Report

TCFD 2024

Línea Directa Aseguradora, S.A.

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Letter from the CEO

The new Plan, which will come into effect in 2026 and will succeed the current one, will also include a demanding decarbonization roadmap that will make Línea Directa a carbon-neutral company by 2030 and Net Zero by 2050.

Sustainability and decarbonization are two fundamental priorities for today's economy and, more specifically, for the **insurance sector,** which is particularly sensitive to the **effects of climate change.** The increasing frequency and severity of extreme weather events is, unfortunately, a reality that increasingly affects the safety and well-being of society and, consequently, the operations of insurance companies, which are increasingly impacted by rising claims costs.

Aware of this, and as part of its strong commitment to transparency and sustainable development, **Línea Directa Aseguradora** is reporting for the second consecutive year on its strategy in this area, following the framework established by the **Task Force on Climate-related Financial Disclosures (TCFD),** the Sustainable Development Goals, and the European Green Deal.

In addition to great flexibility, versatility, and economic efficiency, **the direct model is a major asset** in promoting increasingly sustainable business models. For this reason, Línea Directa plays an important role in the environmental transition within the sector, thanks to its centralized operations, the absence of a branch office network, the concentration of its human team, and an increasingly defined and ambitious awareness of sustainability.

Línea Directa Aseguradora has a three-year **Sustainability Master Plan** that defines the Group's strategy in this area, with the environmental axis as a fundamental pillar. The new Plan, which will come into effect in 2026 and will succeed the current one, will also include a demanding decarbonization roadmap that will make Línea Directa a **carbon-neutral company by 2030 and Net Zero by 2050.**

This strategy includes the implementation of **responsible products and services** that serve as examples of good commercial practices in the field of sustainability, covering areas as diverse as mobility, habitability, animal protection, and the well-being and health of people. Additionally, the Group has ambitious measures in place for efficient resource management, consumption reduction, renewable energy self-generation, and waste treatment.

This report, aimed at all those with whom the company interacts, is another step in the Group's strong commitment to sharing its strategy regarding the risks and opportunities inherent in global warming, a concern and a challenge that affects us all.

Patricia Ayuela de Rueda
Chief Executive Officer
of Línea Directa Aseguradora

Introduction

The Paris Agreement, signed by 196 countries, aims to limit the increase in global temperature to below 2ºC compared to pre-industrial levels. This highly ambitious goal undoubtedly represents a decisive step in the fight against global warming.

The legally binding treaty calls for the adoption of **a wide range of decarbonization measures** that will lead to a complete economic and social transformation worldwide, requiring the support, involvement, and commitment of citizens, governments, and businesses.

As part of its **Sustainability Master Plan** for the 2023–2025 period, **Línea Directa Aseguradora** has implemented an ambitious climate management roadmap. This includes **Scope 3 emissions measurement** - focused on the investment portfolio and value chain emissions - as well as the definition of an **internal carbon pricing** strategy and the establishment of a **Net Zero target for 2050**, with intermediate science-based reduction targets for 2030 **(SBTi).**

During this period, the company has also gradually joined **UNEPFI initiatives**, the United Nations program for environmental stewardship in the financial sector. In 2024, the company renewed its commitment to the **Principles for Sustainable Insurance (PSI)** initiative.

As part of its environmental strategy, particularly in the area of eco-efficiency, the organization has promoted **operational efficiency** by measuring and reducing its consumption and committing to the use of renewable energy. Most recently, the company has expanded its renewable energy generation through the installation of photovoltaic panels at its offices.

Additionally, it has aligned its investment portfolio with the goals of economic decarbonization by adhering to the Principles for Responsible Investment (PRI).

This report is structured around the four pillars defined by the **Task Force on Climate-related Financial Disclosures (TCFD)**, which are aligned with the draft national regulatory proposals still pending approval.

- **Governance:** the organization's governance regarding climate-related risks and opportunities.
- **Strategy:** the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning.
- **Risk Management:** the processes used by the organization to identify, assess, and manage climate-related risks.
- **Metrics and Targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

This report reaffirms Línea Directa Aseguradora's commitment to decarbonization and the creation of a low-emission alternative economic model. One of its main objectives is to make its climate strategy available to investors, clients, and other stakeholders. Together with the company's first Non-Financial and Sustainability Information Statement—aligned with the CSRD reporting directive and Spain's Law 11/2018—this report supports transparency and informed decision-making in line with best business practices.

Governance

Línea Directa Aseguradora's commitment to sustainability is reflected in the establishment of a governance system that enables coherent and efficient management of all ESG aspects, integrating sustainability transversally into the corporate strategy and risk management model.

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The company has a well-defined governance structure to ensure the proper identification, assessment, and monitoring of sustainability and climate change-related risks and opportunities. This structure includes both the governing bodies responsible for decision-making and the internal regulatory framework that ensures decisions are made in accordance with current legislation and best practices demanded by stakeholders.

3.1. Board Oversight on climate change.

3.1.1. / Process and frequency of climate change monitoring.

The Board of Directors is the highest governing body responsible for the management, governance, and representation of the company, competent to adopt all social agreements, except those powers reserved to the General Shareholders' Meeting.

In particular, the Board determines the company's general policies and strategies, including the approval, determination, and oversight of the strategy and risk management policy, including those related to sustainability and climate change.

Although not legally required, the Board voluntarily included a separate item on the agenda of the General Shareholders' Meeting held on March 30, 2023, to inform shareholders about the launch of the 2023–2025 Sustainability Plan.

In this way, the company involved its shareholders in the environmental, social, and corporate governance objectives it has committed to through this Plan for the three-year period, also informing them of the procedure carried out to develop the updated materiality matrix in 2024.

Likewise, the 2025 General Shareholders' Meeting formally approved the Non-Financial Information Statement and Sustainability Reporting for the 2024 financial year, the company's first report that complies with both the European CSRD Reporting Directive and the current Spanish Law 11/2018, with more than 95% of the votes in favor, thus demonstrating broad shareholder support for the company's ESG management.

3.1.2. / Integration of Climate Change into the Organization.

The integration of climate change into the company is realized through Sustainability Plans approved by the Board of Directors and monitored by the committees and working groups that constitute the governance structure. It is also implemented within the organization through policies approved by the Board of Directors, which lay the groundwork for progress in sustainability and climate change within the company. It also includes its presence in national and international organizations, which demonstrate the insurer's commitment to combating climate change.

In this regard, since 2022, the Board of Directors has established a roadmap, which has already achieved the following milestones:

- Approve the company's adherence to national and international sustainability initiatives, assuming the commitments this entails, such as the TCFD initiative or the PSI.
- Approve a new Sustainability Director Plan for the 2023-2025 period, which established the company's sustainability strategy for this three-year period.
- En 2024, the first dual materiality exercise was prepared based on the CSRD Reporting Directive and the EFRAG guide. This exercise served to define the company's strategic priorities and served as the basis for the first "Consolidated Non-Financial Statement and Sustainability Reporting," which complies with the aforementioned European Reporting Directive and current Spanish Law 11/2018.

- Approve **the ESG risk map,** including risks associated with climate change, the identification and assessment of which has involved various company bodies and functions in accordance with the system described throughout this section, as well as its supervision and monitoring. The Board has also approved the public disclosure of the identification of these risks in reports that the insurer must make public, such as the Internal Risk and Solvency Assessment **(ORSA).**
- Approve internal policies that establish the principles underlying the group's sustainability actions. In addition to the Sustainability Policy, sustainable criteria have also been established in areas as diverse as environmental management (Environmental Management and Climate Change Policy), product approval (Product Governance Policy), and the company's investments (Sustainable Investment Policy), all of which are published on the corporate website, thus ensuring maximum transparency.
- Join the Principles for Responsible Investment (PRI) initiative in 2024 to promote ESG criteria in the company's investments.
- Include sustainability as one of the main topics within the **Board Training Program** approved by this body in accordance with best good governance practices.
- Establish the **level of compliance with the Sustainability Plan** as one of the metrics on whose achievement the variable remuneration of the CEO and the company's management team depends, both in the short and long term. Similarly, around 35% of employees have set goals related to environmental, social, or governance issues in both 2023 and 2024.

3.1.3. / Supervisory Role of the Boards of Directors.

The Board of Directors ensures progress in the implementation of the triennial Sustainability Plan by periodically monitoring the actions planned for each fiscal year.

3.2 Governance Structure on Climate matters.

3.2.1. / Advisory Committees: Supervise, Evaluate and propose.

The Board of Directors has two advisory committees that report to the Board, make proposals, and provide guidance in decision-making.

- **The Appointments, Remuneration, and Corporate Governance Committee** is responsible, among other matters, for monitoring the company's sustainability strategy, evaluating its level of compliance, and reviewing its sustainability policies. It also ensures that Línea Directa's environmental and social practices align with established policies.

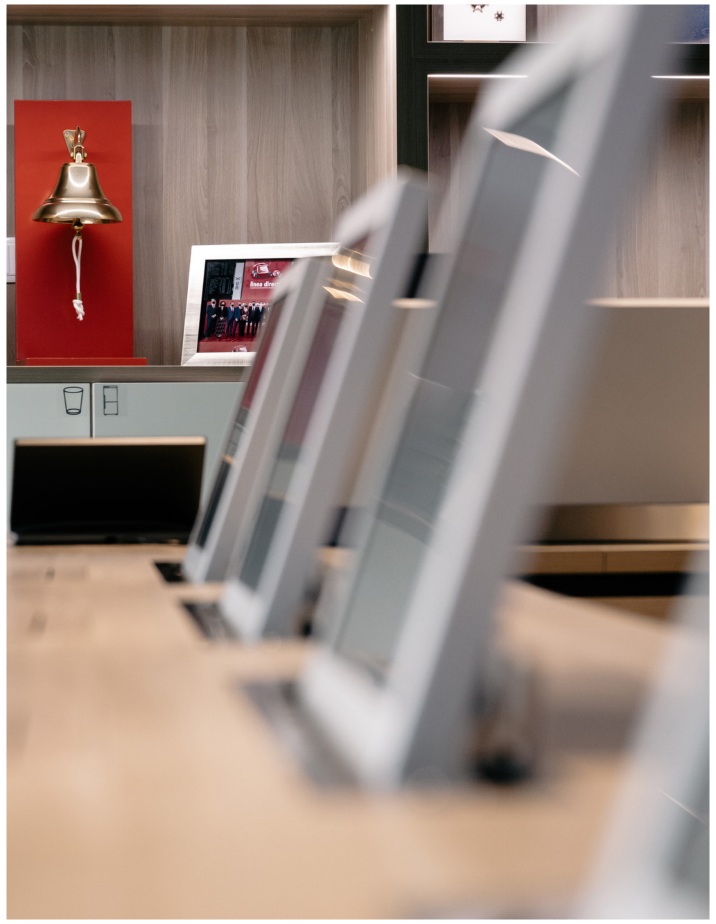
  In this regard, the Committee oversaw the implementation of the previous 2020–2022 Strategic Sustainability Plan and reviewed and proposed the current 2023–2025 Master Plan for approval by the Board, along with all policies related to sustainability and climate change management.

  This Committee is also responsible for determining the remuneration of Board members, senior management, and individuals whose professional activities may significantly impact the company's risk exposure. Within this framework, the Committee proposed including the level of compliance with the Sustainability Plan as one of the objectives for both short- and long-term variable remuneration of the management team.

- **The Audit and Compliance Committee** is responsible, among other duties, for understanding, supervising, and evaluating the group's financial and non-financial risk management and control systems (including operational, technological, cybersecurity, legal, social, environmental, political, and reputational risks), as well as reviewing the company's risk map and presenting corresponding proposals to the Board.

  Within this framework, the Committee reviewed the company's ESG risk map, which includes climate-related risks, and proposed its approval and monitoring to the Board.

  Regarding ESG risks, it submits relevant reports to the Appointments, Remuneration, and Corporate Governance Committee, and joint sessions may be held if requested by the Chair or the majority of members.



  This Committee also supervises the development of the risk management and internal control function, periodically reviewing the effectiveness of internal control systems to ensure proper risk management.

  Thus, the Committee ensures that the established risk and internal control policies and systems are effectively applied in the company's operations.

3.2.2. / Internal Management Structure.

The company's daily management and implementation of decisions made by the Board of Directors fall to the internal organization led by the CEO and executive committees.

