tax to average equity, came to 17.8% at the end of 2022 (30.4% at December 2021). The decrease is due to the lower result caused by fierce inflation resulting in the rising cost of claims.

### Solvency II

Línea Directa Aseguradora's Solvency II ratio stood at 188.4% in 2022, compared with 185.7% in December 2021.

The solvency ratio excludes the subsidiaries of Línea Directa Aseguradora, as their corporate objects are ancillary insurance services almost all of which are provided to the parent company. As they are not insurers or reinsurers, there is no obligation to submit solvency reports at Group level.

At its meeting held on 23 February 2023, the Company's Board of Directors resolved to propose to the General Shareholders' Meeting a final dividend in the amount of approximately €1 million. Taking into account this dividend proposal, the solvency ratio stands at 187.8%.

Eligible own funds amounts to €347.5 million, of which 100% is unrestricted Tier 1 capital of the highest quality. The solvency capital requirement reached €185.1 million.

The following table shows the solvency requirements classified in their different modules and variation compared with the previous year:

	2022	2021
SCR Market	91,899	132,271
SCR Counterparty	7,027	13,086
SCR Health	3,142	3,134
SCR Non-life	172,651	171,657
BSCR	218,947	248,666
SCR Operational	27,795	27,166

	<b>2022</b>	<b>2021</b>
Deferred tax adjustment	(61,686)	(68,958)
SCR	185,057	206,874
Eligible Own Funds Solvency II	347,531	384,082
<i>Thousand euro</i>		
<b>Solvency II Ratio</b>	<b>187.8%</b>	<b>185.7%</b>

The change in eligible own funds for solvency purposes from December 2021 through to the end of 2022 is largely a result of:

- profit at the parent, Línea Directa Aseguradora
- the change in unrealised gains on the available-for-sale portfolio
- the change in the provision for premiums and the provision for claims in the solvency balance sheet
- dividends paid out in the year; and
- the final dividend proposed to shareholders at the General Meeting.

The sensitivity of the solvency ratio to the impact of various variables is shown below:

	<b>SII RATIO</b>	<b>Var. (p.p.)</b>
Interest rates + 100 bps	182.2%	(6.2)
Interest rates + 100 bps	193.4%	+5.0
Credit spreads +100 bps	184.5%	(3.9)
Credit spreads -100 bps	191.3%	+2.9
Equity markets+10%	190.6%	+2.2

	<b>SII RATIO</b>	<b>Var. (p.p.)</b>
Equity markets -10%	184.9%	(3.5)
Equity markets +30%	195.9%	+7.5
Equity markets -30%	178.7%	(9.7)
Real estate +10%	191.4%	+3.0
Real estate -10%	184.1%	(4.2)
Symmetric adjustment +10	181.5%	(6.9)
Symmetric adjustment -10	191.1%	+2.7
<b>CURRENT</b>	<b>187.8%</b>	<b>--</b>

The Solvency II Ratio is a risk indicator that is closely monitored and tracked by the Company's Board of Directors when implementing its capital management policy (setting a dividend policy for shareholders, making decisions on investment policy, etc.) and in relation to the commercial strategy (launching new products or lines of business, acquiring risk mitigators, etc.).



## 13. MAIN RISKS AND UNCERTAINTIES

Because of its activity, the Línea Directa Group is exposed to a series of risks and conditioning factors that may affect its reputation, objectives and strategy. To ensure that these risks are properly identified, measured, managed and controlled, the company has a series of principles of action and procedures that are systematically applied to all Group companies.

These principles are governed by integration, independence, comprehensive management, transparency and review and continuous improvement in risk management, all under the values and standards of conduct reflected in the Code of Ethics and the Regulatory Compliance Policy.

In 2022, as a result of the reorganisation of the company, a **new Corporate Risks area** was created, which integrates all the functions that already existed (Risk Management and Internal Control Unit, the Actuarial Function, Regulatory Compliance, Internal Control of Financial Information and Data Quality), always with the aim of providing more effective and efficient management with a more global vision. The mission of the area is to build a global risk map of the company and optimise the control environment in order to ensure the correct assessment and identification of threats and their integration into forecasts and decision-making.

The war in Ukraine has increased macroeconomic and geopolitical risk, aggravating the situation of general uncertainty, cybersecurity and business continuity. The reaction of markets and central banks to contain inflation has increased liquidity and insolvency risk.

### 3.1 Cybersecurity risks

The rapid digitalisation and widespread growth of teleworking, together with the professionalisation of cybercrime, make cybersecurity risks one of the company's concerns, as it can affect service, trust, reputation, finances and business.

The Company's Security Policy is the reference framework for ensuring the sound definition, management, administration and implementation of the security measures and procedures needed to achieve a level of protection commensurate to the criticality of Línea Directa Aseguradora's physical and information assets.

Línea Directa has always made it a priority to continue providing its service to customers even in crisis situations. For this purpose, the company has a **Business Continuity Plan** that has enabled it to maintain its operations even in catastrophic events such as the "Filomena" storm or pandemics such as that caused by COVID-19.

In response to the current digital environment and the growing threat of cyber-attacks, the Company has a powerful cybersecurity strategy in place aimed at protecting the Company's processes and operations from this threat. This strategy includes the implementation, assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks on the Group's systems and networks, together with awareness-raising actions and training for all employees in cybersecurity.

## 3.2 Financial and credit risks

### Credit risk

The Group views credit risk as the threat of possible loss or adverse change in financial conditions resulting from fluctuations in the solvency or creditworthiness of issuers of securities, counterparties and any debtors to which the Group is exposed.

Given the nature of the Línea Directa Group's activities, credit risk arises from the following factors:

- Investment and lending activities (credit risk exposure with security issuers)
- Reinsurance (credit risk exposure with reinsurance entities)
- Premium financing (credit risk exposure with customers)

The Group analysed the economic climate in light of the consequences of the **COVID-19 health crisis and the war in Ukraine**, where impacts are being felt both in the economy, with significant spikes in inflation, and in financial markets. The tightening of monetary policy and possible recession in the major economies will have a negative impact on the insurance markets.

The Group only worked with highly solvent reinsurers with a minimum credit rating of "A". Premium payment policies have been made more flexible for the Group's customers, with the option to spread premium payments over consecutive months without incurring any additional surcharge. Credit risk for motor policies is limited because in the event of non-payment by the

policyholder, the Company cancels the policy within a maximum term of 90 days.

Exposure to credit risk is mitigated through a policy based on the prudent selection of issuers of securities and counterparties based on their solvency ratio.

For investments in financial assets held by the Group in 2022 and 2021, no coupon defaults occurred and the Group regularly monitors its exposure to all of its investments. 97% of the fixed income investment portfolio (€597 billion) has a BBB rating or higher. 1.7% are rated below BBB and 1.7% (€10.8 million) of the Group's bonds and debentures are not rated at all.

### Liquidity risk

The Group treats liquidity risk as the potential temporary inability to honour its payment obligations within the agreed timeframes, due to such obligations maturing before receivables from customers fall due or before financial investments reach maturity. The Company generates daily liquidity from premium income.

The Group carries out prudent liquidity risk management and is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

## Market risk

The Company views market risk as the risk of loss or of adverse change in its financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

The Investment Committee, which meets monthly, is responsible for analysing the portfolio's performance, verifying compliance with the investment policy, approving new lines of investment, ensuring compliance with the Investment Guidelines and keeping the Board of Directors regularly informed.

The adjustment in financial markets caused by the war in Ukraine is having an adverse impact on the valuation of sovereign bonds and risk assets. Although the company maintains a prudent investment strategy from the point of view of financial instruments, there are risks associated with the capital markets such as interest rate and equity market fluctuations.

## Insurance risk

Insurance business risk focuses on non-life and health underwriting risk, comprising mainly the premium sub-risk (premium adequacy risk) and the reserve sub-risk (technical provisions adequacy risk)

for the Motor, Home, Health and Other insurance segments. These risks are managed differently for each business line. Underwriting and health risks also include catastrophe risk and downside risk, with a lower impact than premium and reserve risks.

The Group analyses inherent insurance-related risks for each line of business, both in terms of premiums and reserves, depending on the unique characteristics of each segment.

In the Motor and Home segments, the technical rules and standards are constantly changing and underwriting is adapted accordingly through automatic and preventive mechanisms through which the various products are analysed in order to determine the sufficiency of premiums and technical provisions. Policy performance and returns are also monitored to analyse possible deviations.

The Motor segment has a longer duration between the opening and closing of claims than the Home segment, mainly due to the civil liability guarantee, which lasts longer than the other guarantees. In both segments, the performance of the run-offs of the provision for claims over the life of the claim is positive, as can be seen in Note 12, thanks to a prudent claims management process. The Health segment is heavily influenced by seasonality, with higher levels of policy renewal at the beginning of the year.

The Group relies on reinsurance as a primary tool for mitigating the premium, reserve and catastrophe sub-risks. Reinsurance also forms part of counterparty risk due to the risk of default of the amounts recoverable from the reinsurance companies.

## Currency risk

At 31 December 2022, the Company had a foreign currency position of €23,121 thousand (31 December 2021: €47,890 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever. There is no significant exposure to any foreign currency.

### 3.3 Reputational risk

The Group views reputational risk as the potential loss of customers, reduction in revenues or legal proceedings that the Group may incur due to loss of reputation, bad image or negative publicity with stakeholders.

The stakeholders of Línea Directa Aseguradora —at whom it targets its corporate reputation actions and for whom the impact of reputational risk is included in the risk management system—are customers, employees, suppliers, public institutions, shareholders, society, the community, consumers, the press and media and the wider industry.

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function.

### 3.4 Legal/regulatory risk

The increase in regulations and standards has forced the company to adapt its processes and systems to the new legal requirements and to strengthen the most affected teams. In this regard, Línea Directa has developed a bulletin of regulatory and legal changes that includes regulatory projects, relevant criteria issued by the main supervisors as well as other news of scope that may affect or be of interest to the company. Information is also provided on the possible impact these regulatory measures could have on the company, and awareness programmes are held for the entire organisation on regulations and risks, including the implementation of actions to ensure that the areas incorporate these changes into their processes and operations.

### 3.5 Environmental, social and governance risks

The governing bodies receive information quarterly on the key risks facing the company and the capital resources available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Corporate Risk department, along with other areas of the company, periodically analyses the risks that could impact the business if they were to occur, including ESG factors. Based on this analysis, an **assessment of the company's main risks is conducted, and the corresponding prevention and mitigation measures** are identified in order to obtain an assessment of the residual risk.

In this respect, the entity has defined the ESG risks and the management model, processes, affected regulations and the methodology, which constitutes a qualitative assessment that helps to detect the events that pose the most imminent threat.

This methodology is monitored on a regular basis to facilitate the transmission of information between the areas responsible for the risks and the company's Risk Management.

The company is also **monitoring the mitigation measures or controls identified in each area**, analysing whether they are being carried out effectively using the evidence, updating the control environment and risk assessment. If an improvement is identified, appropriate action plans are defined.

The 5th Sustainability Plan will be in force from 2023 to 2025. Its main goal will be to encourage the company's sustainable growth using an ESG approach, improving communication and dialogue with the different stakeholders.

### 3.6 Operational risk

The Group defines operational risk as the potential loss due to inadequate or failed internal processes, people and systems or due to external events.

The Company considers losses caused by operational risks to be all the ways in which these risks may affect the Parent and its subsidiaries, such as economic losses, reputational damage, non-compliances with the law, technological or security failures or degradation of business processes or impact on customers or employees.

The Group's operational risk management system is structured as a cyclical process of continuous improvement consisting of the following phases (Identification, Assessment/Measurement, Mitigation and Monitoring and Control).

Prior to the announcement of the pandemic, the Group already had teleworking arrangements in place for its back and front office departments, thus allowing all Group staff to work remotely and continue their normal activities without any significant impact. During the pandemic period, the Group's operational review and monitoring processes remained within the thresholds agreed by the Board.

### 3.7 Additional information

The "Risk Management Model" section of the Non-financial Statement provides further information on the principles of action and the main roles and responsibilities of the governing bodies and parties involved in the risk control and management process.

## 14. OUTLOOK FOR 2023

The outlook for 2023 points to a slowdown in growth globally due to high inflation, rising interest rates, reduced investment and disruptions caused by Russia's invasion of Ukraine. The global economy is forecast to grow by 1.7% in 2023 and 2.7% in 2024.

The US Federal Reserve raised the interest rate to 4.5% in December, with the possibility of larger hikes. Meanwhile, on 2 February 2023, the ECB increased rates for the fifth consecutive meeting, putting the price of money at 3%, the highest since November 2008. In addition, the ECB is likely to see the need for a further hike and thereafter it is probable that it will evaluate the pace of the increases, depending on macroeconomic data.

With regard to the Spanish market, the Bank of Spain has cut its forecast for GDP in 2023 by 0.1 p.p. to 1.3%, above all as a result of the worsening of the external backdrop. The bank has also revised average GDP growth in 2024 downwards by 0.2 p.p. to 2.7%. This is mainly due to the likely extension in 2023 of some of the measures in force during 2022 to ease the impact of the energy crisis, whose withdrawal at the beginning of 2024 will have a negative impact on activity in the year.

The weakness of consumption due to inflationary pressures and the high level of uncertainty is one of the main factors behind the modest growth in GDP forecast, although it is premature to rule out any scenario in such a volatile context.

The dynamics of Spanish economic activity are expected to remain very weak over the coming months. At the start of 2023 inflationary pressures are expected to remain high, with financial conditions continuing to tighten and confidence levels still low.

These conditions are expected to improve in the second half of the year.

Initially, the reduction in inflation will be determined by the energy component. The easing in the pace of food price growth and the fall in the underlying inflation rate will take a little longer to occur.

In a nutshell, 2023 will be a year where the macroeconomic context will continue to impact the Company's business performance, especially in the early stages of the year.

In the Motor Segment, growth is expected to accelerate, although margin pressure will persist, especially in the first part of the year as a result of the inflationary shock. The cost of claims will continue to be impacted by the sharp increase in repair and replacement costs. For 2023 the injury scale includes an 8.5% increase linked to the pension revaluation index.

Real estate market activity continues to grow, although there are signs of slowdown in a context that has caused the Euribor to exceed 3% with the resulting increase in the cost of household mortgage loans. In the Home segment, the Company expects significant growth in its premiums with average premiums rising. The frequency and intensity of weather events will continue to be one of the factors shaping the performance of the ratio of claims incurred in this segment.

The Health segment will continue to consolidate and we expect it to continue to deliver significant growth. The cost of claims will still reflect the increase in healthcare costs and hospital fees.

Finally, the expense figure will be very contained and below the growth of revenues, within the Company's policy of maintaining strict control of overhead expenses.

## 15. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the end of the accounting period that may affect the annual accounts or otherwise be of interest to users of the financial statements.



## 16. ENVIRONMENT - SAFETY AND PERSONNEL

### Environment

**Línea Directa Aseguradora operates in an industry that is not critical with respect to climate change.** It operates under a direct business model, without intermediaries or branch networks, which makes it particularly environmentally efficient.

The company is, however, aware that it operates in a key sector in the transition to a low-carbon economy. With an ageing vehicle fleet and a more restrictive regulatory horizon, Línea Directa is committed to a sustainable business strategy in order to address the environmental challenges facing society. The company's activity combines the responsible management of its consumption and the launch of new products and services for new, less polluting forms of mobility, with the inclusion of ESG criteria in its investment portfolio.

During 2022, Línea Directa has made progress in responding to the new challenges of the energy transition that affect it with the completion of its 4th Sustainability Plan 2020-2022, which includes its main ESG strategic lines, which in its last year achieved a degree of compliance of 96%.

### Climate Change Governance and Management

In 2022, the company created a Sustainability Working Group, composed of middle managers from different key departments to roll out the Plan. This Group supervises and promotes the Plan actions and reports the results to the Sustainability Committee, composed of the Director of People, Communication and

Sustainability and a group of directors directly involved in the company's ESG decision-making. This Committee oversees compliance with these actions and ensures the implementation of sustainability measures, including environmental protection, and reports the results to the CEO, the Management Committee, the Advisory Committees and the Board of Directors.

In 2022, the company increased the scope of its previous Environmental Policy, through the Board of Directors approving an Environmental Management and Climate Change Policy, which establishes mechanisms to measure the company's environmental performance and make decisions in this regard.

### Risks and opportunities in the face of climate change

Línea Directa recognises climate change as one of the most critical threats to the stability of the world's economic, social and geopolitical systems. In order to provide value to its investors and participate in reducing the risk of a systemic financial shock to the economy due to climate change, **in 2022 the company has joined the Task Force on Climate-related Financial Disclosures (TCFD)**, the initiative promoted by the Financial Stability Board.

### Carbon footprint

Línea Directa Aseguradora **has been calculating its carbon footprint for more than 11 years in all three scopes of emissions:** Direct (fossil fuel consumption), Indirect (electricity consumption) and Induced (including travel, business trips, paper and water consumption).

The company has decided to register its 2021 carbon footprint for the first time with the Ministry for Ecological Transition and the

Demographic Challenge, through the Spanish Climate Change Office (OECC). **The company has also verified the calculation of its 2021 Carbon Footprint and has offset its corresponding Scope 1 and 2 emissions through reforestation projects**, obtaining the compensatory seal of the Spanish Ministry for Ecological Transition and the Demographic Challenge. The calculation of emissions in 2022 is carried out following the GHG Protocol methodology.

### Environmental management system

Línea Directa Aseguradora has implemented an environmental management system, **certified based on the UNE-EN ISO 14.001:2015** standard to monitor and centrally manage energy consumption, water consumption, waste production and other aspects of environmental performance in the workplaces, **as well as an energy management system certified according to the international UNE-EN ISO 50.001:2018 standard.**

### Eco-efficiency and sustainable use indicators

In recent years, the Línea Directa Group, within the framework of its 4th Sustainability Plan 2020-2022, has carried out a series of actions aimed at improving efficiency in its facilities, as well as achieving significant energy savings. In 2022, the Group continued with the plan to renew the air conditioning system. With regard to the energy consumed in the facilities and actions aimed at reducing energy consumption, the Línea Directa Group has set a target for the next three years that 100% of the energy consumed in its facilities should come from renewable sources.

### Circular economy

In recent years, the Línea Directa Group has developed a plan to promote the circular economy, which is one of the main global challenges. This plan is based on three main pillars:

- Reduction of paper consumption through the implementation of digital procedures, with special mention of the "digital policy".
- Extension of the use of the electronic signature, both in the documentary relationship with customers and in contracts with suppliers and employees.
- Use of sustainable materials, promoting responsible consumption of resources, through the reuse or use of more sustainable materials.
- Reducing waste generation and increasing the reuse, recycling or other recovery of the waste produced.

### Adaptation to climate change

The aim of publishing the EU taxonomy is to steer capital flows towards sustainable activities, with the main challenge for companies being the adaptation of their business model towards a low-carbon economy.

**Línea Directa Aseguradora has assessed both its 2022 activity and investments based on the methodology established by the Taxonomy**, reporting the relevant indicators. In 2022, the steps taken in opening new positions in the investment portfolio have led to an **increase of 15% of eligible assets**, exceeding the target of a 10% increase set out in the 2022 Sustainability Plan.

## CYBERSECURITY

Línea Directa Aseguradora has been digital company since the outset, without branch networks or face-to-face agents, so having a reliable, flexible and robust cybersecurity system is of the utmost importance. That is why Línea Directa Aseguradora has a cyber threat prevention and response system within the framework of the Group's **Information Security Management System (ISMS)**. The main purpose of this system is to guarantee the **integrity, availability and confidentiality**, as well as to promote continuous improvement in this area.

The **main lines of work** carried out during the past year include the following:

- Integration of cybersecurity measures and systems in all business processes from the outset.
- Development and expansion of the Risk Map, which includes new KRIs that provide more exhaustive and detailed monitoring.
- Increase in the performance of pentesting exercises on specific elements of the infrastructure.
- Execution of Red Team exercises.
- Adaptation to the new regulatory and/or normative changes that are taking place in the insurance sector.
- Improvement in the security measures of the supply chain by means of regular controls and audits.

In 2022, the Group's Cybersecurity department worked on continuing to upgrade the controls, procedures and standards required by the UNE-EN-ISO 22301 certification, which the Group has achieved in two of the most critical business processes: Roadside assistance and Home claims.

## PEOPLE AND TALENT

Línea Directa Aseguradora's corporate and business priorities revolve around four main lines of action: focus on the customer, strong growth, digitalisation and profitability. To tackle these challenges, the company has designed a new structure that aligns people management and talent with this strategy.

### Alignment with the business strategy

In 2022, Línea Directa took another step to **further align the workforce with the company's** new strategy. To this end, opinion surveys have been carried out throughout the year, enabling Línea Directa to draw up action plans in accordance with the needs and motivations of the people in the organisation.

This year, the company has passed two external audits to become certified once again as one of the companies recognised as a Flexible and Responsible Company (EFR). Initiatives have also been implemented to improve the employee experience, consolidating and increasing an extensive package of corporate benefits.

### Diversity and equality

Línea Directa Group has a Diversity and Inclusion Policy, approved by the Board of Directors, which sets out the principles

through which the company contributes to the achievement of its objectives in this area. The principles set out in this Policy are:

- Ensuring a **culture of respect for people** and diversity-friendly behaviour among employees and suppliers.
- Ensuring **fair selection, recruitment, training, promotion, remuneration** and severance processes for employees.
- Promoting the **inclusion of the most vulnerable groups**, facilitating their proper integration into the company and ensuring a respectful working environment.
- Fostering a **culture of diversity and inclusion** backed by programmes, activities and action protocols that facilitate the integration of all employees.

This Policy also sets out the company's key commitments regarding generational, functional, cultural, gender and sexual orientation diversity. In addition, other people management policies such as the Recruitment, Hiring, Talent, Equality and Internal Vacancy Policies and the Internal Vacancy Procedure were designed taking diversity criteria into account.

Externally, Línea Directa is a member of the European Diversity Charter promoted by the European Commission, through which private institutions and organisations contribute to creating a more diverse and respectful environment and society.

In terms of talent attraction and recruitment procedures, the company has a selection procedure and a recruitment procedure in which it ensures that all of the processes observe equal opportunities.

## Diversity initiatives at Línea Directa

In 2022, the company has carried out different initiatives in order to promote diversity inside and outside the organisation:

- **Training:** the company has trained key groups in HR management on matters of diversity and non-discrimination.
- **Sensitisation and internal mobilisation.**
- **External communication:** announcing milestones in terms of diversity on social media.
- **Collaboration with other companies,** associations and working groups to foster and promote diversity and inclusion policies.

## Equality

Línea Directa has an **Equality Plan and a Gender Plan** approved by Senior Management and the Board of Directors. They set out the guidelines and commitments that apply to the company's daily work in this area. In addition, the company has a technical equality team made up of experts in people management and in analysis.

Línea Directa also has a **Harassment Prevention Protocol**, publicly available to all employees, which sets out the principles of action in this area to prevent any type of harassment, as well as the procedure for reporting, handling and resolving these situations.

## Gender equality commitments

As part of its commitment to equality, non-discrimination and inclusion, the company is a signatory to the following codes of conduct, networks of companies, sectors and foundations that promote all the principles set out here, including the **United Nations Global Compact, Women's Empowerment Principles (WEPs), Target Gender Equality (TGE), Ibex Gender Equality and Top Employers**. The company also has the following certificates and memberships: award given to companies for a **"Society free from gender-based violence" promoted by the Spanish Ministry of Gender Equality**, UNESPA Good Practice Guide on Gender Equality and Non-Discrimination, collaboration with the **Fundación Más Familia (Efr)**, member of the **EWI Sector Network**, of the **Código Eje&Con**, a code of good practises in female talent in organisations and of **MásHumano**, a network of companies committed to implementing **flexible working models**.

## Gender-based violence

There are also two annual awareness-raising campaigns with various activities for the entire workforce, coinciding with **25 November** (International Day for the Elimination of Violence against Women) and **8 March**, International Women's Day.

## Talent attraction

Línea Directa is once again among the 50 companies with the best capacity to attract talent in Spain according to the Merco Talent ranking. In the last financial year, the company moved up four positions in the ranking, from 49th to 45th place. In addition, it

has renewed its Top Employers certification, which ranks the company as one of the best employers in Spain.

Línea Directa's talent attraction strategy, under the slogan "Línea Directa DNA", which stands for "Different, Nurturing and Agile", aims to attract the best professionals to tackle the organisation's current and future challenges.

## Talent management

The new organisational structure shines the spotlight on the customer, with the aim of addressing new business priorities such as digitalisation, growth, profitability and sustainability.

The new environment requires agility in adapting to change, fostering motivation and goal-oriented team development. Therefore, in 2022, Línea Directa has created a campaign to **promote a culture of professional development called "Re-evolucionar"** which seeks to motivate employees and encourage their professional development and identify talent within the organisation.

Línea Directa's talent management strategy encourages people to contribute to the success of the company from their sphere of responsibility. Some important developments in 2022 include the **Management Development Programmes**, consisting of several leadership programmes tailored to the employee's area of activity and the **Training Schools**, structured around each professional field.

The new organisational structure has generated professional opportunities within the company. This year, a new Management

Committee was formed, with 4 new Committee members, 3 of whom were promoted internally.

### Corporate remuneration and benefits

Línea Directa has a total remuneration program that can be consulted internally on the employee portal, where employees have access to all the components of their remuneration package. This package includes their **fixed, variable and in-kind remuneration, and their welfare benefits and perks.**

Variable remuneration is defined by the monthly, quarterly and annual incentive programme, linked to the achievement of corporate objectives as a company, as an area and in individual professional development. Through this incentive plan, employees can earn achievements of more than 140%, receiving a very appealing variable remuneration in addition to their fixed salary.

Employees have many other fringe benefits: the Employee Share Purchase Plan, a one-off extraordinary payment to employees for inflation, a Social Security Plan and defined contribution insurance

Línea Directa offers its employees an attractive package of corporate perks that strengthen employee loyalty and invite them to get to know the company's products in depth.

### Pay gap

Línea Directa defends equal pay for men and women and carries out salary reviews, year after year, with common criteria for both genders. Proof of this is that the total average remuneration of

women and men is very similar and the **pay gap** at the end of 2022 was **2.8%**.

### Employee relations

The return to normal in the offices following the COVID-19 pandemic and the implementation of a **flexible working model** has been a great challenge for the People area and the relationship with employees.

That is why the Línea Directa Group has established a **flexiwork model that combines in-person work at the offices with remote work.** This system allows back-office employees to have up to 6 days of flexible remote work per month at their disposal.

At Línea Directa, the commitment and involvement of all employees is key to meeting the challenges facing the organisation. That is why a listening strategy has been defined, with the purpose of understanding, involving and gathering employees' ideas and their perception at different points throughout the employee life cycle. The objective is to ensure that their commitment is aligned with the objectives and goals of the company.

### Union representation

All employees of the Línea Directa Group are subject to the collective bargaining agreement that applies in each workplace of the companies that make it up:

- In Línea Directa Aseguradora, the Insurance and Reinsurance Agreement.



- In Línea Directa Asistencia, the Offices and Bureaux Agreement, the Engineering and Technical Studies Agreement and the Metalworkers' Agreement in Alicante, Malaga, Seville, Barcelona, Madrid and Valencia.
- At CAR Barcelona, the Barcelona Metalworkers' Agreement.
- At CAR Madrid: the Madrid Metalworkers' Agreement.
- In Línea Directa Reparaciones, the Madrid Construction Collective Bargaining Agreement.

The Group has union sections that exercise their rights in accordance with the Organic Law on Freedom of Association.

In accordance with current legislation, the company is continuing with the open negotiation process it started in 2021 with the most relevant trade unions to establish a new Equality Plan for the Group's companies.

### **Disability and accessibility**

As part of the commitment to diversity and inclusion promoted as part of the corporate culture, one of the main pillars is the inclusion of employees with a disability card and the promotion of their recruitment and socially acceptable employment.

With this goal in mind, Línea Directa Aseguradora's **Sin Límites programme** was launched in 2009 to promote diversity inclusion in the workplace in four areas: attracting talent with different skills through selection processes, internal diversity, development and/or participation in social inclusion and projects and contributing to employability through specialised employment

centres (CEE). The programme has a specialised person from the company – the guide or tutor – who ensures the standardisation of processes and that the employee has a suitable working environment from the moment they join the company, with a personalised onboarding process tailored to their needs. The guide approaches the employee who is to receive the disability card, advises him or her and offers assistance with the procedures, guaranteeing confidentiality.

Internally, people with disabilities receive financial support of €1,500. The programme also includes the **Tú Sumas Plan**, which offers advice and support to all employees who have a family member with a disability, in collaboration with the Randstad Foundation.

Línea Directa collaborates with other foundations and associations in social and professional inclusion projects, involving a whole network of volunteers who contribute their knowledge, experience and time by designing and/or leading employment workshops. At the end of the year, the Línea Directa Group employed 39 people with some kind of disability, representing 1.54% of the workforce.

### **Accessibility**

All the workplaces of the Línea Directa Group are accessible. In addition, the company is working on internal and external communication and awareness-raising on the subject of disability and has improved the digital accessibility of its corporate websites.



## 17. RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

**Línea Directa Aseguradora's business model not only gives it a competitive advantage in terms of growth, efficiency and profitability, but is also a valuable tool that drives the culture of innovation and technology in the organisation. It also makes significant investments in projects of special scientific interest, which represent added value for the company's reputation.**

Since the outset, Línea Directa has had a business model that encourages creativity and disruption. Through direct contact with the client, the organisation has a greater capacity to **detect their needs**, which gives it an important competitive edge when launching new products and improving customer service and experience. Its centralised model is an excellent platform when it comes to developing solutions based on the latest technologies.

### Digital transformation

The **Group's Digital Transformation Plan**, which was launched in 2019 under the name "**More digital, more useful**", is based on two fundamental pillars: omni-channelling, which allows customers to interact with the company through any channel they choose, and usability, which makes customers' lives easier and more agile thanks to technology and digitalisation.

Throughout this period, and **relying on cutting-edge technologies such as Artificial Intelligence (AI)**, Línea Directa Aseguradora has **been expanding and improving the digitalisation of its services**. Nowadays, Group customers can use digital channels, whether it be the website or the mobile application, to manage all

insurance-related procedures and receive solutions to their claims quickly and easily.

Customers can manage mishaps with their vehicle through the WhatsApp instant messaging service, without calls, speeding up the process and obtaining precise information in real time on the state of repair of their car or motorbike, requesting a replacement car and receiving information on when the vehicle is repaired and available for the customer to pick it up. They can also perform photo inspections of minor damages to their cars and receive an assessment and compensation proposal in real time. At home, by taking a mobile phone video of their damaged ceramic hob, they will also receive an expert assessment and compensation. The Vivaz website and the Vivaz App allow customers to locate health professionals and medical centres from the health insurance policy's medical directory, as well as doing video consultations.

As a direct company in constant communication with its customers, **Línea Directa is constantly analysing how it can improve its digital and telephone services**, to better adapt to the changing needs of its policyholders, from the conclusion of the contract to the renewal of the insurance, as well as to all the procedures and services that our policyholders require.

The agility and usefulness that the Group's digital services provide to users has led them to achieve a high penetration in the company's customer base. **At the end of 2022, the Group had more than 1.13 million estimated active apps for Línea Directa and Penélope Seguros**, an increase of 40.8% over the previous year. The Línea Directa App was the mobile application with the highest growth in downloads and usage in Spain in 2022, according to the consultancy firm Smartme Analytics.

As a result, **86.5% of policyholders already interact with the company using digital channels** and a high percentage of them also make frequent transactions online. Specifically, **53% of Motor claims and 40.2% of Home claims were opened in 2022 via the web or the app**, and **55.2% of tow trucks were requested digitally**, which allows the insured to check, through their device, how long the tow truck will take, who the tow truck driver is and their contact information and where they are at any given time thanks to the geolocation tool that the service has.

### Innovative services

This innovative spirit and closeness to the customer has driven Línea Directa to create and launch differential insurance solutions on the market on a recurring basis. In recent years, the Group has launched innovative insurance products such as **“Llámalo X”, the first insurance policy on the market with car included, Respira policy, an insurance policy with specific coverage for electric cars and plug-in hybrids, and Safe&Go, the first policy that covers the mobility of PMV users**. This product innovation is the fruit of a real vocation to do things differently and from direct contact with the market, the sector and the customers.

At Línea Directa, innovation is not centralised in one department, but is driven by internal talent throughout the company, is part of the company's DNA and has been part of the corporate culture since its inception. Executive management encourages all departments and teams of the company to innovate. Some of these products, such as Safe&Go and Llámalo X, have emerged from various cross-divisional working groups of the company.

Because the direct model offers its services centrally from a single geographical location, it requires a strong commitment to

technology that provides flexibility and immediacy for business and support processes. In this sense, Línea Directa Aseguradora was born with a significant competitive advantage, as it was equipped from the beginning with cutting-edge technologies (telephony, information systems, digitalisation, etc.) that have enabled it to become a benchmark for quality and innovation over the years.

Línea Directa has been at the forefront of the insurance sector since its foundation in the field of digitalisation, both in its internal processes and in the provision of services, with the aim of increasing the efficiency of the organisation and offering the best user experience.

### Service quality

The direct model, with no agents or intermediaries, offers a differential advantage over the traditional model: direct contact with customers. In this regard, knowing first-hand the needs of policyholders is a very useful tool when it comes to detecting areas for improvement and promoting a service based on innovation, quality and excellence.

Quality is one of the fundamental pillars of Línea Directa Aseguradora's business model. For this reason, the company has a Quality System that promotes, develops and implements a culture of excellence in all areas and actions of the company.

Meanwhile, Línea Directa's Strategic Quality Plan has a specific system for measuring all key business processes. This system, based on the Net Promoter Score (NPS), attempts to determine customer loyalty by asking them whether they would recommend the company on a scale of 1 to 10. In this regard, **the company's**

**overall NPS closed the 2022 financial year with 46.98%**, which is a very notable improvement compared to previous years, as the recommendation index **has increased 7.8 points compared to 2021** and by 9.3 points compared to 2020.

Throughout 2022, quality measurement has been extended to new processes, always with the aim of guaranteeing excellence in service and identifying opportunities for improvement. In fact, given the importance that the service is reaching through digital channels, Línea Directa has begun to focus on these processes, setting very challenging objectives.

In addition to the NPS, Línea Directa Aseguradora works with other quality indicators, such as the degree of satisfaction with the attention of its telephone agents, in which customers assess their satisfaction with the attention of the company's specialists, as well as with the service received, with the professionalism and treatment of the professionals being the most highly valued aspect. Satisfaction with each service, whether after a call or after digital management, is assessed using the **Net Satisfaction Score (NSS) indicator which in 2022 stood at 49.59%, 6.7% higher than the NSS in 2021.**

In 2022, the company has also included improvements in the measurement of quality, incorporating new variables and adapting the management of results to the needs of each area, which optimises the accuracy of the categorisation of policyholders' suggestions. The processes with the greatest room for improvement have also been reviewed, taking into account customer comments and an exhaustive review of each file and each complaint or claim.

These analyses have been carried out in direct collaboration with the different areas with the goal of generating an action plan based on the conclusions obtained, which has been reported to the company's Management and the affected areas. Additionally, all the information on policyholder assessments, data analysis and customer suggestions is reported to the Management Committee on a monthly basis.

### Research support

Línea Directa Aseguradora finances various research projects that represent added value for the company's reputation due to their **scientific relevance** and specific weight in terms of **sustainability, efficiency and disruption.**

In 2022, Línea Directa Aseguradora supported a number of initiatives in a wide range of areas, such as **health, electric vehicles and energy. The most significant investments** in health were as follows:

- A high-accuracy VR sensor to simulate and refine radiation-therapy treatments.
- Research on a new solution for comprehensive genetic risk assessment of common diseases.
- Research and development of precision medicine for lung cancer screening.
- Research on the molecular identification of the metabolomic fingerprint associated with mastitis during breastfeeding.

With regard to the automotive industry, and reinforcing the company's commitment to sustainable mobility, support for research and development of a new ultra-fast and mobile recharging system for electric vehicles stands out. Lastly, in the energy sector, the company funded research projects on new materials and processes for the development of primary aluminium-air batteries.

All these projects funded by Línea Directa Aseguradora have contributed to the **development of R&D throughout Spain**, as the companies involved are located in Madrid, Cantabria, and Catalonia.

## 18. OTHER SIGNIFICANT INFORMATION

### 8.1 The Línea Directa Aseguradora share

At year-end 2022, the Company's issued share capital amounted to €43,536,673.60, comprising 1,088,416,840 fully subscribed and paid-up ordinary registered shares, all of the same class and series and each with a par value of €0.04.

All outstanding shares carry the same dividend and voting rights and are represented by in book entry form. The shares are listed on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao (the Spanish stock exchanges).

The main stock market index to feature the Company's share is the IBEX Medium Cap, which ranks Spanish listed mid-cap companies.

In 2022 Línea Directa entered the Ibex Top Dividend, the Spanish Stock Exchange index made of the 25 most profitable securities for shareholders in the last year.

The ISIN code of the Company's share is ES0105546008.

#### Share price performance

The share closed the 2022 financial year at €1.032 per share, a decrease of 34% since 3 January, the first day of trading in 2022.



At year-end 2022, a total of eight research houses followed the share, 50% of which recommended "buy", 12.5% "hold" and 37.5% "sell", with an average target price of €1.215.

<b>The Línea Directa Aseguradora share</b>	
	<b>2022</b>
<b>Share data</b>	
Low (€)	0.870
High (€)	1.624
<b>Close (€)</b>	<b>1.032</b>
Number of shares	1,088,416,840
Treasury shares	656,911
Number of outstanding shares	1,087,759,929
Par value (€)	0.04
Daily average trading volume (shares)	633,962
Daily average trading volume (€)	804,140
<b>Market capitalisation (million €)</b>	<b>1,123</b>
<b>Ratios</b>	
Profit per share (€)	0.055
Book value (€)	0.267
Price/book value (times)	3.9 x
PER (times)	18.9 x
RoAE (%)	17.8%
Dividend yield (%)*	4.8%

\*Dividends charged to the financial year 2022 / share closing price for the year

## Dividends

The Company has paid three cash dividends for a total amount of €0.0482 gross per share, equivalent to a cumulative amount of approximately €52.5 million. These payments were made on 8 June, 28 September and 21 December 2022.

In addition, the Company's Board of Directors, at its meeting of 23 February 2023, resolved to propose to the Annual General Meeting a final dividend of €0.001 gross per share for a total amount of approximately €1 million, payable in April 2022. This would bring the total dividend payable in 2022 to €0.0492 gross per share, equivalent to a total of approximately €53.6 million. The dividends represent a payout of 90% of the Company's after-tax profit and a dividend yield of 4.8% based on the year-end price.

## Acquisition and disposal of treasury shares

On 12 May 2021, the Board of Directors approved an own-share buyback programme under the authorisation granted at the Company's general shareholders' meeting held on 18 March 2021 and in accordance with market abuse regulations. This authorisation was duly communicated to the CNMV on the same day.

At 30 December 2022, Línea Directa Aseguradora held 656,911 treasury shares, representing 0.06% of capital and amounting to €677,932.

## 8.2 Shareholding structure

At the end of 2022, Cartival held 19.503% of the Company's shares, Bankinter 17.416%, Fernando Masaveu Herrero 5.321%, Lazard Asset Management 3.195% and Invesco Ltd. 2.487%. Línea Directa holds 0.060% as treasury stock. As a result, 52.0% is *free float* and is mainly in the hands of institutional investors.

Shareholder breakdown	2022
Cartival, S.A.	19.50%
Bankinter, S.A.	17.42%
Fernando Masaveu Herrero	5.32%
Lazard Asset Management	3.20%
Invesco Ltd.	2.49%
Treasury shares	0.06%
Foreign Institutional	27.86%
Domestic Institutional	7.12%
Retail	17.04%

The foreign institutional tranche is led by the United Kingdom and the United States, with the composition as follows:

Foreign Institutional tranche	2022
United Kingdom	29.21%
United States	28.63%
Luxembourg	15.59%
France	8.74%

## Foreign Institutional tranche

	2022
Belgium	8.63%
Switzerland	3.80%
Norway	2.52%
Other	2.87%
	100.00%

## 8.3 Relationship with the financial market

Following the recent listing of Línea Directa Aseguradora, S.A., the Company intends to follow best practices of good governance and the recommendations of the CNMV's Code of Good Governance, which will strengthen its commitment to transparency, to ensuring the full engagement of shareholders and investors and to the creation of long-term value. To succeed in these tasks, the Company considers it necessary to implement procedures to maintain adequate communication with all of its stakeholders.

In this regard, the Company has a Communication Policy in effect with shareholders, institutional investors and proxy advisors of Línea Directa (available on the website), which also includes the general policy regarding the communication of economic-financial, non-financial and corporate information through the Company's social networks and other communication channels.

In particular, the website for shareholders and investors is regularly updated to include information on CNMV filings, financial information, results, presentations and share performance.



The Company has also released its 2022 Non-Financial Statement, which contains extensive information on the performance in environmental, corporate governance, personnel, social and human rights issues relevant to the Company's business activities.

In 2022, the Company webcast its published earnings on a quarterly basis, participated in 10 domestic and international conferences and forums and held more than 359 meetings with shareholders and investors, thus bringing the business closer to them.

#### 8.4 Average supplier payment period

In accordance with the provisions of Law 18/2022, listed commercial companies are required to publish their average supplier payment period, the monetary amount and number of invoices paid in a period shorter than the legal maximum period, as well as the ratio of those invoices to the total number of invoices and the total monetary amount of payments made to suppliers.

The payments made to suppliers in 2022 and 2021 are as follows. The average payment period to suppliers at the end of 2022 for Línea Directa Aseguradora was 18.55 days. The number of invoices and their monetary value are broken down for the year 2022:

	2022	2021
	Days	Days
Average payment period to suppliers	18.55	17.29
Ratio of transactions paid	18.51	17.26
Ratio of transactions outstanding	20.24	17.89
	Amount (thousand euros)	Amount (thousand euros)
Total payments completed	334,881	313,571
Total payments pending	7,859	14,623
	Days	--
Invoices paid within the legal limit	112,931	--
Percentage of total invoices	90.58%	--
Total invoices	124,682	--
	Amount (thousand euros)	
Monetary volume within legal limit	278,227	--
Percentage of total monetary value of payments to suppliers	81.18%	--
Total monetary value of invoices	342,740	--

## 19. COMPLAINTS, OMBUDSMAN AND OTHER NON-FINANCIAL INFORMATION

The Customer Service Department operates in compliance with Order ECO 734/2004, of 11 March, on customer care departments and services of financial institutions, which seeks to regulate the requirements all such departments and services must meet.

The aim of the Customer Service Department (CCS) and the Consumer Ombudsman is to address and resolve any complaints or claims that any individual or legal entity may submit to the Company, guided by the principles of impartiality, speed, economy, publicity, due process and efficiency, and acting with total autonomy in respect of the Company's other departments with regard to the criteria and guidelines to be applied in discharging its functions so as to ensure fully independent decision-making.

In 2022, a total of 5,809 incidents were handled (6,207 incidents in 2021), 398 (6.85%) of which qualified as complaints (374 (6.03%) complaints in 2021) and 5,411 (93.15%) as claims (5,833 (93.97%) claims in 2021). Of the total, 20.86% related to Policy quoting and management, 69.48% to Accident management and 3.10% to the Roadside assistance service (2021: 23.23%, 68.52% and 2.66%, respectively).

The breakdown by type of case managed by the Group in 2022 and 2021 is as follows:

	2022		2021	
	Quantify	% of total	Quantify	% of total
Complaints	398	7%	374	6%
Grievances	5,411	93%	5,833	94%
<b>Total filings managed</b>	<b>5,809</b>	<b>100%</b>	<b>6,207</b>	<b>100%</b>

The breakdown by department of the cases generated by the Group in 2022 and 2021 is as follows:

	2022		2021	
	Quantify	% of total	Quantify	% of total
Quotes and policy management	1,212	23%	1,442	23%
Accident management	4,046	68%	4,253	68%
Travel assistance service	180	3%	165	3%
Other	381	6%	347	6%
<b>Total filings managed</b>	<b>5,809</b>	<b>100%</b>	<b>6,207</b>	<b>100%</b>

The main issues raised by customers are listed below:

1. Rejection of damage claim following expert inspection.
2. Delays in processing and repairing damage.
3. Policy exclusions.

#### 4. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2022, 82.10% (73% in 2021) have been considered estimated and 38.13% valid (35.28% in 2021).

In 2022, a total of 428 cases were heard by the Consumer Ombudsman (801 cases in 2021). A decision was handed down against the insured claimants in 32.94% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 67.06% of decisions went with the policyholder in 2022, while in 2021 this figure was 41.82%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. It also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

## 20. ANNUAL CORPORATE GOVERNANCE REPORT, ICFR AND ANNUAL REPORT ON DIRECTOR REMUNERATION

For the purposes of Article 538 of the Corporate Enterprises Act, the Management Report includes the Annual Corporate Governance Report (ACGR), Internal Control over Financial Reporting (ICFR) and the Annual Report on Director Remuneration (ARDR) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, all for the year ended 2022. Both reports are available and can be consulted in full on the website of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV) and on the corporate website.

## 21. CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION



## 2022 CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION

LÍNEA DIRECTA ASEGURADORA, S.A.

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## LETTER FROM THE CHAIRMAN

The year 2022 has seen a great deal of financial instability, largely caused by rising inflationary pressure, which had already picked up markedly in the previous year. This trend, which threatens to last for much of 2023, has been aggravated by the current geopolitical situation, which has significantly driven up energy costs and essential items. This problem has led to a tightening of monetary policy by the European Central Bank, which has seen higher interest rates as a way to curb prices. However, this measure may have a dual effect in the short and medium term: a general cooling of the economy, which could be on the verge of recession, and a reduction in citizens' purchasing power.

This situation has had an impact on our country's macroeconomic figures. According to the INE flash estimate, the Gross Domestic Product registered a year-on-year change of 5.5% in 2022, identical growth to that of 2021, thanks to the strong growth of the economy in the first half of the year, which balanced out a less favourable performance in the second half of the year. Regarding employment, the trend is positive, as the number of employed people increased by 278,900 over the last 12 months, but the unemployment rate still stands at around 12.9%, a figure that seems very high for an economy with the strength and resources of the Spanish economy.

In this complex and changing economic environment, the insurance sector has performed unevenly, although it continues to maintain high levels of robustness. The sector managed to increase turnover by 4.7% in 2022 to reach €64.673 billion, of which more than €40.2 billion corresponded to the Non-life line (+5.2%).

The Motor line seems to be overcoming some of the problems experienced in previous years, growing by 3.3% compared to the 0.9% decline recorded in 2021. However, the situation in terms of new vehicle sales is particularly worrying. Barely 813,400 new cars were sold in the year, down 5.4% compared to the same period in 2021 and 35% compared to 2019, according to Anfac figures. The Companies channel was the only one with a clearly positive performance, with registrations increasing by 4.1% and accounting for more than 42% of total passenger car sales in our country. This stagnation in the commercial distribution of vehicles is exacerbating the problem of the high average age of the Spanish vehicle fleet, which is steadily approaching 14 years on average. This not only represents a burden for the national economy, but also a reality with very negative consequences for road safety.

