

At Línea Directa, materiality refers to those environmental, social and governance (ESG) aspects that have a positive or negative impact on the company and its stakeholders. As such, it serves as a basis for its sustainability strategy, identifying the issues that deserve greater attention in its management and reporting. Materiality is a tool that facilitates strategic decision-making to create value for the company, its stakeholders and society in general.

Materiality analysis: methodology.

The Línea Directa Group carries out a materiality analysis every 3 years to identify the main environmental, social and governance aspects to which it has to respond with its Sustainability Plan, which is triennial in nature.

- **Identification of a tentative list of material issues**

In order to carry out the assessment of material issues, a wide range of tentative issues are identified through the analysis of trends and good practices promoted by international organisations, regulatory developments and the ESG orientation of the main institutions and administrations in the context in which the company operates, including the most relevant environmental, social and governance interests in society.

- **Stakeholder identification and weighting**

Stakeholders are defined as those groups whose needs, interests or expectations directly or indirectly affect or are affected by the development of the company's activity and, therefore, have the capacity to directly or indirectly influence the development of its strategy.

For the materiality analysis carried out in 2022 for the 2023-2025 Sustainability Plan, employees were identified as internal stakeholders, recognising subgroups according to the degree of influence they may have on the definition and implementation of the strategy. They were grouped as follows:

- Management Team and CEO - Middle Management - Sustainability Working Group.

In parallel, external stakeholders were identified:

- Investors - Customers - Suppliers.

- **Interviews and surveys**

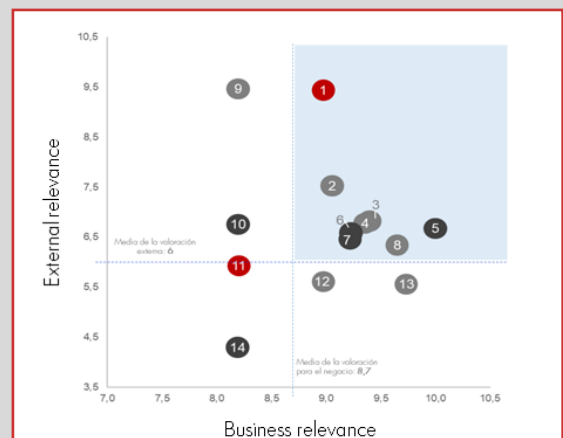
After identifying the tentative material issues and the stakeholders to be consulted, surveys were launched among customers, suppliers and investors asking them to rank and prioritise the issues they considered most important, as well as the degree of perception of the company's management of these issues. In addition, internal interviews were conducted among the groups identified above.

Materiality matrix

In the materiality analysis, Línea Directa Group has compiled the importance of each of the material issues based on the trends, requirements and materiality of the Sustainability Plan for the stakeholders. As it results, material Issues are prioritized in a materiality matrix.

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

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



1. Fight against climate change, and decarbonisation
2. Sustainable products: mobility, home and health
3. Ethics, compliance and risk management
4. Information security
5. Diversity and equality
6. Health, safety and wellbeing of professionals
7. Attraction and loyalty of the best talent
8. Quality and customer satisfaction
9. Responsible investment
10. Responsible supply chain
11. Environmental management and responsible consumption
12. Transparency and dialogue with stakeholders
13. Digitalisation
14. Social contribution

The Board of Directors, with the support of the Appointments, Remuneration and Corporate Governance Committee, which is entrusted with sustainability matters, is the body responsible for approving the materiality issues identified that supports the Sustainability Master Plans.

In 2022, the materiality matrix underlying the previous Sustainability Plan was verified by a third party. The new materiality approved in 2023 will be verified in the scope of the next integrated nonfinancial reporting.

Línea Directa reinforces its Corporate Governance model and develops an ESG risk map based on the company's materiality analysis and has an ethics channel and a Human Rights Due Diligence procedure.