For the purposes of this document, the main committees involved in monitoring and controlling sustainability-related measures and risks are:

- **Management Committee:** Composed of the Directors of various corporate areas, it is responsible for reviewing and monitoring key initiatives and projects of special interest, including those related to sustainability.
- **Permanent Risk Committee:** Chaired by the Corporate Risk Director, who may summon any Director or member of the organization when specific risk-related matters are to be addressed. It includes key function leaders such as actuarial, internal control and risk management, and regulatory compliance. It is responsible for facilitating and monitoring the implementation of effective risk management practices across the group by reporting risks identified by the first lines of defense. It oversees all risks (including ESG risks), their indicators (KRIs), and action plans, ensuring an adequate level of internal control aligned with the Board's risk appetite, group standards, and applicable regulations.

- **Sustainability Committee:** Composed of the Director of People, Communication and Sustainability; Finance; General Secretariat; Marketing; and Services and Benefits. This Committee is responsible for drafting the Sustainability Plan to be submitted to the Appointments, Remuneration and Corporate Governance Committee (ARCGC) and the Board of Directors, monitoring its implementation, prioritizing actions, making executive decisions, and promoting initiatives to ensure the execution of the approved Sustainability Plan. It designs and proposes the objectives and Sustainability Plan to the ARCGC for submission to the Board and receives periodic reports from the Sustainability Working Group.

Additionally, there are other specific committees that analyze, supervise, and, where appropriate, make decisions on specific matters, such as the sustainability of an investment (analyzed by the **Investment Committee**) or the sustainable features of a product (analyzed by the **Product Approval and Monitoring Committee).**

3.2.3. / Reporting process.

The **Corporate Risk Department** is responsible for globally managing, controlling, and supervising the risks the group may face (including ESG and climate change risks), after identifying them in collaboration with corporate areas. It prepares the risk map, coordinates necessary prevention and mitigation measures, and reports periodically to the Audit and Compliance Committee, all in accordance with the group's Risk Management Policy.

The **People, Communication, and Sustainability Direction** is responsible for proposing, coordinating, and implementing the necessary actions within the organization to execute the sustainability strategy set by the Board of Directors and reports to the Appointments, Remuneration, and Corporate Governance Committee. In this way, it promotes the integration of ESG criteria across all company areas.

Likewise, the **Sustainability Working Group**—which includes representatives from the areas of External Communication and Sustainability, Purchasing, Investor Relations, Space Management and Planning, Corporate Governance, Talent, Communication and Culture, People Management, Services and Benefits, Product Innovation, Corporate Risks, and Customer Quality and Experience—is responsible for proposing to the Sustainability Committee the actions to be included in the Sustainability Plan. It also enables periodic, cross-functional, and detailed monitoring of the status of ongoing actions within the Sustainability Plan.

3.2.4. / Monitoring.

The indicators and the set of actions included in the 2023–2025 Sustainability Plan—including those related to the environment and climate change—are monitored across various levels of the organization. This monitoring spans from the Sustainability Working Group, through the Sustainability Committee (which includes the most relevant areas of senior management), to the Appointments, Remuneration, and Corporate Governance Committee, and ultimately, the Board of Directors.

Strategy

4.1. Risks and Opportunities Related to Climate Change.

Climate change is one of the major global challenges due to its social and economic impact. The need to address it and transition toward a low-carbon economy is a challenge in which the insurance sector, as part of the financial industry, plays a key role.

First, by **building resilience** against the consequences of this phenomenon and mitigating losses caused by natural disasters. Second, by acting as a **driver of the transition toward a decarbonized and sustainable economy,** both through its insurance activities and its role as an institutional investor.

The environmental crisis poses short-, medium-, and long-term risks for the insurance industry. The most evident is the **increased frequency and severity of adverse weather events** and the resulting rise in claims. Additionally, the transition to a green economy in response to climate change is generating market, regulatory, and technological transformations that impact the sector. **At the same time, climate change presents significant business opportunities for insurance companies.**

Línea Directa Group has integrated environmental, social, and governance (ESG) aspects into its corporate and business strategy, risk management, and financial planning to drive sustainable growth and respond to industry trends, regulatory requirements, and the expectations of key stakeholders and society at large.

To this end, the company identified, assessed, and incorporated into its sustainability strategy—reflected in the current 2023–2025 Sustainability Plan—specific climate risks that could affect the insurer's business and financial planning, as well as the financial and business opportunities associated with this challenge, in order to seize them and position itself appropriately.

Many of these risks—such as adverse weather events, changes in business models, and legislative changes—are already included in the company's current risk map. Therefore, if they materialize due to climate change, the group's exposure to those risks would increase. Línea Directa Aseguradora already has mitigation measures in place for the identified climate risks, including:

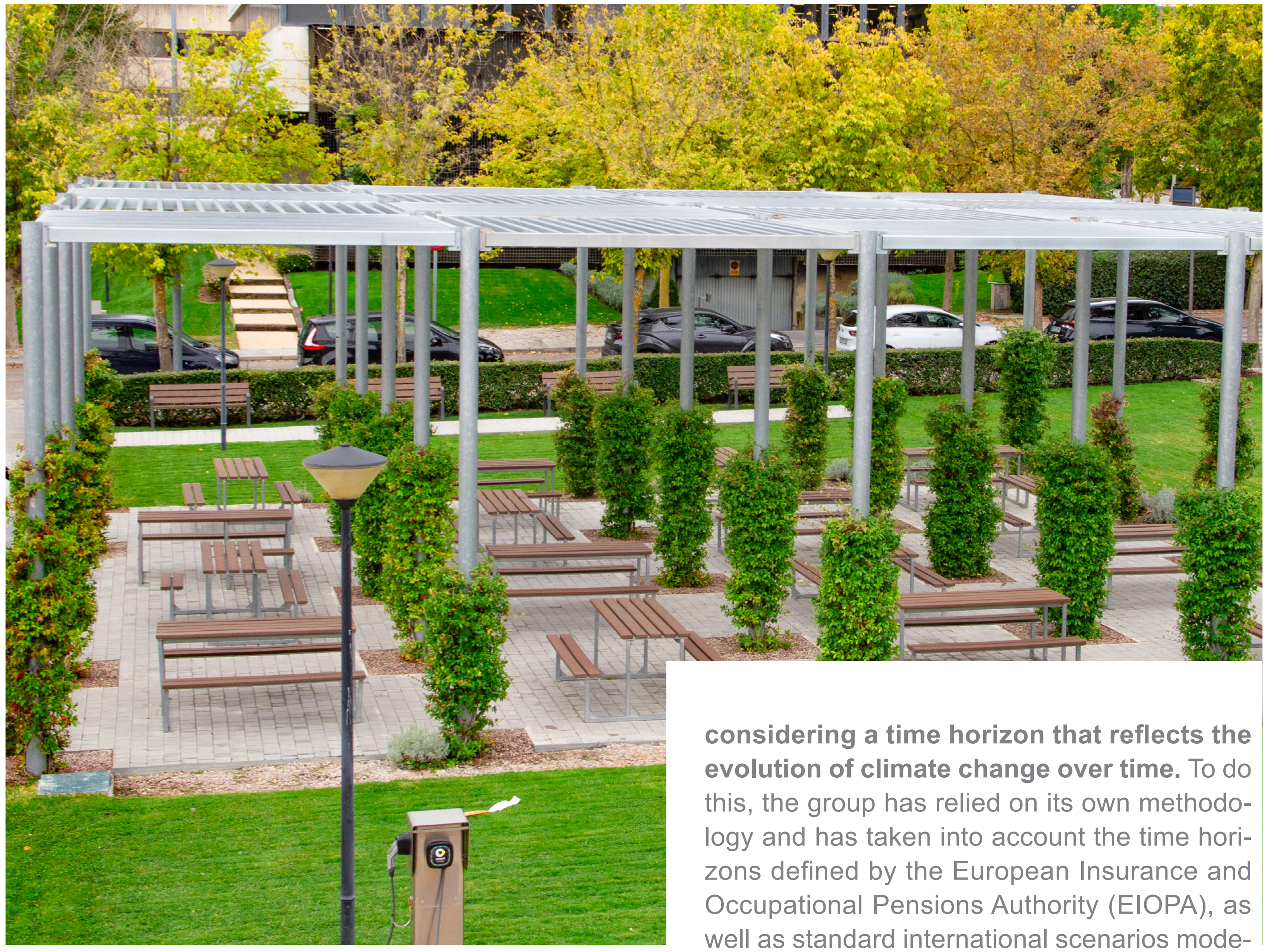
- A **subscription and pricing policy** that considers the increase in extraordinary weather events. Aware of the existence of geographic areas with a high risk of such extreme events, the group includes variables that define the regions where each risk is located, allowing it to assess the potential impact of these phenomena.
- A **specific reinsurance program** covering catastrophic events in the company's main business lines—Auto and Home. This program focuses on weather events such as hail and cyclonic storms below certain impact thresholds not covered by the Insurance Compensation Consortium (CCS). This public body, funded through a surcharge on insurance premiums and unique in Europe for its public-private collaboration model in managing extreme events, covers damage to people and property caused by floods (due to rain, thaw, lakes, river overflows, and sea surges) and wind damage exceeding 120 km/h or classified as tornadoes.
- **Frequent rate reviews** enabled by the direct business model, which allows for more coordinated and structured management. This enables the organization to quickly and efficiently adapt to market changes and impacts resulting from the new climate reality.
- **Market trend analysis.** The company aims to adapt its commercial offering to the evolving needs and interests of consumers, such as electric mobility and new vehicle ownership models (carsharing, leasing) in the Auto segment, and photovoltaic energy supply in homes in the Home segment.

Línea Directa Aseguradora also considers the growing body of European sustainability regulations and has **established close monitoring of regulatory developments.** This includes identifying and analyzing legal changes and their potential impact on the Group, as well as implementing action plans to adapt to new legislation, such as the Omnibus Directive.

The company's direct business model—without branch networks and with all operations centralized in a single headquarters—naturally provides greater environmental efficiency. Moreover, sustainability is a key issue for the company, fully integrated at the highest executive and managerial levels and into its business strategy. In this regard, the company's environmental efforts focus on three main areas:

- **Generating sustainable business.** The group designs and develops products and services aimed at promoting sustainable mobility, improving home livability and energy efficiency, and enhancing people's well-being and health.
- **Eco-efficient management and circular economy.** Línea Directa is committed to efficient resource management by reducing consumption, generating renewable energy, and systematizing waste treatment.
- **Climate roadmap.** The organization has defined a roadmap for decarbonization, aiming to become a net-zero emissions company by 2050.

The initiatives implemented by the company over the past decade—since the approval of its first Sustainability Plan in 2011—have focused on responsible consumption management, product and service innovation, best practices among critical suppliers and service networks, and the inclusion of ESG criteria in its investment portfolio. Through these measures, the organization seeks to contribute to the fight against climate change and advance the decarbonization of its activities as both an insurer and an institutional investor.



4.1.1. / Time horizons: toward 2050.

Línea Directa Aseguradora develops and analyzes scenarios as a regular financial planning tool to make future projections and anticipate potential positive and negative impacts arising from various risks and opportunities, including those inherent to global warming and its side effects.

Once these risks and opportunities are identified, and in order to assess their impact on its operations, financial planning, investment portfolio, and even critical suppliers, **the company has evaluated different climate scenarios considering a time horizon that reflects the evolution of climate change over time.** To do this, the group has relied on its own methodology and has taken into account the time horizons defined by the European Insurance and Occupational Pensions Authority (EIOPA), as well as standard international scenarios modeled by organizations such as the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS).

The lack of sufficient historical data, methodological limitations, and the challenge of facing previously unknown situations make the design and evaluation of long-term stress scenarios complex, with impacts that must be assessed based on assumptions and over longer timeframes than those typically used in financial risk assessment and strategic planning.

Despite this, Línea Directa Aseguradora has conducted an assessment of all risks and opportunities arising from climate change across three time horizons:

Short term: less than five years.

Medium term: between five and ten years.

Long term: more than ten years.

4.1.2. / Risks.

Línea Directa Aseguradora continuously evaluates both internal and external factors that may impact its business and financial position in order to manage them appropriately. This analysis also includes climate change risk, which is conceptually divided into **physical and transition risks.** These risks primarily involve an increase in extreme weather events, regulatory changes, technological disruptions, and shifts in business models.

These climate risks fall within and influence risk categories already identified and defined by Línea Directa Group in its environmental, social, and governance (ESG) risk map. As such, the organization already has established processes for managing them, particularly in areas such as underwriting and reinsurance. These processes, supported by the group's policies and procedures and aligned with current legislation and supervisory requirements, are being adapted to the specific nature of these risks.