The Home line, in turn, has significantly boosted its turnover in the first three quarters of the year, with an increase in premium volume of 5.5% compared to 2021, although the rise in the cost of financing and the slowdown in the real estate market may affect it considerably in the coming months. As for health insurance, it continues to grow at a very dynamic pace, achieving a 7% increase in premiums compared to the same period in 2021, which consolidates it as a great asset for the Non-life line in terms of profitability, diversification and development.

### **Línea Directa, strength and growth**

Against this background, Línea Directa Aseguradora has continued to consolidate its reputation as a solid and highly profitable company. It increased its premium income by 4.4% in 2022, achieving a turnover of more than €946 million thanks to the strong performance of all its lines of business. This steady and



sustained growth has enabled the company to consolidate its position in 13th place in the ranking of Non-life entities by volume of premiums.

Regarding motor insurance, Línea Directa Aseguradora increased its premium income by 3.3% and its number of policies by 2.7%. The Home and Health lines of business (+9.5% and +10%, respectively) continued to grow at a significantly faster pace than the market and now account for more than 18% of the Group's total business, with a 3.4% increase in the number of customers, reaching more than 3.4 million policyholders.

In terms of profitability, Línea Directa Aseguradora achieved a Profit Before Taxes (PBT) of €78.7 million, a decrease of 45.8% compared to 2021. This result must necessarily be linked to two factors: firstly, the notable rise in the accident rate in the sector as a whole, with fatal accidents increasing by 13%; and secondly, inflation, which has especially impacted average repair costs and, consequently, the technical results, since such expenses take time to be offset in the statement of profit or loss.

Despite this, the Group's claims incurred ratio was 75.7% (+7.9pp), the expense ratio 20.6% (+0.1pp) and the combined ratio 96.3% (+8.0pp), all below the sector average. Not surprisingly, Línea Directa Aseguradora has a combined ratio 2 points lower than that recorded by the sector at the end of the third quarter, thanks to its business model, its excellent underwriting policy and cost containment. Thanks to this, Línea Directa has profitability that stands out from the competition, with an ROE of 17.8%, and great robustness. It has a solvency margin of 188.4%, which has enabled the company to pay its shareholders an ordinary dividend of €52.48 million in 2022, with a payout of 90% and an annualised return of 6.38%.

## Sustainability, an asset for Línea Directa

The 4th Sustainability Plan of the Línea Directa Group has completed the cycle, reaching 92% achievement in its three years of life. The Plan was designed based on ESG criteria and, in particular, on three specific aspects: Environmental, Social and Good Governance. Environmental includes various actions to mitigate climate change with the aim of achieving carbon neutrality for the company by 2030. Social is geared towards promoting values such as equality, diversity, health, road safety and safety in the home. Good Governance aims to ensure ethical management in accordance with the law and the sustainability commitments undertaken by the Group.

The year 2022 also saw the preparation and implementation of Línea Directa Aseguradora's 5th Sustainability Plan, which will be in force from 2023 to 2025. The new Plan's vision will be to lead the Línea Directa Group towards sustainable growth, to promote ESG from within the company and to position its direct model as one of the company's greatest assets. The Plan will have a wide range of goals: generating business, promoting a culture of sustainability, contributing value to shareholders, attracting responsible investment, consolidating its status as a leader in terms of reputation, contributing socially and environmentally to the progress of our country and becoming a benchmark in its relationship with stakeholders.

The 5th Sustainability Plan will enable the Group to continue the great development it has experienced in recent years in terms of sustainability, firmly establishing its position as one of the most prestigious Spanish companies which, year after year, is included in the country's most important reputation rankings, such as the Merco Companies ranking, the Merco ESG Responsibility and



Corporate Governance ranking and the Merco Talent and Top Employer rankings. This is a success in which the Línea Directa Foundation has also played a very important role, thanks to its relevance and impact achieved in its activity in favour of road safety, with initiatives such as the Road Safety Journalism Award, the Road Safety Entrepreneurs Award and the Foundation's research studies and various training activities that undoubtedly contribute to the improvement of our society.

### Corporate governance, diversity and transparency

Línea Directa Aseguradora has adapted its organisation and corporate governance to the recommendations of the Spanish National Securities Market Commission (CNMV) since the start of its stock market activity in April 2021, promoting efficiency, inclusion, independence and diversity in the organisation, principles that have always been present in all of the company's activities.

The Group's average workforce in 2022 was comprised of 2,538 employees of 24 different nationalities, 57% of whom are women, who occupy 48% of management positions and 50% of executive positions. It is also important to highlight the virtual non-existence of a wage gap in our team, as the difference is 2.8%, a figure that is significantly better than the average for the labour market in our country.

The year 2022 has also marked an important milestone for the Group: the appointment of Patricia Ayuela as the new CEO of Línea Directa Aseguradora, following an extensive professional career in the company, where she has headed the Quality, Household, Motor and Digital Transformation areas. I am confident that her experience and strategic vision will be a great

asset to the organisation as it faces the challenges posed by the market, which is highly conditioned by the current macroeconomic scenario. I would also like to take this opportunity to thank Miguel Ángel Merino, CEO until February 2022, for his dedication during these years and his work at the helm of the company, which has paved the path to building a multi-branch, multi-product insurer that is set to continue transforming the insurance market in Spain.

Línea Directa Aseguradora has also approved various policies in the area of Corporate Governance in 2022 on director remuneration, risks, tax strategy, sustainable investment, prevention, health and well-being, information security, privacy, environmental management and climate change, responsible purchasing, talent, product control and product governance. The essential goal of these measures is not only to comply with best practices in corporate governance, but also to add value to the company and, by extension, to its shareholders, customers, employees and suppliers, by contributing to society our firm commitment to ethics and responsibility as a means of building a profitable, exemplary and ethical project in all its business areas.

Línea Directa Aseguradora is, due to its great commercial dynamism, vocation for innovation and disruptive nature, one of the companies with the greatest growth potential in our country. The company's financial strength, its direct business model and its commitment to sustainability make it not only one of the most profitable institutions in the market, but also one of the most reputable and committed to society. All of these factors will enable Línea Directa Aseguradora to move into 2023 with the determination to continue to strengthen the keys to its success: a different value proposition based on competitive prices and high quality standards, a distinctive business model that is firmly

committed to innovation and, above all, a very high level of commitment from its incredible team, who make Línea Directa a unique and truly great company.

**Alfonso Botín-Sanz de Sautuola**

Chairman of Línea Directa Aseguradora

## INTERVIEW WITH THE CEO

**The Línea Directa Aseguradora Board of Directors appointed Patricia Ayuela as Chief Executive Officer in February 2022. Here, she reviews the main results and challenges experienced by the company over the past year in terms of business, sustainability and corporate governance, as well as the main priorities of Línea Directa Aseguradora for 2023.**

**In February 2022, the Board of Directors of Línea Directa Aseguradora appointed you as CEO of the company. Personally and professionally, what does this appointment mean for you and what priorities do you have as the head executive of Línea Directa?**

After a long career in the company, being appointed CEO is a great satisfaction, but it is also a great responsibility. After almost twenty years working in the Group, where I have managed the Home, Motor and Digital Transformation business lines and the Quality Area, to lead the company where I have spent most of my professional career is certainly a great pride and a great challenge.

My primary goal is for the company to experience strong growth. In doing so, we are putting the spotlight on the customer by focusing on quality and driving digitalisation, with the aim of improving loyalty rates and the policyholder experience. Additionally, we must face the rise in accident rates that the sector is currently experiencing, for which it is essential to continue improving the efficiency of all processes, to continue offering customers personalised prices and to maintain our pricing edge over the competition.

Internally, my priority is to strengthen the company with profiles that we do not have today and that are necessary to compete in the future; and, at the same time, to preserve the culture that has made Línea Directa a great success story. In this sense, having a brilliant, committed and enthusiastic team is what will make it possible for the company to grow at higher rates than today, recover its track record of profitability and continue to add value for our shareholders, thus consolidating our position as one of the leading companies in the sector.

## FINANCIAL RESULTS

**The year 2022 has been a very complex year, with growth slowing and consumer purchasing power declining sharply. How has the macroeconomic situation affected Línea Directa Aseguradora's results?**

The economic scenario we've experienced during 2022 has been very complex. High inflation has made car repairs more expensive, which has significantly increased the companies' ratios of claims incurred. What's more, the rise in interest rates and energy prices have reduced consumers' purchasing power, which affects both the performance of non-mandatory insurance and Motor insurance coverage. In addition, the supply crisis that the automotive sector experienced and the slowdown in the sale of homes have harmed the growth of both lines of business.

In this difficult context, Línea Directa has managed to get back on the path to growth, although its results have been impacted by the higher rate of claims incurred. However, I am optimistic about the future of the company because of our commercial capacity and our high profitability.

We managed to maintain our commercial momentum in 2022, with solid growth in both customers (3.4%) and premiums in all lines of business, which together grew by 4.4%. All of this allows us to continue to move steadily towards €1 billion in turnover and to continue to be a very profitable company, with an ROE that stands out from the rest, a company that is a benchmark in efficiency. Not surprisingly, we have a combined ratio of 96.3%, below the industry average. The solidity of our investment portfolio is also noteworthy. Although it has been affected by the rise in interest rates as it is mainly composed of fixed income, the financial performance of our portfolio will increase as rates rise. In fact, the new fixed income that the company is acquiring has higher rates of return than that which is maturing.

### **How have the individual business lines evolved over the past year?**

The performance of Línea Directa's lines of business in 2022 has been positive, considering the macroeconomic scenario. The Motor line's premiums grew by 3.3% compared to a 0.9% decrease in 2021, and the portfolio grew by 2.7%. The Home line continued to strengthen its position as a driver of the Group's growth, with premiums rising 9.5%, 73% higher than the sector as a whole, mainly due to the positive growth in the company's portfolio (+5.6%). These results allow this line of business to now contribute more than 15% of the Group's total turnover, which is certainly an important step forward.

The Health line continued to make steady progress towards break-even, reducing its combined ratio by 3.4 points and increasing its premiums by 10% and its customer base by 4.8%. We are therefore very optimistic about the future, as these data show that the company has an excellent commercial dynamism.

### **What has being listed on the stock exchange meant for Línea Directa?**

Línea Directa's IPO is the culmination of a long process that has made the company one of only three listed insurers.

As a listed company, our visibility has increased exponentially, and this, combined with our great responsibility in terms of investments and our relationship with our shareholders, has made us expect even more of ourselves. In this regard, trading on the stock exchange is a very important exercise in transparency, as each quarter we publicly report on what we are doing and how the business is performing. But, undoubtedly, this commitment and this determination to do things well will have an impact on business results in the long term, despite the fact that, temporarily, there may be difficult moments such as the one the automotive sector is experiencing right now.

### **What can we expect from the company in 2023? What are its main challenges?**

The main goal is to accelerate growth, but always in a profitable way. To do so, we will put the customer at the centre of our decisions, providing service that stands out from the rest and committing to offering a wide range of products and services based on quality and innovation. But, above all, let's shine the spotlight on the enormous advantages of our business model, highlighting the removal of brokerage fees, our centralised operations, our horizontal structure, the great customer experience and the excellence of our service. All this makes for a

great value proposition for the customer, who receives a high quality service at an unbeatable price.

In this respect, our prices are, on average, 12% cheaper than those of other insurers, which is a great incentive and a great opportunity to grow and move steadily towards our goal of consolidating our position as one of the most important companies in the Non-life line.

## **SUSTAINABILITY AND TRANSPARENCY**

**2022 was the last year of Línea Directa Aseguradora's 4th Sustainability Plan. What do you think of the Plan's outcome? What has been the company's main milestone in this area in the past year?**

Línea Directa has always been in close contact with society due to its business model, which is direct and with no intermediaries. That's why, from very early on, we have developed numerous initiatives in terms of sustainability. The company's growth and transformation into a large multi-segment project made it necessary to systematise, organise and promote a global vision of sustainability in the organisation, always with the aim of covering a wide range of initiatives related to the business. That's why, since 2011, Línea Directa has been developing three-year strategic Sustainability Plans, with the entire company participating in the management and implementation of these Plans.

The 4th Plan, which ran from 2020 to 2022, achieved over 96% of targets and has enabled us to continue to move decisively towards a profitable, sustainable company model with strong ethical foundations. Línea Directa's Sustainability Plans have three

main pillars that are linked to each of the dimensions of ESG: Environmental, Social and Good Governance. These pillars result in a wide range of initiatives that put into action our determination to contribute to creating a more sustainable, responsible and equitable society.

I personally believe that the company's major milestone in sustainability over the past year was our participation in the international Dow Jones Sustainability Index, which involved a thorough review of all the Group's procedures in this area and has served to carve out the path that the company will follow in the coming years. The result was satisfactory and very commendable, as we are in the 87th percentile in the management of and action toward sustainability worldwide, a milestone that we consider to be positive and that certainly encourages us to keep making progress.

**How is sustainability management structured at Línea Directa and what priorities has the company set for the 5th Sustainability Plan 2023-2025?**

The process of strategic design for sustainability is ambitious, thorough and very demanding. Each of the Plans is prepared by a specialised working group that submits its proposal to the Sustainability Committee, composed of members of Línea Directa's senior management. The proposal, after evaluation and approval by this body, is submitted to the Management Committee, which subsequently forwards it to the Appointments, Remuneration and Corporate Governance Committee of the Board of Directors. Finally, in the last phase, the Board of Directors gives final approval to the Plan.

The 5th Sustainability Plan will be in force from 2023 to 2025. Its main goal will be to encourage the company's sustainable growth using an ESG approach, improving communication and dialogue with the different stakeholders. We want to become a great reputational asset for the sector and society, always with the aim of attracting responsible investment through the creation of value, and to position ourselves as a true leader in this area in our country.

**One essential asset for the Group's sustainability is undoubtedly the activity of the Línea Directa Foundation.**

The Línea Directa Foundation has become, only 8 years after its creation, a true benchmark in the fight against accidents in our country. Under the slogan "Road safety. Here and now", it has four lines of action: Outreach, Research, Social Action and Education, covering a wide range of activities and initiatives.

These include the Foundation's studies on road safety, which has a great media impact; the Road Safety Journalism Award, which encourages the publication and promotion of news related to road safety; and the Entrepreneurs and Road Safety Award, which highlights entrepreneurship in the fight against traffic accidents. Moreover, the Foundation organises and finances a wide range of educational activities and collaborates with other organisations and foundations, earning it prestigious recognitions such as the Silver Cross of the Order of Merit of the Civil Guard and the Order of Merit for Road Safety, awarded by the Ministry of the Interior. I believe that if our commitment has helped to save just one life or prevent just one traffic accident, then all our efforts will have been worthwhile.



## ABOUT THIS REPORT

**The Non-Financial Information Statement has been prepared in accordance with the provisions of Law 11/2018 of 28 December 2018 which amends the Commercial Code, the revised text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July, on Auditing of Accounts, in relation to non-financial information and diversity.**

### Introduction

Additionally, the regulation concerning the European Taxonomy [Regulation (EU) 2020/852 and Commission Delegated Regulations 2021/2139 of 4 June and 2021/2178 of 6 July] has been taken into account.

The Consolidated Statement of Non-Financial Information 2022 has been prepared in accordance with the contents set out in the current commercial regulations and in compliance with the “Core” option of the GRI (Global Reporting Initiative) standards. The scope of each indicator is given in the indicator tables in Annex I of this report. With this document, Línea Directa Group reports on corporate governance, environmental, human resources, social and human rights issues relevant to the company in the context of its business activities.

Thus, it has been drawn up based on different quality principles, including the principles of balance, comparability, precision, periodicity, clarity and reliability. Furthermore, by preparing, publishing and distributing this report on an annual basis, Línea Directa Group makes it possible to compare it with previous years, so that the different stakeholders can objectively assess the changes in the main performance indicators.

### Materiality and relevant aspects

The selection of the contents included in this report is based on, among other factors, the materiality analysis carried out in the framework of the preparation of the Sustainability Master Plan 2020-2022. This analysis is based on the evaluation of external information sources (sustainability standards and international indices, industry competitors, industry reports and studies, academic and financial consultations, customers, suppliers and investors) and internal information sources (Group employees and management).

As a result of this process, it was also determined that the contents of Law 11/2018 relating to noise and light pollution, circular economy, food waste, biodiversity and impact on protected areas were not considered material, given the specificities of the sector and the Group's activities.

The emergence of COVID-19 significantly altered the quantitative data for the years 2020 and 2021, so comparability is affected by the exceptional nature of both years. The prioritisation of material issues was also significantly impacted.

The company's IPO, however, marked a major step forward in the area of corporate governance.

### Scope of the report

The report therefore includes information on all the companies that comprise it: Línea Directa Aseguradora, S.A., Línea Directa Asistencia, S.L.U., Centro Avanzado de Reparaciones (CAR),



S.L.U., Club Más Moto S.L.U., Ámbar Medline, S.L.U., LDActivos, S.L.U. and LDA Reparaciones, S.L.U.

## Quantitative disclosures

The indicators relating to environmental activity and the management of the workforce of Línea Directa Group are set out in Annexes III and IV of this document, respectively.

## Verification of the report

**The quantitative and qualitative information has been verified externally by PwC (PricewaterhouseCoopers Auditores, S.L.) in accordance with code 49 of the Code of Commerce, as shown in Annex V, with a limited review scope.**

Anyone interested in consulting or completing the report may contact the External Communication and Sustainability Department at the following e-mail address: [comunicación\\_externa@lineadirecta](mailto:comunicación_externa@lineadirecta).

## LÍNEA DIRECTA GROUP

### Purpose, mission, vision and values

#### Línea Directa, an insurer with a purpose.

**The company's corporate purpose was approved in 2020 in order to define its action horizon and to inspire and guide the long-term strategy, both in relation to the business and in relation to its main stakeholders: employees, customers, suppliers and investors. Therefore, the company's corporate purpose allows, in a clear and concise manner, to publicly communicate the company's main commitment to society, as expressed in the following way:**

#### **"Innovate, protect and bring closer"**

The company's corporate purpose was developed by the company's Sustainability and Reputation Committee and includes the key aspects that differentiate Línea Directa from other companies. This corporate purpose reflects the disruptive nature of the Group since its inception; it relates to the essence of the insurance business and its commitment to provide coverage in risk situations and to build trusting and safe relationships with the community and the environment; and finally, it reflects the company's direct, open, close and accessible relationship with stakeholders and society in general.

#### **Innovate**

Línea Directa, since it burst into the market with its direct business model 27 years ago, has demonstrated a high capacity for innovation, which allows the company greater agility to adapt to new challenges and even transform the insurance sector. The company's entry into the market in 1995 marked a turning point in

the way insurance was purchased in Spain, as it was the first insurance company in the country to sell policies directly to the customer, without intermediaries or offices, first by telephone and then via the internet. Línea Directa keeps in its DNA the launch of new products and services to the market since then, responding to the needs of its customers, always ahead of the market.

#### **Protect**

The concept of protection refers to insurance activity. Línea Directa Aseguradora takes care of the assets that matter most to its customers, such as health, home and vehicles. But it also cares about its value chain, its employees and its investors and shareholders. This idea of protection also refers to the company's conviction to care for the environment and society as a whole.

#### **Bring closer**

Lastly, the company's direct business model, without intermediaries, allows it to offer customers the best and most innovative insurance policies and cover at the best price, as well as providing a personal, close and friendly service. Línea Directa also wants to make insurance widely available, making it simple, transparent and competitively priced – accessible for all of society. Another unique characteristic of Línea Directa is, of course, its proximity to the customer at all times, thanks to technology and digitalisation.

## A mission and vision of leadership.

### Mission

The company's mission is to put its expertise directly at the service of its customers, employees, shareholders, suppliers and thus society as a whole, in order to create prosperity, security and an environment in which people live more responsibly and sustainably. In addition, the company aims to be the insurance company known for its respect for the groups it relates to, especially customers, employees and suppliers.

### Vision

Línea Directa's vision is to be at the forefront of innovation in the insurance sector, to grow in a sustainable way and to promote values related to road safety, home safety, health, the environment and sustainability.

### Corporate values: The identity of a unique culture

The values of Línea Directa Aseguradora reflect the principles that guide all the company's actions and those of its employees, principles which are applied on a daily basis and in all aspects of the company's activity. These values, together with professional ethics and good governance, are an essential part of the corporate culture.

- **Respect for people:** Listen to your colleagues and customers, this promotes teamwork and helps everyone to do their best by appreciating the efforts and achievements of others.

- **Spirit of self-improvement:** Be creative and innovative, always making proposals and doing things better. Give, accept and encourage constructive criticism. All opinions are important.
- **Enthusiasm:** Always keep a positive attitude, work hard and have fun at the same time. Think of the customer as the recipient of your actions.
- **Results-driven:** Follow through on your commitments and be an example to those around you. Put good ideas into practice and make sure they are not just words.
- **Clarity:** Be simple. Be clear and sincere in your communication with others, simplify everything in your power. Share whenever you can.

## Milestones and awards

### January

**Línea Directa Aseguradora subscribed to the Women's Empowerment Principles (WEP), an initiative launched by UN Women and the UN Global Compact to promote best business practices aimed at advancing gender equality and women's empowerment in the workplace, the market and society.** The company thus joined the nearly 5,800 companies worldwide that have subscribed to the Principles and reinforced its commitment to gender equality, which it has been working on for years through its Gender Equality, Diversity and Inclusion, Human Rights and Sustainability Policies.

**Línea Directa Aseguradora was certified for the third consecutive year as Top Employer 2022 in Spain for its excellence in people management.** The Top Employers Institute programme certifies organisations as leaders in people practices based on the results of a survey covering 6 areas of Human Resources, comprising 20 facets including people strategy, work environment, talent attraction, learning, well-being, diversity and inclusion.

**The company launched an advertising campaign which reinforced and enhanced the values that set Línea Directa apart, bringing Matías Prats' time as the brand's ambassador to a close.** The core theme of the new spots, with an advertising formula never seen before in Spain, was the succession and replacement of Matías Prats after more than ten years of a fruitful and successful relationship between the ambassador and the brand. This new advertising strategy focused on the company's direct model, proximity to the customer, innovative character and product range with the best coverage and services at a very competitive price.

**Línea Directa published the "6th Barometer of Fraud in Motor and Home Insurance".** This report, which is the oldest and most comprehensive report in the insurance industry, analyses trends in the phenomenon of insurance fraud over the past 12 years (2009-2020) and the activities of organised criminal groups. This new edition concluded that COVID-19 increased the proportion of fraudulent claims by 21% in 2020 despite lockdowns and travel restrictions – the highest in the entire history of the barometer.

## February

**The Board of Directors of Línea Directa Aseguradora appointed Patricia Ayuela as Chief Executive Officer of the company,**

**succeeding Miguel Ángel Merino,** who headed the company for the last eleven years. Patricia Ayuela has worked at Línea Directa Aseguradora for most of her professional career, joining in 2003. She has been a member of the Management Committee since 2008, has managed the main lines of business (Home, Motor and Digital Transformation) and has participated in the design, execution and leadership of the Group's strategic decisions in recent years.

**The company announced its results at the end of 2021, a year in which the Group broke its all-time record for premium income.** The growth in customers, which reached 3.34 million policyholders (+4%), enabled the Group to exceed €907 million in turnover (+1%) and to close the year with a net profit of €110.1 million, 2.6% more than in 2019, a pre-pandemic year.

**Línea Directa Aseguradora launched its corporate blog as part of its brand positioning strategy, with the aim of providing useful information to policyholders.** Following the revamp of its corporate website in 2021 on the occasion of the company's IPO, the Línea Directa Group continued to increase its digital assets with the launch of a corporate blog with practical information on insurance, content on strategic topics for Línea Directa and the company's current affairs.

## March

**Línea Directa launched a new instalment of "Llámallo X", the first car insurance with car included.** This new edition has 500 new units, including hybrid vehicles, in addition to the 800 policies already marketed in the first two editions.

**Línea Directa Aseguradora held its first General Shareholders' Meeting.** The shareholders overwhelmingly approved the company's management, the company's 2021 results and the Directors' Remuneration Policy and ratified the appointment of Patricia Ayuela as Executive Director, among other matters addressed. In addition, the General Shareholders' Meeting agreed on the payment of a final dividend of €0.02, bringing the total dividend for 2021 to €0.091 gross per share, for a total amount of €99.1 million, implying a payout of 90%.

## April

**Línea Directa donated €35,000 to assist victims of the war in Ukraine.** As part of the company's solidarity initiatives to alleviate the human impact of the war in Ukraine, Línea Directa donated its entire profits from the sale of policies across its businesses (Motor, Home and Health) on 8 April for humanitarian aid in Ukraine through the campaign "Cáritas with Ukraine". In addition, the Group's corporate volunteer network, "Conmovedores", formed by 150 employees, collected and sent 2,000 kg of essentials items.

**Línea Directa launched a new advertising campaign entitled "Big Bang".** The new advertising communication strategy focuses on the customer, on the wide range of services offered as a large multi-line insurance group, the quality of service and the advantages of its direct model, under the slogan "The value of being direct", a concept that conveys to the customer the advantages of its direct business model: price, connection, innovation, etc.

**Línea Directa CAR garages become the first 100% digital garages.** CAR Madrid and CAR Barcelona, the two state-of-the-art repair

centres owned by the Group, became the first garages in the sector capable of managing all their internal and external processes 100% online, allowing customers to carry out online procedures such as making appointments, requesting a replacement vehicle and checking the status of their repairs.

**Línea Directa Aseguradora announced its results for the first quarter of the year, which showed a 3.5% increase in revenues due to growth in all its lines of business.** Against the backdrop of a complex economic scenario, the company's accounts for the first three months of the year showed an increase of 4% in the customer base and a net profit of €24.2 million, with a combined ratio of 89% and ROE of 29.2%.

**The Línea Directa Foundation published the study 'COVID and road safety. Accident rates amid the new mobility culture'.** The main conclusion of the report was that new urban mobility, with the boom in the use of bicycles, electric scooters and other PMVs, could cause 18% more traffic fatalities in the next decade if the Spanish Directorate General for Traffic (DGT)'s recommendations and regulations for this type of vehicle are not followed. The report also revealed a transformation in mobility in Spain as a result of increased environmental awareness and socio-economic factors, with 72% of citizens claiming to have changed the way they travel in recent years.

**Línea Directa was ranked 55th of the 100 most sustainable ESG companies in Spain, according to the Merco ESG Responsibility Spain 2021 ranking.** The company moved up 9 places, progress that can be attributed to the Group's efforts in ESG matters, which it has especially consolidated with its Sustainability strategy in its most recent three-year plan 2020-2022.

### **The start-up Livall Europe won the 8th edition of the Línea Directa Foundation Award for Entrepreneurs and Road Safety.**

This award, for which 62 start-ups applied this year, aims to acknowledge and promote entrepreneurship in the area of road safety by supporting and financing innovative ideas that help fight against accidents on our roads and improve victim care after an accident. Livall Europe has developed smart helmets for use with scooters and bicycles with LED lighting to indicate a change of direction, speakers embedded into the chassis, a windproof microphone and Bluetooth. In the event of an accident, it can detect a fall and automatically sends a message to emergency contacts.

The Línea Directa Aseguradora Board of Directors agreed on a gross cash payment of €0.02001319 per share as the **first interim dividend against 2022 earnings**, which represented a gross amount of approximately €21.8 million.

## **May**

### **Línea Directa expanded its Respira Policy to plug-in hybrid cars and promotes the electrification of the vehicle fleet.**

This insurance, a comprehensive policy for €249 with excess, includes guarantees and services for zero-label vehicles, such as battery coverage, theft of the charging cable, roadside assistance for battery discharge, free choice of garage and comprehensive administrative and legal advice for the purchase and installation of a charging station and government aid.

### **The company subscribed to and adopted the TCFD's recommendations on climate risks, endorsed by the G20.**

Línea Directa Aseguradora adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a working

group created by the G20 Financial Stability Board to encourage companies to inform investors about the risks and opportunities that climate change involves for the company, how the company manages them and the progress they are making in this area.

### **Línea Directa reinforced its commitment to diversity and inclusion with the renewal of the Diversity Charter for the years 2022-2024.**

This charter of European principles and values highlights the company's commitment to diversity and inclusion in the workplace. In the last year, Línea Directa has implemented social inclusion initiatives focusing on people with intellectual disabilities and, in general, on people who are vulnerable due to being affected by or at risk of social exclusion.

## **June**

### **The company approved its new corporate policies.**

The company's Board of Directors approved the Prevention, Health and Well-being Policy, aimed at protecting the life, integrity and health of all the people who form part of the company, as well as those of its collaborating companies; the Information Security Policy, which seeks to guarantee an adequate security level to preserve and/or mitigate the risks to Línea Directa's data assets; the Privacy Policy, relating to the protection of personal data, and the Talent Policy, which includes principles of action and specific measures to attract, recruit and manage the talent the organisation needs. Additionally, the Group Tax Strategy was updated, a strategy which ensures and promotes compliance with tax regulations, in social interest and in support of the business strategy.



**Línea Directa launches its TikTok channel as part of its strategy for attracting young talent.** The company continued to strengthen its presence on social media, where it already had nearly 500,000 followers, and launched its own channel on the leading short-form mobile video platform to showcase its day-to-day activities, its ethos and its attractiveness as an employer brand by embracing the language and energy of TikTok.

**The Línea Directa Foundation launched its blog on road safety.** With this new digital channel, the Línea Directa Foundation, which focuses on the fight against traffic accidents, continued its work of spreading information, content and knowledge in matters of road safety, reporting on all the Foundation's current affairs.

**Línea Directa Aseguradora was incorporated into the Ibex Gender Equality Index, an index promoted by Bolsas y Mercados Españoles (BME) thanks to the company's high presence of women in management positions and on the Board of Directors.** At the end of 2021, 43% of the company's Board of Directors and 31% of the Management Committee was made up of women, figures BME used to put together the index. With these levels of female leadership, the company meets the recommendations of the Spanish National Securities Market Commission (CNMV)'s Code of Good Governance. Both of these percentages rose to 57% in 2022.

**The Línea Directa Foundation awarded the prizes for the 19th edition of the Road Safety Journalism Award.** A reference among journalism competitions in Spain, the award recognises the work of road safety information professionals, always with the aim of encouraging responsible driving in society as a whole. This year's

winners were Juan Antonio Marrahí, from Las Provincias (Written Press and Online Media); Ana María Herrero, from Onda Cero Palencia (Radio), and Beatriz Correal, from La Sexta (TV). The winner of each category received €10,000 tax-free. The journalist and editor Enrique Hernández-Luque has received the Honorary Journalism Award posthumously, for his outstanding efforts to disseminate road safety throughout his professional career at the head of the Luque Group.

## July

**Línea Directa is among the companies with the best reputation in Spain.** The Corporate Reputation Business Monitor Merco released its Merco Companies and Leaders 2022 ranking, where Línea Directa Aseguradora ranked among the 50 companies with the best reputation in Spain. In this edition, it climbed six places compared with the previous year, up to 48th position in the overall ranking for Spain. Línea Directa remains in fourth place in the specific classification for the domestic insurance sector.

The Board of Directors approved the **General Risk Policy**, which identifies the main risks the Group faces and which organises the appropriate internal control and reporting systems. The Board also approved the **Sustainable Investment Policy**, through which the company aims to boost the positive impact of its investments on both society and the environment.

The Línea Directa Foundation, in collaboration with the Institute of Transport and Road Safety of the University of Valencia (INTRAS), conducted the study "**Speed, the silent scourge. Speeding in fatal accidents in Spain (2011 – 2020)**". This report focuses on speed as one of the most common and deadly factors in traffic accidents. In order to warn people about the risks and consequences of



speeding and to make Spanish society aware of the seriousness of certain behaviours, the report points out that 43% of drivers habitually violate speed limits and more than one million admit to having driven at a speed of over 200 km/h. The report estimates that the UN recommendation to lower the speed limit by 20 km/h on interurban roads would save 659 lives per year in Spain, which would be equivalent to a 70% reduction in the number of deaths on these roads.

**Línea Directa Aseguradora's premium income increased by 4% up to June 2022 as all its lines of business grew**, according to the first half-year results reported by the company, which show a 3.8% increase in customers. As a result, the Group's net profit from January to June amounted to €48.9 million, with a combined ratio of 90% and an ROE of 28.3%.

## August

**To celebrate the summer holiday season, Línea Directa Aseguradora launched a promotion gifting new customers one year of "Travelling Pets" coverage.** This insurance covers veterinary treatment of the pet, as well as the accommodation and care of the policyholder's dog or cat in the event of their being unable to take care of it following a traffic accident.

## September

**Under the title "We all have a hypochondriac inside", Vivaz, Línea Directa Aseguradora's health insurance brand, launched a new advertising campaign led by the director and screenwriter Daniel Sánchez Arévalo.** This new commercial range of products and services featured health insurance at a very competitive price (starting at €15.90/month) and two free months for new

policyholders, as well as an advanced telemedicine service.

### **Vivaz, Línea Directa Aseguradora's health insurance brand, took another step forward in telemedicine and launched Home-spital.**

It consists of a service that is the first of its kind in Spain, offering its customers a telediagnosis device that allows them to hold a real consultation with their doctor through a remote physical examination supported by Artificial Intelligence (AI). This telemedicine device allows users to perform comprehensive physical examinations of heart, skin, ears, throat, abdomen and lungs, and to measure heart rate and body temperature, tests which are key for treating many acute and chronic conditions. This allows doctors to obtain the vital clinical data they need to monitor, diagnose and treat patients remotely, performing a 100% satisfactory and quality examination and providing a medical diagnosis in real time.

The Board of Directors of Línea Directa Aseguradora agreed on a gross cash payment of €0.02 per share as the **second interim dividend against 2022 earnings** for a total amount of approximately €22.3 million. The payment of this dividend implied a 90% payout.

In Spain there are already 16.2 million vehicles that are more than 15 years old, amounting to 44% of the vehicle population. This is the main conclusion of the **study "Obsolete cars, a real risk. The influence the age of the car population has on accidents (2011-2020)"**, prepared by the Línea Directa Foundation in collaboration with Centro Zaragoza and which warns about the ageing of the Spanish car fleet and the influence this factor has on accident rates. According to this report, if the average age of Spanish cars

were to be lowered to less than 10 years, 260 lives could be saved annually.

The Board of Directors of Línea Directa Aseguradora therefore approved the **Environmental Management and Climate Change Policy**, which

establishes principles and measures to minimise the potential impact from its activities, products and services, and to adapt to the effects of climate change.

**Vivaz launched new initiatives to promote healthy eating.** Línea Directa Aseguradora's health insurance brand, as part of its commitment to promoting healthy habits, organised – in collaboration with nutritionist Juan Revenga – live conversations on social media about eating habits, aimed at the general public. Additionally, as part of Vivaz's Healthy Company Programme, "Well-being to be well", various webinars were held on this subject.

## October

**Línea Directa increased its revenues by 4.1% up to September and its customer base grew by 3.5% as it scaled in all its lines of business in terms of both policyholders and premiums,** according to the results for the first nine months of 2022 reported by the company. Net profit at the end of September was €58.3 million due to the adverse scenario caused by high inflationary pressure.

**Línea Directa Aseguradora published the study 'Animals on the road: A mortal danger. Accidents involving animals on Spanish roads (2017-2021)'. According to the published data, accidents involving animals are increasingly frequent on Spanish roads: in just 5 years, their number has doubled to 11,400 claims. Moreover,**

these incidents are becoming increasingly serious and costly. The report also concludes that, as a result of the legal change in 2014 which shifted the responsibility for these accidents to the driver except in very specific cases, drivers cannot file a claim against the preserve or the farm. This has meant that only 6% of these accidents receive compensation by the owners of the animals, compared to 43% before the regulatory change.

## November

Vivaz, Línea Directa Aseguradora's health insurance brand, as part of its strategic initiative to promote healthy habits, published the report **"Perception vs reality in the eating habits of Spaniards: Analysis of the perception of the quality of the Spanish population's diet versus the reality of their dietary, cooking and shopping habits"**. This study compared the positive self-perception that Spaniards have regarding their diet with their actual eating habits. While 76% of citizens rated their diet as good or excellent, one third of the adult population admitted to consuming ultra-processed food 3 or more days a week and 66% reported eating precooked meals. In addition, only 28% cook with fresh food, a vital aspect of cooking.

The company's Board of Directors approved the **Responsible Purchasing Policy**, which establishes the appropriate measures to optimise the impacts derived from the company's purchasing and contracting decisions and ensures the suitability of the suppliers it works with.

**Vivaz launched the "Eating Healthy" campaign at El Comidista.** The health insurance brand, together with its nutritional advisor, Juan Revenga, carried out a collaborative initiative with El Comidista, a leading nutrition platform of the newspaper El País.

Under the title "Eating Healthy", the company uses this medium to offer content and useful information on the need for good eating habits to maintain optimal health.

**The Línea Directa Foundation launched the first course on road safety aimed at unemployed teachers.** On the occasion of the inclusion of road safety as a curricular subject in all stages of education, from primary level to sixth-form level, the Línea Directa Foundation organised its first course on road safety and sustainable mobility specially aimed at unemployed teachers. The training was given in collaboration with the RACE Foundation at the Jarama - RACE Circuit of Madrid.

## December

**The Línea Directa Group obtained a score of 64 points out of 100 in the S&P Global assessment for the Dow Jones Sustainability Index.** On the occasion of its first participation in the S&P Global evaluation for the composition of the Dow Jones Sustainability Index, the Línea Directa Group obtained a score of 64 points out of 100, placing it in the 87th percentile, receiving a very positive evaluation in several aspects of the environmental, social and corporate governance.

**Línea Directa published a study on the impact of inflation and the macroeconomic environment on the economy of Spanish households.** The report, "Spanish households facing inflation in 2022: household spending and saving in the current economic climate" analyses the saving measures being taken by Spaniards in the three main areas: energy, finance, and food and leisure. One of the main conclusions that can be drawn is that 60% of Spaniards are struggling more to make ends meet than they did

last year, which is equivalent to about 21 million of the adult population in Spain.

**Línea Directa carried out its Human Rights Due Diligence Procedure.** The company conducted its first Human Rights Due Diligence Procedure based on its Human Rights Policy, focusing on its roles as an employer, as an investor, as a collaborator and partner, as an insurer and in its relationship with its environment.

**The company paid the third interim dividend against 2022 earnings.** The Board of Directors of Línea Directa Aseguradora, at its meeting of 13 December 2022, agreed on a gross cash payment of €0.007 per share as the third interim dividend against 2022 earnings, for a total amount of approximately €8.4 million. The dividend was paid on 21 December. This new payment, which involves a 90% payout of the Group's earnings to the company's shareholders in the third quarter, comes after another two interim dividends already paid in June and September. Línea Directa Aseguradora will have paid a total of €0.048 per share as ordinary interim dividend against 2022, totalling €52.48 million.


**2022**

## Main figures

### ECONOMIC DATA

Total revenue and revenue by business line

Premiums written **€946.7 Mn**

 **€772.8 Mn**  
Motor revenue

 **€143.7 Mn**  
Home revenue

 **€1.1 M**  
Assistance revenue

 **€29.1 Mn**  
Health revenue

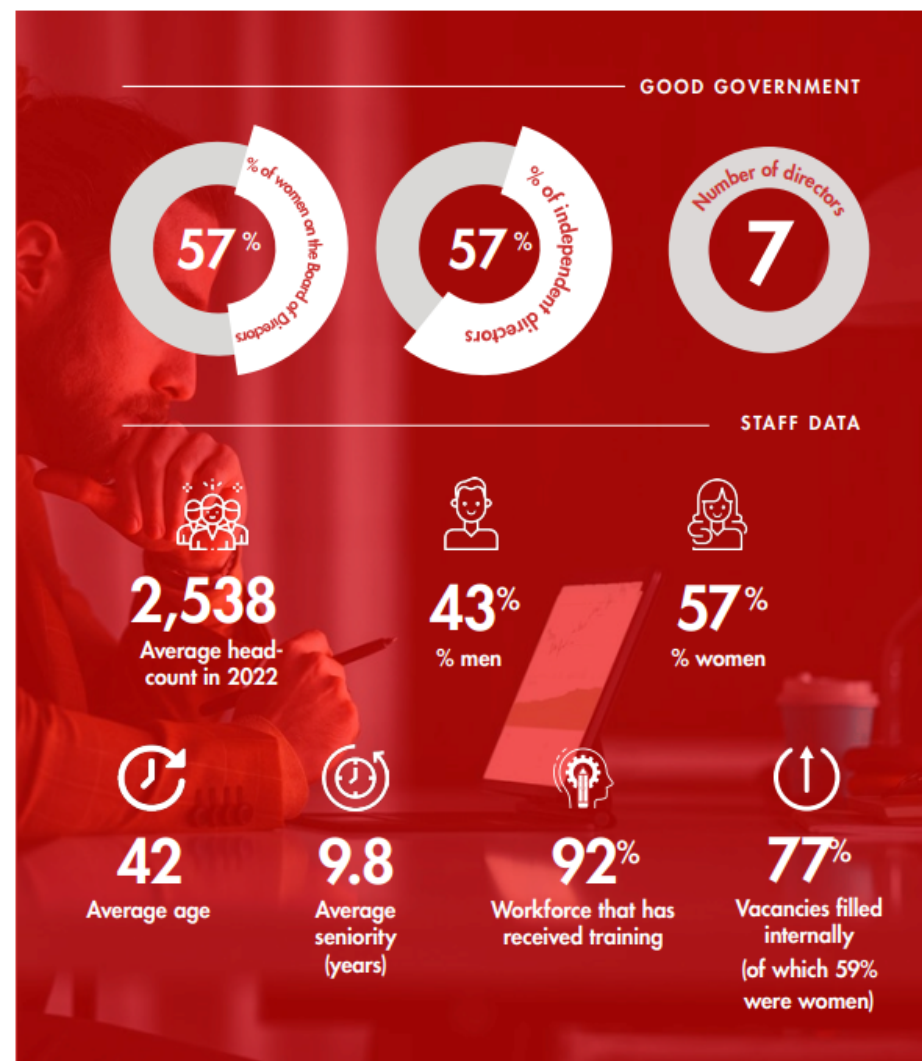
**Technical result** **€33.4 Mn**

**PBT** (profit before tax) **€78.8 Mn**

**Net profit** **€59.5 Mn**

**ROE** **17.8 %**

Number of customers **3.46 Mn**



## Main figures



### Value created

#### SHAREHOLDERS

**Market capitalisation at 31/12/22:** €1.123 Bn

**Ordinary dividends paid\* in 2022:** €52.48 Mn

\*does not include final dividend

**Earnings per share** 6.4%



#### EMPLOYEES

**Permanent contracts** 97.2%

**Women in senior management positions** 50%

**Women in positions of responsibility** 48%

**Pay gap** 2.8%

**Employees in corporate volunteering** 178



#### CUSTOMERS

**NPS (Net Promoter Score)** 46.98%

**NSS (Net Satisfaction Score)** 49.59%

**Digital customers** 86.5%

**Calls answered from our customers** 10.04 Mn

**Electric vehicles and plug-in hybrids insured** 18,453

**Average discount to health customers for positive habits** €40.8

**Number of consultations to the telemedicine and medical service online chat** 42,872



**92% Local Suppliers**



## Main figures



### ENVIRONMENT

<b>Tonnes of CO<sub>2</sub></b> avoided thanks to electric vehicle insurance and non-plug-in hybrids	<b>31,355</b>
<b>Renewable electric power</b> (Group)	<b>69.1%</b>
<b>Percentage of self-generated electricity</b> (Group)	<b>6.1%</b>
<b>Power consumption</b> (Group)	<b>-7.2%</b>
<b>Reduction of paper consumption</b> (Group)	<b>-21%</b>
<b>Emissions reduction</b> (Group) (scope 1 and 2)	<b>-51%</b>
<b>Waste reduction</b> (Línea Directa Aseguradora)	<b>-45.7%</b>



### SUSTAINABLE FINANCE

<b>Percentage of eligible premiums according to the Taxonomy</b>	<b>100%</b>
<b>Percentage of eligible portfolio according to the Taxonomy</b>	<b>17%</b>
<b>ESG risk of the investment portfolio</b>	<b>20.9%</b>

### COMPANY

<b>Direct and indirect taxes</b> borne and passed on	<b>€230 Mn</b>
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### LÍNEA DIRECTA FOUNDATION

<b>Startup projects received</b> for the Entrepreneurs and Road Safety Award	<b>62</b>
<b>Projects presented</b> for the XIX Journalism Road Safety Award	<b>1,938</b>
<b>Three studies with</b> more than media impacts	<b>778</b>

## Business environment

**In 2022, the Spanish insurance sector has once again demonstrated its resilience and capacity to adapt in an adverse macroeconomic context marked by inflationary pressures and the resulting pressure on profit margins.**

### Macroeconomic scenario

Línea Directa Aseguradora developed its activity in 2022 in an adverse environment caused by inflation, which is at its highest levels in three decades, and the economic and human consequences of the war in Ukraine. Rising prices, the reversal of expansionary monetary policies to try to curb it and other factors that had already been affecting activity, such as global supply shortages, have slowed the economic recovery in the wake of the COVID-19 pandemic crisis.

The outbreak of the war in Ukraine and its extension over time has increased the prices of energy, food, commodities and, by extension, other goods and services, intensifying the inflationary pressures that began in the second half of 2021. Although this was initially considered a transitory phenomenon, and inflation has been moderating over the course of the year, it has remained very high. According to the estimate of the International Monetary Fund (IMF), the Consumer Price Index (CPI) would have reached 8.8% globally by the end of 2022. In the Eurozone, according to Eurostat figures, it closed the year at 9.2%.

Against this background, central banks have reacted by shifting the accommodative tone of their monetary policies, by resolutely raising interest rates. The US Federal Reserve (Fed) raised them in 2022 to a range between 4.25% and 4.5%, and the European

Central Bank (ECB) to 2.5%. This tighter monetary policy has tightened financial conditions, affecting households' and firms' income and thus their purchasing power and investment capacity.

All of these, together with disruptions in the gas market and the consequences of China's "Zero COVID" policy, have resulted in an economic slowdown that has been gathering pace over 2022. If in 2021 global Gross Domestic Product (GDP) growth was 6.2% and that of the Eurozone 5.3%, according to the latest IMF estimate and preliminary Eurostat data, these rates have been reduced in 2022 to 3.4% and 3.5% respectively. The short to medium-term performance of the economy is contingent on developments in the war in Ukraine and inflation. The IMF foresees global GDP growth for 2023 at 2.9%, while the Eurozone is expected to grow by 0.7%.