Integrating ESG material issues into the ESG risk map

The material issues identified by the company in the double analysis of the dialogue and listening conducted with its stakeholders and in the identification of the most relevant aspects for the business from an internal point of view, show a correlation with the risks identified in its ESG Risk map.

In this way, the alignment of the company's material ESG issues with the ESG risk map can be considered, given that during the preparation process, the Risk Department identifies the main issues together with the Sustainability Department, which incorporates the materiality of its Sustainability Plan in its assessment of the ESG risks that are finally approved.

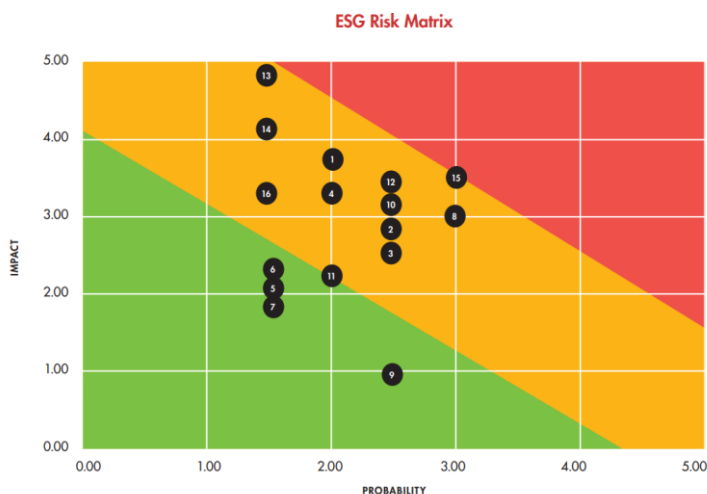
Category	Factor	No.	Causes/Risk events
ENVIRONMENTAL	Environment and climate change	1	Non-compliance or non-adaptation to the requirements of environmental regulations
		2	Lack of adaptation of products to the effects of climate change
		3	Failure to consider climate change risks in the evaluation of financial and risk ratios
		4	Lack of methodology for calculation and integration of regulations into the strategy
SOCIAL	Employees	5	Non-compliance with regulations and diversity/equality requirements
		6	Non-compliance or inadequate management of employee development Non-compliance with occupational risks
		7	Non-compliance with labour and human rights
	Customers	8	Inadequate customer advice Failure to adapt to customer needs in the design and marketing of products or in the event of complaints
		9	Lack of or inadequate contribution to the needs of the social environment
GOVERNANCE	Relationship with third parties	10	Supply chain
		11	Failure to make a responsible investment
		12	Non-compliance with sectoral good practices
	Governance, ethics and transparency	13	Inadequate corporate governance structure and practices
		14	Cases of corruption and non-compliance with tax regulations
		15	Cybersecurity and lack of confidential information management
		16	Weaknesses in communication and relationship with third parties

The ESG risk map of the Línea Directa Group is divided into 3 pillars that include 5 essential blocks, which in turn are classified into 16 levels that represent the different events included in each category. All of them are linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Non-Financial Reporting Act 11/2018).

Although the Línea Directa Group is not in a critical sector with respect to climate change, the company is particularly aware of this problem, and therefore promotes and encourages responsible management of resources and the environment. To this end, it has specific policies and measures that are detailed in the Environmental Management section.

In the social arena, Línea Directa Group has specific protocols and measures to promote the potential and the development of its employees by supporting diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health, as described in the Social and Employee section.

The area of Good Corporate Governance highlights the approval mechanisms for suppliers, the company's corporate governance structure that is in line with all regulatory and best practise requirements, the company's zero tolerance for bribery and other illegal acts reflected in the code of ethics and other internal policies and, of course, all the measures the organisation has implemented to protect information and data.