4.1.2.1. Physical Risks.

Climate change generates a series of physical impacts due to, on one hand, singular disruptions **(acute physical risks)**, and on the other, long-term changes in climate patterns **(chronic physical risks).** From an insurance activity perspective, **acute risks** mainly stem from the increased frequency and severity of extreme weather events such as cyclones, hurricanes, floods, and droughts. **Chronic physical risks,** meanwhile, result from gradual changes in climate patterns and have lasting effects, such as changes in rainfall patterns, rising average temperatures and sea levels, or prolonged periods of heat or drought.

In both cases, these risks can have financial implications, such as direct damage to assets or indirect impacts from supply chain disruptions. Among the physical risks related to climate change identified by Línea Directa Aseguradora are the following:

Type	Risks	Description	Financial impact	Magnitude of the impact	Horizonte temporal
Acute	Increase in the cost of insurance (reinsurance).	The increase in extreme weather events could lead to an increase in reinsurance rates, as losses must be attributed to premiums. While it's true that the Spanish market is not as severely affected by climate events, reinsurance companies are international. Furthermore, droughts affect other lines of business, such as agricultural insurance, so reinsurers, in an attempt to cover their costs, may pass this on to the rates of other lines of business.	Increase in the cost of insurance.	High	Short term
Acute	Increased accident rates and operating costs due to the increased frequency and severity of the physical impacts of adverse weather events.	Climate change is leading to an increase in extreme weather events, which could lead to more episodes of explosive cyclogenesis and DANAS in the eastern regions, and snow storms in inland areas. This would primarily impact an increase in claims for home insurance policies. Furthermore, it should be noted that a greater number of extreme events leads to an increase in call volumes, impacting the resources allocated and the measures taken to maintain service quality, as we have seen in the management of the DANA of October 29, 2024.	Increase in claims in the home insurance sector.	High	Short term
Chronic	Increased risk of default by reinsurers due to greater exposure.	An increase in claims due to the increased frequency and severity of extreme weather events, and due to their exposure to sectors with a higher probability of default due to the transition to low-carbon economies, could increase reinsurers' risk of default.	It does not directly affect the profit and loss account, but it does affect the Solvency balance due to an increase in the net reinsurance provision.	Low	Medium term

4.1.2.2. Transition risks.

The very process aimed at preventing, avoiding, or mitigating the consequences of climate change—as well as advancing toward a net-zero emissions economy—generates far-reaching economic, legislative, technological, and social transformations that can influence the strategy, business model, and investment policy of insurance companies.

In this regard, Línea Directa has identified and classified transition risks into four areas:

- **Market risks.** Greater environmental awareness, along with legislation aimed at strengthening the fight against climate change, may lead to changes in consumer habits, such as a stronger preference for certain goods and services over others—for example, electric vehicles over fossil fuel-powered ones.
- **Reputational risks.** A company's insufficient contribution to the transition toward a low-carbon economy may lead to a shift in how it is perceived by customers, employees, shareholders, suppliers, regulators, and communities.
- **Technological risks.** Technological improvements or innovations that support the transition to a low-carbon economic system can significantly impact organizations. For instance, the development and use of emerging technologies such as renewable energy and battery storage may cause disruptions as new technologies replace old ones, leading to loss of competitiveness, increased production and distribution costs, and changes in consumer demand for products and services.
- **Legal or political risks.** These arise from current regulations or from the approval or amendment of potential or emerging public policies and laws aimed at limiting actions that worsen the adverse effects of climate change.

Línea Directa Group has identified and assessed the following transition risks that could impact its insurance operations, financial results, and overall financial position:

Area	Risk	Risk description	Financial impact	Magnitude of the impact	Time horizon
Legal	Risk of portfolio decline due to the drop in fossil fuel vehicle sales and the ban on vehicles circulating in cities.	The transition to a low-carbon economy, resulting from European regulations following the Paris Agreement, as well as national legislation on sustainability (Climate Change and Energy Transition Law), are driving changes in mobility that could lead to a decrease in the vehicle fleet and a reduction in vehicle sales. Low-emission zones (LEZs) currently affect 52% of Spain's inhabitants, and almost 30% of the vehicle fleet does not have a label. A large part of the population will not be able to change their car and will have to buy cheaper vehicles, such as motorcycles, or resort to public transport. Cheaper or used vehicles also cause part of the portfolio to migrate to third-party products, with lower premiums. Furthermore, there may be a change in vehicle ownership due to the inability to afford vehicle purchases (renting, car sharing, etc.), which would lead to a loss of business. Finally, due to the increase in vehicle leasing, a loss of management capacity to influence accident rates and quality is considered.	Decreased revenue due to lower product demand and lower premiums.	High.	Short term.
Legal	Greater regulatory capital requirements due to risks associated with climate change.	Adverse regulatory changes could result in certain balance sheet positions associated with climate change becoming more capital intensive. Furthermore, it is considered that there could be a higher capital requirement if sustainability risk is eventually included in Pillar I of Solvency (regulatory capital).	It does not directly affect the profit and loss account, but it would increase the company's solvency capital.	High.	Short term.
	Increased costs due to increased staff and financial resources allocated to analysis, monitoring, and control arising from environmental requirements.	The new environmental requirements will require an increase in personnel for the analysis and monitoring of the value chain. Furthermore, there are expected to be increased costs for consulting, system adaptation or acquisition, as well as obtaining certifications and joining initiatives that promote environmentally friendly practices, responsible investments, alliances of entities for a net-zero emissions economy, etc.	Increase in personnel costs and expenses for consulting, certifications and memberships.	Low.	Short term.
Reputation	Give up profitable businesses due to reputational risk or because of industry regulations that prohibit it.	Línea Directa could stop investing in certain sectors or companies due to a change in regulations or the reputational risk this would pose to the entity, resulting in a loss of profitability and an opportunity cost. It is also considered that a legislative change or a new sector regulation could lead to the hasty sale of certain positions at a time when all entities would have to sell, resulting in a total loss of market value	Deterioration of financial income.	Low.	Long term.

4.1.3. / Opportunities.

Decarbonization plans require the mobilization of major investments to finance this transition toward a zero-emissions economy and society, as outlined in the 2019 European Green Deal, with its 47 actions and its Fit for 55 package of measures. Along with this, increased environmental awareness and public policies aimed at combating climate change are fostering new consumer trends and market disruptions. The insurance sector, as a major institutional investor and through its insurance business, has the opportunity to capture the opportunities offered by the fight against climate change **from the perspective of sustainable investment and innovation.**

Línea Directa Aseguradora is already immersed in this regard, **designing sustainable products and services** that respond to these changes in customer consumption patterns, just as **it has incorporated ESG criteria** into its investment policy. In this regard, the organization has identified and evaluated the following climate opportunities, with the potential to generate a positive financial and business impact for the group.

Opportunity	Description	Financial impact	Magnitude of the impact	Time horizon
Products and services: Design and development of products aimed at reducing emissions and promoting the circular economy in customers' motor insurance policies, and improving the habitability and energy efficiency of customers' homes.	The European Union's goal of decarbonizing the economy by 2050 has driven regulations such as Law 7/2021, of May 20, on Climate Change and Energy Transition. This is a highly important law in terms of sustainability, as it promotes measures for a more environmentally friendly economy, fostering the transition to sustainable mobility based on clean energy and zero emissions by 2050. It also requires the establishment of low-emission zones in Spanish municipalities with more than 50,000 inhabitants by 2023. Línea Directa is committed to sustainable mobility and has developed products and services focused on eco-friendly vehicles. Furthermore, it continues to work on the design of sustainable solutions, analyzing market options and advancing toward new business models and solutions for other forms of mobility, in order to offer the best products to customers and contribute to sustainability.	Regarding the insurance underwriting portfolio, revenue increased due to increased demand for sustainable products and services.	Medium.	Medium term.
Market: Increased financial returns on investments by being able to access new markets.	The number of sustainable investment products continues to grow considerably. Assets in ESG funds have multiplied, gaining interest among investors. Furthermore, we must consider the potential strength of renewable energy and technologies that contribute to decarbonization, which would represent an opportunity to generate greater income. On the one hand, there is an opportunity in increasing the number of available assets, and on the other, if these assets are more profitable, it is a source of greater financial income for the entity.	Regarding the Investment portfolio (Asset Manager), increased financial income.	Medium.	Short term.
Eco-efficiency, strengthening the entity's operational efficiency in environmental matters.	Regarding participation in renewable energy programs and the adoption of energy efficiency measures, an opportunity is seen in eco-efficiency, strengthening the entity's operational efficiency in environmental matters. Improving energy efficiency through enclosures, insulation, façades, etc. that prevent air leaks leads to lower costs and emissions, combined with a reduction in investment costs through renewable technologies, such as the installation of photovoltaic panels. This not only takes into account the return on investment, but also the reduced dependence on electricity, potentially achieving self-sufficiency in some buildings and time periods.	Cost reduction through improved efficiency and lower consumption.	Low.	Short term.
Products and services: Design and development of products aimed at reducing emissions and promoting the circular economy in customer motor insurance policies.	Regarding resource efficiency and the use of recycling, the company is committed to reducing claims costs by marketing products aimed at reducing emissions and promoting the circular economy in customers' motor insurance policies. This is seen not only as a commercial opportunity, by offering sustainable solutions to customers, but also as a reduction in claims costs.	Reduction of claims costs.	Low.	Medium term.

4.2. Impact on the Organization: Business, Strategy, and Financial Plan.

4.2.1 / Areas of impact.

La gestión de riesgos corporativos permite mostrar Corporate risk management provides a comprehensive view of all risks to which the company is exposed, including those arising from its own operations, 100% of its ongoing operational activities, and indirect upstream and downstream activities, as well as their potential impact if materialized.

In this way, the company's governing bodies receive regular updates on the main risks that could affect the business—including climate change risks starting from this fiscal year—enabling the Board of Directors to define and oversee the strategy and risk management policy in this area.

Risk management supports decision-making by the governing bodies in matters related to investments, underwriting, reinsurance, product and service design, and overall company strategy.

4.2.1.1. Impact on underwritting.

The frequency and average cost of weather-related events have been increasing in recent years in the Spanish market. For Línea Directa, the impact has been moderate, as the company operates exclusively in Spain—a territory that benefits from the presence and operations of the Insurance Compensation Consortium (CCS).

However, the impact of such events has been growing in recent years, with a potential worsening in the medium and long term due to high-impact weather events not covered by the CCS. In this context, reinsurance programs and partnerships become even more relevant, especially those designed to cover such events.

Therefore, the company is making additional efforts to find increasingly efficient coverage solutions adapted to this new climate reality, in coordination with reinsurers. This includes incorporating new variables and predictive models to improve efficiency and better align the reinsurance policy with the required solvency capital.

Given the impact of this new scenario on the company's underwriting and pricing processes, it is worth noting that innovation has been a core part of Línea Directa's identity since its founding in 1995. The company's emergence as a new player in the insurance market, thanks to its direct model, was a disruptive force that helped modernize and energize the industry.

This culture of innovation is now being applied to address new mobility and energy efficiency challenges arising from climate change. In this regard, Línea Directa was one of the first companies to launch a specific product for electric vehicles (the 'Respira' Policy in 2016). It has developed a truly distinctive product to cover the mobility needs of customers using personal mobility vehicles and has created new coverage solutions for solar panels, which are increasingly common in energy-efficient homes. The company continues to develop additional products and coverages to meet the evolving needs of customers transitioning to a more sustainable energy model.

The company's pricing models include a wide range of variables that allow for a highly tailored risk profile assessment. In this regard, the insurer is working on developing and incorporating new risk variables that enable medium- and long-term projections of the impact of weather events and the aggravation of certain risks, with geolocation being a key factor.

4.2.1.2. Impact on investments.

In a context marked by growing awareness and sensitivity to environmental, social, and governance (ESG) issues—amid geopolitical tensions—the company has defined a Sustainable Investment Policy that outlines its decision-making process in this area.

Considering ESG variables and criteria in investment decisions allows for more comprehensive and cross-cutting risk management, while also creating value for investors, stakeholders, and society as a whole. The company aims to minimize the negative impact its investments may have on society and the environment.

Línea Directa Group's goal in defining and implementing the Sustainable Investment Policy is to maximize the risk-return balance while also considering ESG risks in its investments. This supports more sustainable development by promoting activities with a positive impact and avoiding or limiting those with adverse effects that could undermine stakeholder trust.

As a result of this ESG awareness, specific actions and objectives have been included in the company's Sustainability Plan. However, it is important to note that market risk is low due to the company's limited exposure to sectors sensitive to transition risk in both its equity and fixed-income portfolios, as well as its prudent investment approach.

4.2.2. / Decarbonization: transition toward a low-carbon economy.