### Spain

Spain emerged from the pandemic crisis with GDP growth of 5.5% in 2021, robust but insufficient to recover pre-COVID-19 crisis levels of activity. In 2022, the Spanish economy recorded stronger than expected growth in the second half of the year and GDP closed the year with a growth of 5.5%, according to the National Statistics Institute (INE) flash estimate.

For 2023, the Bank of Spain forecasts that price increases, despite the positive effect of some measures to reduce the impact of the energy crisis, and the worsening of the external scenario will continue to affect the Spanish economy. As a result, it estimates that the CPI will stand at 4.9% and GDP growth at 1.3%. For 2024, it forecasts a CPI of 3.6% and economic growth of 2.7%.



Unlike previous crises, the labour market has maintained an outstanding performance, and in 2022 the number of employed has increased by 278,900 people, to about 20.5 million people. Hence, the unemployment rate ended the year at 12.9%, down from 13.3% in 2021. Projections point to 12.9% in 2023 and 12.2% in 2024, according to the Bank of Spain.

### Insurance sector trend

In this complex scenario, the Spanish insurance sector has once again demonstrated its stability, profitability and good performance, although it has not been untouched by these conditions. Price increases and the recovery of claims frequency in motor insurance have led to a worsening of the combined ratios and profit margins.

During 2022, **the Non-life line's revenue** increased by 5.2% to €40.24 billion in premiums, intensifying the growth rate of 2021 (+3.3%), according to the Insurance Sector Statistics and Studies Service in Spain (ICEA). Notable in this positive trend is the performance of Motor, which accounts for almost a third of the branch's business volume and is growing again after two years of reduced revenues.

**The performance of Motor** continued to be influenced by the situation of the automotive market, affected by chip supply problems and the consequent shortage of stock at dealerships. Sales of new passenger cars in Spain have fallen by 5.4% in 2022 to 813,396 units, still below pre-pandemic levels, according to Anfac figures. This weakness in new car registrations was partly compensated by the sale and purchase of second-hand vehicles, but this has also fallen, by 5.6%, due to the lack of pre-owned vehicles.

Nowadays, for every new car, 2.3 used cars are sold. This results in an increasingly ageing insured fleet, which has reached 32.92 million vehicles (+0.9%), according to the national insured vehicle database (FIVA), and whose average age exceeds 13.5 years (Source: Anfac). Accordingly, the insurance industry's portfolio is mainly being fed by cars that are 10 years old or older, to which simpler policies and lower average premiums tend to be associated.

**Motor line's revenues grew by 3.3%** to €11.353 billion in 2022. Inflation, which has been passed on to injury rates and repair costs, and the increase in claim frequency due to the return of mobility to pre-COVID-19 levels, has led to a general narrowing of margins in the industry. At the end of the third quarter, according to the latest available data from ICEA, the combined ratio reached 97.4% (+5.3 p.p.).

Aligned with this general trend in the sector, **Línea Directa, the fifth largest company in the branch by turnover, improved its revenues in 2022** by 4.4%, to €946.7 million, after growing by 3.4% in the number of policyholders (3.46 million customers). The Group's combined ratio in Motor line stood at 96.3% (+8.0 p.p.).

The insurance sector once again recorded solid growth in the **Home and Health lines**, consolidating its position as two of the segments with the best performance and market prospects, although their development in the short term is conditioned by the general trend of the economy.

Home sales and purchases continued to increase notably in 2022 (+17% year-on-year in the accumulated January-November period, according to INE figures), although less intensely than in the previous year due to the effect of the economic slowdown

and the tightening of financial conditions on the number of transactions. This robust performance and the existence of 4.9 million uninsured households (19% of the housing stock) has enabled the sector to increase its premium income in this line of business by 5.5%. Línea Directa increased its premium income in this line of business by 9.5% to €143.7 million, a growth 4.0 percentage points higher than the market.

**Health insurance sector results maintained very positive figures**, with premium volume growth of 7%, exceeding €10.5 billion. The number of people with private health insurance continues to grow and now exceeds 11 million, which is evidence of the quality of service appreciated by users. However, the inflow of new policyholders slowed down during the year as a result of the impact of the economic and financial situation on household income.

Vivaz, the Línea Directa Aseguradora's health insurance brand operating in this segment, reached 109,000 policyholders (+4.8%) and €29 million in premiums (+10%). Moreover, it continued to reduce its combined ratio significantly (-3.4 p.p.) and is moving towards consolidation.

The positive commercial performance of Línea Directa Aseguradora in all its lines of business has enabled it to close 2022 with an **increase in revenues of 4.4%**, to €946.7 million; **increase its customer portfolio by 3.4%**, to €3.46 million policyholders, **make progress in its strategy of diversification by lines of business** and, as a result, maintain a differential level of profitability (ROE of 17.8%).

## Business model

### LÍNEA DIRECTA BRAND

**Línea Directa Aseguradora was created in 1995 as a joint venture between Bankinter and Royal Bank of Scotland. The project was based on the direct model, characterised by eliminating the middleman in insurance marketing, a strong investment in technology, personalised prices and a high quality of service. The company has also been developing direct and dynamic advertising communication since it was founded, consolidating its position as one of the largest advertisers in the country.**

Insurance sales were almost exclusively through intermediary channels prior to 1995, a process tailored to the companies rather than the consumer. For this reason, **the irruption of Línea Directa**, which advocated a business model without agents or branch networks, meant a real before and after in the sector, as it made it possible to **pass on to the customer part of the savings** obtained in operational processes without having to reduce the scope of its services.

The direct model, which other traditional companies have tried to replicate over the years, has **advantages and differentiating qualities: a strong strategic alignment, state-of-the-art technological support and extraordinary flexibility** to respond more efficiently to the needs of the business. This way, Línea Directa's proposal met with an excellent response from the market, as the company broke even in only four years and in less than ten years it reached its **first million** customers despite operating in **only one line of business**.

The launch of Línea Directa in Spain meant a complete overhaul of the concept of motor insurance in the market. Aware of this, the company designed a **different advertising communication strategy, simple and far removed from the archetypes** used in the sector up to that time. To this end, it promoted fresh, dynamic, flexible advertising, especially aimed at the mass media, which, using a humorous and sympathetic tone, highlighted the advantages of the direct model from the customer's point of view with the aim of linking them to its brand.

In 1999, just 4 years after the start of its operations, Línea Directa became the **first company to market policies online** thanks to its firm commitment to technology and non-intermediation, a milestone that, historically, has given it a great advantage in the digital area. In fact, at the end of 2022, **53.4% of insurance quotes** were managed through the online channel and **86.5% of customers** regularly use digital channels to interact with the company. Línea Directa Aseguradora is currently one of the **10 largest advertisers in the country** according to the latest Infoadex report and the **Spanish insurance brand** with the **highest advertising recall** according to the IOPE Advertising Awareness study by Kantar TNS.

All of this has been a determining factor in the results obtained over the years, as Línea Directa is currently the **5th largest motor insurer** in terms of revenues, **12th in Home** and **21st in health insurance**, which has placed it in 13th place in the Non-life ranking.

## Renewal of the advertising strategy

In 2022, **Línea Directa** promoted a different advertising communication strategy with the aim of reflecting its new reality

as a **large listed insurance Group**. This brought to an end the long and successful collaboration with **Matías Prats**, one of the leading figures in the field of journalism and advertising in our country thanks to the wide range of attributes he transmits, such as trust, professionalism and proximity, very much in line with the values of the brand itself. The results of the collaboration between Línea Directa and Matías Prats have been excellent, as the company **has recorded a 78% growth** in its customer base during its 10 years of existence.

The last campaign starring Matías Prats was launched in January 2022 and followed the casual and fresh tone of previous years, with the leitmotiv of the journalist's announcement of his successor as brand ambassador. There were four candidates: Two well-known journalists, a comedian and an **anonymous character who represented the client**, and who ended up being chosen, thus symbolizing the company's commitment to quality with its policyholders.

The second 2022 campaign, known as "**Big Bang**", focused on **the advantages that the direct model brings to the customer**, and was launched under the slogan "The value of being direct". This message highlights the company's excellence and differentiated coverage, its proximity, its competitive prices thanks to removing the middleman and the intensive use of technology, and its excellent quality of service. In addition, the campaign highlighted specific policies for electric cars, pet coverage, home DIY services, IT assistance, free telemedicine insurance, electric

scooter insurance and late-night assistance service for young people.

At the end of 2022, with the aim of enhancing its multi-branch value proposition and increasing customer loyalty, Línea Directa Aseguradora finalised the launch, planned for early 2023, of a groundbreaking offer under the slogan "Formula car + home" which will allow policyholders to take out joint motor and home insurance policies, benefiting from more competitive prices and free additional coverage. This is the first step by an insurer in Spain towards the bundling or merging of policies for the same family unit.

## Corporate communications

The Línea Directa Group has an ambitious **Corporate**

LIDERAZGO PÚBLICO	2019	2020	2021	2022
Number of news items	3,417	4,510	8,340	7,203
Audiences reached (millions)	1,156	1,902	3,208	2,039
Press releases made	22	36	43	44
Merco Companies	46	49	54	48
Merco Talent	54	54	49	45
Merco Corporate Responsibility and Governance	68	64	64	55
Recognitions	6	9	8	7
Followers on social media	454,958	421,312*	434,395	461,661

\* Fell due to the closure of the Nuez brand

**Communications Plan** that focuses mainly on its stock market activity, financial results, operations and commercial launches, as

well as its activity in the field of Sustainability, an area of particular note is the company's advocacy for and promotion of road safety through the Línea Directa Foundation.

**Línea Directa Aseguradora's Communications Plan** carefully monitors the company's news items, as well as their tone, subject matter, frequency, duration, audiences and the equivalent advertising values achieved. This entire analytical process aims to position the brand on the basis of predefined brand attributes, including digitalisation, quality, sustainability and the creation of quality employment.

In 2022, the Línea Directa Group launched **44 press releases** and generated **7,203 news items**, of which 80% were generated **online**, 16% in the **printed press**, 2% on the **radio** and 2% on **television**. All this notoriety has been decisive for the company's inclusion on ranking lists the country's main monitors of corporate reputation, such as **Merco Companies** (ranked 48th), **Merco Talent** (ranked 45th) and **Merco ESG Responsibility** (ranked 55th).

## Social media

Línea Directa Aseguradora began its activity on social media in 2011 with a strategy based on organic growth, dynamic communication and the creation of a stable and participative community centred on the brand's values. By the end of 2022, the company had reached **461,661 followers** on its **Facebook, Twitter, Instagram, LinkedIn and TikTok profiles**, consolidating its position as one of the insurers with the largest social following and the most activity on these channels.

## STRATEGY

**Línea Directa Aseguradora has a profitable and sustainable business model that generates value for shareholders, customers, suppliers, employees and society. The strategy that upholds it is founded on those pillars that identify and differentiate the Línea Directa Group in the market and that the company summarises in "The value of being direct", which refers to its direct insurance marketing model, with no middlemen, recurrent and solid growth, technical excellence, customer focus, quality of service and a vocation for innovation. The Group's mission, vision and corporate purpose, defined as "Innovate, protect and bring closer", guide this corporate strategy.**

### Advantages of the direct model

Línea Directa Aseguradora started its activity in 1995 with a disruptive business model based on eliminating the middleman and direct marketing and that, thanks to the advantages for both the company and its customers, quickly turned the company into a success story in the **Spanish insurance market**.

The company operates without offices or intermediaries, using exclusively telephone and digital channels, centralising all its operations at its headquarters in Tres Cantos (Madrid). Together with a flat organisational structure, **technical excellence and the advanced digitalisation of its processes**, this allows the Línea Directa Group to be more efficient and competitive with respect to the intermediary, more traditional model, as it passes on these internal savings to the customer in the form of complete products and an extraordinary quality of service at more competitive prices.

Thanks to this, Línea Directa Aseguradora has maintained sustained and recurrent growth throughout its 27 years of activity, among the highest in the industry, with premium income exceeding €946 million and a customer base of more than 3.4 million policyholders at the end of 2022. This places the company in 13th place in the ranking of Non-life entities in Spain by premium income. As far as the motor insurance business is concerned, with more than 2.5 million customers and annual revenues of €772 million, **Línea Directa is the fifth largest company in the Spanish insurance sector.**

### Focus on the customer

The company has achieved these customer and turnover growth figures in the three sectors in which it operates - Motor, Home and Health - in an exclusively organic manner, without resorting to corporate operations. In this regard, one of the priority strategies of Línea Directa Aseguradora is to maintain robust growth and differentiate itself from the market, accelerating the generation of new business and increasing the loyalty of its policyholders, placing the focus of the entire corporate strategy on the customer.

For this purpose, **a reorganisation of the organisational structure was carried out in 2022**, whereby the Motor and Home business areas were integrated and organised into two new areas. The first is the **Customer Area**, responsible for attracting new business and new customers, leveraging the company's strengths as a multi-line group, its strategic alliances and new market opportunities. The second is that this year the **Portfolio Area** was created, an area responsible for fostering a more continuous and closer relationship



with customers, strengthening and securing the long-term loyalty of policyholders.

Línea Directa Aseguradora has not only achieved outstanding growth over time with respect to the market, but also has one of the highest policyholder retention rates. **The excellent loyalty of its policyholders comes from a highly competitive product range**, based on policies with broad and differential coverage, a high quality of customer service and an excellent user experience thanks to the growing offer of agile and useful digital services.

The Group reinforces that range of products and services with a **loyalty programme**, through which Línea Directa policyholders can access a wide range of discounts, promotions and commercial benefits. By the end of 2022, 580,153 customers joined the programme.

The discount obtained by Línea Directa customers every time they fill up their tank at collaborating petrol stations is one of the most valued benefits. They get a number of points for every litre refuelled which, when renewing their policy, are deducted from their insurance quote. Every time they fill up, they also collect discount points that can be used to buy fuel, shop and catalogue products, and if they fill up at a regular service station, they get 40% more points.

Through other collaborating brands in the programme, Línea Directa customers can accumulate up to 10% of their purchases and payments in these brands and deduct them from the quote of their policy at renewal. The programme's catalogue of cooperating establishments is updated as new partners join the

programme and, in 2022, new brands were added so that policyholders can purchase gift cards with discounts of up to 4%.

## Technical excellence

Another strategic priority of the Línea Directa Group is the continuous improvement of its levels of efficiency and, therefore, of profitability.

**The company has a sophisticated underwriting and pricing model** that allows it to offer each customer a personalised price, tailoring the product and rates to the customer's circumstances, risk and needs, while ensuring greater control over claims experience. Additionally, claims costs are kept under control thanks to structural capabilities such as a close relationship with suppliers and a differential system for spare parts management, and strict control of overhead expenses.

All this has led to **business margins recurrently higher than the average for the sector** which, together with a quality range of products and services offered, uphold the greater competitiveness of the Línea Directa Group.

The combined ratio of Línea Directa Aseguradora, which measures the profitability of the insurance activity, has been up to 10 percentage points better than the sector average over the last few years, which has enabled the company to consolidate its position as **one of the most profitable Spanish insurers**, with a ROE that, in 2022, reached 17.8%.

As regards Motor segment, the combined ratio of Línea Directa Aseguradora closed 2022 at 95.4%, compared to 87% in 2021, an increase explained by the impact of inflation on repair costs and

compensation and the recovery of the claims frequency to pre-COVID-19 pandemic levels. This indicator is, however, 2.0 percentage points better than that of the sector in September 2022, the latest available data, and below the 100% already recorded by some competitors. Inflationary pressure means that this ratio also rose in the case of the Home segment, from 88.9% in 2021 to 95.6% at the end of 2022. Vivaz, Línea Directa Aseguradora's health insurance brand, is making progress in its business plan, with a combined ratio of 144.8%, 3.4 percentage points lower than in 2021, thanks to the continuous improvement in overhead expenses and control of claims costs.

## Innovation and digitalisation

The business model developed by Línea Directa Aseguradora since its foundation not only gives it a competitive advantage in terms of growth, efficiency and profitability, but is also a tool that drives the culture of innovation in the organisation. **The Group's centralised organisational structure and operations** provide the alignment and agility that, together with direct contact with customers at all stages of business, give the Group a greater ability to adapt to ever-changing customer needs with specific products and to improve customer service and experience.

**This innovative spirit and closeness to the customer** has driven Línea Directa to create and launch differential insurance solutions on the market on a recurring basis. In recent years, the Group has launched innovative insurance products such as "Llámalo X", the first insurance policy on the market with car included; Respira policy, an insurance policy with specific coverage for electric cars and plug-in hybrids, and Safe & Go, the first policy that covers the mobility of PMV users. This product innovation is the fruit of a real

vocation to do things differently and from direct contact with the market, the sector and the customers.

At Línea Directa, innovation is not centralised in one department, but is driven by internal talent throughout the company, is part of the company's DNA and has been part of the corporate culture since its inception. **Executive management encourages all departments and teams of the company to innovate.** Some of these products, such as Safe & Go and "Llámalo X", have emerged from various cross-divisional working groups of the company.

Because the direct model offers its services centrally from a single geographical location, it requires a strong commitment to technology that provides flexibility and immediacy for business and support processes. In this sense, Línea Directa Aseguradora was born with a significant competitive advantage, as it was equipped from the beginning with cutting-edge technologies (telephony, information systems, digitalisation, etc.) that have enabled it to become a benchmark for quality and innovation over the years.

**Línea Directa has been at the forefront of the insurance sector since its foundation in the field of digitalisation,** both in its internal processes and in the provision of services, with the aim of increasing the efficiency of the organisation and offering the best user experience.

**The Group's Digital Transformation Plan,** which was launched in 2019 under the name "**More digital, more useful**", is based on two fundamental pillars: omni-channelling, which allows customers to interact with the company through any channel they choose,



and usability, which makes customers' lives easier and more agile thanks to technology and digitalisation.

Throughout this period and **relying on cutting-edge technologies such as Artificial Intelligence (AI)**, Línea Directa Aseguradora has been expanding and improving the digitalisation of its services. Nowadays, Group customers can use digital channels, whether it be the website or the mobile application, to manage all insurance-related procedures and receive solutions to their claims quickly and easily.

Customers can manage mishaps with their vehicle through the WhatsApp instant messaging service, without calls, speeding up the process and obtaining precise information in real time on the state of repair of their car or motorbike, requesting a replacement car and receiving information on when the vehicle is repaired and available for the customer to pick it up. At home, by taking a mobile phone video of their damaged ceramic hob, policyholders will receive an expert assessment and compensation. The Vivaz website and the Vivaz App allow customers to locate health professionals and medical centres from the health insurance policy's medical directory, as well as doing video consultations.

As a direct company in constant communication with its customers, **Línea Directa is constantly analysing how it can improve its digital and telephone services** to better and better adapt to the changing needs of its policyholders, from the conclusion of the contract to the renewal of the insurance, as well as to all the procedures and services that our policyholders require.

The agility and usefulness that the Group's digital services provide to users has led them to achieve a high penetration in the company's customer base. **At the end of 2022, the Group had more than 1.13 million estimated active Apps for Línea Directa and Penélope Seguros**, an increase of 40.8% over the previous year. The Línea Directa App was the mobile application with the highest growth in downloads and usage in Spain in 2022, according to the consultancy firm Smartme Analytics.

As a result, 86.5% of policyholders already interact with the company using digital channels and a high percentage of them also make frequent transactions online. Specifically, 53% of Motor claims and 40.2% of Home claims were opened in 2022 via the web or the App, and 55.2% of tow trucks were requested digitally, which allows the insured to check, through their device, how long the tow truck will take, who the tow truck driver is and their contact information and where they are at any given time thanks to the geolocation tool that the service has.

## **BUSINESS LINES**

**Línea Directa Aseguradora is a multi-line insurance group specialising in non-life insurance. The company was born as an entity specialised in car policies and, over its 27 years of activity, has consolidated its position as one of the leading car insurers in the Spanish market, where it occupies 5th place in the ranking. The Group has diversified its business lines over the years and now offers a complete range in the Motor, Home and Health segments. This has allowed Línea Directa Aseguradora to rank 13th in the non-life line, with a turnover of €946.7 million and 3.46 million policyholders, according to the Insurance Sector Statistics and Studies Service in Spain, ICEA.**

## Motor insurance

**Motor** insurance is the Group's main line of business. At the end of 2022, this segment accounted for **81.6% of the company's premium income**, with revenues of €772.8 million, and 75% of the policyholder portfolio, with over 2.5 million customers. These figures consolidate Línea Directa Aseguradora as the **fifth insurance group in Spain in the Motor sector**.

The company, under the Línea Directa brand, offers a comprehensive and personalised range of **car, motorbike and professional vehicle policies** for individuals, large companies, SMEs and the self-employed. The direct business model, the focus on innovation and the extensive market knowledge accumulated allow it to offer differential coverage and services designed specifically for each type of customer and adapted to their needs.

The company's catalogue includes unique coverage and services such as **Superterceros**, which extends the guarantees of third-party insurance with certain own damages; **young-persons night time assistance**, providing free transport for young drivers and their vehicles in the event that they have been drinking and are not fit to drive; **hunting animal** accident coverage, the option to choose between **repair and compensation** in certain claims, and motorbike helmet coverage, among many others.

The Group also operates in the Motor segment with the **Penélope Seguros** brand, created in 2012 to provide policies with coverage specially designed for women and unique services that respond to the most common demands of female drivers, and **Aprecio**, an insurance policy designed for motorbike users.

This personalisation strategy and the commitment to innovation are enabling the Línea Directa Group to address, with a specific and competitive range of products and services, the challenge posed to the insurance sector by the changes taking place in the field of mobility as a result of greater environmental awareness and the new habits of vehicle ownership and use.

Línea Directa, committed to renewing the vehicle fleet and with the aim of positioning itself in the zero-label motor segment, began in 2016 to promote the purchase of electric vehicles with the launch of an insurance policy, **Póliza Respira**, which includes specific coverage for these cars at a highly competitive price. In 2022, as part of this strategy, it extended this policy to plug-in hybrid vehicles, the sustainable models most in demand by consumers today.

The company had a total of **18,453 electric and plug-in hybrid vehicle policies** in its portfolio at the end of 2022 and has achieved **a market share of 5.8%** of new registrations of these cars in the private motor segment.

Also, in 2020 the Group began marketing "**Llámalo X**", the **first fully comprehensive insurance** with car included for a fixed price per month, including maintenance and related taxes, in response to the uncertainty generated in consumers by the restrictions on the most polluting vehicles and the rise of new forms of ownership, such as renting. After the first two phases of this product were sold out, the company launched a third edition with 500 units in 2022. "Llámalo X" has so far marketed more than 1,900 policies with highly sought-after vehicle models, including hybrid cars.

The company has also positioned itself at the forefront of the Spanish insurance sector in the face of the boom in the use of

personal mobility vehicles (PMVs), such as electric scooters and bicycles. In view of this scenario, and since 2021, Línea Directa Aseguradora has been marketing **Safe & Go, the first PMV insurance that covers people, is managed 100% through a mobile application and works under the on/off or pay-as-you-go model.**

The Línea Directa Group has also been working on the self-driving car using digital solutions that allow remote and real-time monitoring of driving and user behaviour. Since 2019, it has been the official insurer of **Autonomous Ready**, a state-of-the-art mobility and road safety project of the Directorate General of Traffic (DGT) and the Barcelona City Council, which is progressively installing a device in 5,000 vehicles that collects information on driving, the environment and the characteristics of the road, identifying the main risk points in the city. Línea Directa, in charge of analysing the data from these connected vehicles, started to draw the first conclusions on driver assistance systems (ADAS) in 2022.

The use of cutting-edge technologies, such as Artificial Intelligence (AI), together with the high degree of digitalisation of its operations and processes, allow Línea Directa Aseguradora to offer its policyholders a differential customer experience based on technology, flexibility and immediacy.

This way, customers can carry out all the administrative formalities of their policies and open their claims via the company's App and website. In addition, the company already uses WhatsApp as a communication channel with the customer, making it easier for them to manage their appointments with the workshop, request a free replacement car or, among other repair milestones, check the status of the repair and the delivery date.

Línea Directa customers also have the **ConducTOP** mobile application available to them, a programme that automatically analyses each driver's journey, taking into account the smoothness of turns and braking, appropriate acceleration and speed, and concentration at the wheel. Policyholders accumulate points and discounts for good driving which they can redeem for products and services at partner petrol stations. The App accumulates 82,996 downloads in the Android and IOS stores.

These digital services are having a high penetration in the customer base and, currently, **53% of the car accident reports of the company's policyholders are opened through digital channels** and more than half of the tow trucks (55%) are requested through the Línea Directa App.

## Home insurance

Home insurance, a business line in which the Group began to operate in 2008, is the main lever for diversification of Línea Directa's business. With a premium income of €143.7 million and more than 752,000 homes insured, this line **already accounts for more than 15% of the Group's income** and 21.7% of the customer base.

Despite being a market segment characterised by high competition from banks, due to the traditional link between mortgage loans and home insurance, Línea Directa has been growing year after year in revenue and customers above the market thanks to a **very competitive range of products and services based on a flexible multi-risk policy, with differential coverage and which allows customers to pay only for what they need.** This has placed the company in 12th place in the home

segment ranking by business volume, according to the latest available data from ICEA.

In recent years, the Group has complemented its home insurance range through marketing alliances with companies in other sectors that give its customers access to other home-related services under advantageous conditions. In this regard, **with the aim of attracting new customers and, at the same time, promoting energy efficiency in homes, Línea Directa Aseguradora has a commercial alliance with an energy company.** The two companies make cross-offers of products and services to their customer portfolios, including discounts on home insurance policies, electricity bills and handyman services, coverage for electrical repairs of household appliances and discounts for the installation of photovoltaic panels.

Línea Directa's Home customer base is also progressing in its digitalisation and in 2022 **40.2% of the parts were opened through digital channels.** The company has continued to digitalise its processes and services to customers, simplifying and speeding up the resolution of their claims and procedures. By using Artificial Intelligence (AI), Línea Directa policyholders have the option of carrying out an appraisal of a broken glass ceramic hob by video, instantly receiving a compensation proposal which, if accepted, will be paid automatically and immediately into their bank account. In 2022, the entity has carried out **more than 5,000 video adjustments** of broken glass-ceramic hobs.

As part of Línea Directa Aseguradora's eagerness to facilitate the assessment of damage and offer a rapid solution to policyholders using the latest technologies, the company has begun to use drones to assess damage to homes caused by adverse weather events. Not only does this speed up the process, but it also allows

the company to access difficult locations without putting professionals at risk.

## Health insurance

As part of the company's strategy of diversifying its business, in late 2017 **Línea Directa Aseguradora started operations in the health insurance business under the Vivaz brand.** Vivaz has reached **109,000 policyholders** and €29 million in revenues in just five years in a market highly concentrated in four large specialist companies, making it one of the 25 largest health insurers in Spain.

Vivaz's organic and market leading growth in both revenues and customers is based on a differentiated value proposition. Vivaz is a 100% digital product, which is managed entirely through the mobile app and the website, with a simple, flexible and very competitive range of products, and it also promotes healthy habits among its policyholders. Vivaz has a **medical team**, in alliance with DKV, made up of **30,000 professionals and 1,000 health centres**, with which it provides a high quality health service and responds to all the demands of its policyholders. In this way, Vivaz is creating a new market, appealing to customers who have never taken out private health insurance before.

**The prominent digital nature of Línea Directa Aseguradora's health insurance brand** is evidenced by the cutting-edge telemedicine solutions it offers to customers. Through the Vivaz app, the Company provides health care via mobile phone by means of a chat service and video medical consultation with a complete team of specialists in general medicine, paediatrics, psychology, gynaecology, dermatology, allergology, sexology, nutrition and dietetics and personal training.

In 2022, the company launched **Home-spital**, a pioneering programme in Spain offering a telediagnostic device to its customers. Policyholders can have a real consultation with their doctor through a remote physical examination supported by **Artificial Intelligence (AI)**. The device is able to assess vital signs remotely so that it can provide a medical diagnosis in real time and allows the specialist physician to perform a 100% satisfactory and quality examination. This kit allows users to perform comprehensive physical examinations of heart, skin, ears, throat, abdomen and lungs, and to measure heart rate and body temperature, tests which are key for treating many acute and chronic conditions. This allows physicians to obtain the vital clinical data needed to monitor, diagnose and treat patients remotely.

**Vivaz handled a total of 42,872 chat and video consultations in 2022, compared to 38,042** in the previous year. Almost 50% of these consultations were for general medicine, followed by video consultations with nutritionists, paediatricians and gynaecologists.

**Vivaz pays special attention to preventive medicine and the promotion of healthy lifestyles** among policyholders and society, in the conviction that prevention is the best way to preserve health. To this end, the company encourages its policyholders to follow healthy habits, such as walking at least 10,000 steps a day, sleeping at least 7 hours a day and eating a healthy diet. Vivaz policyholders who monitor their good physical activity and sleep habits using a fitband or their mobile phone receive rewards for tracking, including discounts of up to €200 on the renewal of the policy.

At the end of 2022, Vivaz Activity, the app that tracks adherence to these healthy habits, had 21,596 registered users. The App's

users have accumulated 114.695 billion steps since the launch of this initiative, with an average of 214,129 steps per month per user in 2022, which corresponds to 7,137 steps per day and 31 million hours of sleep. Thanks to this activity and sleep challenge, these policyholders were able to renew their policies with an average discount of €40.80. **Vivaz combines two strategic goals with this: for its customers to enjoy better overall health and benefit from this in their insurance pricing.**

As part of this strategy to promote healthy habits in society, and after focusing on physical activity and sleep, Vivaz concentrated its 2022 initiatives on promoting good nutrition. In 2021, Vivaz launched the "Vivaz Manifesto for Eating Healthy", a document authored by dietician-nutritionist and member of the Spanish Academy of Nutrition and Dietetics, Juan Revenga. The Manifesto includes basic tips for good nutrition and proactive commitments from Vivaz, the health insurance brand from Línea Directa Aseguradora, to help society achieve this goal.

In 2022, as a continuation of this strategy, Vivaz published a study that concluded that, despite the fact that 76% of the Spanish population rates their diet as good or excellent, there is a high rate of bad eating habits. The report is titled **"Perception vs reality in the eating habits of Spaniards. Analysis of the perception of the quality of the population's diet versus the true dietary, cooking and shopping habits"**, based on a survey of 1,700 people, reveals for example that one third of the adult population admits to consuming ultra-processed food 3 or more days a week, almost 66% of those surveyed eat pre-cooked dishes and only 28% cook from fresh food, a key element in the kitchen.

Vivaz launched with the aim of promoting really healthy eating a branded content campaign under the slogan Healthy Eating in



collaboration with the blog El Comidista of El País, with useful content on healthy eating for the public. Additionally, Vivaz in collaboration with Juan Revenga held various webinars on this subject on social networks and other channels aimed at the Group's more than 2,500 employees, the Group's customers and the general public.

Vivaz also launched a challenge on its social media channels in 2022 to promote healthy eating, inviting users to identify, through a series of infographics, those products in the supermarket that tend to be ultra-processed, in order to encourage them to reduce their consumption. The 10 winners of the challenge each received a €150 pre-Christmas shopping gift voucher, also aimed at helping families to deal with soaring food prices in 2022.

## Safe&Go

One of the phenomena that is part of the new mobility scenario is the emergence and rise of **personal mobility vehicles (PMVs)**, such as electric scooters and bicycles, especially in urban areas. The increase in accidents involving these vehicles, with particular impact on the most vulnerable users, such as PMV users themselves and pedestrians, has prompted the Administration in 2022 to consider the possibility of a legal reform requiring compulsory civil liability insurance for driving them.

Since 2021, with the legal reform of the Vehicle and Traffic regulations promoted by the Directorate General of Traffic (DGT), these vehicles are prohibited from driving on pavements and pedestrian areas, their speed is limited to a maximum of 25 km/h and their users must comply with traffic regulations like other drivers. Currently, **the intention of legislators is to establish a requirement that PMV users will have to take out liability insurance**

covering at least the damage caused to third parties in the event of an accident involving an electric scooter or bicycle.

Línea Directa Aseguradora, aware of this new reality, launched **Safe & Go in September 2021, the first 100% digital insurance aimed at users of all types of personal mobility vehicles (PMV)**, from scooters and electric bicycles to skateboards, skates, segways, unicycles and hoverboards.

Safe & Go can be contracted at the customer's request, only to cover the journey to be made, under the concept of "**on/off insurance**" or **pay-per-use insurance**: by the second, by the minute, or for a whole year. To do this, users can activate and deactivate their insurance policy through the Safe & Go app and only pay for the actual time of use for each ride.

Pay-per-use has a flat rate of 2 cents per minute. There are three different packages in the annual package, depending on the scope of coverage, ranging from €16.35 for the most basic product to €33.2 for the most comprehensive product. This means that every PMV user can take out an annual insurance policy for only four cents per day.

Safe & Go offers insurance cover that is unique in its category, as it **not only covers damage caused to third parties, but also physical damage suffered by the user himself, and even legal defence**. In addition, in the event of an accident, the insurance app pinpoints the location, which can shorten the response times of the emergency services and get you help quickly.

The main novelty of this product is that, compared to the traditional model of car insurance, **Safe & Go insures the person**

**and their mobility.** This approach avoids administrative formalities such as registration or vehicle registration, which **facilitates the uptake of insurance among PMV users, ultimately ensuring sustainable as well as safe mobility.**

## Línea Directa Asistencia

**Línea Directa Asistencia is a Group subsidiary specialising in verification, expert assessment and travel assistance services.** The company operates through a network of thousands of employees throughout Spain, providing vehicle and personal assistance 24 hours a day, 365 days a year.

Each year, the Group's assistance subsidiary handles **nearly 600,000 roadside services.** Also, thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this service to Spanish and foreign customers, inside and outside Spain, 24 hours a day, every day of the year, in Spanish, English, German and Portuguese, for both the vehicle and its occupants in the event of a breakdown, accident or theft.

Línea Directa Asistencia offers cutting-edge solutions in mobility and roadside assistance, supported by a team with a strong service vocation, a wide and experienced network of employees and the most advanced technology.

- **Digital towing.** Customers can use the App to request a tow truck in less than 30 seconds. The App will track the location of the customer and their vehicle using GPS geolocation. Once help is requested, Once requested, customers can follow the assistance vehicle's route in real time and check

the estimated time of arrival. The customer will also receive a photograph and details of the crane driver using the Facetruck service, allowing them to identify the crane driver for greater safety, and may contact by message before they reach the scene of the incident.

- **Instant replacement vehicle.** At the time of assistance, our towing staff will bring a replacement vehicle to the scene to allow the customer to continue their journey while removing the customer's damaged vehicle.
- **Photo-verification.** It allows the customer to remotely assess the damage to the vehicle by sending photographs via their mobile application, thus avoiding a trip to the garage.
- **Mechanical assistance.** The company offers policyholders with professional advice on mechanical matters, technical advice, on-site repairs, assistance or a comprehensive maintenance service to keep servicing up to date.
- **Mobility services.** Thanks to a network of vehicles and qualified drivers, Línea Directa Asistencia offers replacement vehicles both on site and in the workshop, the transfer of the car to the workshop or MOT and the delivery of new and second-hand vehicles.

Línea Directa Asistencia has a team of mechanics who specialise in diagnosing breakdowns over the phone at the time of assistance, so they can decide what is the best option for the customer at a given time, send information to the employee for an on-site repair, find out if a tow truck is necessary or whether the policyholder can continue to drive their vehicle to the repair shop. This, together with predictive technology, makes it possible to



identify the complexity of the breakdown immediately, in addition to assessing all the particular needs of each case and offering comprehensive management on each call.

The company's wide-ranging and excellent partners network guarantees a service with a high level of customer satisfaction. Línea Directa Asistencia's service is rated as "excellent" by 7 out of 10 respondents, with **an average tow truck arrival time of 30 minutes** and a level of on-site repairs in 45% of cases.

Another of the Línea Directa Asistencia portfolio's services is the verification of risks prior to contracting, with **more than 160,000 verifications**. This process is carried out both in person, by a national network of verifiers, and through digital channels, by sending photographs of the vehicle and documentation via the Línea Directa Aseguradora App.

Línea Directa Asistencia also acts as an emergency call centre in the various autonomous communities of Spain. When the e-call device located in the vehicle involved in the accident is activated, the Assistance specialists contact the customer to resolve the emergency. If communication is not possible, Línea Directa Asistencia alerts the emergency services and informs them of the accident and the location, reducing the time to medical attention.

### **Centro Avanzado de Reparaciones (CAR)**

The breadth, commitment and excellence of the network of collaborators, together with the sophistication of the system and processes, is key in managing claims and repairs and, consequently, in the quality of the service provided to

policyholders. **Línea Directa Aseguradora has a network of nearly 500 collaborating workshops and two Advanced Repair Centres (CAR), one in Madrid and the other in Barcelona**, its own state-of-the-art repair shops that offer customers a comprehensive service, from the opening of the claim to the repair of the vehicle, always in accordance with the Group's high standards of quality, commitment and excellence.

The two Línea Directa Aseguradora workshops carried out a total of 17,108 repairs in 2022. CAR Madrid, running since 2008, repaired more than 9,800 vehicles in 2022, 6% less than in the previous year. CAR Barcelona, established in 2018, handled 7,240 claims in the year (-5.5%).

The know-how and information accumulated by both centres has enabled the Group to implement and improve technological applications and processes in repairs. In this respect, the two CARs are now able to manage their entire customer relationship 100% online, allowing customers to carry out a wide range of transactions over the Internet, such as changing their appointments, requesting a replacement vehicle and checking the status of their repair. In 2022, both workshops were also finalising the complete digitalisation of their internal process management.

All this has resulted in an excellent rating by its users. The NSS (Net Satisfaction Score or satisfaction index for purchasing products or services) of CAR Barcelona and CAR Madrid was 44.73% and 45.21%, respectively, at the end of 2022, compared to the score of 33.66% for non-collaborating garages.

As part of this commitment to quality in policyholder care and the service provided at the time of the claim, Línea Directa has its **own fleet of replacement vehicles consisting of nearly 1,200 units** that are made available free of charge to customers who need them when they leave their vehicle for repair at a partner garage. This service has enabled the Group to increase the percentage of customers who choose to repair in Línea Directa workshops, which operate with very high quality standards, as well as the NSS of these workshops. At the end of 2022, 50% of customers had chosen partner garages and the customer satisfaction rate reached 47.71%.

### LDA Reparaciones

In 2017, Línea Directa Aseguradora applied its high quality standards in the management of claims and repairs to the Multi-risk line of business by setting up its subsidiary LDA Reparaciones, through which it operates its **own network of repairers in the Home segment**, conceived with the characteristics and functions of an official service. The Group has thus been able to increase its know-how of the home repair process, shorten the average life of files and increase the recommendation rates of policyholders.

LDA Reparaciones is made up of eight professionals from the plumbing, masonry and painting trades who work in the Madrid region. The company carried out almost **24,800 repairs** in 2022, of which more than 7,000 were handled by its own network, a volume that puts the average per professional at around six repairs per day.

Filial company LDA Reparaciones offers a unique repair process based on careful repairs flexibility and technology. The

professionals manage their services through a dedicated app that gives them a comprehensive overview of the process and allows them to provide photos of the repair at any stage of the process, report the presence or absence of affected third parties, quantify and assess the damage and open the action report for the next step in the process. In addition, the company's specialists use high-quality materials in their repairs, resulting in the final satisfaction of the customer, and have a homogeneous brand image, including vans and uniforms with their own logo. LDA Reparaciones is very highly rated by its customers. The 2022 NSS stood at 41.96%.

## Sustainability management

### SUSTAINABILITY STRATEGY

**Línea Directa's commitment to sustainability through three-year plans allows it to address the challenges facing the organisation and society, as well as the possibility of generating new business opportunities.**

In this regard, Línea Directa Aseguradora completed its 4th Sustainability Plan in 2022, which has been in force since 2020 and has been the Group's roadmap in the field of sustainability for the last three years. The main goal of this Plan has been to develop a business management proposal that is profitable, sustainable, ethical and committed to society.

The Plan has focused in 2022 especially on the three ESG pillars (Environmental, Social and Good Governance) and has incorporated key new features, which have enabled the company to adapt quickly to its exposure to the requirements of analysts and indices after its IPO in April 2021. In 2022, the Sustainability Plan has promoted key initiatives to respond to the **Dow Jones Sustainability Index (DJSI)**, which invited the company to participate in the **Corporate Sustainability Assessment (CSA)** prepared by **S&P Global** in response to investor interest in the company. This ESG progress has made it possible to address all three dimensions of the Index, with a very satisfactory and challenging result for the coming years.

In addition, the Plan has once again been brought into line with the development strategy promoted by the United Nations through the SDGs and the 2030 Agenda.

### Matrix for the 4th Sustainability Plan 2020–2022

	ENVIRONMENTAL AXIS	SOCIAL AXIS	GOOD GOVERNANCE AXIS
Business	<ul style="list-style-type: none"> <li>Responsible supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Products committed to society.</li> </ul>	<ul style="list-style-type: none"> <li>Innovation and responsibility in the business.</li> </ul>
Organisation	<ul style="list-style-type: none"> <li>Climate change.</li> </ul>	<ul style="list-style-type: none"> <li>Healthy company.</li> <li>Responsible company.</li> <li>Commitment.</li> <li>Talent and Culture.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance.</li> <li>Occupational health and safety.</li> </ul>
Society	<ul style="list-style-type: none"> <li>Environmental impact.</li> </ul>	<ul style="list-style-type: none"> <li>Road safety.</li> <li>Positive contribution to society.</li> <li>Volunteering</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships.</li> <li>Business transparency.</li> </ul>

### Environment

The company has made progress towards its goal of carbon neutrality by 2030. To this end, it has approved the Environmental Management and Climate Change Policy; it has an asset management tool under ESG criteria, has approved a Sustainable Investment Policy, and has increased its eligible assets according to the European Union Taxonomy. By setting voluntary emission and waste reduction targets for its operations, it has offset its Scope 1 and 2 emissions, and has certified its CAR garages in good waste management.

### Society

The company has stood out for its commitment to society in terms of attracting and developing talent, employee well-being, health and safety, equality and prevention of harassment. Additionally, the company has carried out the **Human Rights Due Diligence Procedure**, taking into account its multiple roles as an employer, marketer of insurance products and services, investor and manager of suppliers. The company has continued to promote corporate volunteering, paying special attention to its impact on the local community. Moreover, the company remains committed to road safety through the Línea Directa Foundation, which this year attended the United Nations Road Safety Commission (United Nations Road Safety) as a guest.

Lastly, it is worth highlighting the company's commitment to new mobility, with the development of products such as the Póliza Respira for hybrid cars and motorbikes or the collaboration with the General Directorate of Traffic for the implementation of the connected vehicle through the Autonomous Ready project.

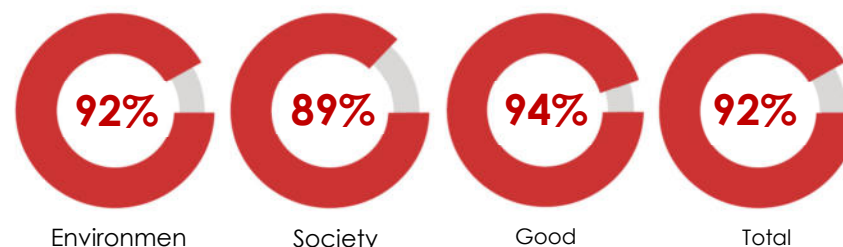
### Good Governance Axis

This axis is focused on the Governance dimension, and in 2022 it has placed its emphasis on the development of **Information Security Policies, Data Protection, Responsible Procurement**, and greater transparency in the company's **tax strategy and whistleblower channel**. It is worth highlighting Línea Directa's inclusion in the IBEX Gender Equality Index, the initiative of Bolsas y Mercados Españoles, which recognises the best listed companies in terms of gender equality in the management bodies of companies.

### A high degree of compliance with the Sustainability Plan

The 4th Sustainability Plan 2020-2022 has been achieving high degrees compliance each year. In 2020, 92% of the Plan's goals were achieved and in 2021, 91% the indicators were met. In 2022, the goals of the Sustainability Plan for the year have been met by 96%. The fulfillment of the Plan factors into the goals impacting the Management Team's variable remuneration. In order to bring all employees into alignment with the Sustainability Plan, the last quarter included the achievement of the Plan for the entire back office.

#### Degree of compliance with the Sustainability Plan 2020-2022.



## Grado de cumplimiento del Plan de Sostenibilidad 2022

	No. of actions	Achieved	Not achieved	Level of compliance
Environment	9	9	0	100%
Society	13	12	1	92%
Good governance	6	6	0	100%
Total	28	27	1	96%

## COMMITMENT TO THE SDGs

**The company has positioned its sustainability strategy in line with the Sustainable Development Goals (SDGs), which were adopted by the United Nations in 2015 as a universal call to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity.**

The Línea Directa Group, in its various business functions as an insurance company, as an employer, as an investor, as a partner and collaborator of other entities, has a high impact on society in general. Hence, its engagement with these goals is particularly relevant.

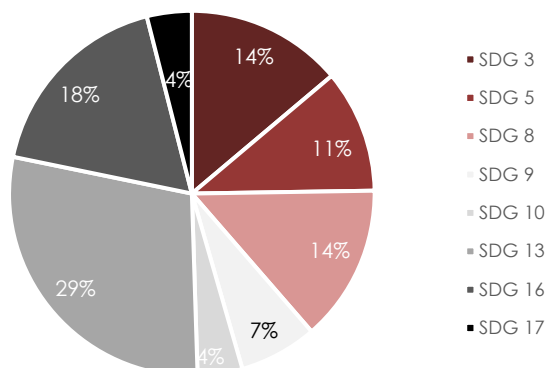
One of the priorities of Línea Directa Aseguradora's 4th Sustainability Master Plan, for the period 2020 to 2022, is to make a contribution to eight of the major challenges in the United Nations Sustainable Development Goals, which it has incorporated into its management strategy: SDG 3, Health and well-being; SDG 5, Gender equality; SDG 8, Decent work and economic growth; SDG 9, Industry, innovation and infrastructure; SDG 10, Reducing inequalities; SDG 13, Climate action; SDG 16,

Peace, justice and strong institutions; and SDG 17, Partnerships for the goals.



Línea Directa has been linked to 8 specific goals, which in 2022 have had a different weight of action in each of the ESG dimensions in which the company works. This year, greater emphasis has been placed on SDG 13 on Climate Action, SDG 16 on Peace, Justice and Strong Institutions, SDG 3 on Health and Wellbeing and SDG 8 on Decent Work and Economic Growth.

### Distribution of the 2022 Sustainability Plan in the SDGs.



### SDG 3. Health and well-being

The Línea Directa Group has a firm commitment to society in matters related to health; through its Vivaz brand, it offers the possibility of taking out different types of health insurance, always at a very competitive price and with high quality standards. Additionally, it carries out studies on the need to maintain healthy lifestyle habits, and motivates policyholders and society in general to be physically active, to eat a healthy diet and to sleep the necessary hours to get an excellent rest, all of which are the basis for a healthier and longer life.