Línea Directa is committed to the fight against climate change, integrating it into the environmental dimension of its 2023–2025 Sustainability Plan.

This plan outlines various actions to promote measures that will enable the group to make an orderly transition toward the goal of achieving net-zero emissions by 2050.

4.2.2.1. Progress made by Línea Directa between 2010 and 2023.

The initiatives carried out by the company over the past decade demonstrate its commitment to the fight against climate change. The company has implemented triennial Sustainability Plans that include measures aimed at reducing greenhouse gas emissions, ensuring carbon neutrality by 2030, and aligning its activities with the goals of the Paris Agreement.

Among other actions, the following stand out:

- Use of renewable electricity sourced from providers with Guarantee of Origin certification.
- Implementation of a photovoltaic plant for self-generation.
- Definition of an internal carbon pricing strategy.
- Installation of electric vehicle charging stations at office locations.
- Maintenance of a complete and third-party verified inventory of Scope 1, Scope 2, and Scope 3 emissions.
- Registration of its Carbon Footprint with the Ministry for the Ecological Transition and the Demographic Challenge.
- Implementation of certified Environmental and Energy Management Systems (ISO 14001 and ISO 50001, respectively) to monitor consumption related to its operations.
- Offset of Scope 1 and Scope 2 GHG emissions through reforestation projects for CO_2 absorption.
- Sustainability certification and emissions offsetting for the company's most significant events.
- Approval of a Sustainable Investment Policy, which includes periodic reviews of its positioning on Oil & Gas and Coal assets, considering divestment by 2030 in sectors impacting climate change, unless they have an energy transition plan.
- Company-wide training on the causes, effects, and mitigation measures of climate change.

4.2.2.2. Scope 1 and 2 Emissions Reduction Targets.

Línea Directa set a Scope 1 emissions reduction target of 2.5% for 2024 compared to 2023.

In 2024, Scope 1 emissions amounted to 527.13 tons of CO_2e, representing an increase of 13.56% compared to 2023. This deviation was due to refrigerant gas leaks from air conditioning systems in office facilities during 2024.

Línea Directa conducts preventive maintenance of its office HVAC systems, which is expected to reduce these fugitive emissions in future years.

Regarding Scope 2, Línea Directa set a target of not exceeding 386 tons of CO_2 equivalent (average for 2022/2023). Scope 2 emissions in 2024 were 310.21 tons of CO_2e, a 10.52% reduction compared to 2023, meeting the target thanks to the implementation of renewable energy measures.

All information related to emissions calculations and the establishment of reduction targets is published annually in the "Consolidated Non-Financial Information Statement and Sustainability Report."

4.2.2.3. Financial Incentives for Senior Management Linked to Climate Change Objectives.

As a demonstration of the company's commitment to combating climate change, the variable compensation incentives for the CEO and the Management Team are linked to emission reduction targets aligned with the current Sustainability Plan.

For the CEO and the Management Committee, a variable compensation objective related to environmental management was established for 2024, consisting of a 10% reduction in the company's energy consumption (grid electricity, diesel, and natural gas) compared to 2022. This objective aligns with the emission reduction goals reported in subchapter E1-4 "Climate Change Mitigation and Adaptation Targets" of the sustainability report and is part of the 2024 Sustainability Plan.

Additionally, the Long-Term Incentive Plan (LTIP) applicable to the CEO, senior management, and some middle managers includes the following environmental objectives:

- Reduction in electricity, natural gas, and diesel consumption in 2025 compared to 2022.
- Preparation and publication of TCFD reports aligned with the recommendations in force as of the end of 2025.

These objectives are designed to promote the transition to sustainability and ensure compliance with the Group's climate commitments.

4.2.2.4. Specific Activities to Mitigate the Effects of Climate Change.

In its 2023–2025 Sustainability Plan, Línea Directa has established two major objectives related to climate change.

On one hand, the company is committed to reducing greenhouse gas emissions to align with the decarbonization context of the European and global economy. This strategy to phase out fossil fuel consumption is outlined in the Sustainability Plan through a roadmap of actions, including the establishment of emission reduction targets in accordance with the Science Based Targets initiative (SBTi).

The main actions included in the 2023–2025 Sustainability Plan are:

CO_2 EMISSIONS MEASUREMENT AND TARGETS

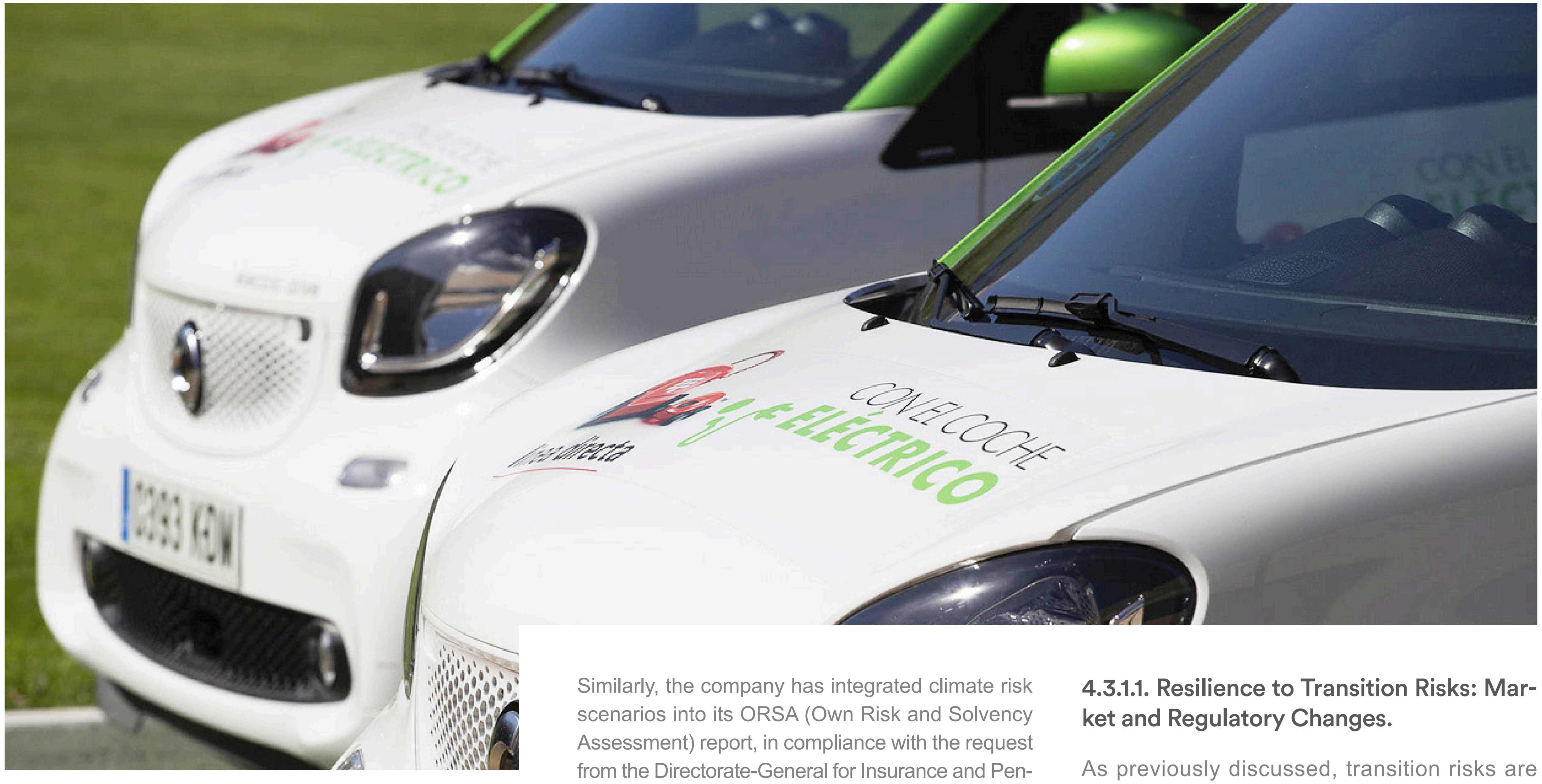
- **Scope 3 Measurement:** Calculation of emissions from the investment portfolio and the value chain.
- **Internal CO_2 Pricing:** Definition of an internal carbon price to raise awareness among departments about their environmental impact.
- **Decarbonization Targets:** Definition and approval of a Net Zero target by 2050, including interim reduction targets for 2030 in line with SBTi.

POSICIONAMIENTO CONTRA EL CAMBIO CLIMÁTICO

- Presencia y proactividad de Línea Directa en iniciativas relevantes ESG:
  - Adhesión a las iniciativas UNEPFI, lanzadas por la ONU.

ECO-EFFICIENCY

- Operational Efficiency Improvements:
  - Measurement and growth of self-consumed energy: 745 MWh self-generated by 2025.



  - Reduction of energy consumption (natural gas, diesel, non-self-generated electricity) by 15% by 2025 compared to 2022.

ESG QUESTIONNAIRE FOR ACTIVE SUPPLIERS

- Evaluation to assess the maturity level of emissions management in the supply chain.

On the other hand, the company has adhered to the TCFD (Task Force on Climate-related Financial Disclosures) to voluntarily report on the management of climate-related risks and opportunities, including information on governance, strategy, risk and opportunity management, and related metrics and targets.

Similarly, the company has integrated climate risk scenarios into its ORSA (Own Risk and Solvency Assessment) report, in compliance with the request from the Directorate-General for Insurance and Pension Funds.

4.3. Resilience of the Organization's Strategy.

4.3.1. / Resilient Strategy: Transition to Net Zero.

Línea Directa has thus incorporated a short-, medium-, and long-term strategy to support its transition toward a low-carbon economy, with special attention to both transition and physical risks identified in the Climate Risk Map developed by the Corporate Risk Department.

4.3.1.1. Resilience to Transition Risks: Market and Regulatory Changes.

As previously discussed, transition risks are those arising from the gradual shift of the current economic model toward one based on low greenhouse gas (GHG) emissions. These risks are particularly associated with changes in regulations, policies, taxation, technologies, and market prices, among others.

Regarding market and legal risks, climate change will intensify **policies aimed at reducing or eliminating fossil fuel vehicle sales and more broadly banning their circulation in major cities.** These changes will also create new product and service needs for customers. In response, Línea Directa has launched a **commercial strategy** with the following objectives:

- To **grow its market share in electric vehicles,** which will represent a significant portion of the portfolio in the long term.
- To **expand in the personal mobility vehicle segment.**
- To address customer needs and uncertainties by launching new products, services, or coverages across all business lines in response to the short- and medium-term impacts of climate change.

As part of this strategy, in 2016 the company launched a **comprehensive insurance policy** with a deductible specifically for electric vehicles. Since 2022, this has been extended to plug-in hybrids and motorcycles.

By the end of 2024, the company had a portfolio of over 36,000 electric and plug-in hybrid cars and motorcycles, with a market share of around 8% of new registrations in the electric vehicle segment.

In 2022, Línea Directa also disrupted the auto insurance market with its innovative product "Llámalo X" ("Call it X"), the first comprehensive insurance with a deductible that includes the vehicle itself, maintenance costs, and taxes, all for a fixed monthly fee. This transformed the traditional model by linking insurance to vehicle financing. The offering regularly includes ECO-labeled models. From its launch through the end of 2024, Línea Directa had nearly 1,885 policies with a vehicle included.

With these initiatives, Línea Directa offers pioneering and innovative products to better position itself for regulatory changes related to climate change, including the expected EU ban on the sale of combustion vehicles by 2035.

It is also important to consider international initiatives, such as that of the World Economic Forum (WEF), known as the **Davos Forum, which has announced plans to eliminate most vehicle circulation by 2050. Their goal is to replace the current fleet with a new urban mobility scoring system—the Urban Mobility Scorecard Tool—based on the SEAM** transport model **(Shared, Electric, Automated, and Connected vehicles).** The **number of private vehicles on the road in 2050 is expected to be just 500 million globally,** a **75% reduction from the projected baseline of 2.1 billion vehicles, and a 65% reduction from today's level of approximately 1.45 billion.**

This new urban mobility scenario also falls under transition risks, with the rise of **personal mobility vehicles (PMVs)** such as electric scooters and bicycles. The increase in these low-emission urban transport options has led authorities to consider legislative reforms requiring mandatory liability insurance for their use.

In 2021, Línea Directa Aseguradora launched Personal Mobility Insurance, the first 100% digital personal accident insurance that includes coverage for PMVs such as scooters, electric bikes, skateboards, rollerblades, segways, unicycles, and hoverboards.

4.3.1.2. Resilience to Physical Risks: Modeling, Circular Economy, and Geographic Diversification of the Portfolio.

In 2022, **Delegated Regulation (EU) 2021/2139** came into effect, establishing **technical screening criteria** to determine when an **economic activity substantially contributes to climate change mitigation or adaptation,** and **whether it does not significantly harm other environmental objectives.**

This regulation complements Regulation (EU) 2020/852, known as the **Taxonomy Regulation, which sets a framework to facilitate sustainable investments. It includes a section on technical screening criteria for non-life insurance and reinsurance activities to assess their contribution to climate adaptation.**

Key criteria include:

1. The insurance activity uses modeling **techniques that adequately reflect climate risks.**
2. Insurance **products offer bonuses** based on **preventive measures taken by customers.**
3. A significant portion of claims **data is made freely available to authorities** for analytical research.
4. The insurer demonstrates a **high level of responsiveness in post-disaster situations.**
5. The **activity does not insure the extraction, storage, transport, or manufacture of fossil fuels, nor vehicles, goods, or assets intended for such purposes.**

The 2023–2025 Sustainability Plan includes the **progressive assessment and integration of these aspects,** which determine **the alignment level of the company's policy portfolio.** The 2024 Consolidated Non-Financial Information and Sustainability Report includes disclosures on the eligibility and alignment of Línea Directa's activities with the EU Taxonomy. This supports the ongoing trend of i**ncorporating new modeling methods and premium incentives** related to climate change impacts.

Additionally, to mitigate emissions during repairs and support circular economy practices, the Sustainability Plan includes an **initiative to promote the use of green spare parts.**

According to the report **Insurance 2025 and Beyond** by PwC, which outlines key trends shaping the future of the insurance industry, climate-related risks could generate up to 183 billion USD in global premiums by 2040. Most of this would come from **insurance products protecting homes and properties against natural disasters such as floods, earthquakes, and extreme weather events like storms and wildfires.**

To build resilience against high-emission scenarios that could lead to a temperature increase of more than 2°C above pre-industrial levels, the company may consider progressively implementing measures such as **geographic diversification of its portfolio to avoid risk concentration.**

4.3.1.3. Resilience to Physical Risks: New Technical Profiles.

Línea Directa recognizes the importance of incorporating new technical profiles capable of addressing the emerging questions that climate change poses to markets. To this end, the company has included sustainability and environmental awareness training in its Sustainability Plan as a means to integrate a long-term sustainability vision into the business—essential for anticipating the climate transition risks identified.

In this regard, the company will consider creating **training and internal talent development programs to address the new challenges posed by climate change.** It will identify these needs and develop specific training programs accordingly.

Additionally, the company may rely on external collaboration with third-party climate change experts to gain knowledge for adaptation, mitigation, reporting, and navigating the market and regulatory environments resulting from climate change impacts, administrative pressures, customer decision-making, and social trends.

4.3.1.4. Resilience to Physical Risks: Reinsurance.

In view of the potential increase in **reinsurance costs** or the **risk of reinsurer default** due to **greater exposure to climate change-related costs,** Línea Directa is considering the **progressive incorporation of new measures into its reinsurance contracting processes**—beyond those already in place—to ensure solvency. This approach mirrors how the company assesses the solvency of critical suppliers in its supply chain through the Procurement Department.

Furthermore, the company may **prioritize reinsurers with more diversified portfolios** to avoid those **heavily concentrated in high climate-impact zones or sectors particularly affected** by climate events. In this regard, Línea Directa has a Reinsurance Policy that includes clear limits on acceptable credit ratings and processes that mitigate the probability of reinsurer default.

4.3.2. / Physical (>2°C) and transitional (>1,5°C) risk scenarios.

Scenario analysis is a **planning tool** and a recommended practice for companies **developing future projections** to anticipate potential **positive and negative impacts.**

To identify and develop risks and opportunities arising from climate change, Línea Directa has relied on various climate scenarios. These scenarios included those related to transition risks and physical risks, and also met two key criteria:

- That at least one scenario was considered when assessing **transition risks,** representing a **1.5°C scenario** carried out in a disorderly manner. The analysis focused on NGFS scenarios, with the assumption of both an orderly and a hasty transition **(Net Zero 2050 and Divergent Net Zero).**
- That the identification and subsequent assessment of risks used the mixed RCP and SSP scenarios from the IPCC, including one scenario below 2°C **(SSP1-2.6)** and one representing the highest stress for physical risks **(SSP5-8.5).**

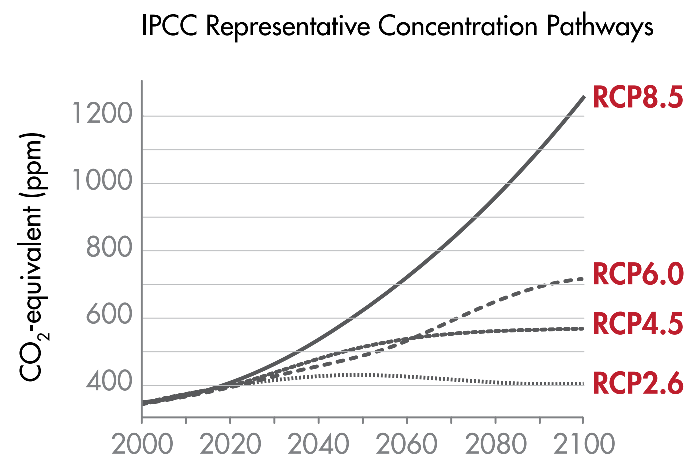
4.3.2.1. Scenarios for Analyzing Physical Risks: RCP and SSP.

In its Fifth Assessment Report (AR5), the IPCC defined emission scenarios known as Representative Concentration Pathways (RCPs). These trajectories are projections aimed at representing atmospheric concentrations of greenhouse gases (not emissions).

The pathways describe different possible climate futures depending on the volume of greenhouse gases (GHGs) emitted in the coming years.

RCPs are consistent with a wide range of potential changes in future anthropogenic GHG emissions.

In the **IPCC's Sixth Assessment Report,** these scenarios were updated and replaced by Shared Socioeconomic Pathways (SSPs), which are expected to provide flexible descriptions of possible futures within each RCP.



Each scenario is labeled to identify both the emission level and the **Shared Socioeconomic Pathway (SSP)** used in the calculations.

- **SSP1-1.9:** The most optimistic scenario in the IPCC report describes a world in which global CO_2 emissions are reduced to net zero by 2050. This implies a shift toward more sustainable practices, prioritizing general well-being over economic growth. Investments in education and health increase, and inequality decreases. Extreme weather events are more frequent, but the world avoids the worst impacts of climate change. This is the only scenario that meets the **Paris Agreement goal** of **limiting global warming to around 1.5°C above pre-industrial levels,** with warming peaking at 1.5°C and then declining to stabilize around 1.4°C by the end of the century.
- **SSP1-2.6:** In the next best scenario, global CO_2 emissions are drastically reduced, though not as quickly, reaching net zero after 2050. The same socioeconomic shifts toward sustainability occur as in SSP1-1.9, but **temperatures stabilize around 1.8°C higher by the end of the century.**
- **SSP4-3.5:** This scenario reflects a future with high inequality and social fragmentation, with energy diversification that may include both fossil fuels and renewables. It projects global warming of 3.5°C by 2100.
- **SSP2-4.5:** Considered an “intermediate” scenario. CO_2 emissions remain near current levels before starting to decline mid-century, but do not reach net zero until 2100. Socioeconomic factors follow historical trends with no major changes. Progress toward sustainability is slow, and development and income grow unevenly. **In this scenario, temperatures rise by 2.7°C by the end of the century.**
- **SSP4-6.0:** Labeled “A Divided Path,” this scenario describes a future where socioeconomic inequalities deepen, with wealth and influence concentrated in a globally connected group, while others rely on low-tech economies. In this scenario, global warming is projected to range from 2.3 to 3.7 degrees.
- **SSP3-7.0:** In this pathway, emissions and temperatures steadily increase, with CO_2 emissions roughly doubling current levels by 2100. Countries become more competitive, focusing on national security and securing their own food supplies. **By the end of the century, the average temperature has risen by 3.6°C.**
- **SSP5-8.5:** Current CO_2 emission levels roughly double by 2050. The global economy grows rapidly but is fueled by fossil fuel exploitation and energy-intensive lifestyles. **By 2100, the global average temperature has increased by 4.4°C.**

4.3.2.2. Scenarios for Analyzing Transition Risks: NGFSS.

In general, the financial sector uses the three scenarios defined by the NGFS (Network for Greening the Financial System), which help identify various climate-related variables:

1. **Orderly:** In this scenario, governments and companies adopt early measures and policies to achieve net-zero CO_2 emissions and keep temperature increases below 2°C by 2070. This scenario is divided into **two projections:**

- **Net Zero 2050:** An ambitious scenario that limits global warming to 1.5°C through strict climate policies and innovation, reaching net-zero CO_2 emissions around 2050. Some jurisdictions, such as the U.S., the EU, and Japan, achieve net-zero for all greenhouse gases by that time, with a cap on global warming.
- **Below 2°C:** In this scenario, **climate policies gradually become more stringent,** offering a 67% chance of limiting global warming to below 2°C. It assumes **immediate implementation of climate policies that become progressively stricter,** though not as aggressive as in Net Zero 2050. Deployment of Carbon Dioxide Removal (CDR) technologies is relatively low. Net-zero CO_2 emissions are reached after 2070. Both physical and transition risks are relatively low**.**

2. **Disorderly:** Measures are adopted late, requiring greater investments to meet emissions targets. This scenario is further divided into:

- **Divergent Net Zero:** Net-zero is achieved by 2050, but at higher costs due to divergent policies across sectors and a faster phase-out of fossil fuels. Unlike Net Zero 2050, this scenario assumes stricter climate policies in the transport and building sectors. It reflects a situation where lack of coordination in policy stringency across sectors results in a heavy burden on consumers, while decarbonization in energy supply and industry is less stringent. Additionally, the availability of **CDR technologies** is assumed to be lower than in Net Zero 2050. Emissions align with a climate target offering at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with minimal or no overshoot (<0.1°C) in earlier years.

This scenario entails significantly higher transition risks than Net Zero 2050, but generally the lowest physical risks among the six NGFS scenarios.

- **Delayed 2ºC: This delayed transition** assumes that global annual emissions do not begin to decline until 2030. From that point, strong policies are needed to limit warming below 2°C. Negative emissions are limited.

3 **Hot House World, No additional measures** are taken beyond those already in place, leading to a high temperature increase.

- **Nationally Determined Contributions (NDCs):** Includes all committed policies, even if not yet implemented.
- **Current Policies:** Assumes only currently implemented policies remain in place, leading to high physical risks. **Emissions continue to rise until 2080, resulting in approximately 3°C of warming and severe physical risks. This includes irreversible changes** such as significant sea level rise. This scenario helps central banks and regulators consider long-term physical risks to the economy and financial system if the world continues on **a "hot house" path.**

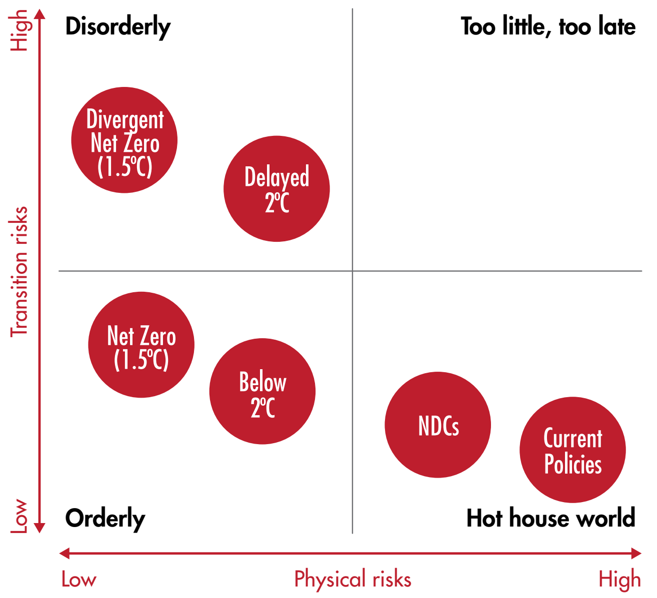
There is a fourth scenario, **"Too Little, Too Late,"** which is generally not used due to **its extreme severity and catastrophic global effects.**

4.3.2.3. Available Scenario Analysis Tools

To develop the analysis of certain scenarios, various geographic visualization tools and atlases have been used as references. These tools allow for short-, medium-, and long-term projections of climate change impacts based on emission concentrations, temperature increases, and various socioeconomic indicators.