**The Línea Directa Group is also concerned about the well-being and health of its employees** with different activities, such as seminars with specialists, participation in charitable sporting events or the promotion of the runners' club to motivate employees to do physical exercise on an ongoing basis.

Of particular note is its work in road safety through the Línea Directa Foundation, through which it promotes responsible driving habits in addition to its informational initiatives to raise social awareness of possible risks in the home, helping to protect people.

### SDG 5. Gender equality

Línea Directa Aseguradora has built diversity and inclusion into its culture over the years, ensuring equal opportunities regardless of gender, race, religion or nationality.

**The company has a Human Rights Policy and a Diversity and Equality Policy and regularly updates its Equality Plan and protocols for harassment.** It also carries out various social activities to contribute to initiatives such as those carried out on International Women's Day and the Day Against Gender-based Violence.

### SDG 8. Decent work and economic growth

The company is firmly committed to the creation of quality employment and the development of internal talent, as outlined in the "Talent Management" section of this report.

In addition, through the Línea Directa Foundation, the Línea Directa Group carries out various activities to **support entrepreneurship and startups** in order to promote society's economic growth.

### SDG 9. Industry, innovation and infrastructure

Línea Directa is also a leader in the digital transformation of the insurance sector, facilitating society's transition to digitalisation,



offering channels and products to promote digital models and participating in technological innovation clusters.

Similarly, the company is committed to supporting entrepreneurial initiative through the Línea Directa Foundation's Entrepreneurs Award, which aims to support Spanish startups specialising in road safety.

### SDG 10. Reducing inequalities

Línea Directa Group is also **committed to the social and economic inclusion of all people**, especially people with disabilities, mainly through corporate volunteering, collaborating with various NGOs. Línea Directa also pays special attention to the promotion of talent, ensuring non-discrimination on any grounds whatsoever.

### SDG 13. Climate action

The Environment section describes how Línea Directa takes a stance in the fight against climate change and is committed to promoting renewable energies. The company carries out different actions in this regard: it calculates its carbon footprint and reduces and offsets this footprint in scopes 1 and 2, carries out environmental volunteering activities, **has an ISO 14001-certified environmental management system and an ISO 50001-certified energy efficiency system**, among many other measures.

### SDG 16. Peace, justice and strong institutions

The Línea Directa Group contributes to this goal by striving for integrity and the application of compliance throughout the company, both internally and externally. Thus, it is committed to implementing all relevant regulations and disseminating them in

its collaboration with external organisations and institutions. On the other hand, through the Línea Directa Foundation, **it regularly studies and analyses aspects of driving behaviour**, contributing to the dissemination and awareness of the importance of safe driving. The Foundation also has an active platform for reporting the most dangerous points on Spanish roads. Every two years, Línea Directa Aseguradora produces the Fraud Barometer to prevent, detect and prosecute these bad practises with significant consequences for customers and society in general.

### SDG 17. Partnerships for the goals

The Línea Directa Group considers it key to work and collaborate with other entities both for the development of society in general and for the success of the company, which is why many of the actions, for example, corporate volunteering, are collaborations with specialised partners. In this context, the company presents the **Collaborators Award every year to recognise the best suppliers for the work they do together with the company**.

## SUSTAINABILITY GOVERNANCE

**For Línea Directa Aseguradora, sustainability is a strategic priority that the company promotes throughout all its areas of activity, in accordance with the Plan approved by the Board of Directors.**

The **Board of Directors**, with the support of the Appointments, Remuneration and Corporate Governance Committee, which is entrusted with sustainability matters, is the body responsible for approving the Sustainability Master Plans and supervising their implementation, as well as for approving and ensuring compliance with the Sustainability Policy and others closely related to non-financial information. The Committee also monitors



the Group's sustainability strategy and actions, assesses compliance with them and reviews Group policies.

For the purposes of this report, it is important to highlight the work carried out by the **Sustainability Committee**, which is responsible for promoting the advancement of the Sustainability Plan and for dealing with matters relevant to the Línea Directa Group in this area.

The Sustainability Committee is composed of the members of the Management Committee and meets regularly to monitor the Sustainability Plan, assess the progressive achievement of the set targets and indicators and report its conclusions to the Appointments, Remuneration and Corporate Governance Committee.

A **Sustainability Working Group** has also been set up, consisting of the heads of the corporate areas with the greatest influence on sustainability strategy: Sustainability, People and Communication, Environment, Corporate Governance, Investor Relations, Services and Benefits, Risks, Marketing, Quality and Purchasing. The Working Group analyses the proposals of the **Corporate Sustainability area**, studies sustainability standards and proposes concrete actions in line with international ESG benchmarks. This Group promotes the execution of the different actions contained in the Sustainability Plan in its areas of influence and defines the lines of work to achieve the goals set out in the Sustainability Plan approved by the Board of Directors.

## DIALOGUE WITH STAKEHOLDERS

**The Línea Directa Group, through its Sustainability Policy, assumes certain key principles of behaviour in its relationship with its**

**stakeholders. To this end, it has various channels of communication, participation and dialogue that are regularly reviewed and updated. In addition, the company has a Shareholder, Investor and Proxy Advisor Communication Policy which sets out the framework and basic principles for relations with the above mentioned stakeholders.**

The Línea Directa Group engages with its stakeholders on the basis of whether or not there is a contractual or legal relationship with them. At the first level are the groups with which it does have these legal or contractual ties: shareholders, customers, employees and suppliers. The second level contains the rest: analysts, the media, opinion leaders, institutions, industry associations, NGOs, and society in general.

However, all stakeholders have access to a confidential whistleblowing channel, under the responsibility of the Ethics Manager, for communicating with the company.

## MATERIALITY ANALYSIS AND INDICATORS

**Línea Directa takes into account the relevance of issues that are material for its different stakeholders, in order to manage such issues and report on their performance with transparency.**

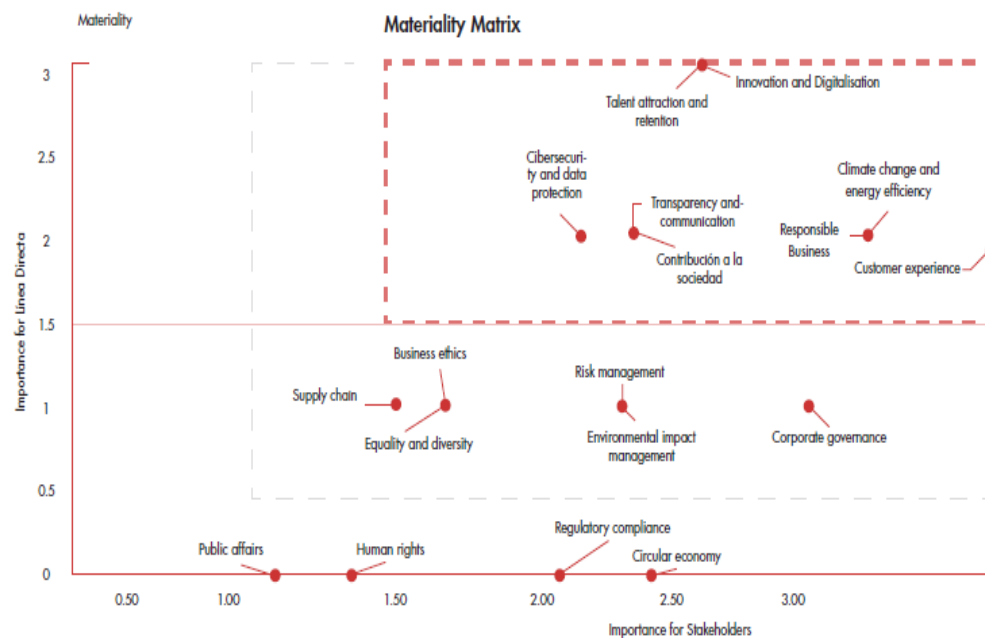
In order to identify its strategic objectives and lines of action within the framework of the development of the **2020-2022 Sustainability Plan**, the Línea Directa Group carried out a materiality analysis that involved external and internal sources.

In order to prepare the report, an in-depth consultancy analysis was carried out with the aim of identifying the most relevant issues for the company's different stakeholders. This **exhaustive and rigorous process** included the evaluation of international reports and studies, different reporting standards and reports from international sustainability analysts, as well as a sector benchmark and information from studies of the insurance sector, in addition to meetings and interviews with the company's senior management.

Based on this analysis, the company identified the most relevant aspects in terms of sustainability for its stakeholders in order to include them in the design of its three-year Sustainability Plan.

The following diagram shows the aspects that are most relevant to the business and the degree of importance given to each issue by external audiences, according to the evaluation carried out.

STAKEHOLDERS	DIALOGUE CHANNELS	MANAGED BY
Shareholders and investors	General Shareholders' Meeting Corporate website Shareholder Office	Office of the General Secretary
Customers	Group corporate website Social Media (Facebook, Twitter, YouTube, LinkedIn, Instagram, TikTok)	Head of People, Communications and Sustainability
	Insured Party Ombudsman Directorate Gen.Insurance and Pension Funds Quality Surveys	Office of the General Secretary
	Focus Group Commercial Multichannel	Marketing Management
	Direct telephone channel	Portfolio Management Commercial Management
Regulatory bodies (DGSFP and CNMV)	Regulator's website	Office of the General Secretary Investor Relations
	Directorate General of Insurance and Pension	Office of the General Secretary
Employees	Employee care Climate and opinion surveys Focus Group Intranet and Virtual Communities	Head of People, Communications and Sustainability
	Internal events: breakfasts and conventions	Management Committee
Suppliers	Focus Group	Office of the General Secretary
	Purchasing Portal	Finance Department
	Collaborators Award	Management Committee
Analysts and proxy advisors	General Shareholders Meeting Corporate website	Office of the General Secretary
	RoadShows	Finance Department
Media	Press Conferences Press releases Social Media	Head of People, Communications and Sustainability
Institutions (universities and industry associations)	Meetings Forums Seminars	Head of People, Communications and Sustainability
Third Sector	Meetings Social Media Línea Directa Foundation website	Head of People, Communications and Sustainability
Society	Group corporate website Línea Directa Foundation website Social Media	Head of People, Communications and Sustainability



## CORPORATE GOVERNANCE

### Corporate Governance System

**Línea Directa has established a corporate governance system based on respect for current legislation, on the recommendations of the Good Governance Code of the Spanish National Securities Market Commission (CNMV) and on the best market practices expected by investors, analysts and proxy advisors.**

The corporate governance structure of the Línea Directa Group, the principles that underpin it and the essential rules of its functioning are defined in the internal regulations, the general lines of which are set out in the **Corporate Governance Policy approved by the Board of Directors in July 2021 and updated in September 2022.**

### Company information

The information contained in the Non-Financial Information Statement applies to the entire Línea Directa Group, which comprises the following companies:

Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros, and parent company of the Group.

Subsidiaries, wholly owned by the parent company, according to the following organisation chart:



### Share capital

The share capital is distributed as follows:

<b>Share capital</b>	€43,536,673.60
<b>Number of shares</b>	1,088,416,840 ordinary shares
<b>Nominal value</b>	€0.04 /share
<b>Number of voting rights</b>	1,088,416,840 votes (1 share = 1 vote)

**Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021. Since 20 September of the same year, the company has been listed on the IBEX Medium Cap.**

## Shareholder structure

At 31 December 2022, the shareholding structure of Línea Directa Aseguradora has the following composition:

SIGNIFICANT SHAREHOLDERS	% ownership in share capital (direct and indirect)
Cartival, S.A.	19.50%
Bankinter, S.A.	17.41%
Fernando Masaveu	5.32%
Lazard Asset Management	3.19%
Invesco Ltd	2.49%
Treasury shares	0.06%
Members of the Board with non-significant holding	0.04%
Free Float	51.99%

## Corporate bodies

The main governing bodies of Línea Directa Aseguradora are as follows:

### General Shareholders' Meeting

The General Meeting is the sovereign body of the company. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say.

The General Shareholders' Meeting Regulations, approved in March 2021 on the occasion of the company's IPO, regulate all aspects related to the meeting and its functioning.

On 24 March 2022, **the first General Meeting of Línea Directa Aseguradora as a listed company** was held, bringing together the company's shareholders, both in person and online, for the first time, with a 77.65% quorum in attendance.

At the meeting, key agreements were adopted, both financial and non-financial in nature:

- In **financial matters**, the Annual Accounts were approved with more than 99.9% of votes in favour as well as the allocation of the profit for the financial year with more than 99.7% of votes in favour.
- In **non-financial matters**, the company's first Non-Financial Information Statement was approved, with more than 99.7% support.
- Concerning **corporate governance**, Patricia Ayuela was ratified and re-elected as Executive Director and Chief Executive Officer of the company, with more than 99.3% voting in favour, and the Directors' Remuneration Policy was approved, with more than 92% voting in favour.

The company offers the possibility of consulting the details of the

BOARD MEMBERS	LEGAL CATEGORY	POSITION
<b>Alfonso Botín-Sanz de Sautuola y Naveda</b>	Proprietary (represented shareholder: CARTIVAL, S.A.)	Chairman
<b>Patricia Ayuela Rueda*</b>	Executive	Chief Executive Officer
<b>Fernando Masaveu Herrero</b>	Proprietary	Member
<b>Ana María Plaza Arregui</b>	Independent	Member *Chairman of the Audit and Compliance Committee
<b>Elena Otero-Novas Miranda</b>	Independent	Member
<b>Rita Estévez Luaña</b>	Independent	Member
<b>John de Zulueta Greenebaum</b>	Independent	Member *Chairman of the Appointments, Remuneration and Corporate Governance Committee
Pablo González-Schwitters is the Non-director Secretary of the Board of Directors.		

\*From 1 January, 2022 to 17 February, 2022, Miguel Ángel Merino was the company's Chief Executive Officer.

attendance and voting quorum for each of the resolutions in the General Meeting section of the corporate website.

Shareholders were able to participate in the General Meeting either in person or by electronic voting and proxy. From the moment the meeting was convened, the Electronic Shareholders' Forum was made available to them as required by regulations, and the event was broadcast live on the company website, as recommended by the CNMV's Good Governance Code and the proxy advisors.

The General Meeting was certified as a sustainable event by an independent expert of recognised prestige who audits compliance with good sustainability practices. advisors.

## Board of Directors

### Size and structure

As set forth in the Bylaws, the Board of Directors shall have a minimum of 5 and a maximum of 15 directors. As at the date of this report, the Board of Directors of the company is composed of 7 directors, in particular:

### Duties

The Board of Directors is the body responsible for the administration, governance and representation of the company in accordance with the duties assigned to it by law, the Bylaws and the Board Regulations.

In 2022, **12 Board meetings were held, with an attendance ratio of 98%**. The main actions carried out by the Board of Directors include the following:

- The adoption of the corporate resolutions relating to the appointment and subsequent ratification by the General Shareholders' Meeting of Patricia Ayuela as Chief Executive Officer.

DIRECTOR	Level of attendance	Audit and Compliance Committee	Appointments, Remuneration and Corporate Governance Committee
Alfonso Botín-Sanz de Sautuola y Naveda	12/12	10/10	9/9
Miguel Ángel Merino González*	3/3		
Patricia Ayuela Rueda**	10/10		
Fernando Masaveu Herrero	11/12		
Ana María Plaza Arregui	12/12	10/10	
Elena Otero-Novas Miranda	11/12	9/10	
Rita Estévez Luaña	12/12		9/9
John de Zulueta Greenebaum	12/12		9/9

\* Until 17 February, 2022

\*\* From 17 February, 2022

- The preparation of the proceedings and formulation of the documents and reports necessary for shareholders to participate and adopt decisions at the General Meeting.
- Approval and updating of the appropriate internal regulations to strengthen the company's governance system.
- Approval and monitoring of the Group's strategy.
- Review and approval of financial and non-financial information to be communicated to regulators and the market.

- Supervision of the functioning of the committees.
- Appointment of members of the management team, reporting to the Chief Executive Officer, and regular interaction with senior management.

The term of office of the members of the Board of Directors is four years, and members may be re-elected for terms of the same duration.

### Individualised attendance ratio

The level of attendance per director in 2022 was as follows:

### Selection: independence and diversity

The **Director Selection Policy** lays down the principles, procedures and criteria that the Board of Directors of Línea Directa will take into account during processes relating to the appointment, re-election or succession of the members of the Board of Directors, all in accordance with the applicable regulations and best practices of corporate governance.

One of the main objectives of this Policy is to promote diversity of gender, experience and knowledge on the Board of Directors, avoiding any implicit bias that could imply discrimination and, in particular, hinder the selection of female directors, and to encourage the company to have a significant number of female directors.

Notwithstanding the fact that the company has already exceeded the 40% presence of women on the Board of Directors recommended by the CNMV, the Board has adapted the



Selection Policy in 2022 to expressly state this threshold in its internal regulations. The Selection Policy has also been amended to explicitly broaden the scope of diversity, including race or ethnicity, nationality and cultural origin.

In accordance with the Director Selection Policy, the structure of the Board of Directors seeks to include the diversity of opinions, perspectives, skills, experiences and backgrounds. To this end, this body has reviewed and updated its competency matrix, details of which are available in Annex II of this document, in light of the general, sectoral and specific context of the company.

**A summary of the professional profiles and curricula of all the directors, highly specialised in the insurance sector and with extensive experience in the Motor and Health lines, can be consulted on the Group's corporate website.** There is also a high presence of profiles from the finance and banking sectors, as well as training and experience in auditing, financial and non-financial risk management, law and regulation. The Board also has members with extensive expertise in digitalisation and cybersecurity.

A fundamental principle of the Director Selection Policy is that the number of independent directors constitute a sufficient majority of the Board and that the number of executive directors is kept to the minimum necessary.

At the time of writing, we have the following data on independence and diversity on the Board of Directors, which exceeds the ratios recommended by the Code of Good Corporate Governance of the CNMV:

Percentage of independent directors	57%
Percentage of women	57% Inclusion in the IBEX Gender Equality Index
Skills matrix	Yes
Nationalities	Two
Average age	55 years (from 49 to 74 years of age)

## Evaluation

As required by the Board Regulations, in December 2022 and January 2023 the Board conducted the annual evaluation of its functioning and that of its members and committees for the financial year 2022.

The main conclusions on the results of the evaluation are included in the Annual Corporate Governance Report, which has been published on the corporate website and on that of the CNMV.

In relation to the follow-up on the action plan based on the 2021 evaluation, it is worth highlighting the **implementation of a Training Programme for directors**, which includes subjects such as cybersecurity, data protection and corporate governance, taught by external advisors of recognised prestige.

## Remuneration

Directors' remuneration in 2022 has been determined in accordance with the provisions of applicable law, the company's Bylaws and the Directors' Remuneration Policy.

The General Shareholders' Meeting held on 24 March 2022 approved, with the support of more than 92% of the votes, the new Directors' Remuneration Policy, with the following objectives:

- To adapt the wording to ensure that it complies with the current Spanish Corporate Enterprises Act, following the amendments introduced by Law 5/2021, and also to ensure that it is in line with the best market practices and the latest recommendations for good corporate governance in terms of directors' remuneration;
- To set the remuneration conditions for the new Chief Executive Officer from the date of her appointment in 2022.

This policy, in force until 2025, is permanently available on the corporate website.

In addition, the General Meeting approved the Annual Directors' Remuneration Report 2021 on a consultative basis, with more than 97% of shareholders voting in favour, thus showing their agreement with the practical implementation of the policy.

The Remuneration Policy is inspired and underpinned by the following **principles**:

- It provides for remuneration based on **prudent and effective risk management**. In this respect, the Policy approved in 2022 includes an express mention of sustainability risks.
- It is aligned with the **long-term** interests of the company.

- It applies an **appropriate ratio** between fixed and variable components.
- It rewards the level of responsibility borne by the directors without compromising their **independence**.
- It **guarantees equality**, avoiding any type of discrimination, and expressly recognises equal remuneration for positions of equal value.
- It **provides flexibility**, including mechanisms to deal with exceptional situations as provided for under prevailing laws.
- It **ensures transparency**, by simplifying the description, calculation methods and conditions of the remuneration components and making them known and public.
- It is **consistent with the principles** on which the general remuneration policy for all Línea Directa Aseguradora employees is based.

The remuneration system is generally composed of the following components:

- For **their status as directors**, in relation to their supervisory and collegial decision-making functions, directors receive a fixed annual amount and a per diem allowance for attending meetings of the Board of Directors and the committees to which they belong.

The maximum annual remuneration of all directors in their capacity as such shall not exceed €1,500,000. In financial year 2021, this amount did not exceed €552,000.

- **As an Executive Director**, the Chief Executive Officer also receives an annual remuneration consisting of a fixed part and a variable part depending on the achievement of pre-determined objectives.

In relation to annual variable remuneration, the following good governance practices have been introduced in the 2022 Policy:

- 50% will be paid in cash and **50% in shares**, conditional upon approval by the General Shareholders' Meeting, under the terms provided by article 219 of the Corporate Enterprises Act.
- The shares received as variable remuneration may not be transferred for a period of 3 years (**"holding period"**).
- Their accrual will be linked to the fulfilment of financial and business targets, with a weighting of 70%; and **non-financial targets, with a weighting of 30%**.
- Each of the targets will have a **minimum compliance threshold**, below which no entitlement to variable remuneration will accrue. The possibility of surpassing each of the targets is limited to a maximum of 140%.
- The Chief Executive Officer's variable remuneration will in all cases be subject to the adjustments provided for in the Policy (including the 40% **deferral** over 3 years, **malus clauses**, **clawback clauses**, etc.).

The Chief Executive Officer also participates in the extraordinary variable remuneration plan in shares approved in 2021 for members of the company's management team as a result of listing Línea Directa's shares on the stock exchange.

With regard to social wellness systems, the CEO is the beneficiary of a long-term defined benefit savings system and maintains these rights recognised in a collective unit linked life insurance policy, arranged by Línea Directa Aseguradora.

Lastly, it should be noted that recommendation **64 of the CNMV's Good Governance Code** has been incorporated into the Remuneration Policy, by virtue of which any payments arising from termination or expiry of the contract may not exceed an amount equivalent to **two years of the total annual remuneration** of the executive director at the time of termination of the contract, including amounts not previously vested in long-term savings systems and amounts paid by virtue of the non-competition agreement.

The details of this remuneration and the conditions applicable to its collection are broken down in the Annual Report on Directors' Remuneration 2022, published on the company website and on the CNMV website.

## Committees

**The Board of Directors has two advisory committees. The Audit and Compliance Committee**, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
D <sup>a</sup> . Ana María Plaza Arregui	Chairman	Independent
D <sup>a</sup> . Elena Otero-Novas Miranda	Member	Independent
D. Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
D. Pablo González-Schwitters Grimaldo	Non-board Secretary	

Percentage of independent directors	67%
Percentage of women	67%
Number of meetings in 2022	10
Attendance ratio	97%

The members of the Audit and Compliance Committee as a whole, and in particular its Chairman, have been appointed on the basis of their knowledge and experience in accounting, auditing and risk management, both financial and non-financial. Full information on the members of the Committee can be found on the corporate website.

**The main responsibilities of the Audit and Compliance Committee** include the following:

- To report to the Annual General Meeting through its Chairman on the state of control of the company and the activities of the Committee during the financial year.

- To propose to the Board for submission to the Annual General Meeting the appointment, re-appointment or replacement of the external auditors and their terms of engagement. To ensure the independence of the external auditor and monitor compliance with the audit contract.
- Awareness, monitoring and evaluation of the preparation process and integrity of financial and non-financial information, control and management systems for financial and non-financial risks related to the company and, where applicable, the Group (including operational, technological, legal, social, environmental, political, reputational and corruption risks).
- Pre-reporting to the Board of Directors on all matters required by law, e.g. related party transactions to be approved by the Board of Directors.
- 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.
- Monitor and promote compliance with the company's Internal Rules of Conduct for the Securities Market, the Code of Ethics and, in general, the company's internal rules of conduct, as well as monitor and promote the confidential whistleblowing procedure by stakeholders.

On the occasion of the convening of the General Meeting, the annual report on the activities of the Committee was made available to shareholders on the company's website, which

includes the activities carried out by the Committee during the 2022 financial year since the company's listing.

### **The Appointments, Remuneration and Corporate Governance Committee**, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
D. John de Zulueta Greenebaum	Chairman	Independent
D <sup>a</sup> . Rita Estévez Luaña	Member	Independent
D. Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
D. Pablo González-Schwitters Grimaldo	Non-board Secretary	
Percentage of independent directors		67%
Percentage of women		33%
Number of meetings in 2022		9
Attendance ratio		100%

### The **main responsibilities of the Appointments, Remuneration and Corporate Governance Committee** include the following:

- Propose the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
- Assess the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors.

- Report to the Annual General Meeting, through its Chairman, on the activities of the Committee during the year, as appropriate.
- Propose to the Board the remuneration policy for the directors and their individual remuneration, the individual remuneration of the executive directors and, where appropriate, the outside directors for the performance of duties other than that of a director, and other terms of their contracts.
- Propose the remuneration policy for senior management, including the General Managers or those who perform senior management duties under the direct supervision of the Board. Determine the remuneration of members who, although not part of the top management, carry out professional activities that may have a relevant influence on the company's risk-taking.
- Oversee and review the company's compliance system.
- Oversee the corporate governance of the company.
- Monitor the company's sustainability strategy and practises by assessing their level of compliance as well as reviewing the company's sustainability policies and ensuring that they are aligned with value creation.
- Monitor the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.

On the occasion convening the General Meeting, the annual report on the activities of the Committee was made available to shareholders on the company's website, which includes the activities carried out by the Committee during the 2022 financial year since the company's listing.

## Management Committee

Name	Positions
Patricia Ayuela	Chief Executive Officer
Pablo González-Schwitters	General Secretary
Diego Ferreiro	Commercial Director
Mar Garre	Head of People, Communications and Sustainability
Eva del Mazo	Portfolio Director
Olga Moreno	Head of Health
Ana Sánchez	Head of Technology
Antonio Valor	Head of Marketing
Carlos Rodríguez	Chief Financial Officer
Juan José Álvarez	Chief Technical Officer
Inmaculada Aldea	Chief Risk Officer

**Management Committee**, made up of the members of the management team, is responsible, among other duties, for the organisation and supervision of the general management policies and the strategic planning of the businesses managed by the subsidiaries in accordance with the Group's business model. Likewise, it is tasked with communicating the guidelines established by the Board of Directors to the rest of the organisation, involving as many areas and resources as necessary and making the necessary internal communication for the correct knowledge and execution of these guidelines.

## Internal Committees

Without prejudice to the functions attributed to the Board of Directors and its Committees in the Board Regulations, Línea Directa Aseguradora has established a system of collegiate bodies whose duties are to take decisions and gather key information for the business in matters that are reported to the Board of Directors or its committees.

For the purposes of this report, it is important to highlight the **Sustainability Committee**, which is responsible for promoting the advancement of the Sustainability Plan and for dealing with matters relevant to the Línea Directa Group in this area.

The Sustainability Committee is composed of the members of the Management Committee and meets regularly to monitor the Sustainability Plan, assess the progressive achievement of the set targets and indicators and report its conclusions to the Appointments, Remuneration and Corporate Governance Committee.

## Ethics and transparency

### POLICIES

**The purpose of the Code of Ethics of the Línea Directa Group is to establish the general guidelines that should govern the conduct of employees of Línea Directa Aseguradora S.A. and its subsidiaries, in their performance of their duties and in their business and professional relationships, in accordance with the law and observing ethical principles. The values contained in this Code of Ethics are the basic principles which underpin the commitments made by Línea Directa Aseguradora to their**



## **shareholders, partners, customers, suppliers, employees and communities.**

The **Corporate Governance Policy** sets out the general principles that underpin the various policies approved by the Board of Directors of Línea Directa Aseguradora, as well as the Group's internal rules and procedures on corporate governance. It also defines the corporate and governance structure of Línea Directa, including the guiding principles, the corporate bodies that make up the group and their terms of reference, always with the objective of compliance with applicable law and regulations and best corporate governance practices.

**Compliance Policy.** Its main purpose is to regulate the company's Compliance Function, as required by Solvency II. This Policy also expresses the Group's commitment to regulatory compliance, as well as its rejection of any type of criminal conduct. It also provides the main framework for defining the scope of the Compliance Management System.

The purpose of Línea Directa Aseguradora's **Compliance Function** is to identify, assess, manage and control regulatory and statutory risks, as well as to promote measures to help prevent and mitigate them.

## **CODE OF ETHICS**

**Professional ethics, together with good corporate governance and Línea Directa Aseguradora's values, are essential to the company's culture and the fundamental basis of its Code of Ethics. Línea Directa Group is committed to fostering and promoting firm ethical principles that ensure compliance with**

## **laws and the trust of customers, shareholders, employees and suppliers.**

The **Code of Ethics** is the main pillar for the development of corporate values and sets out the models and guidelines for behaviour to be followed by all Group employees. The Code was adopted by the Board of Directors in January 2011 and updated in October 2018. It responds to the concern of the highest management body of Línea Directa Aseguradora to clarify and disseminate the company's values among all employees and stakeholders. In 2021, the content of the Code was reviewed to make the necessary changes regarding Línea Directa's new status as a listed company.

Línea Directa Aseguradora's Code of Ethics contains, among other things, the commitments made regarding environmental and social issues, respect for human rights and the fight against corruption and bribery, and support for equal treatment, equal opportunities and non-discrimination. This Code is not intended to cover all possible situations that may arise in the professional environment, but to establish minimum guidelines for conduct for all members of Línea Directa Aseguradora on how to act when discharging their duties.

The scope extends to all subsidiaries of Línea Directa Aseguradora and their employees and managers in the performance of their duties and responsibilities and in all professional areas in which they represent the company. The Línea Directa Foundation adopted its own Code of Ethics in November 2019, which essentially follows the same general principles. Línea Directa Aseguradora also has a Supplier Code of Conduct to which all



employees must adhere.

**All Group employees receive training on the Code of Ethics** upon joining the Group, which is regularly reinforced with various training and informative activities. The latest employee survey on the degree of knowledge and acceptance of the Code of Ethics and the Ethics Channel, conducted in 2021, showed very positive results, with 94% stating that they take the company's ethical principles into account when making decisions related to their work.

## **ETHICS CHANNEL**

**The procedure of the Línea Directa Aseguradora Ethics Channel for managing queries and complaints guarantees confidentiality and non-retaliation, as well as the possibility of anonymity in all communications.**

The Ethics Channel is available on the corporate website and allows employees and any interested third party to confidentially or anonymously report irregularities related to violations of the Code of Ethics or possible breaches of regulations or unlawful conduct.

During the 2022 financial year, ten communications were received and analysed, only one of which concerned a breach of the Code of Ethics. The Ethics Manager proceeded with the processing of the file, which found that the Code of Ethics had effectively been breached and led to the relevant measures being taken. The remainder were communications from customers in relation to the processing of their claims.

## **TAX PRACTICES**

**The Línea Directa Group has a Tax Strategy approved by the Board of Directors, which sets out the objectives, principles, good tax practises and monitoring and control of tax risks. The aim is to ensure responsible compliance with current regulations in accordance with the social role of the tax system, the Group's business goals and the trust of the community in which it operates.**

The **tax strategy** of the Línea Directa Group, which was approved by the company's Board of Directors in 2019 and updated in 2022, sets out the aims, principles, good tax practices and the monitoring and control of tax risks in the organisation. The purpose of this strategy, published on the corporate website, is to ensure responsible **compliance with tax regulations** at Línea Directa, taking into account its social importance, the interest of its stakeholders, the Group's business strategies and the trust of the community in which it operates. In addition, Línea Directa Aseguradora promotes a climate of goodwill, transparency, cooperation and reciprocity in its relations with tax authorities.

Furthermore, in 2020 the **Board of Directors** of Línea Directa Aseguradora approved the **Group's Corporate Tax Policy**. This policy constitutes a non-delegable power of the Board itself and is implemented through the General Secretary's Office and the Tax Advisory department. The main objective of this Policy is **to establish the principles and the system of rules of action and tax conduct** that govern the activity of the Group's companies, as well as to determine the control elements that make it possible to prevent the commission of tax offences. This Policy forms part of the **Fiscal Risk Management and Control System** in order to assess these types of risks in a responsible manner and based on set

criteria, thereby preventing and reducing the risks and allowing it to define, review and achieve its tax compliance objectives.

The **Audit and Compliance Committee**, in accordance with the provisions of its regulation, monitors the **effectiveness of the tax risk control and management system**. In addition, within the Board of Directors' oversight responsibilities, the Tax Advisory department reports once a year on the main tax issues that have arisen during the year and on the main issues concerning the Group, including procedures and inspections in progress. In this regard, no tax risk materialised during 2022 that could have affected the business targets.

The **Línea Directa Group** has its own space on the company's intranet where it has the main documents governing the tax function, as well as a guide to the most recurring queries and doubts. In addition, there is a specific training in the area of taxation geared towards the different business areas.

The company is committed to promoting the **good tax practices** described in its strategy with the aim of reducing tax risks and preventing conduct likely to generate them. These good practises include the Group's full availability to **collaborate with the tax authorities** in relation to requests for information or cooperation in the detection, search and resolution of tax fraud.

Since 2021, the Línea Directa Group has adhered to the **Code of Good Tax Practices**, promoted by the Administration, which contains recommendations on legal clarity in the application of the tax system, reciprocal cooperation based on good faith and legitimate trust and the application of responsible tax policies with the knowledge of the Boards of Directors.

The Línea Directa Group is also represented in the **UNESPA Tax Commission**, as well as in other tax forums of interest to the sector. Neither the company nor its subsidiaries have a presence or activity in countries classified as tax havens, as stated in the company's Tax Strategy and Policy.

The Línea Directa Group did not receive any public subsidies or aid in 2022.

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## 2022 TAX INFORMATION (in thousands of euros)\*

Country	Net turnover by country	Profit/(loss) before tax	Corporate income tax paid
<b>Spain</b>	900,566	78,727	-6,255**
<b>Portugal</b>	80	31	0

\* In 2021, total income taxes (145.2 million euros) paid by Línea Directa Group were 25,035.83 thousand euros, a figure that did not include the amount requested to be refunded for corporate income tax for 2020, which as of December 31, 2021 had not been refunded yet.

\*\* This figure includes the Corporate Income Tax paid in 2022 as well as the amounts refunded by the AEAT in relation to the Corporate Income Tax for the years 2020 and 2021, hence the negative balance.

For more information on the company's tax practices, see notes 3 and 14 of the annual accounts and the Tax Strategy, available on the corporate website.

## FIGHT AGAINST CORRUPTION AND BRIBERY

### The Línea Directa Group's crime prevention model

The Línea Directa Group's crime prevention model is based on the following internal bodies and functions:

- The **Board of Directors** is the body responsible for promoting a preventive culture based on the principle of zero tolerance for behaviour contrary to the Code of Ethics, breaches of external and internal regulations and criminal acts. It is also responsible for the Línea Directa Group's adoption and implementation of an effective monitoring and control model for the prevention of these risks.

- The **Audit and Compliance Committee** is the highest body responsible for overseeing and monitoring the criminal compliance policy.
- The **Compliance Function** is headed by the Chief Compliance Officer (CCO) and carries out its functions in collaboration with the representatives of the business areas, the Compliance Committee and the Standing Risk Committee, and reports to the Audit and Compliance Committee.
- The **Regulatory Compliance Committee** is composed of the heads of the main areas related to the technical and cross-cutting functions of the compliance environment, i.e. Tax Advisory, Corporate Security, Data Protection Office and Human Resources. Its function is to support the Regulatory Compliance department in order to ensure the proper fulfilment of its tasks in the area of criminal risk prevention.
- The **People Management department** is responsible for the internal training of employees and the application of the disciplinary system in the event of violations of the Criminal Compliance Policy, the provisions of the Code of Ethics and the Group's internal regulations

All Línea Directa Group companies and, specifically, all persons forming part of them, must guide their actions and decision-making based on the highest ethical standards, respecting and complying with the internal regulations applicable to them.

The internal control and crime prevention system of the Línea Directa Group is built on fundamental internal rules. Specifically, the following stand out:

- Group Code of Ethics.
- Supplier Code of Conduct.
- Ethics Channel Procedure.
- Regulatory Compliance Policy and its Management System.
- Criminal Compliance Policy
- Privacy Policy.
- General Security Policy.
- Risk Management Policy.
- Internal Audit Control.
- Internal Audit Policy.
- Internal Fraud Procedure.
- Equality Plan.
- Environmental and Energy Efficiency PolicyCódigo Ético del Grupo.

## Anti-corruption and bribery prevention measures

The Línea Directa Group is fully committed to compliance with all the rules on preventing and combating corruption, as set out in the Code of Ethics and the Anti-Corruption Policy. This commitment applies not only to all employees, directives and executives, but also to all the company's suppliers and stakeholders.

With regard to the prevention of bribery and corruption, in 2021 the company approved its **Anti-Corruption Policy**, which is based on zero tolerance of any form of corruption and establishes a general framework for action to help prevent and detect corrupt practices. One of the most important measures in this regard is the company's Gifts and Favours Procedure, which sets out the entire process for receiving and recording gifts. Anything that does not meet the requirements of this procedure is raffled off among all employees at a charity market at the end of the year.

The company has not registered any significant allegations of corruption and bribery.

## Fight against money laundering

The Línea Directa Group is not a mandatory subject in relation to the prevention of money laundering and terrorist financing, as established in Article 2 of Law 10/2010 of 29 April, as it operates in the non-life insurance business, so it is not appropriate to elaborate on the aspects presented in this non-financial report.

## DATA PROTECTION

**The Línea Directa Group is committed to strict compliance with the law in the area of data privacy of its customers, employees and suppliers and the confidentiality of all operations. To this end, the Group works to comply with the provisions of the General Data Protection Regulation 2016/679 (GDPR) and Organic Law 3/2018 on the Protection of Personal Data and Guarantees of Digital Rights.**

The Línea Directa Group has a governance framework **for privacy and data protection** that guarantees the rights of customers, suppliers and employees in this area and the confidentiality of all operations, for which it is assisted by a specialised team and a Data Protection Delegate.

The **Group** has its own **privacy policy** whose main lines of action are the appropriate **protection of customers' personal** and confidential data and ensuring strict compliance with the law. The company also complies with the **principle of transparency** by informing customers, employees and suppliers of the processing it carries out with personal data and the legitimate bases for such processing. Along the same lines, the Group monitors the percentage of users whose customer data is used for secondary purposes, which in 2022 stood at 71%. It also provides information on where and how the rights of **access, rectification, erasure, objection, portability and restriction** can be exercised, who the recipients of this information are and how to contact the company's Data Protection Officer. The Group also ensures at all times that personal data and transaction data are transmitted through appropriate, reliable and secure channels, maintaining their integrity and confidentiality.

## Employees and suppliers

Línea Directa Aseguradora has established a regulated procedure for the allocation and contracting of **suppliers**, modifying the clauses and progressively regularising the contracts in force with regard to data protection. In addition, all suppliers undergo security audits of their infrastructures to ensure the minimum security standards required to process Group information.

Moreover, all company employees must take a course on **Privacy and Data Protection**, and all employment contracts include a clause with basic information on this subject and how to obtain more detailed information on the processing that the Group carries out.

In 2022, the **Data Protection Office** gave awareness sessions to all Línea Directa Aseguradora supervisors on the importance of complying with current regulations, as well as with the company's Internal Policies and Procedures and current operations, especially those affecting the business lines.

Various communications on the Group's Policy on the matter and on the circulars issued by the **Data Protection Office** have also been published on the Group's intranet. The goal is to create a culture of privacy in the organisation that includes business processes and the detection and prevention of the different risks, as well as fostering creation and contribution of value in this area.

## Digital Pact and other initiatives

On the occasion of Línea Directa Aseguradora's adhesion in 2021 to the **Digital Pact** for the protection of individuals, from the

**Spanish Data Protection Agency (AEPD)**, various actions have been carried out to promote and reinforce transparency and good practices in personal data processing.

These include posting on the Group's intranet various resolutions and advice from the **Spanish Data Protection Agency (AEPD)** on how to act in the event of identity theft. The aim is to inform all employees about publications, news and content in this area that may be of interest to the organisation.

In 2023, the area will continue to protect privacy and compliance and will continue to provide awareness-raising sessions to employees. To this end, it will regularly review the company's Privacy Policies and internal procedures, promoting various actions that highlight the company's commitment to the Spanish Data Protection Agency's Digital Pact.

## AEPD Resolutions

Línea Directa Aseguradora's Data Protection Office analyses the most relevant resolutions issued by the Spanish Data Protection Agency in order to promote these resolutions in the different business areas of the organisation and promote the guidelines of this supervisory authority. In 2022, the **Línea Directa Group has not been subject to any sanction** in terms of Data Protection.

## CYBERSECURITY

**For a digital company without branch networks or face-to-face agents, having a reliable, flexible and robust cybersecurity system is of extraordinary importance.**

That is why Línea Directa Aseguradora has a cyber threat prevention and response system within the framework of the



Group's **Information Security Management System (ISMS)**. The main purpose of this system is to guarantee the principles of **integrity, availability and confidentiality**, as well as to promote continuous improvement in this area. To this end, the company has a large team of specialists covering highly complex and technified cybersecurity issues, which has been expanded in 2022 with the aim of adapting to new threats.

The **main lines of work** carried out during the past year include the following:

- Integration of cybersecurity measures and systems in all business processes from the outset.
- Development and expansion of the Risk Map, which includes new KRIs that provide more exhaustive and detailed monitoring.
- Increase in the performance of pentesting exercises on specific elements of the infrastructure.
- Execution of Red Team exercises.
- Adaptation to the new regulatory and/or normative changes that are taking place in the insurance sector.
- Improvement in the security measures of the supply chain by means of regular controls and audits.

Línea Directa Aseguradora bases its general cybersecurity strategy on four main pillars:

#### **1. Protection against cyber risks:**

- Evaluation and improvement of mechanisms to prevent, detect and respond to cyber attacks, including those that may occur in cloud computing environments.
- Continuous evolution of protection mechanisms for information systems and communications networks.
- Evaluation and improvement of disaster recovery mechanisms.
- Third-party risk management.

#### **2. Culture of cybersecurity and privacy in the company:**

- Awareness and sensitisation activities in the organisation.
- Training and education activities for all employees.
- Encouraging employees to obtain recognised safety certifications.

#### **3. Cybersecurity from the outset:**

- Integrate cybersecurity into the lifecycle of new initiatives to ensure their protection from the outset, and implement controls and measures accordingly.
- Assess cybersecurity when procuring technological solutions and contracting technological services.

#### **4. Cybersecurity assessment and audit and adaptation to the changing situation**



- Specialised team (internal/external) for the continuous review of cyber threats.
- Establishment of controls from the outset.
- Integration of cyber risks in the company's risk map.
- Performance of internal and external controls and self-tests.
- Regular reporting to the company's governing bodies.

Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	Cybersecurity incidents with critical impact 2022	Percentage of professionals trained in data security
0	0	95%

## Security Operations Centre (SOC)

The Línea Directa Group's Security Operations Centre (SOC) is a key element in the organisation's first line of defence. Its main role is to **monitor and respond to any cybersecurity threat or incident** on an ongoing basis (24 hours a day, 7 days a week, 365 days a year).

Línea Directa's SOC has a **hybrid management model**, as it consists of an internal part and an outsourced part that is linked to the **National Cryptologic Centre (CCN-Cert)** and whose intelligence is shared with the internal SOC.

## Cybersecurity certifications and standards.

In 2022, the Group's Cybersecurity department worked on continuing the evolution of the controls, procedures and standards required by the **UNE-EN-ISO 22301 certification**, which the Group has achieved in two of the most critical business processes: Roadside assistance and Home claims.

These controls are audited annually by AENOR, which guarantees the continuous improvement of the process. Work is also being done to align the document and procedural part with the different domains of **ISO 27002**, always with the aim of maintaining a uniform strategy that meets the best security standards in the market.

## Awareness-raising actions

In 2022, the organisation's cybersecurity awareness programme continued. These actions, which are aimed at the entire workforce, are complemented with specific activities for specific and particularly relevant groups, such as the Board of Directors or technical or critical personnel in different areas or departments.

In these exercises, particular importance is given to training on one of the most common cybersecurity threats: phishing, which is often used as a means of entry and subsequent deployment of ransomware within the organisation. Controlled campaigns are conducted on the matter so that everyone in the company can identify this threat.

## Guiding principles on business and human rights

### HUMAN RIGHTS POLICY

**The Línea Directa Group maintains a strong commitment to respecting Human Rights in the performance of its activity and in its relationship with stakeholders within the environment in which it operates: employees, customers, suppliers and society in general.**

As a member of the Spanish Network of the United Nations Global Compact, the company undertook the commitment to incorporate the United Nations Guiding Principles on Business and Human Rights into its activity, through the implementation of the Human Rights Policy that was approved by the Board of Directors in 2020 and applies to all the Group's subsidiaries.

The Policy aims to serve as a guide in protecting and respecting these rights, preventing their violation and reflecting the company's commitment to international, local and industry standards. This Policy describes Línea Directa's commitments in its own activities as an insurer, as an employer of its professionals and as a responsible business partner of its providers. The Policy describes the way the company implements the protection of human rights in its operations.

In its role as an employer, the company is committed to upholding the human rights of its employees and promoting the principles of fair and favourable working conditions and non-discrimination, as well as complying with the provisions of the relevant ILO core conventions. In order to strengthen its position on non-discrimination and equal opportunities, **Línea Directa became a**

**member of the Diversity Charter, a European Commission project within the framework of the non-discrimination regulations.**

In terms of the supply chain, the company relies mainly on domestic suppliers, which allows for better understanding their human rights practices while supporting local development. As part of the supplier approval process, suppliers must accept the Supplier Code of Conduct, which includes several sections on respect for human rights and labour legislation.

### HUMAN RIGHTS DUE DILIGENCE

**The Línea Directa Group is committed to respecting, supporting and protecting human rights in our activities.**

In order to reinforce the effectiveness of the Human Rights Policy and further its commitment in this area, **the company has developed a Due Diligence Procedure based on a broad regulatory framework in which potential risk events** arising from the company's activities in the area of Human Rights have been identified and evaluated, assessing both the probability and the impact of such events. The process also assesses the mitigation actions that the company implements to reduce both the impact and the likelihood of occurrence of the identified risk events.

An independent third party specialising in Human Rights has been consulted in order to define and develop this process.

### Identification

The potential risk events have been identified in terms of five dimensions in which the company can act: as an employer, as an insurer, as an investor, as a collaborating company and partner

and, lastly, in relation to its environment, as defined in the policy.

ASPECTS	ROLES				
	As an employer	As a collaborator and partner	As an insurer	As an investor	In relation to its environment
	Equal treatment in people management	Processes of supplier approval, registration and contracting	Responsible marketing	Investment in companies or countries	Promotion of human rights in the environment
	Fair working conditions	Risk control and mitigation mechanisms	Accessibility and discretion in products and services	Building partnerships	
	Freedom in the workplace		Data Processing		
	The environment and workplace				
	Information security and data protection				

#### Dimensions analysed in Human Rights Due Diligence.

### Assessment

The risk event assessment process has been carried out based on Línea Directa Aseguradora's risk analysis methodology in order to

ensure uniformity of criteria with other assessments carried out in the company.

The target of this phase is to direct priority attention to the most severe negative impacts based on the parameters defined by the methodology, which will define how to assess the impact, the likelihood and the severity of each risk event. Having access to this information enables the company to pursue the following objectives:

- Establish and consolidate business relationships with affected third parties.
- Minimise risks arising from mismanagement of human rights impacts and impacts on the reputational, operational, financial and legal environments.
- Respond to growing expectations from stakeholders such as investors, civil society, business partners and others.
- Take advantage of the opportunities presented by proactive management of human rights risks and impacts.

### Monitoring

In general, the company has different mechanisms for monitoring potential cases of human rights violations, such as the confidential whistleblowing channel for complaints, the reporting of non-financial information for communication purposes and the mechanisms for redress.

### Conclusions

As a result of this assessment, no significant risks to Human Rights have been identified. However, the Línea Directa Group has reinforced its mechanisms in order to minimise the impact of a potential human rights violation. The Human Rights Due Diligence Procedure will be repeated at least every three years.

## REPORTS OF HUMAN RIGHTS VIOLATIONS

**The Línea Directa Group has a whistleblowing channel for reporting breaches of the Code of Ethics, which is freely accessible to all employees and is completely anonymous and confidential, as well as a Harassment Protocol that aims to avoid improper situations that hinder the normal functioning of the company and that may lead to moral, sexual or gender-based harassment or discriminatory treatment.**

During 2022, a complaint was received regarding possible violations of human rights in relation to a case of harassment or unacceptable behaviour which, after being confirmed through the corresponding investigation, led to the appropriate disciplinary measures.

## Risk Management Model

**Because of its activity, the Línea Directa Group is exposed to a series of risks and conditioning factors that may affect its reputation, objectives and strategy. To ensure that these risks are properly identified, measured, managed and controlled, the company has a series of principles of action and procedures that are systematically applied to all Group companies.**

Línea Directa Aseguradora has a series of principles of action for identification and management of corporate risks, including their

measurement, monitoring and control. These principles are as follows:

- **Integration.** Risk management is part of the management responsibilities and an integral part of all the organisation's processes. A risk management culture must be maintained in every decision made at all levels.
- **Independence.** Duties and coordination mechanisms between business units and risk monitoring and control units must be properly segregated at the operational level.
- **Integral management.** The Línea Directa Group entities must identify, measure, manage and control all their significant risks, establishing the appropriate policies, procedures, structure and resources for each of them. The Risk Map is a tool that provides an overview of the most significant risks to which the organisation is exposed.
- **Transparency.** There must be adequate channels in place for the reporting of internal information so that any threats can be detected as early as possible to prevent, or reduce the impact of, threats.
- **Review and continuous improvement of risk management.** The adequacy, suitability and efficiency of risk management will be regularly reviewed and evaluated. The Group will analyse opportunities for improvement that may arise internally from learning from reported incidents, or externally, from the availability of new tools and knowledge that can improve risk management.

- **Compliance with internal regulations.** The values and standards of conduct reflected in the Code of Ethics, in particular the commitment to upholding the law and the principle of zero tolerance towards the commission of illegal acts and fraud, as set out in the Regulatory Compliance Policy, must be observed at all times.

### Duties of the risk governance bodies

The **organisational structure** of risk management and control is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units. The Group has thus established a definition of the key responsibilities of the governance bodies in the risk management and control process:

- The **Board of Directors** of Línea Directa Aseguradora is responsible for determining the General Risk Policy, which will serve as a framework for the specific policies for each risk to which the company is exposed.
- The **Audit and Compliance Committee** is responsible for overseeing the effectiveness of the company's internal control, internal audit, and risk management systems. The heads of the Risk function and the Internal Audit function report to this Committee on the most significant risks included in the entity's Risk Map, as well as the status of the recommendations issued and the movements in the Key Risk Indicators (KRI).
- The **Internal Audit function** is responsible for executing the Internal Audit Plan, which includes overseeing the risk management system. The Risk Map should be used to align

the work of Internal Audit with the organisation's strategy and to carry out the annual audit planning.

- The **Risk Management function, Actuarial function, Regulatory Compliance function** and ICFR have the following duties:
  - Ensuring the proper functioning of risk management and control systems and, in particular, seeing to it that all significant risks affecting the company are identified, managed and adequately quantified.
  - Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
  - Ensuring that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.
  - Periodically assessing the adequacy and effectiveness of the controls, understood to be the measures in place to mitigate the impact of the identified risks. In addition, recommendations should be made to those in charge of the risks, and these recommendations will then be converted into action plans.
  - Regularly reporting to the Management Committee – and, as often as deemed appropriate, to the Standing Risk Committee – on the status of the company's risks, and on any possible risks that could emerge and the status of all recommendations arising from testing.

The risk management functions are equipped with adequate information systems and controls to ensure compliance with this policy. Their functioning is set out in the specific policies for each type of risk.

- The **Standing Risk Committee**: responsible for facilitating and monitoring the implementation of effective risk management practices for all risk facing the company, including ESG risks.
- The **specific Committees**: the way these committees are organised and their powers are described in the Governance System of Línea Directa Aseguradora.
- **Senior Management**: responsible for creating a culture and organisational structure that promotes effective risk management. Each area must be aware of the risks inherent to its activity and manage them in an integrated manner with its functions, competencies and responsibilities, as well as execute the necessary measures for their resolution, prevention and mitigation.
- The **entire company** is responsible for detecting, reporting and managing the different threats in coordination with the areas that comprise the Risk function.

Línea Directa Aseguradora has internal control processes and a risk management system that complies with current regulations. In this regard, the company has identified different types of risks, including underwriting, market, financial information, cybersecurity, ESG and operational risks.

To ensure effective risk management, the company has a set of **specific policies** that define responsibilities and determine the framework for action for each type of risk and ensure uniform application across all Group divisions and subsidiaries.

The **Board of Directors** is ultimately responsible for establishing and defining the **risk appetite** and ensuring that identified risks are limited and properly monitored and managed. It is also responsible for updating the company's risk appetite framework annually, monitoring the effective risk profile and ensuring consistency between the two.

On an annual basis, the Board of Directors or the Audit and Compliance Committee set the risk tolerance thresholds and approves changes to the KRI thresholds.

### Creation of the Corporate Risk area

In 2022, as a result of the reorganisation of the company, a new Corporate Risks area was created, which integrates all the functions that already existed (Risk Management and Internal Control Unit, the Actuarial Function, Regulatory Compliance, Internal Control of Financial Information and Data Quality), always with the aim of providing more effective and efficient management with a more global vision. The mission of the area is to build a global risk map of the company and optimise the control environment in order to ensure the correct assessment and identification of threats and their integration into forecasts and decision-making.

The Línea Directa Group has established different levels of defence, designing an organisational structure for each of the types of risks identified:



- A **management unit** with direct responsibility for the day-to-day or ongoing management of such risks, as a first line of defence.
- A **structure of committees**, each responsible for identifying, managing and reporting on risks. By virtue of their composition and functions, these committees have executive functions in that they make decisions in relation to the risks they manage.
- **Control functions** as the **second line of defence**; i.e. the Risk Management, Actuarial and Compliance functions and ICFR.
- A **supervisory function as the third line of defence**, i.e. the Internal Audit function.

This structure corresponds to four essential objectives. Firstly, it ensures there is adequate control, management and reporting of all risks at the various levels of defence. Secondly control and reporting is vertical and horizontal, through both dependent entities and independent control functions. Thirdly, there is adequate scalability of reporting, control and decision-making. Lastly, responsibility, knowledge and control of risks is carried out at different levels, including the highest level of governance.

### Most significant risks

Línea Directa Aseguradora has identified the following risks as the most significant:

- **Non-life underwriting risk.**

- **Health risk (disease underwriting).**
- **Market and concentration risk.**
- **Financial, credit and counterparty risks, including contingent liabilities and other off-balance sheet risks.**
- **Operational risks, including technological and cybersecurity risks.**
- **Legal risk (regulatory and regulatory compliance).**
- **Financial Information Risk (ICFR).**
- **ESG risks (environment, social and governance).**
- **Reputational risk.**

Throughout 2022, the company has worked to reorganise, standardise and streamline all processes. Moreover, the **integration of the Risk Map** and the improvement of the KRI (Key Risk Indicator) **Scorecard** have been optimised, redefining indicators and their thresholds to align them with the company's strategic goals, as well as reorganising the most relevant information for reporting to the governing bodies.

The company is reviewing the entire risk map and its associated controls in order to update it following the company's organisational changes and to adapt it to the new integrated map structure. The methodology for assessing risk typologies has also been standardised, and the economic impact assessment scale for inherent risk has been modified, unifying it for all cases. These actions, which will be completed in 2023, will provide management and the governing bodies



with a comprehensive view of corporate risks. Following the creation of the Corporate Risks area in 2022, specific training was provided for the teams to prepare them for the new challenges and facilitate the integration of the control functions.

During the year, specific training was also provided on **regulatory compliance** for all employees and managers, aimed at raising awareness among staff of the need to comply with the law and the company's internal rules. Work has also been carried out to improve the ESG risk map, an area of particular importance for the company, updating and completing the control environment.

Following the IPO, the Línea Directa Group must ensure compliance with European Union regulations by adopting **International Financial Reporting Standards**. To this end, the Internal Control over Financial Reporting department was created in 2021, with the aim of identifying and determining what information in this area should be subject to the Internal Control System (ICFR).

**ICFR** is a part of internal control and is configured as a set of processes carried out by the Board of Directors, the Audit Committee, the Senior Management and the personnel involved in the entity to provide reasonable assurance regarding the reliability of the financial information published on the markets. In this regard, the Internal Control over Financial Reporting department is responsible for the effective implementation of the ICFR and its correct monitoring, and promotes the identification, review and documentation of the relevant information processes included in the ICFR. It also designs and implements the controls in this area, establishes a

periodic report to the Audit and Compliance Committee for the quarterly closing of each financial year, and establishes a review process by the external auditor.

The **main risks identified** by the Línea Directa Group that may have an impact in the medium and long term are:

- **Cyber attacks:** The rapid digitalisation and widespread growth of teleworking, together with the professionalisation of cybercrime, make cyber risk one of the company's concerns, as it can affect service, trust, reputation, finances and business.  
For this reason, Línea Directa keeps its cybersecurity strategies up to date, applying a comprehensive vision that involves different areas of the company and critical suppliers, and reinforcing response and recovery systems and protocols. In addition, cybersecurity training is provided to the entire workforce with the aim of avoiding risk situations and fostering a preventive culture in the organisation in the face of these threats. In addition, the entity has a cyber risk policy that offers coverage against the potential consequences of this type of event.
- **Business continuity** and response to systemic crisis situations, such as armed conflicts, extreme weather phenomena, energy shortages or shortages of certain basic foodstuffs.

Línea Directa has always made it a priority to continue providing its service to customers even in crisis situations. For this purpose, the company has a **Business Continuity Plan** that has enabled it to maintain its operations even in

catastrophic events such as the "Filomena" storm or pandemics such as that caused by COVID-19.

- **The increase in natural disasters due to climate change.** The increasing frequency and severity of catastrophic losses due to adverse and unpredictable climatic phenomena result in peaks of incurred claims that make it difficult to manage them in a timely manner and affect the company's results.

To mitigate this risk, the company has specific procedures for managing these claims and an accumulation reinsurance programme to cover events exceeding a certain amount that are not covered by the **Insurance Compensation Consortium**. In this type of reinsurance, the loss cost of the event that exceeds the priority set in the contract is ceded. Moreover, the average cost of this type of event has increased significantly in the last two years, consolidating a phenomenon that, according to data from the Spanish Meteorological Agency, has very uneven distribution geographically.

Based on this data, the company has carried out a study of the atmospheric damage guarantee for homes located within a 10 to 30 kilometre strip of the coast in the following geographical areas:

- **Cataluña.**
- **Valencia, Murcia and Islas Baleares.**
- **Andalucía.**

- **North: Galicia, Asturias, Cantabria and el País Vasco.**

- **The consequences of the COVID-19 health crisis and the war in Ukraine,** where impacts are being felt both in the economy, with significant spikes in inflation, and in financial markets. The tightening of monetary policy and possible recession in the major economies will have a negative impact on the insurance markets.

The automotive sector, however, is beginning to overcome the supply problems and semiconductor shortages that were weighing on registrations, although there is a tightening of conditions for financing the purchase of new vehicles. Moreover, the fact that Línea Directa is a company that operates without a middleman gives it greater control over claims, which means higher-quality information, a better rate for routing to collaborating garages, lower average repair costs, more stable supply systems and greater efficiency and specialisation of processes. In addition, the direct model allows for a higher rate of fraud detection and control, as the fewer the intermediaries in the management chain, the easier it is to detect and prevent fraudulent practices.

The adjustment in financial markets is also having an adverse impact on the valuation of sovereign bonds and risk assets. Although the company maintains a prudent investment strategy from the point of view of financial instruments (government and corporate fixed income), there are risks associated with the capital markets such as interest rate and equity market fluctuations.

The war in Ukraine has increased macroeconomic and geopolitical risk, aggravating the situation of general uncertainty, cybersecurity and business continuity. The reaction of markets and central banks to contain inflation has increased liquidity and insolvency risk.

- **Talent risk** has become very important in the new business environment and is one of the main emerging risks for the company. Human capital is a competitive advantage in an environment where certain technical profiles are scarce and where inflation and social unrest are adding more and more pressure. Aware of this situation, Línea Directa is firmly committed to equal opportunities, non-discrimination and respect for diversity.

Furthermore, in order to provide the organisation with the skills and know-how necessary to achieve its strategic goals, the company has a specific talent retention plan that includes a wide range of measures designed to boost talent in the organisation, as well as a firm commitment to the professional development of its employees.

For this purpose, Línea Directa has created a campaign to promote a culture of professional development called RE-EVOLUCIONA, which seeks to motivate employees to gain new professional development experiences, encourage self-directed learning and facilitate internal professional growth and promotion through a model that identifies talent within the organisation.

In addition, the company continues to develop internal talent through professional communities, where talent is systematised by functional area, offering specific training

programmes and an opportunity to share knowledge regardless of what position employees hold in the organisational structure. In this same vein, leadership has been promoted in the "Darwin", "Grow" and "Smile" communities; analytical capacity in the "Pi Community"; and the Agile methodology among groups involved in different projects. The company also has policies on Sustainability, Gender Equality, Diversity and Inclusion and Human Rights, as well as on Talent, approved in 2022.

- **Regulatory change.** The increase in regulations and standards has forced the company to adapt its processes and systems to the new legal requirements and to strengthen the most affected teams. In this regard, Línea Directa has developed a bulletin of regulatory and legal changes that includes regulatory projects, relevant criteria issued by the main supervisors as well as other news of scope that may affect or be of interest to the company. Information is also provided on the possible impact these regulatory measures could have on the company, and awareness programmes are held for the entire organisation on regulations and risks, including the implementation of actions to ensure that the areas incorporate these changes into their processes and operations.
- **Provisioning risks:** the company's reported reserves for claims and related costs are calculated using estimates based on actuarial calculations and statistical models, in addition to the reserves that the Services and Benefits team establishes individually.

- **Digitalisation and emerging technologies:** the pandemic has accelerated the digitalisation of companies and consumers, which has created a new risk: not managing to respond quickly and effectively to customer demand for new products and ways to engage with the business, as well as risks arising from the lack of technology scalability.

Línea Directa wants to consolidate its position as a digital benchmark in the Spanish market. To this end, the company created a Digital Transformation area that reports directly to the CEO, with the aim of leading digital transformation with a single, strategic and comprehensive vision, improving the digital customer experience and having teams specialised in technology innovation and in the design and development of new products.

### **Actions planned for 2023**

A series of priorities have been identified for 2023, with the aim of continuing to improve the identification, control and management of corporate risks, mainly:

- Quantitative and qualitative risk assessment of new products to be launched by the company.
- Automation of processes to make them more efficient.
- Once the integration of the risk map has been completed, the company will review internal control processes to broaden the scope of the controls monitored. The aim is to be more precise in the assessment of residual risks and to boost the internal control environment. It will also

consolidate the different categories of events and their assessment by levels or types.

### **Managing environmental, social and governance (ESG) risks**

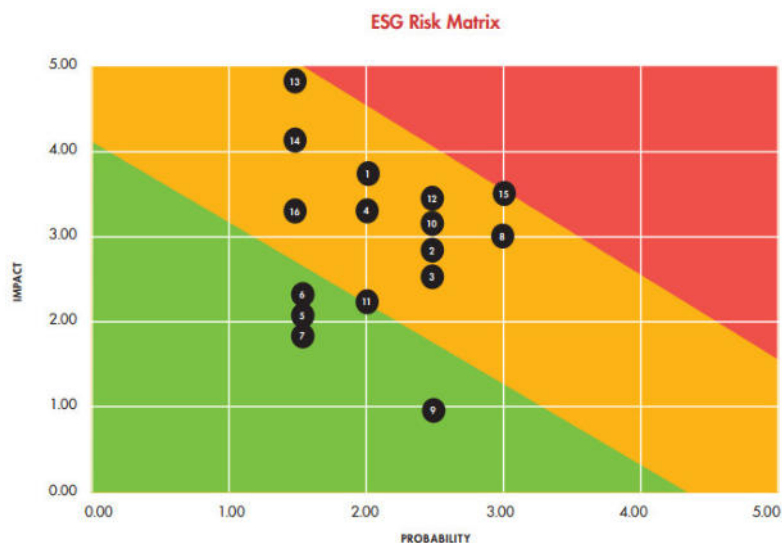
The **governing bodies** receive information quarterly on the key risks facing the company and the **capital resources** available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Corporate Risk department, along with other areas of the company, periodically analyses the risks that could impact the business if they were to occur, including ESG factors. Based on this analysis, an assessment of the company's main risks is conducted, and the corresponding prevention and mitigation measures are identified in order to obtain an assessment of the residual risk.

In this respect, the entity has defined the ESG risks and the management model, processes, affected regulations and the methodology, which constitutes a qualitative assessment that helps to detect the events that pose the most imminent threat. This methodology is monitored on a regular basis to facilitate the transmission of information between the areas responsible for the risks and the company's Risk Management.

The company is also **monitoring the mitigation measures** or controls identified in each area, analysing whether they are being carried out effectively using the evidence, updating the control environment and risk assessment. If an improvement is identified, appropriate action plans are defined.

The analysis of the map shows an improvement compared to 2021 in the risk of "Failure to make responsible investments", mainly due to the improvement of the control environment with the approval of a sustainable investment policy by the company's governing bodies.



Additionally, there is greater concern about IT security due to the increase in cyber-attacks on companies, which is reflected in the map despite having increased measures and controls in the company.

Also, the focus on the customer, as one of the company's strategic pillars, together with the current changes in society's needs and trends, implies a greater assessment of the impact of the risk of "Inadequate advice regarding customer needs in design, marketing and claims". The company is thus working on

various areas of improvement aimed at increasing the control environment.

The ESG risk map of the Línea Directa Group is divided into **3 pillars that include 5 essential blocks**, which in turn are classified into **16 levels** that represent the different events included in each category. All of them are linked to the **Sustainable Development Goals** (SDGs) and other reporting frameworks (GRI or Non-Financial Reporting Act 11/2018).

Categoría	Factor	No.	Causes/Risk events
ENVIRONMENTAL	Environment and climate change	1	Non-compliance or non-adaptation to the requirements of environmental regulations
		2	Lack of adaptation of products to the effects of climate change
		3	Failure to consider climate change risks in the evaluation of financial and risk ratios
		4	Lack of methodology for calculation and integration of regulations into the strategy
SOCIAL	Employees	5	Non-compliance with regulations and diversity/equality requirements
		6	Non-compliance or inadequate management of employee development Non-compliance with occupational risks
		7	Non-compliance with labour and human rights
	Customers	8	Inadequate customer advice Failure to adapt to customer needs in the design and marketing of products or in the event of complaints
		9	Lack of or inadequate contribution to the needs of the social environment
GOVERNANCE	Relationship with third parties	10	Supply chain
		11	Failure to make a responsible investment
		12	Non-compliance with sectoral good practices
	Governance, ethics and transparency	13	Inadequate corporate governance structure and practices
		14	Cases of corruption and non-compliance with tax regulations
		15	Cybersecurity and lack of confidential information management
		16	Weaknesses in communication and relationship with third parties

this end, it has specific policies and measures that are detailed in the Environmental Management section.

In the **social arena**, Línea Directa Group has specific protocols and measures to promote the potential and the development of its employees by supporting diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health, as described in the Social and Employee section.

The area of **Good Corporate Governance** highlights the approval mechanisms for suppliers, the company's corporate governance structure that is in line with all regulatory and best practise requirements, the company's zero tolerance for bribery and other illegal acts reflected in the code of ethics and other internal policies and, of course, all the measures the organisation has implemented to protect information and data.

Although the Línea Directa Group is not in a critical sector with respect to **climate change**, the company is particularly aware of this problem, and therefore promotes and encourages responsible management of resources and the environment. To



## ENVIOENMENT

### Environment

**Línea Directa Aseguradora operates in an industry that is not critical with respect to climate change.** Moreover, it operates under a direct business model, without intermediaries or branch networks, which naturally makes it more environmentally efficient than other companies in the sector, which have a network of branches throughout the country.

The company is, however, aware that it operates in a key sector in the transition to a low-carbon economy. With an ageing vehicle fleet and a more restrictive regulatory horizon, Línea Directa is committed to a sustainable business strategy in order to meet the needs of stakeholders in the face of the uncertainties that arise in this regard. The company's activity combines the responsible management of its consumption and the launch of new products and services for new, less polluting forms of mobility. In addition, the company continues to make progress in the responsible management of its value chain and in the inclusion of ESG criteria in its investment portfolio.

During 2022, Línea Directa has made progress in responding to the new challenges of the energy transition that affect it with the completion of its 4th Sustainability Plan 2020-2022, which includes its main ESG strategic lines, with a degree of compliance of 96%. In its environmental pillar, the company has promoted energy efficiency in its activity, reduction of greenhouse gas emissions, minimisation of paper and plastic consumption, as well as the development of procedures for the recovery of waste in its subsidiary CAR repair shops (Línea Directa's Advanced Repair Centres).

In this regard, the company's adherence in 2022 to the **Task Force on Climate-Related Financial Disclosure** (TCFD) is essential. With this commitment, it undertakes to incorporate and report on governance, strategy, risk and opportunity management and climate change metrics and goals.

The company has also delved deeper in the management of the portfolio with ESG criteria, creating reports on the sustainability of its assets and enhancing the eligibility of investments according to the European Union's Green Taxonomy.

### Climate Change Governance and Management

**Línea Directa's Board of Directors has ultimate responsibility for the company's sustainability and is the body responsible for approving, monitoring and reviewing the implementation of the environmental strategy.**

As a novelty, the company has organised a Sustainability Working Group in 2022, composed of middle managers from different key departments for the implementation of the Plan. These include the departments of Investor Relations and Financial Planning, Corporate Governance, Space Management, Quality, Risks, External Communication and Sustainability, Purchasing, Services and Benefits, Human Resources and the product manager of the Marketing area.

This Working Group supervises and promotes the Plan's actions and reports the results to the Sustainability Committee, made up of the Director of People, Communication and Sustainability and a group of directors directly involved in the company's ESG decision-making, such as the Director of Finance, the General Secretary, the Director of Services and Benefits and the Director



of Marketing. This Committee oversees compliance with these actions and ensures the implementation of sustainability measures, including environmental protection, and reports the results to the CEO, the Management Committee, the Advisory Committees and the Board of Directors.

In 2022, the company increased the scope of its previous Environmental Policy, through the Board of Directors approving an Environmental Management and Climate Change Policy, which establishes mechanisms to measure the company's environmental performance and make decisions in this regard, avoid or minimise the environmental impacts that its activity could generate, evaluate those that its products and services could generate and define measures to be adopted for the elimination or reduction of its polluting emissions.

It also undertakes to promote environmentally friendly products and services; to accompany its customers in the transition to a low-carbon economy; to foster an environmental culture among its employees, suppliers and partners; and, lastly, to promote actions to raise awareness in society.

The insurer has thus implemented an organisation, policy and actions that will serve to fight climate change, and which places it on the road to adapting to the new regulatory requirements that aim to achieve zero net emissions in the economy by 2050. In this regard, the company has made great strides. More than 90% of the electrical energy consumed at Línea Directa Aseguradora's workplaces comes from renewable sources and green energy, and self-consumption has been increased via a photovoltaic power plant. In addition, the company has verified the calculation of its 2021 Carbon Footprint and has offset its corresponding Scope 1 and 2 emissions through reforestation

projects, obtaining the compensatory seal of the Spanish Ministry for Ecological Transition and the Demographic Challenge.

## **Risks and opportunities in the fase of climate change (TCFD)**

**Línea Directa recognises climate change as one of the most critical threats to the stability of the world's economic, social and geopolitical systems. It therefore considers it essential that companies report on how they are tackling this problem.**

In order to provide value to its investors and participate in reducing the risk of a systemic financial shock to the economy due to climate change, the company has joined the Task Force on Climate-related Financial Disclosures (TCFD), the initiative promoted by the Financial Stability Board, in 2022. By joining this initiative, the company commits to incorporating its climate-related financial disclosure recommendations and to report on them regularly.

The TCFD is a global trend in climate change reporting, which provides an effective response to analysts and investors and is becoming widely accepted among regulators at national and global level as the best practice for reporting on climate performance.

Línea Directa is committed to reporting on governance, strategy, risk and opportunity management and publishing metrics and targets regarding to climate change over the next three years. To this end, the company has designed a roadmap to analyse the climate risks and opportunities, both physical and transitional,

identified in the short, medium and long term, affecting both its operations and its value chain.

In addition, it continues to measure its emissions, with particular emphasis on Scope 3. These actions will serve as a starting point for the company to prepare a report consistent with TCFD recommendations.

## Carbon footprint

**Línea Directa Aseguradora has been calculating its carbon footprint in a comprehensive way for more than 11 years in all three scopes of emissions: Direct (fossil fuel consumption), Indirect (electricity consumption) and Induced (including travel, business trips, paper and water consumption).**

In 2022, for the third time, Línea Directa Asistencia prepared an estimate of the greenhouse gas emissions generated by the services it provides by road. The subsidiary has calculated the kilometres travelled annually through its supply chain as part of the towing services. It has also calculated the kilometres travelled by rental vehicles, by taxis used by customers when their vehicle needs to be repaired in the garage, by expert verification services and by the collection and delivery of replacement vehicles to customers. As a result, emissions of up to 7,250 tonnes of CO<sub>2</sub> have been accounted for; 20.2% more than in 2021.

### TCFD RECOMMENDATIONS: STARTING POINT

Línea Directa Aseguradora is committed to implementing the recommendations of the TCFD.

#### 1. GOVERNANCE

Disclose the organization's governance around climate related risks and opportunities.

- 01 Describe the board's oversight of climate-related risks and opportunities.
- 02 Describe management's role in assessing and managing climate-related risks and opportunities.

#### 2. STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

- 01 Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- 02 Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.
- 03 Explain the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

#### 3. RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.

- 01 Describe the organization's processes for identifying and assessing climate-related risks.
- 02 Describe the organization's processes for managing climate-related risks.
- 03 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

#### 4. METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

- 01 Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.
- 02 Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- 03 Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

TCFD Task Force on  
Climate-Related  
Financial Disclosures

## Registry and offset of 2021 carbon footprint

The company has decided to register its 2021 carbon footprint for the first time with the Ministry for Ecological Transition and the Demographic Challenge, through the Spanish Climate Change Office (OECC).

Línea Directa has also offset Scope 1 and Scope 2 of its carbon footprint with two absorption projects of a different nature, one in Spain (Cervatos Reforesta, Palencia) and the other in Peru (Conservation of the Amazon in Madre de Dios, Peru).

## Calculation of 2022 carbon footprint

The calculation of emissions is carried out following the GHG Protocol methodology. For the calculation of the carbon footprint, emission factors from the annual publication of MITECO (July 2022 version) and from the official source of the UK Department for Environment, Food and Rural Affairs have been used, where necessary.

For the calculation of Scope 2, the Guarantees of Renewable Origin (GDOs), issued by the Spanish National Markets and Competition Commission (CNMC) are the instrument that certifies the origin of the electricity consumed as coming from renewable sources.

## Environmental management system

### CERTIFICATION

**Línea Directa Aseguradora has implemented an environmental management system, certified based on the UNE-EN ISO 14.001:2015 standard to monitor and centrally manage energy consumption, water consumption, waste production and other aspects of environmental performance in the workplaces occupied by 89% of its employees. The company has also implemented an energy management system certified according to the international UNE-EN ISO 50.001:2018 standard, which guarantees a lower environmental impact by reducing energy consumption.**

This system makes it possible to plan and implement measures and strategies for the most effective control and management of all resources, with the ultimate goal of minimising environmental impact by reducing or offsetting consumption.

### ECO-EFFICIENCY AND SUSTAINABLE USE INDICATORS

**In recent years, the Línea Directa Group, within the framework of its 4th Sustainability Plan 2020-2022, has carried out a series of actions aimed at improving efficiency in its facilities, as well as achieving significant energy savings.**

In 2022, the Group continued with the plan to renew the air conditioning system, replacing a chiller with more efficient equipment, complementing the actions carried out the previous year.

With regard to the energy consumed in the facilities and actions aimed at reducing energy consumption, the Línea Directa Group has set a target for the next three years that 100% of the energy consumed in its facilities should come from renewable sources.

To this end, the environmental management system has a system for monitoring the energy from the photovoltaic panels the Group has installed. In 2022, work has been carried out for the installation of new photovoltaic panels for generating electricity, with an electricity production target that is estimated to double the existing self-consumption infrastructure.

Currently, the amount of electricity consumed by Línea Directa in 2022 that comes from self-consumption represents 6.1% of the total electricity consumed.

In addition, various measures have been taken in the CAR garages in Madrid and Barcelona to reduce consumption and environmental impact. At CAR Madrid, the solar panels became fully operational in June 2022, generating an energy consumption savings of 25% per month. In addition, the change of compressors and the change of lighting to LED technology have helped to reduce energy consumption. CAR Barcelona is located in a high-efficiency building with LED lighting, high-efficiency compressors and energy-efficient paint booths. In addition, the fleet of replacement vehicles for customers has been renewed at both sites, giving priority to those with lower emissions and higher safety features.

LDA Reparaciones, the Group's subsidiary that provides services to the Home line, has renewed its fleet of leased vehicles used by professionals to provide home assistance services, shifting to vehicles that are less harmful to the environment. In 2022, despite

the increase in activity, fuel consumption has remained stable compared to 2021. As a result, emissions generated by these services in 2022 amounted to 29.73 tonnes CO<sub>2</sub>, a reduction of 9% compared to 2021, thanks to the greater efficiency of the fleet.

To support employees in this change, the company has provided 10 charging stations for electric and hybrid cars this year.

## **WASTE MANAGEMENT**

**For the management of waste produced in the workplaces, Línea Directa has waste collection centres in each plant and office that are properly signposted so that all employees can separate organic waste, paper waste and plastic packaging.**

All waste resulting from business activity is collected by authorised waste managers, with the aim of carrying out final waste recovery treatments so that the resources used have a second life.

These treatments, which are specific to each type of waste, require the company to carry out waste segregation. To this end, the company has raised staff awareness and has installed specific areas for waste segregation in all buildings.

## **Circular economy**

**In recent years, the Línea Directa Group has developed a plan to promote the circular economy, which is one of the main global challenges. This plan is based on three main pillars:**

- The project, which began in 2016, to reduce paper consumption through the implementation of digital procedures. Customers can have all documents available

digitally through the "Digital Policy", which is sent to the policyholder when the policy is taken out.

- Other measures that have helped to raise awareness among employees to save paper is the extension of the use of electronic signatures, present both in document-based relations with customers and in contracts with suppliers and employees, allowing each contract to have a specific digital file that reduces the need for paper.
- Use of sustainable materials, promoting responsible consumption of resources, through the use or reuse of more sustainable materials, for example, in home repairs, whenever technically feasible.
- Reducing waste generation and increasing the reuse, recycling or other recovery of the waste produced. In particular, both CAR Madrid and CAR Barcelona have obtained the "Towards Zero Waste" certificate, which indicates that more than 60% of the waste produced as a result of production activity has been subjected to treatment.

These three lines of action, together with the technological changes implemented, have helped to gradually develop a cultural change within the Group, which has a direct impact on environmental performance in general and waste management in particular.

In the case of the CAR Madrid and CAR Barcelona repair shops, the subsidiaries have a strict waste management policy due to their activities and the type of materials they work with.

## Biodiversity

**The Línea Directa Aseguradora Group has no impact on protected natural areas and/or biodiversity as its headquarters are located in urban areas.**

However, as a sign of its commitment to the environment, the Línea Directa Group supports the WWF initiative, "Earth Hour", which mobilises people, companies and governments to reverse the loss of nature's biodiversity. The company has actively collaborated with the actions promoted by the initiative and also participates through a monetary contribution to this project.

The company also runs campaigns aimed at employees with recommendations on how to reduce their environmental impact and publishes a good environmental practises manual on its intranet, which is available to all employees who wish to consult it.

In addition, in 2022, Línea Directa Aseguradora published the Road Safety report "Animals on the road: A mortal danger. Accidents involving animals on Spanish roads (2017-2021)" with a dual objective: to raise awareness of a road safety hazard and to provide information on actions to take to try to safeguard wildlife in the event of an accident involving an animal.

## Adaptation to climate change

**The aim of publishing the EU taxonomy is to steer capital flows towards sustainable activities, with the main challenge for**



## **companies being the adaptation of their business model towards a low-carbon economy.**

### **Regulatory context**

In recent years, the European Commission, in the context of the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development, commissioned a group of technical experts to develop the European Union (EU) strategy for sustainable finance, as part of its commitment to direct capital flows towards sustainable activities.

As a result of this strategy, in December 2021, the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and setting out the technical eligibility criteria that an activity must meet in order to contribute substantially to the objectives of "Climate Change Mitigation" and "Climate Change Adaptation".

In the specific case of financial institutions (credit institutions, asset managers, investment services firms and insurance and reinsurance undertakings), the publication of Delegated Regulation (EU) 2021/2178 set out the key performance indicators to be published and further specified the methodology for complying with such disclosure. Financial institutions are a key player in the transition to a more sustainable economy through the management of significant capital flows.

Currently, the expert group is still in the process of finalising the

criteria for four other environmental goals: "Water protection", "Circular economy", "Pollution prevention" and "Biodiversity and ecosystems".

### **Content of the Regulation**

**The Taxonomy establishes a set of harmonised criteria to determine in a homogeneous way whether an activity or investment is sustainable** by making a substantial contribution to one of the environmental goals set out in the Regulation. The detailed definition of these criteria provides the basis for the development of standards or labels to assess the sustainability of a financial product.

### **Eligibility and alignment**

An economic activity or an investment is considered **eligible** under the EU Taxonomy when it corresponds to the definitions of activities provided by the Regulation or the CNAE of activity matches the one defined in the Regulation.

However, an activity is considered to be **aligned** with an environmental goal, if in addition to being eligible it meets the following requirements:

- **It contributes substantially** to an environmental goal by meeting the technical selection criteria defined by the Regulation.
- **It does not significantly harm** another environmental goal set by the Regulation.

- **The company assesses the social safeguards** established by the Regulation and achieves a favourable outcome.

## Disclosure obligation

Article 8 of the Taxonomy Regulation requires companies obliged to publish Non-Financial Information under Articles 19 bis or 29 bis of Directive 2013/34/EU (as amended by Directive 2014/95/EU) to include, in their non-financial information reports, indicators on the extent to which the company's activity is associated with economic activities that are considered environmentally sustainable under the Taxonomy.

In the particular case of insurance entities, there is an obligation to report information on:

- **Insurance activities:**
  - Eligibility of the insurance activity on the basis of the activities defined by the Taxonomy.
  - In the future, the alignment of insurance activity with the EU's environmental objectives must also be reported, through compliance with the technical selection criteria defined by the Regulation.
- **Investing activities:**
  - Eligibility of the company's investments based on the activities defined by the Taxonomy.

- In the future, the alignment of investments with the EU's environmental objectives must also be reported, through compliance with the technical selection criteria defined by the Regulation.

## Eligible activities according to the Taxonomy

The implementation of the Taxonomy reporting obligation is phased in gradually for both financial and non-financial institutions. The obligation to report key performance indicators for financial companies is expected to come into force in 2024, while non-financial companies will already have to include the key indicators in their 2022 report.

Línea Directa Aseguradora has assessed both its 2022 activity and investments based on the methodology established by the Taxonomy. In this regard, the following indicators are reported:

### **Share and amount of gross premiums written of non-life and reinsurance business from activities identified as environmentally sustainable according to the Taxonomy.**

The company's activity corresponds to the activity "Non-life insurance: insurance against climate-related risks", corresponding to the contribution to the goal of **Climate Change Adaptation**.

KPIs related to underwriting activities have been calculated as the share of non-life gross premiums written corresponding to insurance activities that comply with the Taxonomy in relation to Non-Life gross premiums written.



		Motor, general liability insurance (€)	Motor. Other Guarantees (€)	Fire. Other damage to property (€)	Assistance (€)	Medical expenses (€)	TOTAL (€)
<b>2022</b>	Total gross written premiums	356,047	416,740	143,713	1,097	29,082	946,679
	% eligible premiums	100%	100%	100%	100%	100%	100%
<b>2021</b>	Total gross written premiums	341,746	406,354	131,243	1,397	26,449	907,189
	% eligible premiums	100%	100%	100%	100%	100%	100%

### The proportion in total assets of exposures to eligible and non-eligible economic activities according to the Taxonomy.

The calculation has been made with the market value of the positions on the balance sheet for each of the categories and on the total assets of Línea Directa Group. All positions held by the company in the portfolio, except for the holding in TIREA, have been assigned a CNAE code.

**Eligible/Non-eligible:** the percentage of the portfolio in non-eligible is mostly due to investment, both in bonds and shares of financial institutions, and a minority of positions in motor, pharma, healthcare, consumer, commodities, etc., which are activities that have not yet been developed by Taxonomy.

**Debts and agencies:** include all portfolio positions in sovereign debt and other bonds in both domestic and supranational agencies.

**Listed and unlisted funds and investment companies:** are considered exempt, except for those for which specific ESG

information is available. As at 31 December, the company has a CNAE code assigned as a financial product and is therefore exempt.

**Derivatives:** includes portfolio percentage.

**Property:** the following are considered eligible properties that, at the end of 2022, have environmental or energy efficiency certifications (ISO 14.001, ISO 50.001 or LEED certification) or are in the process of certification.

		Valor (M€)	KPI 1: eligible (%)	KPI 2: no eligible (%)	KPI 3: deuda y agencias (%)	KPI 4: derivados (%)	KPI 5: Sin CNAE (%)	Exento (%)
<b>2022</b>	Total assets Línea Directa Group	1,195.42	16.82	14.39	27.70	0.66	0.00	14.70
<b>2021</b>	Total assets Línea Directa Group	1,368.48	10.52	16.98	29.98	-0.69	0.00	22.55

In 2022, the steps taken in opening new positions in the investment portfolio have led to an increase of 6 pp, exceeding the target of 1.1 pp increase in eligible assets, as established in the 2022 Sustainability Plan, of the assets in the portfolio that are considered eligible under the EU Green Taxonomy, exceeding the target of a 10% increase set out in the 2022 Sustainability Plan.

## PEOPLE AND TALENT

### People and talent

**In February 2022, the Board of Directors of Línea Directa Aseguradora appointed Patricia Ayuela as the company's Chief Executive Officer. This appointment has meant a new direction for the organisation and, consequently, the strategy of the People area this year has been adapted to the new needs defined by the CEO and the new management team.**

The new Chief Executive Officer has established the strategic priorities of Línea Directa Aseguradora, focusing on four main pillars of action: focus on the customer, strong growth, digitalisation and profitability. To tackle these challenges, the company has designed a new structure that aligns the organisation with this ambitious new strategy. The Motor and Home areas have been unified and are now organised into two main areas. The first is the Commercial area, responsible for attracting new business and new customers, leveraging the company's strengths as a multi-line group, its strategic alliances and new market opportunities. The second is the Portfolio area, which is responsible for fostering a more continuous and closer relationship between customers and the Group, focusing on building long-term loyalty among policyholders and on innovating products and services for customers. In addition, a new Corporate Risk area has been established, which centralises the company's second line of defence in risk control in order to consolidate control and risk. Moreover, a Digital Transformation

department has been created in order to drive the digitalisation of the company's processes and customer relations. This department reports directly to the CEO and leads digital transformation with a single strategic and comprehensive vision.

For this new phase at the company, attracting and retaining the best talent has been key. This has always been one of Línea Directa's main objectives in terms of employees, and the company remains focused on the external selection and internal development of highly qualified and dedicated professionals to meet the organisation's new challenges. The company has its own model for attracting talent based on a well-defined value proposition.

The Talent area has laid the foundations for a new strategy aimed at motivating employees to take on new challenges, take on internal job changes within the organisation and enhance their professional development through new ways of learning. Regarding this last point, in 2022, the focus has been on an internal campaign to promote a culture of career development within the organisation. The role of training has also been critical at a time of structural change in order to train professionals on a new company mission in record time.

We have continued to focus on innovative forms of learning and putting employees in the driver's seat so that they can be the masters of their own learning and professional development. To do so, several digital platforms and Microsoft 365 collaborative tools have been developed.

This year, the company has strengthened its Wellness and Health strategy with more activities and webinars, incorporated new flexibility and digital switch-off measures, and reinforced its

diversity, equality and inclusion strategy with a greater number of initiatives. In the area of generational diversity within the company, 2022 has shone a spotlight on attracting young talent by encouraging more senior talent to share with them and pass on their experience.

It is also important to highlight the implementation of a new flexiwork model that has allowed Línea Directa to gain agility and efficiency, as well as to optimise time spent working – and, at the same time, to focus on flexibility and well-being, taking care of employees as the main driving force of the organisation – in order to achieve its ambitious medium and long-term objectives.

## **Alignment with the company's business strategy**

**In 2022, Línea Directa Aseguradora has continued to grow, with an average workforce of 2,538 employees and a commitment to quality employment. In an environment of change and high volatility, the business and people needs of the organisation have been at the centre of HR strategy decisions.**

This year, the new CEO has placed particular emphasis on communication through meetings with the entire chain of command to share strategy and results. She has also defined the new annual strategic business objectives, which are communicated to all employees through the Performance Management System. Subsequently, each area manager sets the goals for their area of responsibility in accordance with the strategic corporate goals, and all of these goals are assigned to the individual employees.

This way, the People area is fully aligned with the company's strategic objectives and contributes to achieving them, taking on

special importance this year under the new management. Proof of this is the joint work that the area is doing together with the new management and with all the business and service areas, keeping up a constant dialogue, taking part in day-to-day strategic decisions, understanding the organisation's challenges and incorporating new trends in agile and innovative work methodologies. The People area has had a dual role to play; on the one hand, enabling people to carry out their current functions and achieve their short-term objectives and, on the other, preparing the company to take on new challenges, providing it with the talent it will need in the medium and long term.

In a year of changes in the organisation, communication channels with employees have become particularly important, both to provide them with first-hand information on the changes taking place involving key people and to attend to all employees' needs through the People Care department in a friendly and completely personalised manner.

In this context, it has been key to establish the alignment of the workforce with the company's new strategy. To this end, opinion surveys have been carried out throughout the year, enabling Línea Directa to draw up action plans in accordance with the needs and motivations of the people in the organisation. In this regard, it has been more important than ever to maintain the essence of Línea Directa's culture, which rests on two main pillars: a form of leadership that is open and honest, and strongly communicative, with its own style, which is adept at balancing serious and profound messages with more casual ones. Corporate culture is, in short, a fundamental component that supports organisational change, as it makes a significant difference in the employee's life at the company.

In 2022, the company has passed two rigorous external audits to become certified once again as one of the Spanish companies recognised as a Flexible and Responsible Company (EFR). Línea Directa has also devoted special attention to the employee health, focusing on prevention and well-being, mainly in relation to psychosocial risks and employees' emotional health.

Initiatives have also been developed to improve the employee experience. The People area has focused on strengthening and expanding a comprehensive package of corporate benefits with the aim of attracting employees by offering a different value proposition.

The company's #LíneaDirectaDNA encapsulates its ethos as a means of attracting talent: "We are Different, we Nurture and care about people, and we are Agile."

## Diversity and equality

**Línea Directa Group has a Diversity and Inclusion Policy, approved by the Board of Directors, which sets out the principles through which the company contributes to the achievement of its objectives in this area. The principles set out in this Policy are:**

- Ensuring a **culture of respect for people** and diversity-friendly behaviour among employees and suppliers.
- Ensuring **fair selection, recruitment, training, promotion, remuneration and severance** processes for employees.
- Promoting the **inclusion of the most vulnerable groups**, facilitating their proper integration into the company and ensuring a respectful working environment.

- Fostering a **culture of diversity and inclusion** backed by programmes, activities and action protocols that facilitate the integration of all employees.

This Policy also sets out the company's key **commitments** regarding generational, functional, cultural, gender and sexual orientation diversity. In addition, other people management policies such as the Recruitment, Hiring, Talent, Equality and Internal Vacancy Policies and the Internal Vacancy Procedure were designed taking diversity criteria into account.

Línea Directa is a member of the European Diversity Charter, promoted by the European Commission, through which private institutions and organisations contribute to creating a more diverse and respectful environment and society, in line with the European anti-discrimination directives. Adherence to this Charter implies acceptance of the following principles:

- To respect the fundamental principles of equality.
- To promote behaviour that respects the right to inclusion of all people, regardless of their different profiles in the work environment and in society.
- To recognise the benefits of including cultural, demographic and social diversity in the organisation and implement concrete measures to promote a working environment free from prejudice in employment, training and promotion.
- To promote anti-discrimination programmes for disadvantaged groups.

In terms of talent attraction and recruitment procedures, the company has a selection procedure and a recruitment procedure in which it ensures that all of the processes observe the following:

- Respect **equal opportunities** and promote non-discrimination on the basis of race, colour, gender, marital status, world view, political opinion, nationality, religion or any other personal, physical or social condition.
- Include all professionals who match the required profile and ensure that selection is based on **objective criteria** in terms of knowledge, skills, attitudes and values and that all applicants are treated equally throughout the process.
- Help **young people to get their first job** through grant schemes and other arrangements.
- Promote the recruitment of **people with disabilities** who are affected by or at risk of social exclusion, thus favouring socially acceptable employment.
- Provide candidates with a **competitive job offer** based on a remuneration proposal commensurate with their experience, a challenging environment that respects equal opportunities and an appropriate work-life balance.

## Diversity initiatives of Línea Directa

In 2022, the company has carried out different initiatives in order to promote diversity inside and outside the organisation. It is important to note that these are some of the initiatives that have been highlighted as good practices in the Family Responsible Company (EFR) audit and analysed by the Top Employer Institute.