Additionally, both the geographic distribution of Línea Directa's insurance portfolio and the historical record of climate events affecting the company have been considered.

NGFS scenarios framework



The company has identified several tools that display climate effects under different socioeconomic and political scenarios, including:

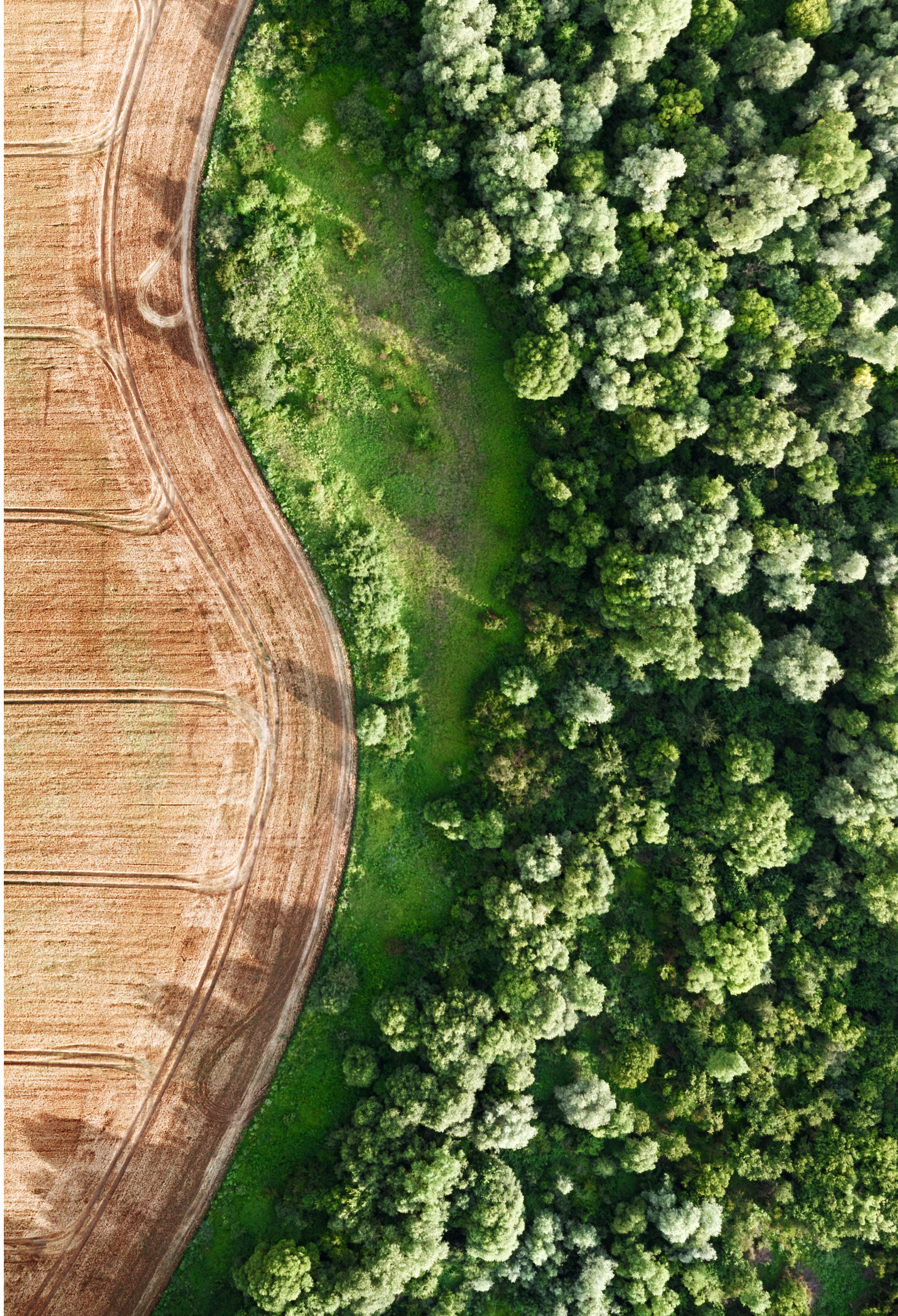
IPCC WGI Interactive Atlas.

Climate Impact Explorer by Climate Analytics.

NASA Sea Level Change Platform.

AdapteCCa, a resource from the Spanish Office for Climate Change and the Biodiversity Foundation, both under the Ministry for the Ecological Transition and the Demographic Challenge.

Water Risk Atlas.



4.3.2.4. Customized Scenarios and Assumptions.

Once the climate-related risks have been identified and defined, they are assessed under different representative scenarios. This assessment has been carried out from the perspectives of underwriting, reinsurance, and financial investment. In general, impacts have been calculated independently.

As mentioned earlier in this document, the company has taken into account the time horizons defined by EIOPA. It is assumed that all short-term risks are already occurring, which facilitates impact calculations. Since these risks have already materialized, known behaviors can be extrapolated into projections. Thus, the impact study begins in 2026, based on the 2025 planned data, which already has significant development at the time of this report.

In the medium and long term, deviations will be greater due to the need to assume more hypotheses.

For short-term transition risks, two scenarios are considered:

- One in which the company adapts to or anticipates new challenges from climate change, effectively mitigating any negative impacts.
- Another in which no action is taken until regulations require it, limiting freedom of action and control over potential consequences.

Assessing adaptation scenarios for physical risks is more complex, as they globally depend on external factors. However, identifying them is a key tool for minimizing their impact. Below is a summary of the scenarios considered for financial impact analysis:

1. Portfolio decline risk due to reduced fossil-fuel vehicle sales and urban driving bans, leading to a scenario where electric vehicles must gain market share. Car leasing and carsharing fleets will also play a crucial role.
2. Increased regulatory capital requirements due to climate-related risks. This scenario is highly probable, as regulations already require these risks to be included in the internal ORSA risk assessment.
3. Rising costs due to increased staffing and financial resources needed for analysis, monitoring, and control in response to environmental requirements.
4. Reputational risk linked to investment exclusions in certain sectors due to market trends. The smaller the portfolio exposed to these sectors, the lower the risk.
5. Rising reinsurance costs due to increased frequency and average costs of catastrophic and natural events. Reinsurance rates have risen in recent years, and this trend is expected to continue under worsening scenrios.
6. Higher default risk from reinsurers due to greater exposure to catastrophic events. The probability of reinsurer default is considered, impacting the Solvency II balance through increased net reinsurance provisions.
7. Increased claims and operational costs due to more frequent and severe physical impacts from adverse climate events. For Línea Directa, the most affected line is Home insurance. Scenarios assume more frequent catastrophic events such as DANAs (cold drops), explosive cyclogenesis, and others.

Additionally, the rise in claims due to climate change will increase the need for claims processing staff. New regulations will also require more specialized personnel or significant investment in training existing professionals.

Risk management

Línea Directa Group, building on its existing methodology for corporate risk analysis, has also defined the necessary processes for identifying and evaluating specific climate-related risks.

These risks expand the categories already included in the company's risk map, providing the organization with the appropriate procedures to prevent, mitigate, and adapt to these risks and their consequences.

The company has implemented climate risk management and analysis, along with internal control processes, in line with market best practices, current regulations, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

5.1. Risk identification and assessment.

The organizational structure for risk management and control is based on the principles of independence and segregation of duties between business units and risk monitoring and control units. Accordingly, the group has defined the main roles and responsibilities of its governance bodies in the risk control and management process, as detailed in the Governance section of this document.

The company has established different lines of defense, designing an organizational structure for each type of identified risk based on the three lines of defense model:

- A management unit with direct responsibility for the day-to-day management of such risks, acting as the **first line of defense.**
- **Second Line of Defense:** Control Functions. These include Risk Management, the Actuarial Function, the Compliance Function, the Internal Control System for Financial Information (SCIIF), the Sustainability Information Control System (SCIIS), and Fraud Prevention, with the following responsibilities:
    - Ensuring the proper functioning of control and risk management systems, particularly the identification, management, and appropriate quantification of all significant risks affecting the organization, including ESG risks.
    - Actively participating in the development of the risk strategy and in key decisions regarding risk management.
    - Ensuring adequate risk mitigation through control and management systems within the framework of the policy defined by the Board of Directors.
    - Periodically evaluating the adequacy and effectiveness of controls, understood as measures intended to mitigate the impact of identified risks. They also make recommendations to risk owners, which are translated into action plans.
    - Regularly reporting the company's risk status, potential risk materializations, and the status of all recommendations from testing to the Management Committee and the Standing Risk Committee.
- **Third Line of Defense: Oversight Function.** This is carried out by Internal Audit.

The Group has defined the main roles and responsibilities of its governance bodies in the risk control and management process.

This structure serves four essential objectives:

- Ensuring proper control, management, and reporting of all risks across different lines of defense.
- Guaranteeing that control and reporting are conducted both vertically and transversally, by both dependent bodies and independent control functions.
- Ensuring appropriate scalability in reporting, control, and decision-making.
- Ensuring that responsibility, knowledge, and control of risks are exercised at various levels, including the highest level of governance.

5.1.1. / Risk and Opportunity Identification Process.

In a context of growing awareness around sustainability—especially regarding climate change—the group has advanced in identifying challenges related to this phenomenon. The goal is to address various climate change impact scenarios and analyze the risks and opportunities of developing products and services that contribute to a decarbonized economy.

Línea Directa Group uses various mechanisms that consider both financial and ESG (Environmental, Social, and Governance) aspects.

Climate-related risks are included in the risk categories already defined in Línea Directa Aseguradora's general risk map. Once identified and their potential impact assessed, they are incorporated into these predefined categories. As part of the risk management process, the group also considers and analyzes the necessary action plans to prevent and minimize their effects.

The identification of relevant risks within the group's processes is carried out jointly by risk analysts (within the Corporate Risk area) and the business areas responsible for managing those processes.

In the same vein, the Corporate Risk area, the Sustainability Working Group, and key organizational profiles hold annual meetings to identify risks specifically linked to climate change.

The organization also continuously reviews its risk control environment to update controls and assess their integrity and effectiveness. Based on the actual control level, the company re-evaluates the identified risks.

5.1.2. / Climate Risk Assessment Process.

The company's overall risk methodology includes a self-assessment tool for risks and solvency (ORSA), which enables the organization to identify, monitor, manage, and report risks in the short, medium, and long term, and to verify the adequacy of its capital resources. This analysis covers both negative impacts and opportunities that may arise in the company's environment. In the current context, evaluating climate-related risks has become a fundamental exercise for the company.

After identifying climate-related risks, the group has prioritized the most relevant ones and analyzed different occurrence scenarios for both physical and transition risks. These risks have been assessed using these scenarios and the company's internal risk evaluation methodology.

Similarly, Línea Directa Aseguradora has conducted a preliminary identification of climate risks impacting its portfolio, as well as the opportunities this reality may present. Following this exercise, the insurer has also determined the most relevant ones.

5.1.3. / Geography, Line of Business, and Product Segment.

Based on the various risk scenarios developed, specific assessment processes have been established, taking into account variables such as geographic location, the characteristics of each insurance line, and the company's reinsurance programs.

- The company has conducted a simulation of weather events considering the geographic distribution of its portfolio. The frequency and impact of these extreme events on the company's claims costs vary depending on geographic variables and the extent to which climate change may affect those areas in the medium and long term, as well as the expected evolution of climate change in each scenario.
- Based on the historical material impacts on the portfolio, the group has projected potential future impacts from climate change risk, simulating scenarios that include, among other factors, a shift in the auto insurance portfolio and a reduction in the number of vehicles.
- Different weather events affect each insurance product differently. Likewise, the risks and opportunities arising from climate change will vary depending on the specific characteristics and insurance cycle of each line of business. Therefore, the group has defined scenarios and their impacts by insurance line.
- The company has assessed the various scenarios using risk valuation structures developed under the Solvency II regulatory framework. Specifically, it has considered the mitigating effect of reinsurance on such events and the probability of default within the reinsurance panel, assuming a capacity-managed market.
- Additionally, Línea Directa Aseguradora conducts an annual study to determine the most efficient reinsurance structure, based on optimal levels of priority, coverage, and capital consumption.

5.2. Management of Climate Change Risks and Opportunities.

Climate change is one of the major challenges facing society as a whole. Therefore, within its risk management system and in line with best practices and current regulations, Línea Directa Aseguradora has been identifying climate-related risks and opportunities to include them in its corporate risk map and assess their impact on the business.

Línea Directa Group is exposed to a series of risks inherent to its activity and business, as well as to external factors that may affect its strategy, achievement of objectives, and reputation, and may impact its relationships with stakeholders. To ensure these risks are properly identified, measured, managed, and controlled, the organization has established a set of principles and procedures applied systematically across all group companies. The entity also analyzes events that could impact the business if they materialize. In this regard, the company has identified various types of risks, including environmental, social, and governance (ESG) risks.

5.2.1. / Risk Management Decision-Making.

The group's risk management and internal control processes are based on continuous and integrated management of all business processes, monitoring risk levels through its corporate risk map and its dashboard of Key Risk Indicators (KRIs), which provide relevant information for decision-making to achieve the company's strategic objectives. In line with the group's global strategy, sustainability KRIs have been incorporated into the dashboard, facilitating the monitoring of the company's Sustainability Plan.

In parallel with the measures being implemented to prevent, minimize, or avoid the impacts of climate change, reinsurance is one of the main climate risk mitigation tools identified by Línea Directa Aseguradora in its risk and control map. The group conducts a broad annual exercise to determine the most efficient reinsurance program, considering underwriting and reinsurance policies, claims experience (both internal and industry-wide), and the potential impact of climate risk, with special focus on catastrophic reinsurance programs. To further minimize the potential impact of increasingly frequent and severe climate events, the group has defined the most efficient coverage layers and priorities, also drawing on methodologies developed under the Solvency II framework.

Additionally, alongside each company's reinsurance programs, the Spanish insurance sector benefits from the Consorcio de Compensación de Seguros (CCS), a key tool for mitigating the growing risk of weather-related events.

5.2.2. / Key Instruments and Tools.

Línea Directa Group incorporates potential positive and negative impacts of climate change into its business strategy. To this end, the company has developed models and procedures to develop and market insurance products and services that support and enhance the orderly transition to a decarbonized economy and adjust its pricing policy to reflect the frequency and impact of extreme weather events.

Línea Directa Aseguradora has a cross-functional New Product Innovation Department that works on developing sustainable products, supporting customers in their own ecological transition in areas such as sustainable mobility, energy-efficient homes, and health, while also seizing business opportunities inherent in this new context.

From an underwriting and pricing perspective, the group is working on implementing risk-based pricing that reflects the impact of climate events—such as hail—on the different geographic areas of Spain where its auto and home insurance portfolios are distributed.

5.3. Integration into Comprehensive Risk Management.

5.2.3. / Incorporation of Climate Risks into the Company's ESG Risk Map.

In 2022, Línea Directa Group updated its specific ESG risk map, which is part of the organization's overall risk map. This ESG risk map already included some climate-related risks, such as the degree to which the company's commercial offering adapts to the effects of climate change and whether climate risks are included in the assessment of financial and risk ratios.

In 2024, the company worked on reviewing its ESG risk map to fully integrate it with the rest of the corporate risks, aiming to achieve a comprehensive view of the company's risks and a consolidated assessment.

Additionally, in line with current and upcoming legislation and with the reporting commitment acquired through its adherence to the Task Force on Climate-related Financial Disclosures (TCFD), Línea Directa Aseguradora has carried out an active listening process across various areas of influence within the company, covering different types of risks. As a result of this exercise and the environmental analysis, the organization has identified the main climate-related risks and opportunities it faces.

Metrics and targets

6.1. Risk and Opportunity Metrics Aligned with Strategy.

6.1.1. / Key Metrics: Climate Change Risks and Opportunities.

Línea Directa has conducted impact calculations and assessments for each identified risk, establishing quantitative assumptions and projecting them across different time horizons. Below are the metrics used to calculate the various economic impacts for the two types of risks mentioned above: transition risks and physical risks.

6.1.1.1. Transition risks.

The following metrics have been defined for the transition risks identified. Two scenarios have been analysed for these risks, one relating to the socio-economic characteristics of an orderly transition and the other to a disorderly transition:

6.1.1.1.1. Legal and Regulatory Risks.

1. Regulatory changes impacting marketed products.

For this risk, the insurer has calculated the impact on the income statement based on the following working assumptions related to its motor insurance products:

- Quantitative projection of a potential shift in the portfolio.
- Quantification of the impact of an increase in hybrid and electric vehicles in the portfolio.
- Assessment of the effect of an aging insured vehicle fleet.
- Calculation of portfolio decline due to a reduction in the vehicle fleet.

Objective: Monitor the share of plug-in hybrids and electric vehicles within the total fleet and the net premiums generated by this segment relative to the total.

In line with this scenario, the company has included a similar transition scenario in its annual ORSA stress testing exercise, aimed at measuring resilience to climate risk and its impact on other key risks such as underwriting risk.

As part of the ORSA report development, the entity has conducted a thorough and quantitative analysis of sustainability risks, cybersecurity, ICT-related risks, and climate change—considering both physical and transition risks—by proposing scenarios with significant impact on the solvency ratio. As noted later, a physical risk scenario similar to the one described in this report has also been included.

The entity has proposed these scenarios in line with the supervisory priorities of the Directorate-General for Insurance for the 2025–2027 ORSA exercises, which include the impact of climate change on insurers.

The proposed scenario “considers the aging of the vehicle fleet and the progressive introduction of new mobility models. The consequence of this event would be a shift in the portfolio and the penetration of electrified vehicles.”

Additionally, the same scenario has been developed under the assumption that tax losses are not absorbed, which results in an increase in solvency capital and economic capital, although own funds remain unchanged.

2. Increase in regulatory capital requirements due to climate-related risks.

This calculation considers the high probability that sustainability risk will become a regulatory requirement and thus be included in the solvency capital calculation under Pillar I within the next five years.

Objective: Annual calculation of the impact of climate-related risks on solvency capital.

3. Increased costs to meet new requirements.

This risk involves parameterizing the cost increases the company may incur due to the need for more qualified staff specialized in climate change, and resources allocated to analyzing and monitoring the value chain in response to new environmental requirements, obtaining certifications, managing new regulatory compliance obligations, hiring specialized consultants, or acquiring/adapting systems.

Objective: Annually assess the costs of adapting to legal requirements related to climate change.

6.1.1.1.2. Reputational Risk

4. Investment exclusions in certain sectors due to market trends.

In this risk, the company considers the possibility of disengaging from or not participating in profitable businesses due to reputational concerns or sector-specific regulations that prohibit such involvement.

Objective: Annual review of market opportunities and the investment portfolio to ensure optimal profitability during the transition.

6.1.1.2. Physical risks.

For the identified physical risks, the following metrics have been defined, with calculations projected under two scenarios: one with a temperature increase below 2°C, and another above 2°C.

6.1.1.2.1. Chronic Risks.

5. Reinsurer default due to increased exposure.

One of the identified risks is the rising probability of reinsurer default due to greater exposure to the progressive increase in climate-related events. This leads to higher claims, and exposure to sectors and lines with a greater likelihood of default could trigger systemic crises.

Objective: Review reinsurance offers and update pricing.

6.1.1.2.2. Acute risks.

6. Changes in precipitation patterns and extreme climate variability

Metrics have been established to capture the expected increase in claims and operational costs due to the rising frequency and severity of adverse climate events. These metrics assess the impact on home and motor insurance lines, as well as on reinsurance limits.

Additional metrics quantify the cost of maintaining customer service at optimal quality thresholds in the face of external climate events affecting large portions of the portfolio simultaneously.

Objective: Monitor the behavior of the portfolio located in areas most affected by adverse and extreme precipitation effects. Evaluate service quality during high-intensity weather events.

7. Greater severity of extreme weather events

Metrics have been defined to assess the growing impact of extreme events on the Home insurance line. The analysis includes the magnitude of high-intensity events in recent years, such as:

• The Levante cold drop in September 2019, which severely affected Murcia and Alicante.

• Storm Gloria in January 2020, impacting Valencia, Tarragona, Barcelona, Girona, Castellón, and Alicante.

• Storm Filomena in January 2021, affecting much of Spain, with Toledo, Guadalajara, Cuenca, and Madrid being the most impacted.

• Flooding caused by the DANA in October 2024, mainly affecting the Valencian Community.

Objective: Monitor the number, intensity, and portfolio impact of adverse weather events.

As previously mentioned, the company has included a physical climate risk scenario involving adverse climate events in its annual ORSA stress testing exercise.

In recent years, both the frequency and average cost of such events have increased significantly, with a particularly material impact on the Home insurance line.

The proposed scenario considers the likely adverse climate events resulting from climate change, directly impacting the economic capital required under Catastrophic Risk."

Catastrophic risk is included under Solvency II regulations, within the underwriting risk module—one of the most relevant for the company, as it is central to its business.

This scenario focuses on geographic areas most susceptible to increased frequency and impact of such events.

Additionally, the same scenario has been developed under the assumption that tax losses are not absorbed, resulting in increased solvency and economic capital, although own funds remain unchanged.

6.1.2. / Operational efficiency indicators.

Due to its direct business model, Línea Directa starts from a more efficient position in managing consumption and waste. The company optimizes an operational model that prioritizes control and transparency, with a clear goal of driving the transition toward a low-carbon economy.

It is essential for the company to continuously improve operational efficiency and minimize resource usage and environmental impact. Línea Directa responsibly manages its consumption, reducing unnecessary use, seeking more efficient ways to operate, and neutralizing its climate impact by promoting renewable energy consumption and enhancing circular economy practices.

A significant advancement in this area is the initiative to make the company's advertising productions as close to zero emissions as possible. To achieve this, a "Spot Net Zero" control has been implemented, involving expert reporting to optimize consumption.

The following table shows the evolution of Línea Directa Aseguradora's energy consumption. Starting in 2022, total self-generated consumption was included following the implementation of a photovoltaic plant.

Energy Consumption (Group)	2021	2022	2023	2024
Diesel (MWh)	81,50	111,77	120,05	76,9
Natural Gas (MWh)	3.143,34	2.414,50	2.370,53	2.316,00
Electricity (MWh)	5.209,90	5.223,10	4.916,57	4.683,2
Self generated Electricity (MWh)	-	318,40	688,48	751,84

Self-generated electricity in 2024 accounted for 10.6% of the total, and 73.3% of the electricity consumed came from renewable sources.

The following chart shows the evolution of water consumption up to 2024. Compared to 2021—which can be considered a period more similar to the current level of activity—consumption has been reduced by nearly 24,5%.

Water Consumption (Group)	2021	2022	2023	2024
Drinking water (Ml)	14,32	16,12	15,27	14,32

In the double materiality assessment conducted in 2024, water consumption was deemed a non-material aspect.

Finally, the following table presents data on the insurer's paper consumption and waste management.

Waste generated (Kg)	2021	2022	2023	2024
Paper consumption	11.712	9.705	9.158	10.168
Total waste (Kg)	107.822	112.042	113.968	150.241
Paper waste (Kg)	14.839	17.898	21.915	23.849
Plastic waste (Kg)	16.976	14.010	18.777	34.912

In the double materiality assessment conducted in 2024, paper consumption and waste management were deemed non-material aspects.

In 2024, the total amount of waste that was recycled or reused reached 83%.

6.1.3. / Pay related metrics.

In 2024, the company set an energy reduction target of 10% compared to 2022, which directly contributed to lowering emissions from energy consumption. This target was part of a broader medium-term goal to reduce consumption of diesel, natural gas, and grid electricity by more than 15% by 2025, relative to 2022 levels.

The target was achieved, with a 19.6% reduction in energy consumption.

Additionally, in the third quarter of 2024, the quarterly variable compensation of 35% of the workforce was linked to the achievement of the Sustainability Plan, which included the goal of updating the calculation of Scope 3 of the carbon footprint. This objective was met by improving the completeness of the calculation using public emission factors and reorganizing some of the categories.

6.2. GHG emissions.

Línea Directa has been calculating its carbon footprint—including all three scopes—for over ten years.

The company identifies its main energy sources and consumption patterns and evaluates their performance to set targets and monitor them through an environmental management system. This system helps reduce the environmental impact of the company's activities, protect the environment, ensure continuous improvement, comply with applicable legal requirements, promote the acquisition of more efficient products and services, and ensure the availability of information for control and reporting purposes.

Based on this information, the following tables present the greenhouse gas emissions generated by Línea Directa's operations.

6.2.1. / Inventory scopes 1, 2 and 3.

6.2.1.1. Scope 1. Direct greenhouse gas emissions.

Scope 1 refers to emissions from sources that the company owns or directly controls. In the case of Línea Directa, these are emissions resulting from the combustion of gas and fuel in its offices to ensure climate control in accordance with regulatory standards.