- **Training:** the company has trained key groups in HR management as well as technical experts from the back office on diversity and non-discrimination through various training programmes. This training is primarily aimed at professionals responsible for teams.
- **Sensitisation and internal mobilisation.** The company works to raise employee awareness of its Diversity Policy and has promoted the celebration of European Diversity Month among the workforce, holding various activities on the employee portal, as well as on the internal social network.
- **External communication:** Línea Directa has announced milestones in terms of diversity on the company's social networks throughout the year. Examples of this include posts on International Day for the Elimination of Racial Discrimination, or European Diversity Day, with the sharing of the milestone of the European Charter for Diversity's renewal.
- **Collaboration with other stakeholders:** the organisation has collaborated with other companies, associations and working groups to foster and promote diversity and inclusion policies.

## Equality

Línea Directa has an **Equality Plan** and a **Gender Equality Policy** approved by Senior Management and the Board of Directors. They set out the guidelines and commitments that apply to the company's daily work in this area. In addition, the company has a technical equality team made up of experts in people management and in analysis.

The main commitments included in the Equality Plan are as follows:

- Equal **access to employment, hiring** and termination.
- Promotions and **professional development** based on individual merit and achievements.
- **Remuneration policies** in accordance with the above principles.
- **Training** as a specific tool for the development of the objectives pursued by this plan and, at the same time, as an essential element of the company's activity per se. Co-responsibility and reconciliation of work, private and family life for Línea Directa employees.
- **Communications and advertising** as a channel for transmitting values, participation and mutual commitment.
- **Prevention of occupational risks**, taking into account the gender perspective, especially in relation to psychosocial risks, including harassment.

The principles and lines of action of the Equality, Inclusion and Non-discrimination Policy are as follows:

- **Promote equal opportunities** based on the commitment of senior management by creating models to attract and retain talent in the company regardless of gender.
- **Ensure transparency and dissemination** of this Policy and related documents to raise awareness of gender equality at all levels.
- **Foster a culture of flexibility** that favours a balance between work, private and family life, while guaranteeing quality employment regardless of the gender of employees.

Línea Directa also has a **Harassment Prevention Protocol**, publicly available to all employees, which sets out the principles of action in this area to prevent any type of harassment, as well as the procedure for reporting, handling and resolving these situations. These are some of the main measures taken to promote equality:

- Mandatory chapters on equality, diversity and inclusion in **training and leadership programmes**.
- Specific and confidential whistleblowing channel to which any employee can turn in the event of a breach of the principles that distinguish the company as a family-conscious company. Línea Directa offers employees three reporting channels: **a confidential internal whistleblowing channel** in the event of breaches of its code of ethics, contact with the head



Family-Responsible Company matters, as well as a direct channel that employees can use by contacting Fundación Más Familia.

- Package of **particular measures and time off** to adapt and reconcile family situations with work commitments.

In addition to the Equality policies and the Harassment Prevention Protocol, Línea Directa is committed to using training as the main vehicle for promoting a diverse culture in the organisation and having a staff that is sensitised and aware of the issue. In 2022, training plans on equality, gender-based violence and diversity for team leaders and technical recruitment staff have been implemented, as well as awareness-raising days for the entire workforce. Specific sections on Diversity and Equality are included in the opinion surveys carried out throughout the year. In fact, **92% of staff believe that the company promotes genuine equality between women and men.**

## Gender equality commitments

As part of its commitment to equality, non-discrimination and inclusion, the company is a signatory to the following codes of conduct, networks of companies, sectors and foundations that promote all the principles set out herein:

- **United Nations Global Compact**, a UN initiative that encourages companies to align their strategies and operations with 10 universal principles, including on human rights and labour standards.

- **Women's Empowerment Principles (WEPs)**, an initiative launched by UN Women and the Global Compact to promote gender equality in business.
- **Target Gender Equality (TGE)**, also supported by the UN, with the aim of boosting the presence of women on company boards and in executive management positions. This programme is an accelerator of equality in the company as it has a UN-sponsored equality measurement tool and training programmes for professionals in the People area in charge of promoting new policies and measures.
- **IBEX Gender Equality**, an index promoted by Bolsas y Mercados Españoles (BME) that measures the presence of women in management positions and on the Board of Directors of Spanish companies.
- **Top Employers**, an international seal that recognises the company as one of the best employers in the country. The certifier analyses human resource management practises, including those related to equality and diversity.
- **Award given to companies for a "Society free from gender-based violence"** ("Sociedad Libre de Violencia de Género"), promoted by the Spanish Ministry of Gender Equality.
- **The UNESPA Good Practise Guide on Gender Equality and Non-Discrimination**, which provides a catalogue of actions and measures that are considered good practises in the field of gender equality in the sector.



- **Fundación Más Familia (EFR)**, a foundation that audits Línea Directa is annually through DNV, which analyses equality plans and policies, related measures, actions and specific protocols, with particular attention to the Harassment Prevention Protocol and the indicators and reports of the technical equality team.
- **EWI sector network**, a network of companies in the insurance sector of which Línea Directa has been a member since its foundation. Its aim is to promote the presence of women in the management bodies of companies in the sector. The company is present in promoting the working groups of Talent Attraction and Selection.
- **Código Eje&Con**, a code of good practises in female talent in organisations.
- **MásHumano**, a network of companies committed to implementing flexible working models based on co-responsibility, productivity and humanity as principles of sustainability.

## Gender-based violence

The company's chain of command receives annual training in the detection and prevention of gender-based violence, in collaboration with the Integra Foundation. There are also two annual awareness-raising campaigns with various activities for the entire workforce, coinciding with **25 November** (International Day

for the Elimination of Violence against Women) and **8 March**, International Women's Day. In 2022, on the occasion of International Women's Day, in addition to the internal activities carried out every year, the CEO took part in the "Ringing of the Bell for Gender Equality" organised by BME (Bolsas y Mercados Españoles) and the Spanish Network of the United Nations Global Compact, which aims to encourage the active participation of women in the financial world and promote actions in the area of equality from the management level. Also on the same day, the CTO participated in a panel discussion on "Women who transform, women who inspire" organised by Afi Escuelas (Analistas Financieros Internacionales) to inspire other women to take up positions of responsibility in STEM careers.

In addition, senior management participates in a **mentoring programme for women victims of gender-based violence** called "**Leadership for a job**", which promotes integration for women victims of gender-based violence or exclusion, to help create new professional opportunities.

For years, Línea Directa has been involved in a "**School of Empowerment**" through the company's volunteer group, where women who have been victims of gender-based violence are trained in how to prepare and conduct job interviews to help them find a foothold in the job market.

## Talent attraction

### **Línea Directa is once again among the 50 companies with the best capacity to attract talent in Spain according to the Merco Talent ranking.**

In the last financial year, the company moved up four positions in the ranking, from 49th to 45th place. In addition, it has renewed its Top Employers certification, which ranks the company as one of the best employers in Spain.

Línea Directa's talent attraction strategy, under the slogan "Línea Directa DNA", which stands for "Different, Nurturing and Agile", aims to attract the best professionals to tackle the organisation's current and future challenges. To this end, the People team participates in the definition of the business strategy to identify the talent necessary in the short, medium and long term. Given the innovative nature of the business and its strong commercial component, **highly skilled professionals are needed to commit to the company.**

The first step in attracting talent is to position the Línea Directa brand as a good place to work. In this sense, the focus of the employer brand strategy is to project a real and transparent image that is a true reflection of the culture and professional life at Línea Directa. In the 2021 and 2022 social media campaign "7 Razones Línea Directa", each employee gave a first-person account of why they like working at Línea Directa.

In the last financial year, the company has made a commitment to improve the **digitalisation of the selection process, the implementation of advanced selection and analysis tools and the incorporation of new channels for attracting young talent.** In this

regard, Línea Directa is committed to the use of different communication channels (digital and telephonic, including WhatsApp) and social media. The Talent Attraction team maintains agile, approachable and highly personalised communication with each candidate.

The candidate's journey starts with the recruitment process and ends with the onboarding programme, which includes personalised mentoring and a tailored training plan to make the candidate feel like part of the company from day one. Lastly, in terms of talent management, employee loyalty plays a fundamental role, as it is the driving force of the organisation and the success of its future.

### **New hires, talent policies and selection process**

Línea Directa focuses on segmented and specialised searches through different channels to position the company and attract talent. The company is present on the most important platforms, on the job boards of the top business schools in the country, on social networks such as LinkedIn and TikTok, where it is developing a specific strategy to attract young talent, as well as on the website "Un Futuro Asegurado" by Estamos Seguros, a sectoral project to attract talent promoted by UNESPA, the Spanish Insurance Business Association.

In 2022, the organisation recruited 21 people into strategic areas such as technology, digital transformation, engineering, finance, risk analysis, regulatory compliance, human resources and marketing. The commercial and customer service teams are also being continuously bolstered.

In order to attract talent to the organisation, Línea Directa has a Talent Policy and a selection procedure that includes the following principles:

- Make the incorporation of each individual an experience that allows the new arrival to integrate and get to know the company culture through a blended onboarding process (online and face-to-face).
- Keeping the focus on the search for professionals who are core to the company, such as STEM profiles, who are able to meet the new challenges of digital transformation by implementing the latest developments.
- Continue to provide the business units with well-qualified sales staff with high standards in their customer relationships.

For the selection of talent, the company has a trained and specialised recruitment team, which deals individually with each process. The added value of this team is that it strategically generates an experience for the candidate that allows them to get to know the company and their future area of work even before joining Línea Directa.

### Candidate journey

In 2022, the company has redefined the roadmap of the candidate journey, identifying the touchpoints that are key to crafting a distinctive experience.

In addition, the measurement of candidate satisfaction has been introduced through questionnaires that have allowed for first-hand knowledge of the perception of newly hired employees and also to measure the degree of satisfaction with the selection and hiring process.

### Young talent and STEM

Young STEM talent is key for Línea Directa. The organisation has taken on 46 interns in the last year, many of whom have their first-ever work experience at the company. Línea Directa launches initiatives aimed at raising awareness about the organisation through its culture and the challenging projects that are most attractive to this audience:

- **Scholarship program** agreements with universities and business schools to provide students with internships at the company. In 2022, agreements were made with leading business schools.
- **Presence at fairs and university events** with presentations given by the heads of the Technology and Technical areas on the topics of greatest interest to students.
- **Hackathon Big Ideas**, an on-site collaborative day of work aimed at university students, recent graduates or master's students, which the company held in 2022 for the fifth consecutive year.
- **Job advertisements and employer brand communications** on social media where the company seeks talent with a personalised strategy targeting

each advert to each potential employee. In addition, posts are made on the company's various social networks (LinkedIn, Facebook, Twitter and Instagram) to share Línea Directa's employer brand with the general public.

- **New TikTok channel**, launched in 2022 as part of the strategy to attract young talent. On this new social media account, Línea Directa seeks to bring the TikTok community closer to its ethos, such as its culture, working environment, values, commitment to sustainability, day-to-day life at the Línea Directa Campus, professional development programmes and everything that makes the Group an attractive employer brand. In less than six months of existence, the account reached 16,500 followers by the end of the year.
- **Other avenues of collaboration** with Vocational Training and Dual Vocational Training Centres, through agreements with these institutions in order to forge a link between vocational training and professional practice.

For interns who join the company, activities are carried out as part of the Young Talent programme, such as meetings organised so that they can share their experiences and learn first-hand about the latest developments in the organisation.

The aim of the strategy for attracting young talent is that trainees will eventually join the workforce following their internship period.

## Talent management

### Building the future of the organisation

The organisational changes launched in 2022 have made it challenging to align the talent management strategy with the company's business objectives.

The new organisational structure shines the spotlight on the customer, with the aim of consolidating Línea Directa as a multi-branch motor and home insurance company in order to address new business priorities such as digitalisation, growth, profitability and sustainability. To this end, the customer journey has been transferred to the company's structure with the creation of new areas such as the Commercial area, to attract new customers, and the Portfolio area, focused on the loyalty of all policyholders (motor and home). This new strategy has led to a new way of working in all other areas across the organisation.

This change has been a major milestone in 2022. It has brought with it a new way of managing talent based on fostering a new culture of professional development at all levels and training employees, in a personalised way, to successfully face the challenges of the future.

### Fostering a culture of development

The new environment requires agility in adapting to change, fostering motivation and goal-oriented team development. That is why, in 2022, Línea Directa designed a campaign to promote a culture of professional development. It is called "Re-evolucionar" (re-evolve) and is based on three main pillars:

- **Re-EVOLUCIONA goals:** Motivating employees, through their team leaders, to set goals and challenges for new professional development experiences.
- **Re-EVOLUCIONA learning:** Focusing on self-guided learning so that each individual has the necessary skills for new challenges. It is the individual who sets their training roadmap, with the help of the company.
- **Re-EVOLUCIONA job mobility:** Encourage internal job mobility and promotions through a model for identifying potential talent within the organisation.

This campaign has been carried out through initiatives aimed at building loyalty and developing talent.

## Employee motivation and professional development initiatives

The main lever for motivating employees is to convey to them the important role they play in building the future of the company. To this end, as soon as the new organisational structure was implemented, the CEO set the company's strategic objectives, which flowed downwards like a waterfall down through the Performance Management System. In this respect, 92% of

employees have set objectives linked to this strategy and 90% have them evaluated.

Some initiatives carried out in 2022 in the field of motivation and professional development:

- **Individual development plan**

Línea Directa Aseguradora has promoted the Development Conversations project, based on conversations between leaders and their teams, which follow an innovative methodology in the field of Human Resources. The aim of these talks is to promote a culture of development that links the area's objectives to the talent strategy and makes it possible to identify and develop the skills and knowledge necessary to achieve them.

Leaders have been trained to be able to identify the strengths and weaknesses of their teams, fostering their development with a global vision for the medium and long term, promoting the knowledge, challenges and experiences that will be key for each of the employees and that can help them to achieve their goals. The aim of this project is for employees to take control of their own development and for the manager to accompany them and facilitate their professional growth.

- **Identifying potential talent within the organisation:**

In this context of adapting to change and with the aim of attracting and retaining talent, it is important to establish,

together with the Management Committee, the key positions in the organisation and to identify people with the potential to fill strategic positions in the short and medium term.

This exercise has served to prioritise development, training and retention efforts on a personalised basis.

## Learning and training initiatives

Línea Directa's talent management strategy encourages people to contribute to the success of the company from their sphere of responsibility. In a key year such as 2022, marked by a new management, the Management Development Programmes, the Training Schools and the integration of external talent into the organisation have been of particular importance.

- **Management Development Programmes:**

Management has been key to defining the new strategy of the organisation. That is why the Management Development Programme plays a crucial role this year. To carry it out, two strategic partners, IESE and Foro de Foros, have been involved. Knowledge of the global economic context, disruptive trends, new emerging markets and the development of the sector are essential elements to guide the new management.

In addition to the development programme for the Management Committee, the leadership programmes for the Darwin, Grow and Smile Communities (made up of team leaders, coordinators and supervisors) have placed special

emphasis on people development and working on individuals' potential, as well as on their role in change management, accompanying and encouraging the teams in the face of new challenges.

- **Training schools:**

- The **Business School** has played a key role in multi-line skills training in 2022: With the new Commercial and Portfolio areas, many people have had to be trained in record time to respond to the needs of customers in all their types of insurance, following the consolidation of the Motor and Home insurance areas. To this end, a training programme has been conducted throughout the year with the entire sales team, providing them with new knowledge, skills, operations and tools to provide unified customer service for both products. And, in the Portfolio area, a multi-line team has been trained and is being progressively expanded to reach the right size.

The team of Vivaz, the health insurance brand, has carried out the Mind-Training Programme focused on detecting how people emotionally manage changes, with the aim of implementing self-motivation mechanisms to achieve challenges in a changing environment.

- The **Technical School** has promoted self-directed learning so that employees can be the protagonists of their own growth. Línea Directa Aseguradora has a **learning ecosystem** made up of several digital platforms that allow employees to self-manage their training sessions. Individuals are provided with training



plans that enable them to progress in the skills necessary for digital transformation.

To promote this new culture of self-directed learning, in 2022, the company created the "**Learners Awards**", which aim to recognise the people who have completed the most training during the year, both under guidance and by their own initiative.

Within the Technical School, talent communities are particularly relevant.

- **Talent Communities**

These Talent Communities are made up of professionals with similar skills and duties, in order to promote learning among people in the same role. These communities share forums, meeting points and training programmes to develop skills and enhance their knowledge. The aim is to project and manage the organisation's internal talent so that they can successfully perform their functions, achieve their goals and develop professionally to meet new challenges, add value and contribute to the company's success.

- **Pi Community.** The Pi community is made up of all the analysts at Línea Directa, a critical group for digital transformation. In 2022, they worked on increasing their analytical skills and statistical knowledge, as well as the handling of tools for processing unstructured data. The community meets in person once a quarter for inspirational sessions on trends in the world of analytics, with both external professionals and company insiders sharing best practices.

- **Agile community.** The Agile community is made up of the process and technology teams that drive technology projects. The objective is to gain agility in the implementation of new projects and to improve customer service. The teams have been trained in agile methodologies and project management tools. In 2022, the Remember Agile programme has been developed to recall the key concepts of the methodology and share experiences, successes and mistakes in order to generate learning and improvements in the efficiency of technology projects. Gamification is part of the project, involving knowledge games via Learning Up, Línea Directa Aseguradora's learning app.
- The **School of Sustainability** is becoming increasingly significant. In the area of Good Governance, initiatives have been carried out in the following areas:
  - **Cybersecurity.** By 2022, 95% of the company's workforce had completed the cybersecurity awareness and sensitisation campaign launched the previous year. In the programme, through gamification, employees were taught key elements of prevention of potential cyber-attacks: ransomware, phishing, whaling, smishing, etc.
  - **Regulations.** In 2022, the entire underwent training in regulatory compliance. The company's chain of command, in particular, has learned the main principles of data protection, operations and rights, which are necessary for the proper performance of



their duties. The relevant groups have also been trained in key tax issues. In addition, a new Corporate Risks area has been created in which all the teams that make up the second line of defence have been grouped together and have attended a training programme to improve their skills and strengthen their knowledge.

- **Integration of external talent**

This year, onboarding programs for new employees have also been key. The onboarding process ensures the proper integration of individuals into the company. It starts before the employee joins, providing them with essential information about the culture, values, organisation, facilities and services through the Learning Up App. This mobile application guides the entire onboarding process, from the welcome programme to the quarterly follow-ups that allow us to assess adaptation, motivations and potential so that the incorporation into the culture of Línea Directa Aseguradora is a success.

### **Initiatives to promote internal talent**

The new organisational structure has generated professional opportunities within the company. Línea Directa Aseguradora is committed, first and foremost, to the professional development of its employees, offering them new opportunities that allow them to broaden their vision of the business, work with different people, acquire new knowledge and develop new skills. All this is based on a system of classification of duties or **Role Models** that can be adapted to any organisational structure.

This year, a new Management Committee was formed, with 4 new Committee members, 3 of whom were promoted internally and 2 of whom were women. In addition, in 2022, 71 people were promoted within the organisation, 59% of whom were women.

All professionals who change jobs are accompanied by the support necessary for a quick and easy integration through the onboarding programmes in the new position called "Hand in Hand".

## **Employee wellness, work-life balance and digital disconnection policy**

### **Wellness program**

The Línea Directa Group's main objective in people management is the safety and health of its employees, but it also addresses the broader concept of well-being. In addition to health and safety measures, the company has a wellness strategy that it offers its employees through a Wellness Programme, called "Well-being to Be Well", which includes measures focused on different aspects of their well-being (physical, emotional, financial, etc.).

Throughout 2022 Línea Directa has carried out specific training sessions, courses and campaigns for employees:

- Training session on the health benefits of sleep given by a specialist in occupational medicine.
- Training session on current dietary guidelines to encourage employees to maintain a healthy diet, from

the expert nutritionist-dietician and advisor of Vivaz, the company's health insurance brand.

- Internal presentation and dissemination of the study "Perception vs Reality in the eating habits of Spaniards" a presentation by the expert dietitian-nutritionist advisor of Vivaz, exclusively for staff. This activity was held on the occasion of World Food Day.
- 4-session online Mindfulness course with a mindfulness instructor and yoga teacher as part of World Yoga Day, with the aim of taking care of employees' mental health.
- Training session on the health benefits of yoga with a yoga teacher as part of International Yoga Day.
- Internal campaign "What is wellness for you?" in which employees were encouraged to define wellness from their own perspective through an internal competition. With this type of initiative, the company seeks to motivate employees to share healthy experiences and become ambassadors of wellness through internal social networks.

The Wellness Programme involves the collaboration of Vivaz, Línea Directa Aseguradora's health insurance brand, to promote healthy habits among employees in three areas: physical activity, rest and food. Thanks to the Vivaz Activity App, different challenges linked to physical activity and sleep have been launched during the year 2022. A commitment to the use of new technologies in the delivery of physical activity. The challenges have high impact through close communication and combine

collective engagement with individual recognition through wellness.

One of the challenges in 2022 focused on encouraging employees to get seven hours of sleep and one hour of exercise for 20 consecutive days. Those who succeeded in the challenge could enjoy wellness and health experiences or a cheque for sportswear. Línea Directa Group employees clocked almost 13,000 hours of sleep and more than 27.8 million steps.

In addition to these activities, we must take into account others that have long been implemented at Línea Directa, such as the Runners Club, sports tournaments, discounts at gyms, healthy menus, healthy and gluten-free products in all vending machines, healthy Christmas hampers, relaxation rooms, health awareness campaigns, vaccination campaigns and specific medical check-ups or discounts on physiotherapy, among others.

Línea Directa's employee wellness activities are accompanied by a strong communication plan linked to the actions, including information about relevant milestones to motivate employees to take up the challenge of improving their health. The company aims to involve and motivate employees, but also to spread the idea of self-care.

The programme also offers a range of different digital and exclusive content on emotional balance, available on the company's internal training platform (@prende).

To promote the financial well-being of its employees, Línea Directa, in collaboration with Bankinter, organises personalised training and financial information for the company's employees as part of its Wellness Programme. In regular webinars, employees

can learn about a variety of financial products, especially savings products, mortgages, mutual funds and pension plans, with the help of financial experts. The company's employees can also use a digital training space ("School of Finance") with a wide range of training content on relevant aspects of finance. In 2022, employees received specific investment advice through the Broker academy for investment and share purchases, including the Línea Directa Aseguradora Share Purchase Plan.

## A Focus on food

Línea Directa also wants to extend its wellbeing to society. For this purpose, the Vivaz brand has launched the "Eating Healthy" campaign, aware of the importance of eating well in preventing illnesses. This campaign has been focused on different company stakeholders to inform society as a whole about this commitment to good nutrition as a fundamental part of well-being.

Ongoing content has been rolled out during this campaign, which is available to customers and society in general – such as recipes, posts and video tips. **These have been developed by Vivaz's consultant dietician and nutritionist, Juan Revenga**, and have been published on Vivaz's and Revenga's social networks, in the "Juan Revenga's Corner" section of the Vivaz website and on the @prende platform, as an internal training resource for employees.

In addition to this content published throughout the year, other specific initiatives have been carried out, such as:

- Publication of the study "Perception vs. Reality in the eating habits of Spaniards", which concludes that, although Spaniards have a very optimistic perception

of their diet, they do not, however, have good eating and cooking habits.

- Three livestreams on Vivaz's Instagram account with Juan Revenga, where the community of followers asked the expert their questions and doubts related to food.
- Training for employees through healthy eating sessions led by expert nutritionist Juan Revenga.
- Launch of the "Healthy Eating" campaign in El Comidista, an online platform specialising in food, affiliated to the newspaper El País, led by the prestigious journalist Mikel López Iturriaga.
- Promotion of the "Healthy Eating" social media challenge in which people were encouraged to shop in a healthy way by eliminating ultra-processed products from their shopping trolleys. Gift cards from a large supermarket platform were awarded among the participants to enable families to shop better in a context of rising prices.

## Work-life balance

Both Línea Directa Aseguradora and Línea Directa Asistencia are certified by the Fundación Más Familia as family responsible companies with a proactive B+ level.

The Más Familia Foundation awards the EFR ("Family-conscious company") certification to Spanish companies that are strongly committed to work-life balance through their own work-life

balance management model, which the certified companies must develop internally. The EFR model is audited by DNV in the case of Línea Directa.

Following the last audit, which was passed in October 2022, more than 130 measures that the company uses to promote work-life balance were analysed, which are available through the employee portal and are based on the following principles:

1. Quality in employment
2. Flexibility in space and time
3. Employee family support
4. Professional development
5. Equal opportunity

The employee portal also has special sections where you can find information on work-life balance issues, and in any case, all company employees can contact Línea Directa's customer service.

Línea Directa is strongly committed to work-life balance and has its own or extraordinary leave, which is not provided for by law. It helps employees and their immediate families during times of particular importance in their lives, facilitating work-life balance and time availability. Among other things, the company offers its employees blocks of time to care for and accompany family members in a situation of dependency. There is also the possibility of providing time to accompany family members affected by oncological diseases to chemotherapy and radiotherapy

sessions, as well as special leave to help family members with certain diagnostic tests.

An "à la carte" shift schedule has also been developed for those employees with customer contact who have to adapt their working hours to the customers' schedules, so that each employee can choose the shift that best suits their needs at a given time.

In 2022, the company, as a responsible company committed to flexibility and work-life balance, has analysed the launch of individualised initiatives to facilitate co-responsibility between the employee and the company, ensuring equal opportunities and quality of employment. This is one of the pillars that the company will develop in 2023.

### **Línea Directa, a flexible and family-responsible company**

The Family-Responsible Company (EFR) certification from the Fundación Más Familia is an international model of people management that audits companies in terms of their responsibility and respect for the balance between employees' personal, family and working lives. It also promotes support for equal opportunities and the inclusion of the most disadvantaged, based on existing and binding legislation and collective bargaining, so that companies that opt for EFR certification carry out voluntary self-regulation in this area.

Línea Directa Aseguradora renewed its EFR certification in 2022, obtaining a good score. For the company, this recertification involves a triple validation (internal audit, external audit and review from the foundation) which analyses all of the

organisation's parameters relating to work-life balance, flexibility and shared responsibility between employees and the organisation.

Certification involves the implementation of a management system within the organisation that is built upon measures for employees, but also promotes a review of all people management processes from the perspective of flexibility, shared responsibility and work-life balance. EFR also certifies the company as a member of the Flexibility and Telework Charter as a company where all employees have some measure of eligibility under existing policies.

EFR also reviews all of the company's policies, protocols and procedures on people management to ensure that they meet the minimum requirements to be considered a company that works proactively towards flexibility, responsibility and work-life balance.

The company conducted a survey in 2022, "The Voice of the Employee", in which more than 2,500 employees give their opinion on the company's flexibility measures. Employees rate **time and space flexibility measures 4 out of 5**.

Finally, it is important to mention the company's partnership with MásHumano, which aims to create work environments that are more flexible, friendly and focused on people's well-being.

### Digital disconnection policies

As a socially and family-conscious company, the Group strives to organise the working time of its employees in such a way that they

can reconcile their private, family and professional lives. The company believes that the new forms of work offered by new technologies must be at the service of people, providing them with the autonomy and flexibility to facilitate the necessary balance between work and private life. In this regard, Línea Directa, in addition to adhering to the Insurance and Reinsurance Agreement with regard to digital disconnection, has an Internal Digital Disconnection Policy that was created with the aim of reinforcing this commitment.

This Policy explicitly recognises the right of employees not to respond to business communications outside of their working day, except in cases of justified urgency, and recommends that team leaders avoid this type of communication. In fact, the newly introduced technological systems include, for example, warnings that it is not advisable to send messages outside working hours. This initiative was launched in 2022, and the same year, the company was audited for the EFR (Family Responsible Company) seal in matters of digital disconnection.

At Línea Directa, employees have digital tools that enable collaborative work regardless of whether they work in person or remotely. In this situation, special care was taken to ensure that the employees' right to digital disconnection was still guaranteed. To this end, regular training and awareness-raising activities have been carried out, aimed at optimising the organisation of work (attention to staff agendas and schedules, planning and full information on the necessity or advisability of attending meetings and recommendations on limiting their duration) and aimed at raising awareness on the appropriate use of technological tools in order to avoid the risk of computer fatigue.

## Corporate remuneration and benefits

### Total remuneration

The insurance sector is one of the 10 best paid in the Spanish economy, and it also generates stable, quality employment.

At Línea Directa, the total remuneration programme is one of the levers for retaining talent in the organisation. In 2022, the company developed a new section in the employee portal where people have access to all the elements that form part of their total remuneration package. That is, they can access their fixed, variable and in-kind remuneration, in addition to the different social benefits and advantages to improve their quality of life and to promote balance between personal, family and work life.

Variable remuneration is defined by the monthly, quarterly and annual incentive programme, linked to the achievement of corporate objectives as a company, as an area and in individual professional development. Through this incentive plan, employees can earn achievements of more than 140%, receiving a very appealing variable remuneration in addition to their fixed salary.

In addition, it is important to highlight that the company is making progress in the design of a comprehensive emotional remuneration programme that includes all corporate benefits, advantages, loyalty initiatives and professional development programmes, as well as all the policies that have a positive impact on the people in the organisation.

### Employee Share Purchase Plan

In 2022, Línea Directa launched its first Share Purchase Plan aimed at employees. By joining this Plan, employees allocate part of their salary to the purchase of shares at a 5% discount, also benefitting from the advantages of flexible remuneration.

Two information and advice sessions were held to promote financial education for the workforce and to help employees understand this initiative before making their decision.

The Línea Directa Share Purchase Plan was very well received by the staff, with a satisfaction rating of 4.7 out of 5.

### One-off extraordinary payment to employees for inflation

Due to the increase in the cost of living as a result of inflation in 2022, Línea Directa Aseguradora has decided to make a one-off extraordinary payment to all its employees, with the exception of the Management Team, equivalent to 1% of their fixed salary, with a minimum of €300. This payment was made in January 2023.

### Social Benefits

Línea Directa offers its employees life and accident insurance with an insured capital that can significantly exceed the traditional Insurance Agreement commitment, reaching three times the fixed salary for all employees.



## Defined contribution insurance

With regard to pension obligations for retirement and with the main objective of generating future savings for employees, Línea Directa has a specific defined contribution insurance scheme with annual contributions for each employee.

This new scheme covers death and disability of any kind, in addition to the normal pension case for employees who have been with the company for at least three years, and allows vesting of acquired collective insurance rights.

## Corporate benefits

Línea Directa offers its employees an attractive package of corporate benefits and advantages that strengthen employee loyalty and invite them to get to know the company's products in depth. The most relevant of these include:

- **Favourable conditions when taking out insurance policies in all the company's business lines** for employees and their families, with discounts of up to 50%.
- **Flexible remuneration programme** through which employees can arrange different services and products for personal and family use. Línea Directa's programme facilitates work-life balance and fosters staff commitment to the company and a sense of belonging, which is a lever for attracting and retaining talent.

The program contains:

- **Health insurance:** Employees who take out health insurance through flexible remuneration can deduct up to €500. In addition, family members, such as spouse and children, can be included in the same policy with the same tax benefit.
- **Childcare payment:** Employees who pay their children's monthly childcare fees through their flexible remuneration programme will enjoy unlimited personal income tax exemption. This means that if employees pay for childcare this way, they can save approximately two monthly payments.
- **Public transport:** A very popular service within flexible remuneration is the transport pass, especially for workers who use it on a daily basis to travel to and from their workplace.
- **Daily meal:** This is one of the most used services among employees who eat at or near their workplace. The company provides a card, and the employee can consume up to €11 per working day.

39% of the Group's employees used this flexibility tool in 2022.

- **Free access for all employees to the video consultations** from Vivaz, the health insurance brand of Línea Directa Aseguradora.
- Own **virtual office** for employees offered by Bankinter as a partner so that they can access specific



advantages such as sharing 50% of the profits associated with the virtual account.

- **Advances and loans.** Línea Directa offers its staff the possibility to apply for advances and loans for special cases that go beyond the applicable legal provisions. The examination of the cases is carried out by the Personal Care Team.
- **Advantages and discounts on financial products.** The company offers its employees benefits and discounts on financial products and advice under a cooperation agreement. In addition, all employees who have an account with our cooperation partner enjoy an annual distribution of the benefits associated with their accounts.
- **Support for language and specialised training.** Línea Directa employees have access to language scholarships that allow them to study or improve their level in various language academies. Likewise, employees pursuing formal specialised studies related to the company's activities or a possible future job are entitled to financial support to finance their specialised academic training.
- **Advantages portal** which any employee can access from their personal device and where they can obtain important discounts and benefits in leisure, culture, cuisine, fashion, travel, etc.
- **Línea Directa Renting:** the company has been managing a programme since 2018 that offers

employees the opportunity to lease top brands' vehicles at a discount on the market price, along with Línea Directa's comprehensive insurance.

- **Access to the purchase of second-hand vehicles** at below-market prices.
- **Legal advice:** all Línea Directa employees have this service free of charge, thanks to an agreement between the insurer and one of the main providers of legal advice.
- **Christmas hamper,** with a choice between one hamper with sustainable products and another with typical Christmas products. The hampers also represent a contribution by the company to a foundation that supports the employability of people with disabilities.

The Benefits and Advantages plan is complemented by a number of other measures (as an Family-conscious company), with the total package containing more than 130 benefits, actions and measures which Línea Directa employees can enjoy. All of these benefits and advantages are audited as part of DNV's annual assessment process. Línea Directa, as an Family-conscious company, must pass this process to maintain the certification.

## Pay gap

Línea Directa defends equal pay for men and women and carries out salary reviews, year after year, with common criteria for both genders. Proof of this is that the total average remuneration of women and men is very similar and the **pay gap** at the end of 2022 was **2.8%**.

To calculate this adjusted gap, employees are grouped into clusters consisting of people performing similar duties or performing a similar job.

The gap is calculated for each cluster and the total gap is weighted by the number of people in each cluster. The gap calculation is performed on a month-by-month basis to ensure that each person is compared with their peers. The calculation formula is as follows:

$$\text{Adjusted pay gap} = \sum_{n=1}^N \frac{\text{Gap in each cluster} \times \text{Number of employees in the cluster}}{\text{Total number of employees}}$$

The gap in each cluster is calculated as follows:

$$\text{Pay Gap} = \frac{\text{Average male salary} - \text{Average female salary}}{\text{Average male salary}}$$

## Health and safety

**The Línea Directa Group's main goal in the management of people is to ensure the safety and health of its employees.**

Línea Directa has signed up to the Luxembourg Declaration promoted by the European Network for Workplace Health Promotion since 2017. By doing so, the company commits to accepting and implementing the fundamental objectives of

workplace health promotion and aligning its strategies with the principles of this declaration.

In addition, Línea Directa has developed a Wellness strategy aligned with the principles of the International Labour Organization (ILO) and which follows the recommendations of the European Union on Occupational Health and Safety.

In 2022, the company has continued with vaccination campaigns, especially for influenza, given its importance in distinguishing common symptoms from COVID-19 infection. In addition, the company has carried out various actions focused on employee health, in addition to all the initiatives carried out throughout the year in the Wellness Programme, including the Psychosocial Factors Study and the celebration of World Health Day with the participation of employees.

### Study of psychosocial factors

In 2022, **Línea Directa conducted a study of Psychosocial Factors** based on an employee survey, with the aim of ensuring the staff's emotional health and well-being. The results have highlighted the points most valued by the people in the organisation and the areas for improvement. The three aspects that scored best among staff are suitable working time; the interest that the company shows in employees and their remuneration; and an appropriate variety in the content of tasks. Meanwhile, employees want to see greater participation in the company's organisational methods and request more training on time management. With these results, the company has developed an

Action Plan, which has been shared with all the staff, where the following roadmap has been proposed:

- Provide greater visibility to information related to working time management in the employee portal.
- Launch training campaigns aimed at team leaders to set performance objectives and thereby enhance the autonomy of individuals on teams.
- Promote awareness-raising activities on digital disconnection, in accordance with internal policy, with the aim of strengthening the balance between employees' personal and professional lives.
- Implement specific actions within the Wellness Programme related to emotional well-being.
- Develop focus groups on different topics to increase employee engagement.
- Create continuity in Digital Transformation plans by training employees in the use of digital and collaborative tools as well as including more specific training activities for time management.

## World Health Day

**Línea Directa has carried out an internal campaign to celebrate World Health Day** in which employees were encouraged to share a photo on the internal Social Network featuring healthy dishes they prepared themselves, daily fitness routines or other activities along with the hashtag #bienestarlineadirecta. To encourage

participation and engage employees, wellness-related prizes were raffled off.

Through activities like this, the company seeks to promote healthy lifestyle habits and show concern for the health of the individuals who form part of the day-to-day of the organisation, as well as providing references within the company that encourage others to keep up good habits.

## Health and Safety Committee

Línea Directa Aseguradora is equipped with the necessary resources to support and advise the company in the adoption of the relevant preventive measures.

The company takes charge, with its own resources, of the preventive specialities of Occupational Safety, Occupational Hygiene and Ergonomics and Applied Psychosociology provided for in the specific regulations on the prevention of occupational risks, through a senior technician who holds the post of head of Occupational Risk Prevention at Línea Directa. The preventive specialty of Health Surveillance is arranged with an External Prevention Service. The in-house prevention service assumes responsibility for maintaining appropriate coordination with the external prevention service and with the external specialist advisors who may be commissioned to implement specific prevention measures.

## Employee relations

**The return to normal in the offices following the COVID-19 pandemic and the implementation of a flexible working model**

## **has been a great challenge for the People area and the relationship with employees.**

That is why the Línea Directa Group has established a flexiwork model that combines in-person work at the offices with remote work. From April until now, shift-rotating models were gradually phased out and a flexible system was introduced. This system allows back-office employees to have up to 6 days of flexible remote work per month at their disposal. As for the front office, given the special needs of call centers that engage in contact with customers and work in different shifts, it is easier for them to have schedules that contain more days of working from home, according to the needs of each area. The **Remote Work Policy** was simultaneously implemented and made available to employees.

This new way of working has been possible due to the commitment and responsibility of employees and the company's digital culture. The combination of these factors has made it possible to implement flexibility measures aimed at facing the great challenges of 2022.

This task of changing the model of working was carried out by the People area of Línea Directa following a benchmarking of the market, as well as seeking the opinion of a group of employees and various listening processes.

### **Focus on flexibility**

Following the remote leadership training for managers given in 2021, the company has leaders capable of managing teams in a

hybrid, face-to-face and remote way, in a unified and fluid manner.

This past year, in 2022, an IT tool has been designed for the employee portal that enables employees to autonomously and flexibly manage their working days at home, in direct communication with their manager.

The organisation has consolidated the Be365 collaborative tool program, which facilitates an agile and flexible work model and enables employees to take maximum advantage of the capabilities of these new technology tools the company has implemented. During the introductory phase of this new technology, weekly training sessions on best practises in the use of these collaborative tools were organised for middle management.

A group of staff, called "change ambassadors", continued their work in each area to make the change and the introduction of the new communication and collaboration systems accessible to all teams. Thus, at the end of 2021, work began on the proper use of the collaboration tools to make the most of them and avoid the digital fatigue that teleworking causes.

### **Change management**

2022 has been a challenge for the People area, which has managed an organisational and cultural change in preparing the different areas to lay the foundations of the organisation's future strategy.

The work of Human Resources has been very important in order to aid all people in the process of creating the new organisation,

and as well as to aid those in charge, so that all employees could understand the importance of their work at such a decisive moment. Focus groups have been promoted as levers of motivation and commitment to unify employees as they journey in the new direction marked out by the company's Management.

Internal communication has played a key role in keeping employees informed about each milestone achieved in the year, with a vocation to share the company's strategy to all employees in a clear and global way.

## **Respect for people**

Línea Directa has a digital channel through which any employee can ask their doubts or questions on any subject. All requests are resolved almost immediately by specialised staff from the People area. This team manages the life of the employee in the company and attends to all their needs directly. In addition, it provides them with very useful information and friendly help with special understanding. The specialists that make up this team were also crucial in the management of the pandemic, as they were responsible for direct contact with the affected staff and for dealing with all issues and incidents related to COVID-19 which was still present in 2022.

## **Dialogue with employees**

Communication with employees is key in the organisation. The CEO, newly appointed in 2022, held a meeting with the entire staff to introduce herself and announce the main lines of the new strategy.

In addition to new management's communication, the new technologies and collaborative tools implemented during the years of the pandemic have allowed all of the company's information and communications to reach more and more people.

The company has various direct and unmediated communication channels for employees through which information flows in all directions, thanks to the universally accessible employee channel and the management of the People Care Team.

The company has various internal communication channels:

- The "En Línea" Employee Portal, a portal that can be accessed by the entire workforce and contains information of interest in a more convenient, transparent and digital way. Here employees can find news, company social apps, personal information and management tools.
- The 'LiDiA' Chatbot, a virtual assistant anchored in the navigation bar of the corporate intranet and programmed to answer employees' most important questions in conversation.
- A monthly newsletter summarising the company's key milestones during the month, with content of particular interest on sustainability, health and wellness, and innovation.

- Mailings and communications with campaigns directed to all staff (or segmented, depending on communication needs) via company email.
- A network of screens installed in the transit areas of all workplaces. These screens reinforce corporate messages, campaigns published in other formats and welcome new employees.
- Corporate chat, which is universally accessible and enables instant communication as well as virtual meetings, joint project work or the exchange and simultaneous work on work files.
- The company is also a pioneer in its use of WhatsApp. The company has started to use bot technology for customer transactions and it is also a regular communication channel with its employees, as all management teams have company mobile phones for professional use.
- Línea Directa Yearbook: every year, the company publishes a yearbook in which the most important milestones of the year are recorded. The communicative significance of this yearbook lies in the fact that it always features employees of the company and every year, there is a recurring motif that serves as a unifying thread.
- The pandemic has reduced the number of face-to-face events for the most part, but in 2022 Línea Directa began holding face-to-face meetings again, as well as activities that promote communication and meetings

with staff. These activities are a regular channel of relationship with employees.

### **Opinion surveys**

At Línea Directa, the commitment and involvement of all employees is key to meeting the challenges facing the organisation. That is why a listening strategy has been defined, with the purpose of understanding, involving and gathering employees' ideas and their perception at different points throughout the employee life cycle. The objective is to ensure that their commitment is aligned with the objectives and goals of the company.

Throughout 2022, activities have been carried out, such as role-specific focus groups (analysts, team leaders, etc.) and meetings with external speakers to share trends and projects. In addition, throughout the year, the organisation has been checking in with employees through surveys to evaluate how they have understood and perceived organisational changes. Based on these opinion surveys, action plans are launched to roll out initiatives aimed at boosting these points of improvement.

### **Union representation**

All employees of the Línea Directa Group are subject to the collective bargaining agreement that applies in each workplace of the companies that make it up:

- In Línea Directa Aseguradora, the Insurance and Reinsurance Agreement.



- In Línea Directa Asistencia, the Offices and Bureaux Agreement, the Engineering and Technical Studies Agreement and the Metalworkers' Agreement in Alicante, Malaga, Seville, Barcelona, Madrid and Valencia.
- At CAR Barcelona, the Barcelona Metalworkers' Agreement.
- At CAR Madrid: the Madrid Metalworkers' Agreement.
- In Línea Directa Reparaciones, the Madrid Construction Collective Bargaining Agreement.

The Group has union sections that exercise their rights in accordance with the Organic Law on Freedom of Association.

In accordance with current legislation, the company is continuing with the open negotiation process it started in 2021 with the most relevant trade unions to establish a new Equality Plan for the Group's companies.

Information and consultations with employees (opinion surveys, EFR postbox, psychosocial risk assessment, etc.) are of utmost importance for the Línea Directa to know how employees perceive their working conditions and to be able to implement appropriate action plans if necessary.

## Disability and accessibility

### Disability

As part of the commitment to diversity and inclusion promoted as part of the corporate culture, one of the main pillars is the inclusion of employees with a disability card and the promotion of their recruitment and socially acceptable employment.

With this goal in mind, Línea Directa Aseguradora's **Sin Límites programme** was launched in 2009 to promote diversity inclusion in the workplace in four areas: attracting talent with different skills through selection processes, internal diversity, development of and/or participation in social inclusion projects and projects that contribute to employability through specialised employment centres (CEE). The programme has a specialised person from the company – the guide or tutor – who ensures the standardisation of processes and that the employee has a suitable working environment from the moment they join the company, with a personalised onboarding process tailored to their needs. The guide approaches the employee who is to receive the disability card, advises him or her and offers assistance with the procedures, guaranteeing confidentiality.

Internally, people with disabilities receive financial support of €1,500. The programme also includes the **Tú Sumas Plan**, which offers advice and support to all employees who have a family member with a disability, in collaboration with the Randstad Foundation.

Línea Directa collaborates with other foundations and associations in social and professional inclusion projects, involving a whole network of volunteers who contribute their knowledge,

experience and time by designing and/or leading employment workshops. For example, the company helps young people with disabilities at the **Aprocor Foundation** to carry out work placements related to the training they receive at the foundation. Línea Directa also collaborates with organisations and associations whose users are people with functional diversity or intellectual disabilities, carrying out different inclusive leisure activities or sharing activities that form part of their learning and training programmes. For example, charity markets where the products for sale are made by the users of these specialised partner centres.

The Línea Directa Group has been contributing to the employment of people with disabilities for more than a decade, through the recruitment of specialised employment centres.

**Línea Directa has joined the Randstad Foundation's "Companies for Equality, Diversity and Inclusion"** initiative as a sponsoring company, seeking to promote the principles of this group of companies in society and spread good practises in this area.

At the end of the year, the Línea Directa Group was employing 39 people with some form of disability, representing 1.54% of the workforce.

Disable employees	2021		
	Men	Women	Total
Average disabled employees	18.2	21.7	40.0
Average headcount	1,098.0	1,481.3	2,579.3
Percentage employees	1.66%	1.47%	1.55%
	2022		
	Men	Women	Total
Average disabled employees	19.0	20.0	39.0
Average headcount	1,078.2	1,459.9	2,538.1
Percentage employees	1.76%	1.37%	1.54%

The figure reported is the annual average rather than the number of people at year-end as it is more representative. The average is calculated by weighting by the number of days that each person is in the Group and dividing by 365 days.

## Accessibility

All the workplaces of the Línea Directa Group are accessible. In addition, the company is working on internal and external communication and awareness-raising on the subject of disability and **has improved the digital accessibility of its corporate websites.**

## SOCIETY

### Society

**Línea Directa Aseguradora is a responsible company that is involved in the communities in which it operates and is committed to the progress of society.**

#### Commitment to road safety

The main contribution to society is made through the Línea Directa Foundation, covering road safety research, promotion and training activities.

In 2022, the Línea Directa Foundation published 3 road safety studies with a strong media impact and carried out road safety training for unemployed teachers.

#### Insurance sector

The Línea Directa Group actively participates with insurance sector entities, such as ICEA, which deals with research, statistical studies, training and advice applied to insurance activity, and UNESPA, the association that is the voice of the insurance sector on issues of concern to society.

The amount allocated by the company to support these insurance sectoral entities amounted to €126,632 in 2022, compared to €114,712 in 2021.

#### Other contributions

The Línea Directa Group, as a sign of its commitment to society, has contributed €658,061 to foundations and non-profit organisations, mainly directed to community investments and to a lesser extent to charitable donations.

The total amount of contributions in 2021 amounted to €849,942 as a result of the extraordinary contributions made by the company to contributions made by the company to mitigate the effects of the Covid-19 pandemic.

Línea Directa also promotes the social commitment of its employees by supporting activities carried out through corporate volunteering in collaboration with various foundations, associations and NGOs.

### Sustainable investment

**The European Commission's firm commitment to sustainable finance in recent years has encouraged financial institutions, which are considered a key player in promoting an economy committed to climate and sustainable development, to incorporate environmental, social and good governance (ESG) criteria into their investment policies and even develop plans to exclude some controversial sectors or define a roadmap for the decarbonisation of their investment portfolios.**

The Línea Directa Group, as an investment manager, works to participate in a responsible financial system. In this regard, in 2022 an ambitious Sustainable Investment Policy has been defined which actively promotes the integration of these criteria into investment decisions and avoids participating as an investor in organisations, projects or products that promote or could cause serious violations in these areas.

**The company has also implemented the market-leading Morningstar Sustainability tool** for automatic monitoring and tracking of ESG investments. The tool provides real-time information on the general exposure to ESG risks, both in operations and in products and services, and to take specific actions to mitigate these risks.

Additionally, the coming into force of the EU's Taxonomy reporting obligation for financial institutions' investment portfolios entails an additional challenge due to the regulatory requirements faced by companies in assessing the degree of alignment of their activity with the Taxonomy.

Lastly, it should be noted that since 2022, the following are reported: the ESG-rated percentage of the portfolio, the percentage of the portfolio with low or negligible risk and the ESG risk of the portfolio in the company's quarterly results.

## Research support

**Línea Directa Aseguradora finances various research projects that represent added value for the company's reputation due to their scientific relevance and specific weight in terms of sustainability.**

Línea Directa Aseguradora financed and supported in 2022 a number of projects in a wide range of areas, such as health, electric vehicles and energy. The most significant investments made by the company in health were as follows:

- A high-accuracy VR sensor to simulate and refine radiation-therapy treatments.

- Research on a new solution for comprehensive genetic risk assessment of common diseases.
- Research and development of precision medicine for lung cancer screening.
- Research on the molecular identification of the metabolomic fingerprint associated with mastitis during breastfeeding.

With regard to the automotive industry, and reinforcing the company's commitment to sustainable mobility, support for research and development of a new ultra-fast and mobile recharging system for electric vehicles stands out. Lastly, in the energy sector, the company funded research projects on new materials and processes for the development of primary aluminium-air batteries.

All these projects funded by Línea Directa Aseguradora have contributed to the development of R&D throughout Spain, as the companies involved are located in Madrid, Cantabria, and Catalonia.

## Sustainable products

**Sustainable growth makes it possible to respond to the company's current needs, but it also means thinking in the long term and adapting the business model to the characteristics of the market environment, thus ensuring a balance between economic growth, social well-being and the environment.**

For years, the Línea Directa Group has been committed to sustainability, which is reflected in its three-year sustainability plan. The current plan in force includes 71 specific actions in 15 action

areas for the period 2020-2022, is aligned with the Sustainable Development Goals (SDGs) and is incorporated into the corporate strategy. The Group's sustainability policy is based on concern for the business, the organisation and society. As regards to the business activity, the Group has been developing and launching different products and services that respond to the goal of ensuring that its activity and products generate a positive impact on society and the environment, in each of the company's three business lines: Motor, Home and Health.

## ConducTOP

Out of concern for road safety and to promote safe driving, the company has continued to promote **ConducTOP, an app that rewards customers who are the most responsible behind the wheel**. The app takes into account the smoothness of cornering and braking as well as acceleration, appropriate speed on any road and concentration. According to these parameters, the customer collects discounts that can be redeemed for discounts on purchases from company partners.

## ECO-labelled replacement vehicles

The Advanced Repair Centres (CARs) of Línea Directa Aseguradora, state-of-the-art shops with comprehensive customer service, have among their services a range of replacement vehicles with the Eco label, with LPG (Liquefied Petroleum Gas) combustion, a propulsion system with almost zero CO2 emissions.

## Póliza Respira (Breathe Policy)

Six years ago, as part of its commitment to a new model of urban mobility that is more environmentally friendly and helps reduce CO2 emissions, the company developed a special insurance policy for electric cars known as Póliza Respira. This was initially a supporting product for drivers buying electric vehicles, but **from 2022 it has been extended to include plug-in hybrids and motorbikes**, non-electric vehicles with the lowest environmental impact. This is a fully comprehensive insurance with excess for private drivers with a flat rate during the first year, and is suited to the needs of these vehicles, incorporating a series of specific services depending on the type of vehicle: covers the battery in the event of an accident and the charging cable in the case of theft, as well as offering roadside assistance without mileage limit for battery fault or discharge. At the end of 2022, Línea Directa Aseguradora had 4,000 Póliza Respira customers.

## Llámalo X

During the year, the company continued to offer its innovative "Llámalo X" product, **the first fully comprehensive insurance with excess that includes a vehicle** and the cost of maintenance and taxes for a fixed monthly price, turning the traditional model of linking insurance and car financing upside down. On this occasion, in a clear commitment to sustainability, it has included two new hybrid models, which are in great demand in the market for their design, efficiency and features. At the end of 2022, "Llámalo X" has more than 1,900 policies.

## Safe&Go

In recent years, mobility has been in experiencing a revolution that has changed the way people get around the city and paved the way for Personal Mobility Vehicles (PMVs). Electric scooters,

electric bikes and Segways allow for more agility and flexibility as well as greater respect for the environment.

Línea Directa, under Vivaz, the health insurance brand of Línea Directa Aseguradora, launched in 2021 Safe & Go, a product that **covers the person and their mobility and can be contracted on demand** under the revolutionary concept of on/off insurance or payas-you-go: By seconds or trips or for a whole year.

Safe & Go offers insurance cover that is unique in its category, as it not only covers damage caused to third parties, but also physical damage suffered by the user himself, and even legal defence. In addition, in the event of an accident, the insurance app pinpoints the location, which can shorten the response times of the emergency services and get you help quickly.

### Vivaz Actividad

Vivaz has an app, Vivaz Activity, for both customers and non-customers, that helps users maintain healthy habits. At the end of the year, more than 21,596 users enjoy the benefits of using Vivaz, as well as discounts on their health insurance policy if they are Vivaz customers.

### Colaboración con Centros Especiales de Empleo

In 2022, Línea Directa Asistencia's professional drivers were available to the company's customers to pick up their vehicles or transfer them to where they were indicated, with the aim of providing a safe, fast and reliable service that includes the transfer of cars to MOT centres and the personalised delivery of new or used cars, among many other options. In order to offer this service through Línea Directa Asistencia, the company has

entered into an agreement with Special Employment Centres (CEE), which enables it to employ disabled workers and thus facilitate their integration into the labour market.

### Research aimed towards increasing prevention and awareness

Whether through Línea Directa Aseguradora or the Línea Directa Foundation, the company puts its knowledge and experience at the service of society by carrying out studies and research, seeking to raise awareness and prevention in specific areas, especially health and road safety.

Línea Directa Aseguradora published at the beginning of the year the study '**VI Insurance Fraud Barometer: Fraud in Motor and Home Insurance**', which analysed the trend in insurance fraud in Spain and the causes (mainly economic) that make fraudsters act in this way. The report concludes that, despite the confinement, car insurance fraud soared during 2020 to reach almost 7% of all open claims, a proportion 21% higher than the previous year, while home insurance fraud increased moderately to reach 2.7% of claims in 2020. The most common frauds in the sector are false claims and attempts to cover damage prior to the signing of the policy.

In the second half of the year, Línea Directa Aseguradora published the study '**Animals on the road: A mortal danger. Accidents against animals on Spanish roads (2017-2021)**', focusing on the increasingly frequent and more serious accidents involving animals on Spanish roads; it also analysed the regulatory changes in this area in recent years and the effects they have had.



Línea Directa Aseguradora's health insurance brand, Vivaz, published the study **'Perception vs. reality in the eating habits of Spaniards'**, which concluded that, although 76% of the Spanish population rate their diet as good or outstanding, a third consume ultra-processed food almost daily.

Lastly, in relation to Home segment, the study **'Spanish households facing inflation in 2022'** was published at the end of the year: household spending and saving in the current economic scenario', which analysed households' difficulties caused by the price rises in recent months. The report indicates that half of Spaniards say they have changed energy companies due to price, and one third look are looking around for cheaper insurance options. In addition, almost 80% of Spaniards claim they are dipping into their savings to make ends meet and 2 out of 10 are paying on credit to make ends meet.

## **Línea Directa Foundation, a leader in road safety**

**Línea Directa Aseguradora, due to its direct contact with customers, has been particularly sensitive to traffic accidents and their consequences since the very beginning. That is why the Línea Directa Foundation was established in 2014 with the slogan "For road safety: Here and now", develops numerous initiatives to**

**fight against a problem that, every year, permanently scars the lives of thousands of people in our country.**

The **Línea Directa Foundation** was created in 2014 with the aim of combating road fatalities, bringing together the Group's extensive experience and knowledge in accident prevention. The Foundation, which acts under the slogan **"For road safety: here and now"** as a synthesis of its commitment in this area, has four lines of action: **Research, Dissemination, Social Action and Training**, through which it promotes and develops powerful initiatives with great social impact.

Among the Foundation's most outstanding actions are **interesting studies** that analyse, from a very social and informative point of view, the causes and most characteristic elements of traffic accidents, achieving a wide repercussion in the media. It also organises the **Road Safety Journalism Award**, one of the leading competitions in the Spanish journalistic field which, year after year, recognises those journalistic works which, due to their originality and quality, can make a decisive contribution to raising awareness among drivers of the need to drive responsibly.

The Foundation has also become an important **startup accelerator** through the **Entrepreneurs and Road Safety Award**, which supports road safety entrepreneurship by funding projects and entities that, due to their innovative nature and economic viability, can contribute to building safer mobility. In addition, the Foundation carries out numerous training and social action activities in collaboration with other entities, organisations and institutions in our country.

The organisation's determination and strong commitment to road safety has allowed it to be recognised, despite its youth, with important honours, including the **Silver Cross of the Order of Merit of the Guardia Civil** and the **Bronze Medal of Merit for Road Safety**, awarded by the Ministry of the Interior and the DGT.

### BOARD OF TRUSTEES OF THE LÍNEA DIRECTA FOUNDATION

<b>Chairman</b>	<b>Alfonso Botín-Sanz de Sautuola</b>	Chairman of Línea Directa Aseguradora
<b>Vice-chairwoman</b>	<b>Patricia Ayuela</b>	CEO of Línea Directa Aseguradora
<b>Patronos</b>	<b>Pedro Guerrero</b>	Chairman of Bankinter
	<b>María Seguí</b>	General Director of Traffic (2012-2016)
	<b>Pere Macias i Arau</b>	Former Chairman of the Road Safety and Mobility Committee
	<b>Pierre-Yves Sachet</b>	Head of Business and Sales and Strategy and Growth of CEPESA
	<b>Matías Prats</b>	Journalist
<b>Managing Director</b>	<b>Teodoro García-Egea</b>	Chairman of the Road Safety and Sustainable Mobility Commission of the Congress of Deputies (current term)
	<b>Mar Garre</b>	Head of People, Communication and Sustainability of Línea Directa Aseguradora
<b>General Secretary</b>	<b>Pablo González-Schwitters</b>	General Secretary of Línea Directa Aseguradora

### RESEARCH

**Research is a fundamental pillar in the fight against traffic accidents. For this reason, every year the Línea Directa Foundation, which has become a major leader in this area, tackles issues of great social significance with the aim of awareness-raising in society on key aspects of road safety, thus supporting responsible driving habits.**

Since its creation in 2014, the Línea Directa Foundation has been preparing important studies in collaboration with leading institutes, foundations and universities with the goal of raising awareness among Spaniards about the risks of driving. The choice and preparation of these reports, which have a great impact on the media, are based on values such as **originality, significance and their usefulness** as a tool in the fight against road accidents.

In 2022, the Línea Directa Foundation conducted **3 studies** that have been widely followed in the media, with **732 news items** and **acumulative audience of more than 382 million**.

- "New Urban Mobility and Road Safety: Accident rates in the new mobility culture"
- "Speed, the silent scourge. Speeding in fatal accidents in Spain (2011-2020)"

"Obsolete cars, a real risk. The influence of the age of the automobile population on accidents (2011-2020)"

## "New Urban Mobility and Road Safety: Accident rates in the new mobility culture"

The first report published in 2022 analysed the influence that the urban planning and mobility **changes** in recent years could have on **accident rate**, especially in view of the challenge set by the UN and the EU to **reduce by 50% the number of people killed in traffic accidents** in this current decade.

The truth is that these changes are increasing the frequency of **urban accidents**, which, from 2011 to 2019, increased **by 42%**, resulting in almost **4,700 deaths**. Also, **vulnerable road** users already account for 80% of fatalities in cities (2020) partly due to the rise of cycling and PMVs, two groups which, last year, registered almost 7,000 accident victims and accounted for 10% of the total number of vulnerable road users killed in urban areas.

## "Speed, the silent scourge. Speeding in fatal accidents in Spain (2011-2020)"

The second study of the year investigated the influence of speed on traffic accidents, one of the main causes of accidents along with distractions and alcohol.

One of the most striking conclusions of the report is that **only 6%** of drivers **know the speed limits** for cars and **only 1% know the speed limits for all types of vehicles**. Moreover, the study shows that **43% of drivers admit to regularly exceeding speed limits** and the equivalent of 1.1 million confess to having exceeded 200 km/h on some occasion.

## "Obsolete cars, a real risk. The influence the age of the automobile population on accidents (2011-2020)".

The third study carried out by the Foundation in 2022 focused on one of the major concerns in the fight against accidents: the ageing of the Spanish vehicle fleet. According to the report, Spanish vehicles have become obsolete, since, in our country, **more than 16 million cars** and motorbikes are more than **15 years old** and almost 23 million are more than a decade old.

Moreover, the outlook is not good: **registrations have plummeted by 35%** in the last 3 years, making the Spanish vehicle population one of the oldest in the countries in our vicinity, reaching an average age of 13.5 years in 2021. These figures have a direct impact on the accident rate, since, taking into account the lethality of vehicles according to their age, if the average age of Spanish cars could be brought below 10 years, 260 lives could be saved every year.

## DIVULGACIÓN

Through this awareness-raising action line, the Línea Directa Foundation promotes one of the most successful and best known initiatives in the fight against traffic accidents: Road Safety Journalism Award. This competition, which in 2022 reached its nineteenth edition, rewards the best reports and articles on road safety published in the Spanish media.

In 2022, the Línea Directa Foundation organised the XIX edition of the Road Safety Journalism Award, which was presented **at the Gran Teatro Príncipe Pío in Madrid**. The competition recognised the best reports and articles published and broadcast in Spain in

the following categories: **Written Press and Online Media, Radio and Television**, each with a net prize of €10,000.

In addition, the **Solidarity Award**, which awards €10,000 net to organisations, institutions and foundations whose area of action is road safety, and the **Honorary Award for Road Safety Journalism**, which recognises the career of a professional journalist in this area, were also presented.

The number of applicants submitted for this edition was **1,900 entries**, a number 21% higher than that recorded the previous year. This year's winners were **Juan Antonio Marrahí**, from Las Provincias (Written Press and Online Media); **Ana María Herrero**, from Onda Cero Palencia (Radio), and **Beatriz Correal**, from La Sexta (TV).

The Solidarity Award has gone to the **FEDACE** (Spanish Brain Injury Federation), for its contribution to improving the quality of life of people who suffer brain injury, and of their families. The journalist and editor **Enrique Hernández-Luque** has received the **Honorary Journalism Award** posthumously, for his outstanding efforts to disseminate road safety throughout his professional career at the head of the Luque Group.

### The Jury of the XIX edition

The components of the Jury of the XIX edition were:

- **Pere Navarro**, Director General of Transport. Chairman of the Jury.

- **María del Pilar González de Frutos**, President of UNESPA (Spanish Association of Insurance and Reinsurance Companies).
- **Pere Macias i Arau**, Chairman of the Commission for Road Safety of the Chamber of Deputies during the 2011-2015 legislature.
- **Pedro Guerrero Guerrero**, Chairman of Bankinter.
- **Carlos Franganillo**, Journalist and presenter of the 2nd edition of the Telediario de La 1 (TVE).
- **Leticia Iglesias**, Journalist and presenter of Informativos TELE CINCO.
- **Cristina Villanueva**, Journalist and presenter of LA SEXTA NOTICIAS.
- **Iván Gómez**, Journalist of DIARIO DE ALMERÍA, winner in the 18th edition of the Road Safety Journalism Prize under Written Press and Online Media.

### Entrepreneurs and Road Safety Award.

In 2022, the eighth edition of the Entrepreneurs and Road Safety Award was held, a project that seeks to accelerate start-ups by boosting their proposals in the area of traffic accident prevention. **The Award, the first of its kind, is endowed with €20,000 (drag along or co-investment do not apply)**, as well as mentoring, training and access to investment rounds, and consists of a jury made up of eight professionals from business, the entrepreneurial environment

and the public administration that especially values the quality of the project, economic viability, innovation and potential to improve road safety.

A total of 62 projects were received in 2022, of which 5 were selected as finalists. The startup Livall Europe was the winner with its proposal: smart helmets for use with bicycles and scooters with an automatic LED lighting system that includes indicators that can be controlled from the handlebars. The helmets also feature built-in speakers, a windproof microphone and Bluetooth.

Segurvital Roads from La Rioja was the second best rated startup thanks to a structure that attaches to the lower part of the guardrails to reduce the severity of injuries in the event of an accident. In addition, thanks to a protective strip made from recycled tyres, this solution prevents a motorcyclist or cyclist in an accident from being thrown into the middle of the road.

## An innovative social initiative

On the occasion of the inclusion of road safety as a curricular subject in all educational stages, the Línea Directa Foundation, in collaboration with the RACE Foundation, **decided to organise the first course on road safety and sustainable mobility especially aimed at unemployed teachers from all over Spain.**

The training, which was free of any cost or charge for the students, took place at the Jarama Circuit and was structured in two parts. There was a 5-hour online training course, as well as 5 classroom hours in which the students practiced on the RACE Foundation's rollover simulator and learned first-hand about the effects of alcohol and drugs on driving thanks to the use of special goggles.

The course also addressed topics such as the human factor in driving, the importance of the road, active and passive safety, emergency response, driving in adverse weather conditions and a special focus on the role of pedestrians and cyclists, always aimed at training future teachers of the subject.

## Social media

At the end of 2022, the Línea Directa Foundation had a community of 4,409 followers on Facebook and Twitter, achieved completely organically, without having carried out recruitment campaigns.

Through the promotion and development of this channel, the Foundation promotes transparent and flexible communication with its followers and society, to which it transfers its actions and initiatives in the fight against accidents.

## Corporate volunteering

**The Línea Directa Group offers its employees the opportunity to join its volunteer network, which as of this year is named "Conmovedores Línea Directa". The network aims to promote social and environmental commitment and carry out actions with a great impact on the environment. Corporate Volunteering was launched in 2009 and currently has 178 volunteers.**

In 2022, Línea Directa Aseguradora's social action has undergone a significant development, effectively integrating into the sustainability strategy. At the beginning of the year, **"Movimiento Línea Directa"** was launched, with the purpose of making visible and encompassing social action, as well as framing volunteering in the company's Sustainability Plan. This relaunch initiative also

sought a call to action with the aim of involving more people in the community. This new direction of the volunteer network also aims to include social action and sustainability programs that accommodate all the solidarity concerns of the company's employees.

All volunteer actions in 'Conmovedores Línea Directa' have begun to align with the UN Sustainable Development Goals and the priorities have been inclusion, children, equality, sustainability, health, transparency, diversity and the elderly.

Corporate volunteering focuses on actions for children, young people and adults at risk of social exclusion, people with disabilities and women in situations of gender violence that add value to communities, strengthen organisational culture internally and enable the development of new competencies, skills and sensitivities among participating volunteers and in their professional environment.

The Group uses a tool to document, quantify and categorise social initiatives according to the type of activity carried out and the resources provided, in order to measure the contributions and impact of social action on society.

### **Inclusion volunteering (employment workshops)**

#### **Integra Foundation - Empowerment School**

No. of volunteers: **17**

No. of beneficiaries: **140**

Volunteer hours: **68 hours**

During the year, volunteers from Línea Directa Aseguradora conducted 9 employment workshops and job preparation days as part of the Integra Foundation's Escuela de Fortalecimiento job placement programme, focusing on these moments of truth in the job search:

- "Coping with the job interview".
- "Practising the job interview"
- "Group dynamics"
- "The interview: mistakes and successes"

In these workshops, examples and role plays were used to analyse and deal with the different situations that can arise during a job interview, both individually and in a group.

The beneficiaries of the Integra Foundation are people with disabilities, groups at risk of exclusion and women in situations of gender-based violence.

#### **Norte Joven Association**

No. of volunteers: **11**

No. of beneficiaries: **14**

Volunteer hours: **12 hours**

Línea Directa Group works with this association by carrying out corporate volunteering actions to help young people between 16 and 25 years old who are at risk of exclusion or vulnerability prepare for working life and integration into society. In April,



company volunteers held a job preparation day with two workshops, one to simulate personal job interviews and a group dynamics workshop. These workshops are part of the training programme these young people receive at the association. Based on the feedback and assessments from the interviews, the supervisors of these young people work with them individually on the aspects that will help them achieve full social and professional inclusion.

### **Foundation of Pediatric Psychology of Seville – Rehabilitation of vegetable garden**

The management team of Línea Directa Aseguradora collaborated for three days with the Foundation of Pediatric Psychology of Seville, together with the Randstand Foundation, rehabilitating an vegetable garden for its occupational centre and creating a space for the enjoyment of the people the centre serves.

The action has been done hand in hand with young people and adults with intellectual disabilities, thus promoting their integration and development.

No. of volunteers: **15**

No. of beneficiaries: **133**

Volunteer hours: **168 hours**

### **Integra Foundation – International Women's Day**

No. of volunteers: **16**

No. of beneficiaries: **15**

Volunteer hours: **16 hours**

On the occasion of International Women's Day on 8 March, the Línea Directa group organised a day for a group of women affected by gender-based violence, during which three different activities were carried out:

- Hiring workshop, in which the interview was conducted using role plays and in which each volunteer interviewed each candidate for about 15 minutes.
- Group dynamics with feedback from the volunteers.
- Listeners in the sales departments, issuing and receiving calls for one hour, each of them standing next to a sales manager, watching and listening to them make the call and dealings with customers.

### **Adopt a Grandparent - Hacker Grandparents**

The volunteers of Línea Directa Aseguradora have put their digital knowledge at the service of ten elderly people of the Domusvi residence in Tres Cantos and, with the help of Adopta un Abuelo, they have been offered training in new technologies.

With this action, the company contributes to minimising the digital divide among the elderly, promoting their autonomy. In addition, Línea Directa Aseguradora has donated a mobile phone to all the elderly participants.

No. of volunteers: **11**

No. of beneficiaries: **10**

Volunteer hours: **22 hours**

### **Environmental volunteering**

#### **Green patrols with Prodis**

No. of volunteers: **8**

No. of beneficiaries: **12**

Volunteer hours: **28 hours**

On the occasion of World Environment Day, a recycling activity was organised at the Línea Directa Campus with the Prodis Foundation and its green patrols.

This activity has offered employees knowledge on how to properly recycle waste, also enjoying a day of inclusion with young people with intellectual disabilities of the Prodis Foundation.

#### **Donation of CPUs and monitors**

No. of volunteers: **1** technician and **1** volunteer

No. of beneficiaries: **17** young people living in the Hogar el Olivo

Volunteer hours: **3 hours**

This year, we have donated 3 monitors and 1 CPU to Hogar el Olivo. These teams have been located in the study room of the residence, allowing a greater number of young people to access technological tools for educational purposes.

### **Give & Gain – Christmas solidarity campaigns**

The Corporate Volunteering and Solidarity Action Week, organised by Forética, aims to recognise and give visibility to the social initiatives and projects carried out by companies through volunteering. It is a benchmark initiative for corporate volunteering at international level. During this edition, Línea Directa Aseguradora proposed to include its two Christmas campaigns: "Solidarity Food Collection", with Banco de Solidaridad; and "Become a Wise Man", with Hogar el Olivo.

#### **Solidarity Food Collection, with Solidarity Bank**

This is a food bank that serves more than 300 families in the Madrid region. On this occasion, 300 kgs of food donated by Línea Directa Aseguradora employees were packaged in the form of Christmas packages, with the aim of bringing Christmas cheer to people who need it most.

No. of volunteers: **15** volunteers

No. of beneficiaries: **60** families living with food insecurity

Volunteer hours: **3 hours**

#### **Become a Wise Man, with Hogar el Olivo**

The network of volunteers organised to give clothes and toys for Christmas to the young people in this home run by the Autonomous Community of Madrid. The volunteers share with their colleagues the letters received with their wish lists and,

together, they collect donations so that the employees can become their own Three Wise Men.

No. of volunteers: **22** volunteers

No. of beneficiaries: **17** young people from Hogar el Olivo

Volunteer hours: **3 hours**

## Wellness and health

### IX Madrid Race against Cancer

Participants: **100**

Donation: **2,000€**

The Línea Directa Group has participated in the Run Against Cancer organised by the Spanish Association for Cancer Control (AECC) for four years. This year, the company bought 135 race bibs to encourage employees to participate and thus contribute to the purpose of the run, cancer research.

### Carrera Hay Salida ("There is a Way Out Race")

Participants: **50**

Donation: **2,000€**

As a member of the group "Companies for a Society without Gender Violence", Línea Directa Group co-sponsored "Hay Salida" (There is a Way Out), the solidarity run against gender violence organised by the Ministry of Equality in June. Each year, specific projects such as comprehensive support for victims and vulnerable groups, social awareness, training and prevention of victimisation are carried out. **Encouraging staff participation creates greater awareness of the problem faced by these women**, which helps to improve their lives and those of their children.

## Donations

### Foundation of Pediatric Psychology of Seville

For the rehabilitation of the vegetable garden and the construction of the pergola in its facilities by the company's management team, Línea Directa has donated €9,300 to the Foundation of Pediatric Psychology of Seville.

With this amount, the company has supported the Foundation of Pediatric Psychology of Seville in its efforts to provide support to people with intellectual disabilities and their families in the province of Seville, through services and programmes that take into account their interests at different stages of life, with an ethical commitment to promote their inclusion and rights.

### Cáritas with Ukraine

All profits from the sale of Línea Directa Aseguradora policies on Friday 8 April 2022 were donated to humanitarian aid for people affected by the war in Ukraine through Caritas.

The €35,000 collected by the company has been used to purchase food, provide shelter, psychological care and to assist in the safe evacuation of the most vulnerable.

### **Solidarity Market 2022 in favour of San Camilo**

All gifts that arrived at Christmas 2022 to Group employees from suppliers and other companies were donated to a charity market. This year, as part of the charity market, Línea Directa Aseguradora also made 20 recycled mobiles in good condition available at a symbolic price of €20. The final collection exceeded €2,000.

The market was organised by 15 volunteers, giving support to the professionals of San Camilo who were attending the Market. In the San Camilo geriatric residence live more than 150 elderly and dependent people. The funds collected have been used for products that improve the care and quality of life of the residents.

### **Partnerships**

- Randstad Foundation
- Aprocor Foundation
- Integra Foundation
- A la Par Foundation
- Solidarity Bank

- San Camilo Centre for the Humanisation of Health Care
- Norte Joven Association
- Cáritas
- Adopt a Grandparent
- AECC
- Hay salida ("There is a way out") (Ministry of Equality)
- Prodis Foundation

### **Subcontracting and suppliers**

**The engagement of new suppliers is subject to an approval process adapted to the needs of each business area and overseen by the Purchasing area. Before submitting the request to the Purchasing team, the requester must follow the procedures included in the Company's Purchasing Policy, including the recommendations of the Data Protection Office.**

**100%** of suppliers approved in 2022 have accepted the Code of Conduct for suppliers

**52%** of suppliers approved in 2022 have provided ESG information

## Responsible Purchasing Policy

The year 2022 has been a key milestone for the company's Purchasing department: Línea Directa has approved the **Responsible Purchasing Policy**, which sets out that suppliers will be encouraged to define a strategic plan on sustainability, with ESG criteria, to be in line and aligned with the company's commitment in this regard.

Additionally, non-financial criteria - environmental, social and governance - have also been included in the supplier evaluation and approval process.

## Supplier Code of Conduct

This policy mandates that all suppliers must adhere to the Supplier Code of Conduct approved by the Board of Directors. The purpose of this code is to ensure that all suppliers and contractors comply with the requirements of the United Nations Global Compact, promote sustainable development, ensure human rights, comply with labour regulations and promote environmental protection, among other things. In short, it aims to

ensure that suppliers share and respect the ethical values that guide the conduct of the Group and its employees.

The principles described in this Code of Conduct are an important part of the selection and evaluation of suppliers, and their non-compliance may also lead to termination of the contract.

## Outsourcing Policy

Moreover, any outsourcing of critical operational functions or activities is carried out in compliance with the requirements set out in the Outsourcing Policy, which has also been revised in 2022 and subsequently approved by the Board of Directors.

Number of approved suppliers in 2022	Number of active suppliers in 2022	% of active local suppliers in 2022
<b>494</b>	<b>119</b>	<b>92</b>

The Outsourcing Policy also defines the process to be followed and the requirements to be met by a service provider that is to carry out an activity considered critical, as provided by the policy.

## Supply chain: purchases from local suppliers

Línea Directa is committed to the development and growth of the Spanish productive fabric, as 75% of its active suppliers are local, the vast majority being small or medium-sized enterprises (SMEs).

## Assessment of critical suppliers

Periodically, the company evaluates the suppliers that carry out critical operations, resulting in an informative document that is

made available to management, with the aim of ensuring the good performance of those suppliers that play a key role in the critical operations of Línea Directa.

### **Environmental and sustainability requirements for suppliers**

Línea Directa, through its dialogue channels, asks a series of questions to all approved suppliers. These issues assess aspects related to the code of conduct, working conditions and human rights, occupational risk prevention, business ethics, conciliation, equality and diversity, personal data protection and the implementation of a corporate social responsibility policy.

### **Human Rights Due Diligence**

As part of the Human Rights Due Diligence process, Línea Directa has assessed the possible impacts of its supply chain in this area, as well as the processes and controls in place to mitigate them.

This assessment has identified a series of improvement actions to achieve greater control of the supply chain and thus reduce the probability of occurrence of impacts caused by a supplier's bad practices in human rights matters.

## **Customer service department**

**The Customer Service Department has the goal of guaranteeing service excellence in accordance with the provisions of the law**

**and the contract signed with the customer. For this purpose, the company analyses the information obtained from the complaints received and proposes different measures to the business areas with the goal of promoting the improvement of service and products.**

All the department's efforts aim to put the customer at the center of all decisions, for which the service processes that have motivated their complaint are reviewed, they are informed of any progress in the procedure, and they are kept promptly informed through the communication channel they choose.

In 2022, the company maintains very short response times in the resolution of complaints and claims, averaging 12.5 days.

The **Customer Service Department** acts with complete independence and is separate from the company's commercial services, which guarantees specialised attention to complaints and claims and a reasoned response to customers based on contractual clauses, transparency rules and the protection of their interests.

### **Activity Report of the Customer Service Department**

During the year 2022, the Customer Service Department resolved 5,809 files, of which 398 were complaints and 5,411 were claims, a decrease of 6.4% compared to 2021.

#### **DEVELOPMENT COMPLAINTS AND CLAIMS**



YEAR	COMPLAINTS	CLAIMS	TOTAL
2022	<b>398</b>	<b>5,411</b>	5,809
	<b>6.85%</b>	<b>93.15%</b>	
2021	<b>374</b>	<b>5,833</b>	6,207
	<b>6.03%</b>	<b>93.97%</b>	
2020	<b>665</b>	<b>7,052</b>	7,717
	<b>8.62%</b>	<b>91.38%</b>	

YEAR	APPLY	DO NOT APPLY	TOTAL
2022	<b>2,215</b>	<b>3,594</b>	5,809
	<b>38.13%</b>	<b>61.87%</b>	
2021	<b>2,190</b>	<b>4,017</b>	6,207
	<b>35.28%</b>	<b>64.74%</b>	
2020	<b>2,386</b>	<b>5,331</b>	7,717
	<b>30.92%</b>	<b>69.08%</b>	

\*Data extracted as at 01/01/2023 on claims closed in 2022 regardless of their submission date.

#### DISTRIBUTION BY THE DIFFERENT MANAGEMENT AREAS

AREA	PERCENTAGE	COMPLAINTS AND CLAIMS
Accident Management	<b>69.48%</b>	<b>4,036</b>
Quotations and Policy Management	<b>18.06%</b>	<b>1,049</b>
Quote and Close	<b>2.81%</b>	<b>163</b>
Additional Services	<b>5.78%</b>	<b>336</b>
Roadside Assistance	<b>3.10%</b>	<b>180</b>
Other	<b>0.77%</b>	<b>45</b>

The company seeks in any case to provide the customer with a solution to the complaint raised, always adapted to their particular needs and within the scope of best practices, the contract and the law.

In fact, Línea Directa has a **Customer Ombudsman**, who promotes transparency and protection of the interests of the insured and guarantees the use of best practices with binding resolutions for the company.

#### Activity Report of the Customer Ombudsman

In 2022, 428 complaints were resolved through the Customer Ombudsman, of which 287 (67%) were resolved in favour of the customer and 141 (33%) in favour of Línea Directa.

TOTAL COMPLAINTS RESOLVED BY THE CUSTOMER OMBUDSMAN	
<b>428</b>	
FAVOURABLE	UNFAVOURABLE
<b>287</b>	<b>141</b>
ESTIMATED	UNCONTESTED
<b>9</b>	<b>278</b>

\*Data provided by the Customer Ombudsman in its 2022 Report.

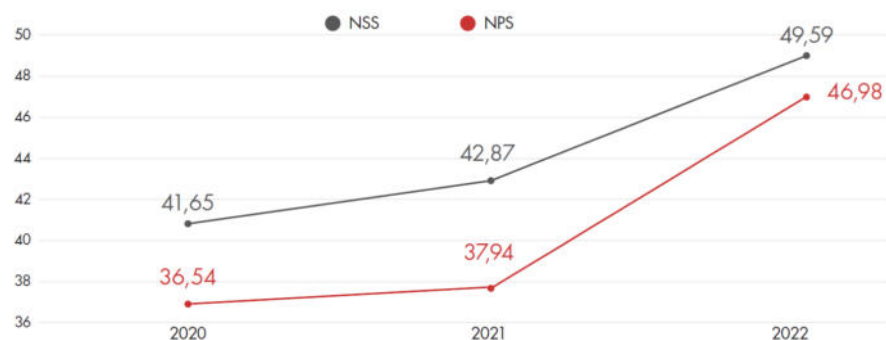
#### Service quality

The direct model, with no agents or intermediaries, offers a differential advantage over the traditional model: direct contact with customers. In this regard, knowing first-hand the needs of policyholders is a very useful tool when it comes to detecting

## areas for improvement and promoting a service based on innovation, quality and excellence.

Quality is one of the fundamental pillars of Línea Directa Aseguradora's business model. For this reason, the company has a **Quality System** that promotes, develops and implements a culture of excellence in all areas and actions of the company.

Meanwhile, Línea Directa's **Strategic Quality Plan** has a specific system for measuring all key business processes. This system, based on the **Net Promoter Score (NPS)**, attempts to determine **customer loyalty** by asking them whether they would recommend the company on a scale of 1 to 10. In this regard, the company's overall NPS closed the 2022 financial year with **46.98%**, which is a very notable improvement compared to previous years, as the **recommendation index** has increased by **7.8 points** compared to 2021 and by **9.3 points** compared to 2020.



Throughout 2022, quality measurement has been extended to new processes, always with the aim of guaranteeing excellence in service and identifying opportunities for improvement. In fact, given the importance that the **service is reaching through digital channels**, Línea Directa has begun to focus on these processes, setting very challenging objectives.

In addition to the NPS, Línea Directa Aseguradora works with other quality indicators, such as the degree of satisfaction with the attention of its telephone agents, in which customers assess their **satisfaction with the attention of the company's specialists**, as well as with the service received, with **the professionalism and treatment of the professionals being the most highly valued aspect**. Satisfaction with each service, whether after a call or after digital management, is assessed using the Net Satisfaction Score (NSS) indicator, which in 2022 stood at 49.59%, 6.7% higher than the NSS in 2021. As a result, the NSS target for 2022, which had been set to exceed the 2021 NSS, has been far exceeded.

In 2022, the company has also included improvements in the measurement of quality, incorporating new variables and adapting the management of results to the needs of each area, which optimises the accuracy of the categorisation of policyholders' suggestions. **The processes with the greatest room for improvement have also been reviewed**, taking into account customer comments and an exhaustive review of each file and each complaint or claim.

These analyses have been carried out in direct collaboration with the different areas with the goal of generating an action plan based on the conclusions obtained, which has been reported to the company's Management and the affected area. Additionally, all the information on policyholder assessments, data

analysis and customer suggestions is **reported to the Management Committee on a monthly basis**

## ANNEXES

### Annex I: Requirements of Law 11/2018 regarding non-financial information

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
<b>Business model</b>	Brief description of the Group's business model, which will include: 1.) its business environment, 2.) its organisation and structure, 3.) the markets in which it operates, 4.) its objectives and strategies, and 5.) the main factors and trends that may affect its future development.	2-1	Organization details	Purpose, mission, vision and values Business environment Business model Sustainability management	Pp. 182-215
		2-6	Activities, value chain and other business relationships		
		2-7	Employees		
		2-22	Statement on sustainable development strategy		
<b>Policies</b>	A description of the policies pursued by the group in relation to those matters, including 1.) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts. 2.) the verification and control procedures, including what measures have been taken.	3-3	Management of material topics	Purpose, mission, vision and values Sustainability management	Pp. 182-191 Pp. 209-191
<b>Short-term, medium-term and long-term risks</b>	The main risks in relation to matters associated with the group's operations including, when relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and * how the group manages those risks, * explaining the procedures used to detect and assess the risks in accordance with national, European or international reference frameworks for each topic. * Should include information on the impacts detected, with the related breakdown, in particular on the main short-, medium- and long-term risks.	3-3	Management of material topics	Risk management model	Pp. 235-243
<b>KPIs</b>	Non-financial key performance indicators that are relevant to the particular business activity and that meet criteria of comparability, materiality, relevance and reliability. * In order to facilitate the comparison of information, both over time and among entities, certain standards for non-financial key performance indicators that may be generally applied and that comply with the guidelines of the European Commission in this regard and the Global Reporting Initiative standards will be used, whereby the national, European or international framework used for each area must be specified in the report. * The non-financial key performance indicators must be applied to each section of the non-financial statement. * These indicators must be useful, taking into account the specific circumstances that are consistent with the parameters used in their internal risk management and assessment procedures. * In any case, the disclosures must be accurate, comparable and verifiable.	1-3	Reporting in accordance with the GRI Standards	Reported in the NFS	

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
Environmental issues	Global environment				
	1.) Detailed information on the actual and potential impacts of the company's operations on the environment and, where applicable, health and safety, the assessment procedures or environmental certificate; 2.) The resources allocated to the prevention of environmental risks; 3.) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. arising from the Environmental Responsibility Act)	3-3	Management of material topics	Climate Change Governance and Management Risks and opportunities in the face of climate change Carbon footprint Environmental management system Biodiversity Adaptation to climate change	Pp. 244-252
		2-23	Policy commitments		
		3-3	Management of material topics		
		201-2	Financial implications and other risks and opportunities due to climate change		
		308-1	New suppliers that were screened using environmental criteria	Subcontracting and suppliers	Pp. 291
	Pollution				
	1.) Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment;  2.) Taking into account any form of activity-specific air pollution, including noise and light pollution.	3-3	Management of material topics	Climate Change Governance and Management Risks and opportunities in the face of climate change Carbon footprint Environmental management system Biodiversity Adaptation to climate change	Pp. 244-252
		305-5	Reduction of GHG emissions		
	Circular economy and waste prevention and management				
	Circular economy	3-3	Management of material topics	Environmental management system: Waste Management	Pp. 248-249
	Waste: Prevention measures, recycling, reuse and other forms of recovery and elimination of waste;	3-3	Management of material topics	Environmental management system: Waste Management	Pp. 248-249
		306-1	Waste generation and significant waste-related impacts		
		306-2	Management of significant waste-related impacts	Annex: Environmental indicators	Pp. 305
		306-3	Waste generated		
	Actions to combat food waste.	3-3	Management of material topics	About this report	Pp. 180-181
	Sustainable use of resources				

	The consumption of water and the supply of water in accordance with local restrictions;	303-5	Water consumption	Annex: Environmental indicators	Pág. 305
	Consumption of raw materials and the measures taken to improve efficiency in their use;	3-3	Management of material topics	Environmental management system	Pp. 247-249 Pp. 305
		301-1	Materials used by weight or volume	Annex: Environmental indicators	
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy.	3-3	Management of material topics	Environmental management system	Pp. 247-249
		302-1	Energy consumption within the organization	Annex: Environmental indicators	Pp. 305
		302-3	Energy intensity		
		302-4	Reduction of energy consumption		
Environmental issues	Climate change				
	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services produced;	3-3	Management of material topics	Carbon footprint	Pp. 246-247
		305-1	Direct (Scope 1) GHG emissions	Annex: Environmental indicators	Pp. 305
		305-2	Energy indirect (Scope 2) GHG emissions		
		305-5	GHG emissions intensity		
	The measures adopted to adapt to the consequences of climate change;	3-3	Management of material topics	Riesgo y oportunidades del cambio climático	Pp. 245-246
		201-2	Financial implications and other risks and opportunities due to climate change	Annex: Environmental indicators	Pp. 245-246
	The voluntarily established medium- and long-term emission reduction targets to reduce greenhouse gas emissions and the measures implemented for this purpose.	3-3	Management of material topics	Environmental management system	Pp. 247-249 Pp. 305
		305-5	Reduction of GHG emissions	Annex: Environmental indicators	
	Biodiversity protection				
	Measures taken to preserve or restore biodiversity;	3-3	Management of material topics	Biodiversity	Pp. 249
	Impacts caused by activities or operations in protected areas.				
	Taxonomy				
	Eligibility of business activities according to the Taxonomy	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and delegated regulations mentioned		Adaptation to climate change	Pp. 249-252



Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
Social and personal issues	<b>Employment</b>				
	Total number and distribution of employees by gender, age, country and professional classification	3-3	Management of material topics	Talent attraction Talent management	Pp. 259-264
		2-7	Employees	Annex: People indicators	Pp. 306-307
		405-1	Diversity of governance bodies and employees		
	Total number and distribution of work contracts by type,	2-7	Employees	Annex: People indicators	Pp. 306-307
	Annual average of permanent, temporary and part-time contracts by gender, age and professional category,	2-7	Employees	Annex: People indicators	Pp. 308-310
		405-1	Diversity of governance bodies and employees		
	Number of dismissals by gender, age and professional category;	401-1	New employee hires and employee turnover	Annex: People indicators	Pp. 321-325
	Average salaries and their progress broken down by sex, age and professional classification or equal value;	3-3	Management of material topics	Corporate remuneration and benefits	Pp. 269-271
		405-2	Ratio of basic salary and remuneration of women to men	Annex: People indicators	Pp. 317-319
	Pay gap, remuneration for equal or average jobs in society,	3-3	Management of material topics	Corporate remuneration and benefits	Pp. 269-271 Pp. 271-272
	Average remuneration of directors and executives, including variable remuneration, attendance fees, severance payments, payments to long-term savings schemes and any other compensation broken down by gender	405-2	Ratio of basic salary and remuneration of women to men	Annex: People indicators	Pp. 269-271
		3-3	Management of material topics	Corporate Governance System	Pp. 216-224
		102-35, 2-19	Remuneration policies		

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
Social and personal issues	Implementation of labour disconnect policies,	3-3	Management of material topics	Employee wellness, work-life balance and digital disconnection policy	Pp. 267-268
	Employees with disabilities	3-3	Management of material topics	Disability and accessibility	Pp. 276-277
		405-1	Diversity of governance bodies and employees		
	Organisation of work				
	Organisation of work time	3-3	Management of material topics	Employee wellness, work-life balance and digital disconnection policy	Pp. 265-268
	Number of hours of absenteeism	403-9	Work-related injuries	Annex: People indicators	Pp. 326
		403-10	Work-related ill health		
	Measures aimed at facilitating work-life balance and promoting shared responsibility of both parents.	3-3	Management of material topics	Employee wellness, work-life balance and digital disconnection policy	Pp. 265-268
	Health and safety				
	Health and safety conditions in the work place;	3-3	Management of material topics	Health and safety	Pp. 272-273
		403-1	Occupational health and safety management system		
		403-2	Hazard identification, risk assessment, and incident investigation		
		403-3	Occupational health services		
		403-4	Worker participation, consultation, and communication on occupational health and safety		
		403-6	Promotion of worker health		
		403-8	Workers covered by an occupational health and safety management system		
	Occupational accidents, in particular their frequency and seriousness; Occupational illnesses, broken down by gender.	403-9	Work-related injuries	Annex: People indicators	Pp. 326
		403-10	Work-related ill health		

Social relationships					
	Organisation of social dialogue, including procedures for notifying and consulting personnel and negotiating with them;	3-3	Management of material topics	Employee relations	Pp. 273-276
	Percentage of employees covered by collective bargaining agreements by country;	2-30	Collective bargaining agreements	Employee relations	Pp. 275-276
	Balance of collective bargaining agreements, in particular with regard to occupational health and safety.	3-3	Management of material topics	Health and Safety	Pp. 272-273
		403-4	Worker participation, consultation, and communication on occupational health and safety		
	Mechanism and procedures that the company has in place to promote the involvement of workers in the management of the company, in terms of information, consultation and participation.	3-3	Management of material topics	Employee relations	Pp. 273-276
	Training				
	Policies implemented with regard to training;	3-3	Management of material topics	Talent management	Pp. 261-264
404-2		Programs for upgrading employee skills and transition assistance programs			
Total number of hours of training by professional category;	404-1	Average hours of training per year per employee	Annex: People indicators	Pp. 328	
Universal accessibility for persons with disabilities	3-3	Management of material topics	Disability and accessibility	Pp. 276-277	

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
Social and personal issues	Equality				
	Measures adopted to promote equal treatment and opportunities for men and women;	3-3	Management of material topics	Diversity and equality	Pp. 255-259
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for effective equality of men and women), measures adopted to promote employment, protocols against sexual and gender harassment, the integration and universal accessibility for disabled persons;				
	Policy against all types of discrimination and, where applicable, for diversity management.				