Tonnes of CO_2e	2021	2022	2023	2024	Target 2024
Direct emissions	602,3	471,0	464,2	527,13	441,08
Direct emissions per employee	0,23	0,19	0,18	0,21	

6.2.1.2. Scope 2. Indirect greenhouse gas emissions.

Scope 2 refers to the emissions that Línea Directa indirectly causes through the production of the energy it purchases and uses. Línea Directa calculates in this scope the electricity used for its operations.

To calculate Scope 2 emissions, the company requests and reviews Renewable Energy Guarantees of Origin (GDOs) issued by the National Commission on Markets and Competition (CNMC). These guarantees certify that the electricity consumed originates from renewable sources.

Tonnes of CO_2e	2021	2022	2023	2024	Target 2024
Indirects emissions	1.178,3	426,2	346,7	310,21	386
Indirects emissions per employee	0,46	0,15	0,13	0,12	

The company's indirect emissions for the year 2024, based on the market-based approach, amounted to 310.21 tCO_2 equivalent.

6.2.1.3. Scope 3. Indirect Greenhouse Gas Emissions.

Scope 3 includes emissions not produced by the company itself, nor resulting from assets it owns or controls, but rather those emitted by activities for which it is indirectly responsible, both upstream and downstream of its operations.

Scope 3 emissions encompass all sources not included in Scopes 1 and 2.

In 2023, the company completed for the first time a full calculation of the categories included in Scope 3 that apply to the insurer, based on 2022 data. In previous years, only a few categories were included: water, paper, business travel, and employee commuting.

Scope 3 has been classified into two blocks:

6.2.1.4. Scope 3: Indirect upstream emissions.

Tonnes of CO_2e	2021	2022	2023	2024
Category 1: Purchased goods	-	144.006	92.534	52.213,25
Category 2. Capital goods	-	330	278	319,53
Category 3. Fuel and energy related activities (not included un Scope 1 or 2)	-	1.677,4	1.689,7	342,52
Category 4. Upstream transportation and distribution	-	0	0	0
Category 5. Waste generated in operations	16,5	17,6	6,6	29,72
Category 6. Business travel	7,0	22	19,8	20,06
Categoría 7. Employee conmuting	2.296,4	2.653,4	2.451,2	2.163,43
Categoría 8. Upstream leased assets	-	0	0	0

6.2.1.5. Scope 3: Indirect downstream emissions.

Tonnes of CO_2e	2021	2022	2023	2024
Category 9. Transportation and distribution	-	691,4	334,3	444,38
Category 10. Processing of sold products	-	0	0	0
Category 11. Use of sold products	-	0	0	0
Category 12. End of life treatment of sold products	-	0	0	0
Category 13. Downstream leased assets	-	283,6	343,4	353,74
Category 14. Franchises	-	0	0	0
Category 15. Investments	-	197.852	217.724	78.264,12
Other emissions: water	4,58	2,4	2,7	pendiente

The total Scope 3 emissions are shown in the table below.

Tonnes of CO_2e	2021	2022	2023	2024
Total Scope 3 emissions	2.324,5	359.584,1	315.381,5	134.050,76
Induced emissions per employee	0,9	143,8	125,9	53,51

Gross Scope 3 emissions for the 2024 financial year amounted to 134,050.76 tCO_2 equivalent.

6.2.2. / Methodology.

The group's carbon footprint is calculated annually, allowing the estimation of greenhouse gas emissions associated with the company's activities and the establishment of appropriate reduction measures. The calculation follows the standards of the Greenhouse Gas Protocol (GHG Protocol).

The calculation is based on an operational control approach, which includes all offices from which the company operates, its workshops in Madrid and Barcelona, and activities under its direct control.

For the carbon footprint calculation, emission factors from the annual publication of the Spanish Ministry for the Ecological Transition, the UK Department for Environment, Food and Rural Affairs (DEFRA), and econometric factors from the Environmental Protection Agency (EPA) were used when only economic activity data was available.

This report presents emissions from fossil fuel consumption, electricity use, and other indirect sources related to the company's upstream and downstream activities.

In compliance with the European CSRD Directive, emission intensity is reported per net revenue, not per employee. Based on the market-based approach, the total GHG intensity in 2024 was 0.000129 tCO_2 per euro.

6.2.3. / Action Plan Toward decarbonization.

Managing sustainable economic growth—and specifically the decarbonization process—will involve changes in policies, social norms, and technologies that will affect the entire business landscape. Among these transition risks is the potential introduction of a universal carbon price.

It is essential to recognize the social and environmental cost of greenhouse gas emissions generated by business activities. Internally, the carbon pricing mechanism aims to establish an internal (initially shadow) charge on the amount of CO_2 emitted by activities, assets, and investment projects. This allows responsible areas to understand how emissions could affect their costs and raises awareness of the societal impact of their direct emissions, encouraging a shift away from more polluting practices.

El Grupo cuenta con una definición de los principales roles y responsabilidades de los órganos de gobierno en el proceso de control y gestión de riesgos.

Línea Directa sees the implementation of an internal carbon price as a key tool to drive the transition of its operations toward a low-carbon economy and to anticipate potential regulatory changes. For this reason, the company included this measure in its 2023–2025 Sustainability Plan roadmap.

As an initial exercise, the company estimated the social cost of its carbon footprint and of its product offering supporting the transition to electric and hybrid vehicles.

To carry out this exercise, the International Carbon Price Floor (ICPF) proposed by the International Monetary Fund (IMF) in its report "Proposal for an International Carbon Price Floor Among Large Emitters" (June 2021) was used, which estimates a price of $75 per ton of CO_2 for high-income countries.

Applying this price to the emissions mentioned earlier, the following estimates were made:

- The carbon footprint of Scope 1 and 2 emissions from Línea Directa represents a social cost of $62,800.50. For Scope 3 emissions associated with the value chain, the impact amounts to $3,915,993.75.
- On the other hand, the positive social impact of offering specific insurance products for electric and hybrid vehicles is estimated to avoid up to $3.18 million in social costs.

6.3. Management objectives.

A series of objectives have been established as part of the roadmap for mitigating climate change risks and monitoring the company's climate strategy. Due to the nature of these objectives, the associated metrics will be analyzed and monitored annually.

6.3.1. / Objectives in our own operations.

6.3.1.1. Emission reduction Targets for Scope 1 and Scope 2.

In 2024, the company set a 10% energy reduction target compared to 2022, which directly contributes to reducing emissions from energy consumption. Given the company's commitment to sourcing renewable electricity—both from the grid and self-generated—emissions are now limited to those from natural gas and diesel combustion for climate control and other activities.

This 2024 target is part of a broader medium-term goal to reduce consumption of natural gas and electricity by more than 15% by 2025, compared to 2022.

6.3.1.2. Scope 3 emissons reduction targets.

Línea Directa has included general objectives in its 2025 Sustainability Plan roadmap to advance the decarbonization of its operations. In 2024, an intermediate target was set for 2030, aligned with the roadmap to achieve Net Zero by 2050, specifically aiming to limit global warming to 1.5°C or WB2C, in accordance with the recommendations of the Science Based Targets initiative (SBTi).

6.3.2. / Upstream activity goals.

6.3.2.1. Value chain goals.

The company is firmly committed to obtaining ESG-related information across its upstream activities, particularly from its critical suppliers. To this end, it has committed to conducting annual ESG assessments of its supply chain. The first rounds were carried out in 2023 and continued in 2024. The goal is to have all critical suppliers evaluated by 2025.

The questionnaire includes relevant information for managing decarbonization and aligning with climate action. It requests data on carbon footprint as a key indicator of decarbonization progress. Additionally, it asks about the existence of environmental management systems to monitor and optimize resource consumption, as well as waste management practices that ensure circularity. Given the diversity of its suppliers, the questionnaires are adapted to ensure that, while maintaining consistency in general parameters, they collect relevant information for each type of activity.

6.3.3. / Downstream activity goals.

6.3.3.1 Investment portfolio objectives.

Línea Directa is firmly committed to supporting the economy's decarbonization process by 2050, aiming to achieve Net Zero. As part of this commitment, a Sustainable Investment Policy was approved, which includes periodic reviews of its positioning on assets in the Oil & Gas and Coal sectors.

The company's roadmap includes a review of this policy to establish limits on exposure to sectors with high climate impact. The ultimate goal is to define a target for the decarbonization of the investment portfolio.

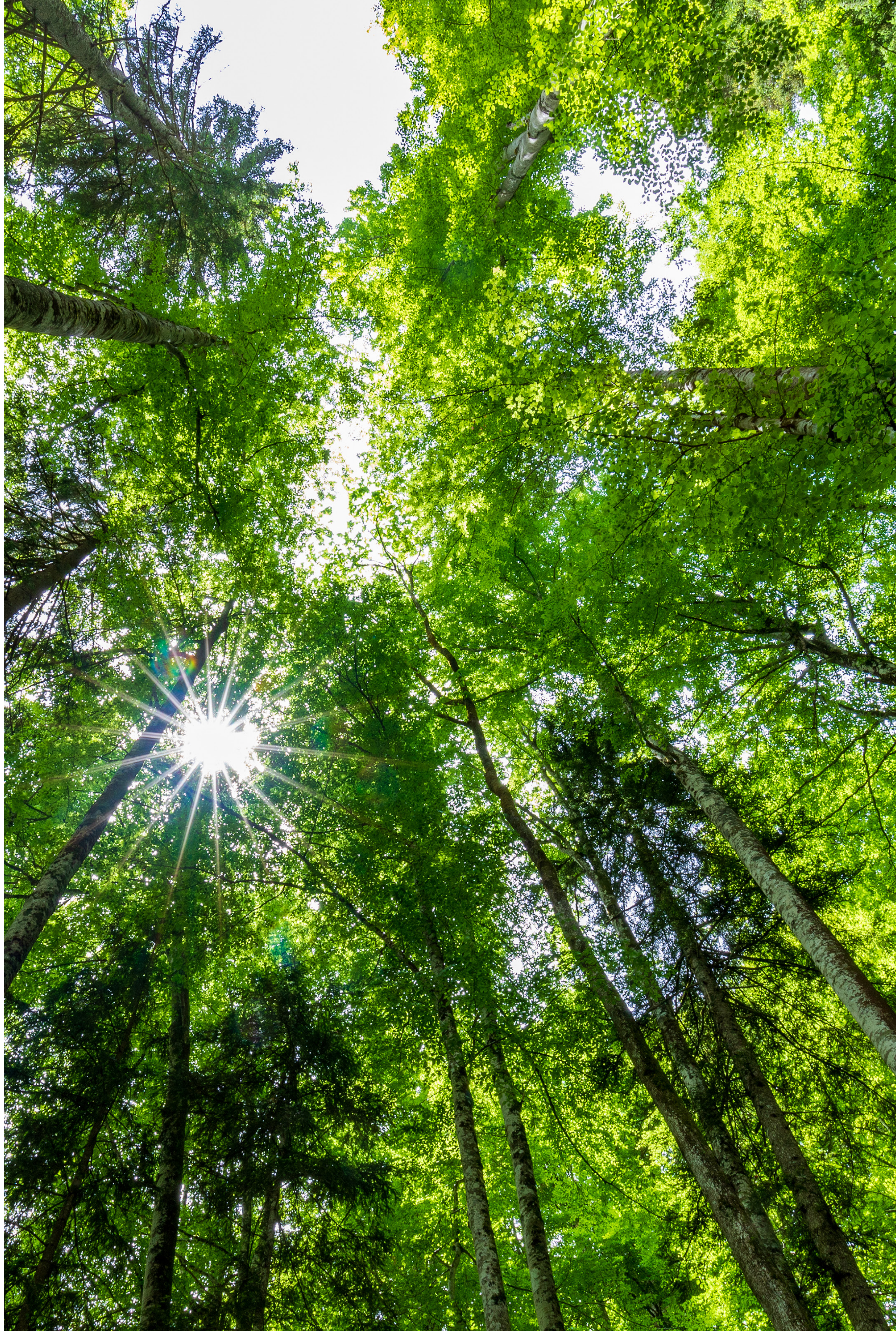
Línea Directa is firmly committed to supporting the economy's decarbonization process by 2050, aiming to achieve Net Zero.

6.3.3.2. Goals regarding owned property.

The group owns real estate assets within its investment portfolio, primarily for rental purposes. The objective is to renew the ISO 50001 certification annually for energy efficiency in the buildings where the insurer operates. Additionally, the company aims to evaluate actions to improve the energy efficiency of these properties to anticipate legal requirements related to climate change.

6.3.4. / Further objectives.

The company is committed to analyzing and beginning to implement measures to promote sustainable mobility and improve employee commuting habits during the 2023–2025 period.



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