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
Human rights	Application of due diligence processes with regard to human rights	3-3	Management of material topics	Guiding principles on business and human rights	Pp. 233-234
	Prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and repair potential abuses committed	2-23	Policy commitments		
		2-26	Mechanisms for seeking advice and raising concerns		
	Reports of cases human rights violations;	3-3	Management of material topics	Guiding principles on business and human rights	Pp. 234-235
		406-1	Incidents of discrimination and corrective actions taken		
	Promotion and compliance with the provisions of the core conventions of the International Labour Organization related to respect for the freedom of association and the right to collective bargaining;	3-3	Management of material topics	Health and safety	Pp. 272-273
	The elimination of discrimination in employment and occupation;	3-3	Management of material topics	Guiding principles on business and human rights	Pp. 233-234
	The elimination of forced or compulsory labour;	406-1	Incidents of discrimination and corrective actions taken		
	The effective abolition of child labour.				

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
<b>Corruption and bribery</b>	Measures adopted to prevent corruption and bribery.	3-3	Management of material topics	Ethics and compliance	Pp. 224-229
		2-23	Policy commitments		
		2-26	Mechanisms for seeking advice and raising concerns		
		205-3	Confirmed incidents of corruption and actions taken		
	Measures to combat money laundering.	205-2	Communication and training about anti-corruption policies and procedures	Ethics and compliance	Pp. 228-229
	Contributions to foundations and NGOs	413-1	Operations with local community engagement, impact assessments, and development programs	Society	Pp. 278-279

Areas	Content	Associated GRI Standards	GRI description	Chapter of the Report	Page of the Report
<b>Society</b>	<b>The company's commitment to sustainable development</b>				
	The impact of the company's activity on employment and local development;	3-3	Management of material topics	Linea Directa Foundation, a leader in road safety	Pp. 282-286
		203-1	Infrastructure investments and services supported	Linea Directa Foundation, a leader in road safety	Pp. 282-286
		203-2	Significant indirect economic impacts		
		413-1	Operations with local community engagement, impact assessments, and development programs		
	The impact of the company's activity on local populations and the region;	203-1	Infrastructure investments and services supported	Corporate volunteering	Pp. 286-290
		203-2	Significant indirect economic impacts		

	413-1	Operations with local community engagement, impact assessments, and development programs		
The relationships with the main players in local communities and the types of dialogue with them;	2-29	Approach to stakeholder engagement	Corporate volunteering	Pp. 286-290
	413-1	Operations with local community engagement, impact assessments, and development programs		
Association or sponsorship actions.	2-28	Membership associations	Society	Pp. 278-279
Subcontracting and suppliers				
* The inclusion of social, gender equality and environmental issues in procurement policies;  * Consideration of social and environmental responsibility in relationships with suppliers and subcontractors;	2-6	Activities, value chain and other business relationships	Subcontracting and suppliers	Pp. 291-292
	3-3	Management of material topics		
	308-1	New suppliers that were screened using environmental criteria		
	414-1	New suppliers that were screened using social criteria		
Supervision and audit systems and their results.	3-3	Management of material topics	Subcontracting and suppliers	Pp. 291-292
Consumers				
Measures for the health and safety of consumers;	3-3	Management of material topics	Customer service Service quality	Pp. 292-294
	416-1	Assessment of the health and safety impacts of product and service categories		
Systems for claims, complaints received and resolution	3-3	Management of material topics	Customer service	Pp. 292-293
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
Tax information				

	Profit obtained country-by-country, Taxes paid on profits	3-3	Management of material topics	Ethics and compliance: Tax practices	Pp. 226-228
	Public subsidies received	201-4	Financial assistance received from government	Ethics and compliance: Tax practices	Pp. 226-228

## Annex II: Director jurisdiction matrix

Jurisdiction				D. Alfonso Botín-Sanz de Sautuola y Naveda	D <sup>a</sup> . Patricia Ayuela Rueda	D. John de Zulueta Greenebaum	D <sup>a</sup> . Ana María Plaza Arregui	D <sup>a</sup> . Rita Estévez Luaña	D <sup>a</sup> . Elena Otero-Novas Miranda	D. Fernando Masaveu Herrero
1	Regulated sectors	Insurance, banking and stock exchange	1.1 Insurance	x	x	x	x	x	x	x
			1.2 Banking	x	x	x		x		x
			1.3 Stock exchange	x		x	x		x	x
2	Financial and risks	Finance and accounting Audit and risk management	2.1 Finance and accounting	x	x	x	x	x		x
			2.2 Audit and risk management	x		x	x		x	x
3	Digital transformation	Digitalisation and new technologies Cybersecurity Regulatory compliance	3.1 Digitalisation and new technologies	x	x	x	x	x		
			3.2 Cybersecurity and data protection	x		x		x	x	
			3.3 Regulatory compliance	x		x	x	x	x	x
4	Diversity	Diversity of gender, nationality and age	4.1. Gender	Men	Women	Men	Women	Women	Women	Men
			4.2. Nationality	Spanish	Spanish	American	Spanish	Spanish	Spanish	Spanish
			4.3. Age (<50) (51-60) (>60)	Between 50 and 60	< 50	>60	Between 50 and 60	< 50	Between 50 and 60	Between 50 and 60
5	ESG	Experience and training in ESG matters	5. ESG matters	x		x	x	x	x	x
6	Customers	Comercial and marketing Quality Consumers	6.1 Commercial and marketing	x	x	x		x		x
			6.2 Quality and consumers		x	x			x	x
7	Strategy	Strategy. Business development	7. Strategy and business development	x	x	x	x	x	x	x
8	International	International experience	8. International experience	x	x	x	x	x	x	x
9	Boards	Experience on other boards	9. Experience on other boards	x	x	x	x	x	x	x
10	People	People management. Talent and remuneration	10. People management. Talent and remuneration	x	x	x		x	x	x



## Annex III: Environmental indicators

	2019	2020	2021	2022
CONSUMO ENERGÉTICO				
Diesel (l)	19,447.75	10,475	8,319.7	11,547
Diesel (MWh)	190.59	102.66	81.5	111.77
Natural Gas (MWh)	2,950.01	2,414.99	3,143.34	2,414.5
Electricity (MWh)	5,630.4	4,762.6	5,209.9	5,223.1
Self-generated electricity (MWh)	-	-	-	318.4
% electricity from renewable sources	70.12%	63.7%	0%	69.1%
Electricity from renewable sources (MWh)	1,682.33	1,728.71	0	3,611.47
Electricity from non-renewable sources (MWh)	3,948.14	3,033.95	5,209.92	1,611.64
<b>Total energy</b>	<b>5,630.17</b>	<b>4,762.66</b>	<b>5,209.92</b>	<b>5,223.11</b>

	2019	2020	2021	2022	Objetivo (%22 vs. 21)
CARBON FOOTPRINT					
SCOPE 1					-50% Scope 1 and 2
Scope 1: Direct CO2 emissions (tonCO2e)	654.7	469.6	602.3	470.95	
SCOPE 2					
Scope 2 (market-based) indirect CO2 emissions from electricity consumed (tonCO2e)	1,459.8	431.7	1,178.3	395.96	
Scope 2 (location-based) indirect CO2 emissions from electricity consumed (tonCO2e)*	1,459.8	1,190.6	1,178.3	1,239.86	
SCOPE 3					
Scope 3 CO2 emissions from water	7.56	3.97	4.58	2.4	
Scope 3 CO2 emissions from paper**	59.1	25.7	16.5	0.2	
Scope 3 CO2 emissions from business trips	26.33	6.9	7	22.01	
Scope 3 CO2 emissions from employee travel to and from work	2,690.5	1,305.3	2,296.4	2,653.4	
Scope 1 intensity (tonCO2e/average staff)	0.27	0.19	0.23	0.19	
Scope 2 intensity (tonCO2e/average staff)	0.61	0.17	0.46	0.15	
Intensity (Scope 1 + Scope 2)	0.88	0.36	0.69	0.34	

\* An improvement in the calculation of Scope 1 and Scope 2 emissions has been implemented in 2021.

\*\* An improvement in the calculation of paper emissions has been implemented in 2021.

	2019	2020	2021	2022
WATER CONSUMPTION				
Drinking water (ml)	23.5	12.43	14.32	16.12
WASTE MANAGEMENT				
Total waste (Kg)	-	-	107,822	112,042
Hazardous waste (Kg)	-	-	35,715	40,435
Non-hazardous waste (Kg)	-	-	72,106	71,608
Paper (Kg)	-	-	14,839	17,898
Plastic (Kg)	-	-	16,976	14,010
Other non-hazardous waste	-	-	40,291	39,700
<b>WASTE RECOVERY</b>				
Waste recycled/reused (Kg)	-	-	97,332	81,156
Discarded waste (Kg)	-	-	0	0
Waste sent to landfill (Kg)	-	-	0	0
Incinerated waste (with or without recovery) (Kg)	-	-	0	20,202
Wastes disposed of in other ways, please specify (Kg)	-	-	0	0
Wastes with unknown disposal method (Kg)	-	-	10,490	10,684

	2019	2020	2021	2022
ENVIRONMENTAL CERTIFICATION SCOPE				
Occupants in environmentally certified centers (%)	-	-	76%	76%
RAW MATERIAL CONSUMPTION				
Paper consumption (Kg)	30,538	18,520	11,712	9,705
Toner consumption (Kg)	-	-	30.8	23.4

## Annex IV: People indicators

### Staff data at year-end

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Total staff</b>	<b>1,095</b>	<b>1,466</b>	<b>2,561</b>	<b>1,096</b>	<b>1,480</b>	<b>2,576</b>	<b>1,068</b>	<b>1,432</b>	<b>2,500</b>
<b>Distribution of staff by seniority and gender</b>									
<=5	568	618	1,186	557	599	1,156	510	542	1,052
6-15	369	528	897	325	452	777	293	380	673
16-25	156	319	475	207	417	624	256	471	727
>25	2	1	3	7	12	19	9	39	48
<b>Distribution of staff by age and gender</b>									
<30	110	144	254	104	131	235	102	129	231
>=30 and <50	852	1061	1913	826	1,054	1,880	771	968	1,739
>=50	133	261	394	166	295	461	195	335	530
<b>Distribution of staff by professional group and gender</b>									
Directors	36	35	71	35	35	70	37	37	74
Expert professionals	180	171	351	189	176	365	187	169	356
Professionals	366	413	779	283	422	705	264	412	676
Staff	513	847	1,360	589	847	1,436	580	814	1,394
<b>Distribution of staff by type of contract and gender</b>									
Permanent	1,031	1,386	2,417	1,050	1,444	2,494	1,050	1,417	2,467
Temporary	64	80	144	46	36	82	18	15	33
<b>Distribution of staff by type of working day and gender</b>									
Full-time	703	620	1,323	709	631	1,340	720	664	1,384
Part-time	392	846	1,238	387	849	1,236	348	768	1,116

	2020	2021	2022
<b>Percentage of nationalities in relation to total staff (%)</b>			
Spain	95.4%	95.4%	95.7%
Venezuela	1.1%	1.3%	1.5%
Peru	0.7%	6.0%	0.5%
Other nationalities with a weight less than 0.5% of total	2.8%	2.7%	2.4%
<b>Total number of nationalities</b>	<b>29</b>	<b>28</b>	<b>24</b>

## PEOPLE INDICATORS

### Staff data at year-end

	2020			2021			2022		
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total
<b>Total staff</b>	1,323	1,238	2,561	1,340	1,236	2,576	1,384	1,116	2,500
<b>Distribution of average staff by seniority and gender</b>									
<=5	371	815	1,186	362	794	1,156	392	660	1,052
6-15	566	331	897	469	308	777	382	291	673
16-25	383	92	475	491	133	624	568	159	727
>25	3	0	3	18	1	19	42	6	48
<b>Distribution of staff by age and type of contract</b>									
<30	55	199	254	59	176	235	73	158	231
>=30 and <50	1,010	903	1,913	972	908	1,880	956	783	1,739
>=50	258	136	394	309	152	461	355	175	530
<b>Distribution of staff by professional group and type of contract</b>									
Directors	71	1	72	70	0	70	74	0	74
Expert professionals	317	31	348	333	32	365	326	30	356
Professionals	654	112	766	599	106	705	566	110	676
Staff	281	1,094	1,375	338	1,098	1,436	418	976	1,394
<b>Distribution of staff by type of contract and type of working day</b>									
Permanent	1,301	1,116	2,417	1,320	1,174	2,494	1,371	1,096	2,467
Temporary	22	122	144	20	62	82	13	20	33

	2020			2021			2022		
	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total
<b>Total staff</b>	<b>2,417</b>	<b>144</b>	<b>2,561</b>	<b>2,494</b>	<b>82</b>	<b>2,576</b>	<b>2,467</b>	<b>33</b>	<b>2,500</b>
<b>Distribution of average staff by seniority and gender</b>									
<=5	1,042	144	1,186	1,074	82	1,156	1,019	33	1,052
6-15	897	0	897	777	0	777	673	0	673
16-25	475	0	475	624	0	624	727	0	727
>25	3	0	3	19	0	19	48	0	48
<b>Distribution of average staff by age and gender</b>									
<30	211	43	254	213	22	235	214	17	231
>=30 and <50	1,823	90	1,913	1,830	50	1,880	1,724	15	1,739
>=50	383	11	394	451	10	461	529	1	530
<b>Distribution of staff by professional group and type of contract</b>									
Directors	72	0	72	70	0	70	74	0	74
Expert professionals	348	0	348	365	0	365	356	0	356
Professionals	752	14	766	701	4	705	675	1	676
Staff	1,245	130	1,375	1,358	78	1,436	1,362	32	1,394

## PEOPLE INDICATORS

### Average staff data

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Average headcount</b>	<b>1,085.7</b>	<b>1,422.4</b>	<b>2,508.1</b>	<b>1,098.0</b>	<b>1,481.3</b>	<b>2,579.3</b>	<b>1,078.2</b>	<b>1,459.9</b>	<b>2,538.1</b>
<b>Distribution of average staff by seniority and gender</b>									
<=5	560.4	587.9	1,148.3	565.8	619.1	1,184.9	532.7	577.5	1,110.2
6-15	385.1	537.7	922.8	345.0	486.3	831.3	300.1	400.3	700.3
16-25	139.0	296.7	435.7	181.0	368.7	549.7	237.9	451.0	688.9
>25	1.2	0.2	1.3	6.2	7.3	13.5	7.5	31.2	38.7
<b>Distribution of average staff by age and gender</b>									
<30	129.4	142.9	272.3	109.6	143.1	252.7	99.0	131.4	230.4
>=30 y <50	833.0	1,043.5	1,876.5	841.3	1,058.3	1,899.5	794.8	1,006.4	1,801.2
>=50	123.3	236.0	359.3	147.2	280.0	427.2	184.4	322.1	506.5
<b>Distribution of average staff by professional group and gender</b>									
Directors	35.3	35.8	71.0	34.9	35.0	69.9	35.3	36.2	71.4
Expert professionals	194.9	193.3	388.4	184.4	175.8	360.2	189.9	171.3	361.3
Professionals	340.3	337.8	678.0	278.3	419.4	697.7	274.8	419.7	694.5
Staff	515.3	855.4	1,370.7	600.4	851.2	1,451.6	578.2	832.8	1,410.9
<b>Distribution of average staff by type of contract and gender</b>									
Permanent	1,019.8	1,352.3	2,372.1	1,039.6	1,417.2	2,456.8	1,046.1	1,421.3	2,467.3
Temporary	65.9	70.1	136.0	58.4	64.2	122.6	32.1	38.7	70.8
<b>Distribution of average staff by type of working day and gender</b>									
Full-time	700.8	610.9	1,311.7	703.6	626.5	1,330.1	688.8	640.0	1,328.8
Part-time	384.9	811.5	1,196.4	394.4	854.8	1,249.3	389.4	819.9	1,209.3

## PEOPLE INDICATORS

### Average staff data

	2020			2021			2022		
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total
<b>Average headcount</b>	1,311.7	1,196.4	2,508.1	1,330.1	1,249.3	2,579.3	1,328.8	1,209.4	2,538.1
<b>Distribution of average staff by seniority and type of working day</b>									
<=5	367.8	780.5	1,148.3	367.9	817.0	1,184.9	349.1	761.1	1,110.2
6-15	588.9	333.8	922.8	512.0	319.3	831.3	405.1	295.3	700.3
16-25	353.6	82.1	435.7	436.8	112.9	549.7	540.9	148.0	688.9
>25	1.3	-	1.3	13.4	0.1	13.5	33.7	5.0	38.7
<b>Distribution of average staff by age and type of working day</b>									
<30	63.7	208.7	272.3	56.3	196.3	252.7	57.8	172.6	230.4
>=30 and <50	1,009.3	867.2	1,876.5	990.6	908.9	1,899.5	936.3	864.9	1,801.2
>=50	238.7	120.6	359.3	283.2	144.0	427.2	334.7	171.8	506.5
<b>Distribution of average staff by professional group and type of working day</b>									
Directors	70.9	1.0	71.0	69.9	-	69.9	71.4	-	71.4
Expert professionals	347.3	41.2	388.4	327.8	32.4	360.2	331.1	30.2	361.3
Professionals	591.8	86.3	678.0	591.5	106.2	697.7	585.7	108.8	694.5
Staff	301.8	1,068.9	1,370.7	340.9	1,110.7	1,451.6	340.6	1,070.3	1,410.9
<b>Distribution of average staff by type of contract and type of working day</b>									
Permanent	1,294.2	1,077.9	2,372.1	1,312.3	1,144.4	2,456.8	1,312.0	1,155.3	2,467.3
Temporary	17.5	118.5	136.0	17.8	104.8	122.6	16.8	54.0	70.8

## PEOPLE INDICATORS

### Average staff data

	2020			2021			2022		
	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total
<b>Average headcount</b>	<b>2,372.1</b>	<b>136.0</b>	<b>2,508.1</b>	<b>2,456.8</b>	<b>122.6</b>	<b>2,579.3</b>	<b>2,467.3</b>	<b>70.8</b>	<b>2,538.1</b>
<b>Distribution of average staff by seniority and type of contract</b>									
<=5	1,012.3	136.0	1,148.3	1,062.3	122.6	1,184.9	1,039.4	70.8	1,110.2
6-15	922.8	-	922.8	831.3	-	831.3	700.3	-	700.3
16-25	435.7	-	435.7	549.7	-	549.7	688.9	-	688.9
>25	1.3	-	1.3	13.5	-	13.5	38.7	-	38.7
<b>Distribution of average staff by age and type of contract</b>									
<30	224.4	47.9	272.3	211.2	41.5	252.7	204.5	25.9	230.4
>=30 and <50	1,800.8	75.8	1,876.5	1,825.5	74.0	1,899.5	1,764.2	37.0	1,801.2
>=50	346.9	12.3	359.3	420.1	7.1	427.2	498.7	7.8	506.5
<b>Distribution of average staff by professional group and type of contract</b>									
Directors	71.0	-	71.0	69.9	-	69.9	71.4	-	71.4
Expert professionals	387.1	2.7	388.4	360.0	0.2	360.2	361.3	-	361.3
Professionals	667.9	10.1	678.0	695.4	2.3	697.7	693.1	1.4	694.5
Staff	1,246.1	123.2	1,370.7	1,331.4	120.2	1,451.6	1,341.6	69.3	1,410.9

## PEOPLE INDICATORS

### Data of hires in the Group

	2020			2021			2022		
	Additions	Period-end headcount	Hiring rate	Additions	Period-end headcount	Hiring rate	Additions	Period-end headcount	Hiring rate
<b>Total</b>	<b>272</b>	<b>2,561</b>	<b>10.62%</b>	<b>298</b>	<b>2,576</b>	<b>11.57%</b>	<b>279</b>	<b>2,500</b>	<b>11.2%</b>
<b>Hires in the Group by gender</b>									
<b>Men</b>	<b>114</b>	<b>1,095</b>	<b>10.4%</b>	<b>140</b>	<b>1,096</b>	<b>12.8%</b>	<b>129</b>	<b>1,068</b>	<b>12.1%</b>
New hire	110		10.05%	133		12.14%	121		11.33%
Rehire	4		0.37%	7		0.64%	8		0.75%
<b>Women</b>	<b>158</b>	<b>1,466</b>	<b>10.8%</b>	<b>158</b>	<b>1,480</b>	<b>10.7%</b>	<b>150</b>	<b>1,432</b>	<b>10.5%</b>
New hire	148		10.10%	139		9.39%	136		9.50%
Rehire	10		0.68%	19		1.28%	14		0.98%
<b>Hires in the Group by age</b>									
<b>&lt;30</b>	<b>85</b>	<b>254</b>	<b>33.5%</b>	<b>109</b>	<b>235</b>	<b>46.4%</b>	<b>119</b>	<b>231</b>	<b>51.5%</b>
New hire	83		32.68%	105		44.68%	116	-	50.22%
Rehire	2		0.79%	4		1.70%	3	-	1.30%
<b>&gt;=30 and &lt;50</b>	<b>165</b>	<b>1,913</b>	<b>8.6%</b>	<b>171</b>	<b>1,880</b>	<b>9.1%</b>	<b>138</b>	<b>1,739</b>	<b>7.9%</b>
New hire	154		8.05%	152		8.09%	122	-	7.02%
Rehire	11		0.58%	19		1.01%	16	-	0.92%
<b>&gt;=30 and &lt;50</b>	<b>22</b>	<b>394</b>	<b>5.6%</b>	<b>18</b>	<b>461</b>	<b>3.9%</b>	<b>22</b>	<b>530</b>	<b>4.2%</b>
New hire	21		5.33%	15		3.25%	19	-	3.58%
Rehire	1		0.25%	3		0.65%	3	-	0.57%



## PEOPLE INDICATORS

### Data of hires in the Group

	2020			2021			2022		
	Additions	Period-end headcount	Hiring rate	Additions	Period-end headcount	Hiring rate	Additions	Period-end headcount	Hiring rate
<b>Hires in the Group by professional group</b>									
<b>Directors</b>	1	72	1.4%	1	70	1.4%	4	74	5.4%
New hire	1		1.4%	1		1.4%	4		5.41%
Rehire	0		0.0%	0		0.0%	0		0.00%
<b>Expert professionals</b>	26	348	7.5%	29	365	7.9%	9	356	2.5%
New hire	26		7.5%	28		7.7%	7		1.97%
Rehire	0		0.0%	1		0.3%	2		0.56%
<b>Professionals</b>	20	766	2.6%	39	705	5.5%	18	676	2.7%
New hire	18		2.3%	32		4.5%	10		1.48%
Rehire	2		0.3%	7		1.0%	8		1.18%
<b>Staff</b>	225	1,375	16.4%	229	1,436	15.9%	248	1,394	17.8%
New hire	213		15.5%	211		14.7%	236		16.93%
Rehire	12		0.9%	18		1.3%	12		0.86%

### New hire data

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	110	148	258	133	139	272	121	136	257
<b>Type of contract in new hire</b>									
<b>Permanent</b>	27	17	44	49	20	69	73	44	117
<b>Temporary</b>	83	131	214	84	119	203	48	92	140
<b>New hires by type of working day</b>									
<b>Full-time</b>	36	21	57	55	18	73	49	12	61
<b>Part-time</b>	74	127	201	78	121	199	72	124	196

## PEOPLE INDICATORS

### New hire data

2020									
	Additions			Period-end headcount			Hiring rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	<b>110</b>	<b>148</b>	<b>258</b>	<b>1,095</b>	<b>1,466</b>	<b>2,561</b>	<b>10.0%</b>	<b>10.1%</b>	<b>10.1%</b>
<b>New hires by professional group</b>									
Directors	0	1	1	36	36	72	0.0%	2.8%	1.4%
Expert professionals	14	12	26	181	167	348	7.7%	7.2%	7.5%
Professionals	12	6	18	359	407	766	3.3%	1.5%	2.3%
Staff	84	129	213	519	856	1,375	16.2%	15.1%	15.5%
2021									
	Additions			Period-end headcount			Hiring rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	<b>133</b>	<b>139</b>	<b>272</b>	<b>1,480</b>	<b>1,096</b>	<b>2,576</b>	<b>9.0%</b>	<b>12.7%</b>	<b>10.6%</b>
<b>New hires by professional group</b>									
Directors	1	0	1	35	35	70	2.9%	0.0%	1.4%
Expert professionals	19	9	28	176	189	365	10.8%	4.8%	7.7%
Professionals	25	7	32	422	283	705	5.9%	2.5%	4.5%
Staff	88	123	211	847	589	1,436	10.4%	20.9%	14.7%
2022									
	Additions			Period-end headcount			Hiring rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	<b>121</b>	<b>136</b>	<b>257</b>	<b>1,068</b>	<b>1,432</b>	<b>2,500</b>	<b>11.3%</b>	<b>9.5%</b>	<b>10.3%</b>
<b>New hires by professional group</b>									
Directors	2	2	4	37	37	74	5.4%	5.4%	5.4%
Expert professionals	7	0	7	187	169	356	3.7%	0.0%	2.0%
Professionals	5	5	10	264	412	676	1.9%	1.2%	1.5%
Staff	107	129	236	580	814	1,394	18.4%	15.8%	16.9%

## PEOPLE INDICATORS

### Performance evaluation data

	2020			2021			2022		
	Evaluated	People at closing	%	Evaluated	People at closing	%	Evaluated	People at closing	%
<b>Total staff</b>	<b>2,506</b>	<b>2,561</b>	<b>97.9%</b>	<b>2,544</b>	<b>2,576</b>	<b>98.8%</b>	<b>2,451</b>	<b>2,500</b>	<b>98.0%</b>
<b>Employees who have participated in the performance assessment by gender</b>									
Men	1,053	1,095	96.2%	1,075	1,096	98.1%	1,043	1,068	97.7%
Women	1,453	1,466	99.1%	1,469	1,480	99.3%	1,408	1,432	98.3%
<b>Employees who have participated in the performance assessment by age</b>									
<30	242	254	95.3%	228	235	97.0%	227	231	98.3%
>=30 and <50	1,877	1,913	98.1%	1,869	1,880	99.4%	1,711	1,739	98.4%
>=50	387	394	98.2%	447	461	97.0%	513	530	96.8%
<b>Employees who have participated in the performance assessment by professional group</b>									
Directors	71	72	98.6%	55	70	78.6%	59	74	79.7%
Expert professionals	341	348	98.0%	362	365	99.2%	348	356	97.8%
Professionals	761	766	99.3%	697	705	98.9%	666	676	98.5%
Staff	1,333	1,375	96.9%	1,430	1,436	99.6%	1,378	1,394	98.9%

### Development data

	2020	2021	2022
<b>Internal selection processes</b>			
No. of internal selection processes	49	41	79
No. of people who change positions	-	41	71
No. of candidates	756	579	530
<b>Individual external selection processes</b>			
No. of selection processes	140	61	21
Candidates	4,679	5,845	3,500

## PEOPLE INDICATORS

### Development data

	2022								
	Internal changes in position			Period-end headcount			Hiring rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	29	42	71	1,068	1,432	2,500	2.7%	2.9%	2.8%
<b>Internal selection processes</b>									
Directors	5	7	12	37	37	74	13.5%	18.9%	16.2%
Expert professionals	11	14	25	187	169	356	5.9%	8.3%	7.0%
Professionals	11	18	29	264	412	676	4.2%	4.4%	4.3%
Staff	2	3	5	580	814	1,394	0.3%	0.4%	0.4%

	2022								
	Internal changes in position			Period-end headcount			Internal vs external position coverage rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	29	42	71	121	136	257	19%	24%	22%
<b>Selection processes (including group processes)</b>									
Directors	5	7	12	2	2	4	71%	78%	75%
Expert professionals	11	14	25	7	0	7	61%	100%	78%
Professionals	11	18	29	5	5	10	69%	78%	74%
Staff	2	3	5	107	129	236	2%	2%	2%

\*Includes additions to staff whose vacancies are not opened internally

	2022								
	Internal changes in position			Period-end headcount			Internal vs external position coverage rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Overall Total</b>	29	42	71	43	49	92	67%	86%	77%
<b>Individual selection processes</b>									
Directors	5	7	12	7	9	16	71%	78%	75%
Expert professionals	11	14	25	18	14	32	61%	100%	78%
Professionals	11	18	29	16	23	39	69%	78%	74%
Staff	2	3	5	2	3	5	100%	100%	100%

## PEOPLE INDICATORS

### Reconciliation data

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees entitled to parental leave during the year (children born during the year).	48	47	95	34	44	78	43	39	82
Employees who have taken parental leave during the year (includes those who began their leave the year before).	57	54	111	40	61	101	62	41	103
% of staff returning to work after leave.	97.8%	97.0%	97.4%	96.9%	89.6%	92.5%	98.9%	97.6%	98.2%
% of staff returning to work after leave and still at the organisation 12 months later	93.5%	94.1%	93.8%	87.8%	76.7%	83.5%	97.7%	95.9%	96.8%

	2020		2021		2022	
	No. of days of leave	No. of hours of leave	No. of days of leave	No. of hours of leave	No. of days of leave	No. of hours of leave
<b>Maternity</b>	<b>3,285</b>	<b>19,112</b>	<b>3,868</b>	<b>23,259</b>	<b>3,537</b>	<b>20,439</b>
Men	-	-	73	501	-	-
Women	3,285	19,112	3,795	22,758	3,537	20,439
<b>Paternity</b>	<b>2,291</b>	<b>14,324</b>	<b>2,217</b>	<b>13,711</b>	<b>3,446</b>	<b>21,163</b>
Men	2,230	13,982	2,217	13,711	3,446	21,163
Women	61	342	-	-	80	521
<b>Total</b>	<b>5,576</b>	<b>33,436</b>	<b>6,085</b>	<b>36,970</b>	<b>7,063</b>	<b>42,133</b>

## INDICADORES DE PERSONAS

### Remuneration data

	2020		
	Men	Women	Total
<b>Overall Total</b>	<b>38,917</b>	<b>34,722</b>	<b>36,513</b>
<b>Average remuneration by age</b>			
<30	25,274	24,792	24,999
>=30 and <50	36,339	33,848	34,956
>=50	66,555	43,815	51,532
<b>Average remuneration by professional group</b>			
Executive level (base salary)	-	-	-
Executive level (base salary + other cash incentives)	173,088	137,926	155,507
Management level (base salary)	-	-	-
Management level (base salary + other cash incentives)	56,176	54,160	55,194
Non management level (fixed salary)	-	-	-
Professionals (base salary + other cash incentives)	35,908	36,248	36,088
Staff (base salary + other cash incentives)	25,700	25,737	25,723
<b>Median employee remuneration</b>			
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2020		
	Men	Women	Total
<b>Average remuneration of senior management</b>			
<b>Senior management</b>	<b>343,445</b>	<b>432,953</b>	<b>370,986</b>
<b>Average remuneration of the Board of Directors</b>			
Non-executive director	27,500.0	-	27,500.0
Executive director	446,902.5	-	446,902.5
Average	195,261.0	-	195,261.0

	2021		
	Men	Women	Total
<b>Overall Total</b>	39,933	35,292	37,268
<b>Average remuneration by age</b>			
<30	26,855	26,517	26,663
>=30 and <50	37,539	34,628	35,917
>=50	62,786	42,184	49,337
<b>Average remuneration by professional group</b>			
Executive level (base salary)	123,694	123,694	97,650
Executive level (base salary + other cash incentives)	168,139	168,139	114,905
Management level (base salary)	52,168	52,168	50,255
Management level (base salary + other cash incentives)	57,833	57,833	55,712
Non management level (fixed salary)	24,945	24,945	24,149
Professionals (base salary + other cash incentives)	39,574	36,785	37,895
Staff (base salary + other cash incentives)	27,138	27,041	27,081
<b>Median employee remuneration</b>			
<b>Total</b>	31,474	30,037	30,651



	2021		
	Men	Women	Total
<b>Average remuneration of senior management</b>			
<b>Senior management</b>	319,971	228,244	289,396
<b>Average remuneration of the Board of Directors</b>			
Non-executive director	61,782.7	68,333.7	63,966.3
Executive director	428,190.5	-	428,190.5
Average	204,512.8	68,333.7	159,119.8

	<b>2022</b>		
	Men	Women	Total
<b>Overall Total</b>	<b>40,902</b>	<b>36,667</b>	<b>38,468</b>
<b>Average remuneration by age</b>			
<30	28,520	27,418	27,895
>=30 y <50	39,127	35,636	37,176
>=50	54,870	43,529	47,686
<b>Average remuneration by professional group</b>			
Executive level (base salary)	112,253	103,553	107,847
Executive level (base salary + other cash incentives)	156,337	128,877	142,431
Management level (base salary)	53,207	51,520	52,407
Management level (base salary + other cash incentives)	59,064	57,345	58,249
Non management level (fixed salary)	25,582	24,636	25,020
Professionals (base salary + other cash incentives)	40,155	37,543	38,575
Staff (base salary + other cash incentives)	28,224	27,912	28,040
<b>Median employee remuneration</b>			
<b>Total</b>	<b>33.564</b>	<b>31.562</b>	<b>32.258</b>

	2022		
	Men	Women	Total
<b>Average remuneration of senior management</b>			
<b>Senior management</b>	356,889	238,785	311,144
<b>Average remuneration of the Board of Directors</b>			
Non-executive director	91,125.0	91,562.0	91,344.0
Executive director*	54,117.6	361,846.3	415,963.9
Average	102,602.2	148,087.2	127,412,7

\* The remuneration of the Executive Director in 2022 corresponds to one month's remuneration of the former CEO, Miguel Ángel Merino, and 11 months of that of the current CEO, Patricia Ayuela.

## PEOPLE INDICATORS

### Pay gap data

	2020		2021		2022	
	Number of people	Weighted gap	Number of people	Weighted gap	Number of people	Weighted gap
<b>Pay gap by professional group</b>						
Directors	69	4.23%	69	6.75%	71	8.32%
Expert professionals	351	2.93%	360	4.15%	361	3.41%
Professionals	777	0.14%	697	6.15%	693	5.40%
Staff	1,346	0.21%	1,449	0.38%	1,404	1.10%

	2020	2021	2022
Pay gap calculated by type of position	0.2%	2.6%	2.8%
Pay gap calculated by type of position using median	-	2.6%	3.4%
Pay gap calculated by average of categories.	-0.3%	4.4%	4.6%
Ratio of the percentage increase in the fixed compensation of the highest paid individual to the percentage increase in the median fixed compensation of all employees except the highest paid individual	1.4	1.0	0
Ratio of the fixed compensation of the highest paid individual to the median compensation of the rest of the staff	16.60	16.42	9.3
Ratio of standard entry level wages compared to local minimum wage	1.15	1.18	1.12
Variable pay gap calculated by type of position		-0.4%	-2.0%
Variable pay gap calculated by type of position using the median**		5.0%	-7.6%

## PEOPLE INDICATORS

### Data on departures in the Group

2020			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by gender</b>			
<b>Total</b>	<b>164</b>	<b>2,561</b>	<b>6,4%</b>
<b>Men</b>	<b>90</b>	<b>1,095</b>	<b>8,2%</b>
Dismissal	44	-	4,0%
Voluntary and other*	46	-	4,2%
<b>Women</b>	<b>74</b>	<b>1,466</b>	<b>5,0%</b>
Dismissal	34	-	2,3%
Voluntary and other*	40	-	2,7%

2020			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by age</b>			
<b>Total</b>	<b>164</b>	<b>2,561</b>	<b>6,4%</b>
<b>&lt;30</b>	<b>43</b>	<b>254</b>	<b>16,9%</b>
Dismissal	27	-	10,6%
Voluntary and other*	16	-	6,3%
<b>&gt;=30 y &lt;50</b>	<b>111</b>	<b>1,913</b>	<b>5,8%</b>
Dismissal	50	-	2,6%
Voluntary and other*	61	-	3,2%
<b>&gt;50</b>	<b>10</b>	<b>394</b>	<b>2,5%</b>
Dismissal	1	-	0,3%
Voluntary and other*	9	-	2,3%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts

2021			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by gender</b>			
<b>Total</b>	<b>258</b>	<b>2,576</b>	<b>10,0%</b>
<b>Men</b>	<b>132</b>	<b>1,096</b>	<b>12,0%</b>
Dismissal	70	-	6,4%
Voluntary and other*	62	-	5,7%
<b>Women</b>	<b>126</b>	<b>1,480</b>	<b>8,5%</b>
Dismissal	62	-	4,2%
Voluntary and other*	64	-	4,3%

2021			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by age</b>			
<b>Total</b>	<b>64</b>	<b>235</b>	<b>27,2%</b>
<b>&lt;30</b>	<b>28</b>	<b>-</b>	<b>11,9%</b>
Dismissal	36	-	15,3%
Voluntary and other*	171	1,880	9,1%
<b>&gt;=30 y &lt;50</b>	<b>92</b>	<b>-</b>	<b>4,9%</b>
Dismissal	79	-	4,2%
Voluntary and other*	23	461	5,0%
<b>&gt;50</b>	<b>12</b>	<b>-</b>	<b>2,6%</b>
Dismissal	11	-	2,4%
Voluntary and other*	64	235	27,2%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts

2022			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by gender</b>			
<b>Total</b>	<b>314</b>	<b>2,500</b>	<b>12.6%</b>
<b>Men</b>	<b>144</b>	<b>1,068</b>	<b>13.5%</b>
Dismissal	81		7.58%
Voluntary and other*	63		5.90%
<b>Women</b>	<b>170</b>	<b>1,432</b>	<b>11.9%</b>
Dismissal	94		6.56%
Voluntary and other*	76		5.31%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts

2022			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by age</b>			
<b>Total</b>	<b>314</b>	<b>2,500</b>	<b>12.6%</b>
<b>&lt;30</b>	<b>71</b>	<b>231</b>	<b>30.7%</b>
Dismissal	26		11.26%
Voluntary and other*	45		19.48%
<b>&gt;=30 y &lt;50</b>	<b>200</b>	<b>1,739</b>	<b>11.5%</b>
Dismissal	123		7.07%
Voluntary and other*	77		4.43%
<b>&gt;50</b>	<b>43</b>	<b>530</b>	<b>8.1%</b>
Dismissal	26		4.91%
Voluntary and other*	17		3.21%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts

## PEOPLE INDICATORS

Data on departures in the Group

	2020		
	Departures	Period-end headcount	Turnover rate
	Departures in the Group by professional group		
<b>Total</b>	<b>164</b>	<b>2,561</b>	<b>6.4%</b>
<b>Directors</b>	<b>1</b>	<b>72</b>	<b>1.4%</b>
Dismissal	0		0.0%
Voluntary and other*	1		1.4%
<b>Expert professionals</b>	<b>12</b>	<b>348</b>	<b>3.4%</b>
Dismissal	9		2.6%
Voluntary and other*	3		0.9%
<b>Professionals</b>	<b>20</b>	<b>766</b>	<b>2.6%</b>
Dismissal	2		0.3%
Voluntary and other*	18		2.3%
<b>Staff</b>	<b>131</b>	<b>1,375</b>	<b>9.5%</b>
Dismissal	97		7.1%
Voluntary and other*	34		2.5%

	2021		
	Departures	Period-end headcount	Turnover rate
	Departures in the Group by professional group		
<b>Total</b>	<b>258</b>	<b>2,576</b>	<b>10.0%</b>
<b>Directors</b>	<b>1</b>	<b>70</b>	<b>1.4%</b>
Dismissal	0		0.0%
Voluntary and other*	1		1.4%
<b>Expert professionals</b>	<b>22</b>	<b>365</b>	<b>6.0%</b>
Dismissal	5		1.4%
Voluntary and other*	17		4.7%
<b>Professionals</b>	<b>34</b>	<b>705</b>	<b>4.8%</b>
Dismissal	15		2.1%
Voluntary and other*	19		2.7%
<b>Staff</b>	<b>201</b>	<b>1,436</b>	<b>14.0%</b>
Dismissal	112		7.8%
Voluntary and other*	89		6.2%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts



2022			
	Departures	Period-end headcount	Turnover rate
<b>Departures in the Group by professional group</b>			
<b>Total</b>	<b>314</b>	<b>2,500</b>	<b>12.6%</b>
<b>Directors</b>	<b>4</b>	<b>74</b>	<b>5.4%</b>
Dismissal	1	-	1.35%
Voluntary and other*	3	-	4.05%
<b>Expert professionals</b>	<b>22</b>	<b>356</b>	<b>6.2%</b>
Dismissal	11	-	3.09%
Voluntary and other*	11	-	3.09%
<b>Professionals</b>	<b>42</b>	<b>676</b>	<b>6.2%</b>
Dismissal	25	-	3.70%
Voluntary and other*	17	-	2.51%
<b>Staff</b>	<b>246</b>	<b>1,394</b>	<b>17.6%</b>
Dismissal	138	-	9.90%
Voluntary and other*	108	-	7.75%

\* Voluntary and other: these include voluntary departures, retirements and termination of temporary contracts

2020									
	Departures			Period-end headcount			Turnover rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total staff	44	34	78	1,095	1,466	2,561	4.00%	2.30%	3.00%
Dismissals by professional group									
Directors	0	0	0	36	36	72	0.0%	0.0%	0.0%
Expert professionals	0	0	0	181	167	348	0.0%	0.0%	0.0%
Professionals	1	0	1	359	407	766	0.3%	0.0%	0.1%
Staff	43	34	77	519	856	1,375	8.30%	4.00%	5.60%

2021									
	Departures			Period-end headcount			Turnover rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total staff	70	62	132	1,480	1,096	2,576	4.7%	5.7%	5.1%
Dismissals by professional group									
Directors	0	0	0	35	35	70	0.0%	0.0%	0.0%
Expert professionals	2	3	5	176	189	365	1.1%	1.6%	1.4%
Professionals	13	2	15	422	283	705	3.1%	0.7%	2.1%
Staff	55	57	112	847	589	1,436	6.5%	9.7%	7.8%

2022									
	Departures			Period-end headcount			Turnover rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total staff	81	94	175	1,068	1,432	2,500	7.6%	6.6%	7.0%
Dismissals by professional group									
Directors	1	0	1	37	37	74	2.7%	0.0%	1.4%
Expert professionals	4	7	11	187	169	356	2.1%	4.1%	3.1%
Professionals	13	12	25	264	412	676	4.9%	2.9%	3.7%
Staff	63	75	138	580	814	1,394	10.9%	9.2%	9.9%

## PEOPLE INDICATORS

### Occupational accident data

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Accident rate</b>	0.010	0.005	0.007	0.004	0.000	0.003	0.003	-	0.001
<b>Frequency rate</b>	4.480	0.420	2.166	5.009	0.372	2.349	4.595	-	1.953
<b>Severity rate</b>	0.080	0.010	0.040	0.132	0.014	0.064	0.070	-	0.030
<b>Number of deaths from disease</b>	-	-	-	-	-	-	-	-	-
<b>Types of occupational diseases</b>	-	-	-	-	-	-	-	-	-
<b>Number of accidents</b>	8	1	9	10	1	11	9	0	9

Accident rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) \* 100

Frequency rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) \* 1,000,000

Severity rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) \* 1,000

### Absenteeism data

	2020		2021		2022	
	No. of days absent	No. of hours absent	No. of days absent	No. of hours absent	No. of days absent	No. of hours absent
<b>Total</b>	25,666	153,130	35,378	210,557	41,521	242,293
<b>Common illness</b>	24,926	148,674	35,006	208,094	41,248	240,697
<b>Men</b>	8,488	52,849	10,394	63,207	13,242	80,063
<b>Women</b>	16,438	95,825	24,612	144,887	28,006	160,634
<b>Total accidents with sick leave</b>	740	4,456	372	2,463	273	1,596
<b>Men</b>	323	2,076	295	1,986	162	1,050
<b>Women</b>	417	2,380	77	477	111	546

## PEOPLE INDICATORS

### Training data

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Total staff</b>	<b>17,326.0</b>	<b>20,646.0</b>	<b>37,972.0</b>	<b>25,767.20</b>	<b>32,993.6</b>	<b>58,760.82</b>	<b>30,145.5</b>	<b>38,680.9</b>	<b>68,826.4</b>
<b>Hours of training by category</b>									
<b>Directors</b>	<b>1,986.7</b>	<b>1,160.8</b>	<b>3,147.5</b>	<b>1,744.23</b>	<b>1,355.6</b>	<b>3,099.79</b>	<b>1,247.3</b>	<b>734.1</b>	<b>1,981.3</b>
<b>Expert professionals</b>	<b>6,623.7</b>	<b>5,995.3</b>	<b>12,619.0</b>	<b>8,689.43</b>	<b>7,089.1</b>	<b>15,778.55</b>	<b>5,450.5</b>	<b>5,527.3</b>	<b>10,977.8</b>
<b>Professionals</b>	<b>3,413.7</b>	<b>5,220.6</b>	<b>8,634.3</b>	<b>6,039.17</b>	<b>9,529.6</b>	<b>15,568.74</b>	<b>8,135.9</b>	<b>9,362.4</b>	<b>17,498.3</b>
<b>Staff</b>	<b>5,301.9</b>	<b>8,269.3</b>	<b>13,571.2</b>	<b>9,294.36</b>	<b>15,019.4</b>	<b>24,313.73</b>	<b>15,311.8</b>	<b>23,057.1</b>	<b>38,368.9</b>

	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Total staff</b>	<b>17.2</b>	<b>14.1</b>	<b>15.4</b>	<b>23.5</b>	<b>22.3</b>	<b>22.8</b>	<b>28.0</b>	<b>26.5</b>	<b>27.1</b>
<b>Average training hours by category</b>									
<b>Directors</b>	<b>55.2</b>	<b>33.2</b>	<b>44.3</b>	<b>49.9</b>	<b>38.7</b>	<b>44.3</b>	<b>35.3</b>	<b>20.3</b>	<b>27.7</b>
<b>Expert professionals</b>	<b>36.2</b>	<b>34.1</b>	<b>35.2</b>	<b>47.1</b>	<b>40.3</b>	<b>43.8</b>	<b>28.7</b>	<b>32.3</b>	<b>30.4</b>
<b>Professionals</b>	<b>12.3</b>	<b>12.5</b>	<b>12.5</b>	<b>21.7</b>	<b>22.7</b>	<b>22.3</b>	<b>29.6</b>	<b>22.3</b>	<b>25.2</b>
<b>Staff</b>	<b>10.4</b>	<b>9.9</b>	<b>10.1</b>	<b>15.5</b>	<b>17.6</b>	<b>16.7</b>	<b>26.5</b>	<b>27.7</b>	<b>27.2</b>

	2020	2021	2022
No. of training actions	340	430	481
Investment in training per person (€)	213	228.4	200
Investment in training per person trained (€)	216	234.5	196
People trained	2,470	2,512	2,598
Training hours	37,972	58,761	68,826
% staff trained	98.5%	97.4%	91.9%