The Corporate Risk Department, together with the different areas of the company, periodically analyses the risks which, if they materialise, may have an impact on the business, including ESG factors. On the basis of this analysis, a careful assessment is made of the risks that could have an impact on the business. This analysis is used to carry out a careful assessment of the company's main threats and the corresponding prevention and mitigation measures are identified to obtain the residual risk assessment.

As such and given the alignment of the material issues among the main ESG risks identified, the material issues are integrated in its risk assessment.

In the following, we provide more information on the three most important material aspects, including a description of the material aspect, its impact on the business and stakeholders, and the company's strategy in this area.

Material issue: **CLIMATE CHANGE AND DECARBONIZATION.**

The transition to decarbonization and climate change has become a global challenge that affects all companies, especially the world of finance: banking and insurance. It represents an operational risk with direct impact on financial performance. The increase in natural disasters due to climate change and the increasing frequency and severity of catastrophic losses due to adverse and unpredictable climatic phenomena result in peaks of incurred claims that make it difficult to manage them in a timely manner and can worsen the service to policyholders and affect the company's results.

In addition to the physical risks of temperature rise, transition risks related to the market, regulation, taxation and reputation are also important, and their impact will vary whether the context is orderly or disorderly.

The type of impact on the business would be mainly in costs derived from claims associated with climate change. Linea Directa has included a roadmap in its Sustainability Plan 2023-2025 to reduce its impact and use it as an opportunity.

Actions to mitigate the impact

To mitigate the peaks of incurred claims due to adverse and unpredictable climatic phenomena, the company has specific procedures for managing these claims and an accumulation reinsurance program to cover events exceeding a certain amount that are not covered by the Insurance Compensation Consortium. In this type of reinsurance, the loss cost of the event that exceeds the priority set in the contract is ceded.

Linea Directa's adherence in 2022 to the **Task Force on Climate-Related Financial Disclosure** is essential: it undertakes to incorporate and report on governance, strategy, risk and opportunity management and climate change metrics and goals. This process identifies opportunities to position new products and services in the insurance market.

Linea Directa has a Sustainability Plan directly linked to the company's strategy. As part of this plan, the company analyses and assesses the exposure of the portfolio of insured policies to areas that will be particularly affected by Climate Change in order to anticipate a potential increase in claims due to this type of event, including this criterion in its decision-making. In this way, Linea Directa has implemented remediation strategies to mitigate this risk. With regard to its direct activity, Linea Directa has increased the exhaustiveness in the calculation of its **inventory of greenhouse gas emissions** and has set ambitious targets for reducing its carbon footprint and in terms of waste management, with the aim of increasing the percentage of waste that is recycled.

Achieving carbon neutrality by 2030

Linea Directa established an objective to mitigate the impact of its activity on climate change in the 2020-2022 Sustainability Plan and continues to do so in the 2023-2025 Sustainability Plan. The company carries out various actions with the aim of **achieving carbon neutrality by 2030**. Linea Directa also sets voluntary **emission and waste reduction targets** for its operations.

In 2022, **executive compensation** was established for the executive director linked to the fulfilment of the Sustainability Plan, which contained progress actions for this broader objective. In line with the importance of integrating sustainability, the CNRGC's remit includes monitoring the Company's sustainability, assessing its compliance and reviewing its sustainability policies. The metrics set by the CNRGC and the Board for the 2022 annual variable remuneration of the executive director to serve the long-term interests and sustainability of the Company is in this respect: Compliance with the Sustainability Plan: 15%; Among the initiatives and objectives of the Sustainability Plan there are metrics linked to climate change management and decarbonization.

A Material Issue for External Stakeholders.

This is an important Material Issue for External Stakeholders. In this sense, climate change and decarbonization impacts in the operations of the company, in the products and services that offers to their clients, and in the supply chain. It impacts at practically the **complete business activity**.

In these sense, suppliers indicated that the fight against climate change and waste management were the priorities in the environmental dimension. In the case of Linea Directa's suppliers, like the rest of European companies, they are being forced to carry out a more in-depth analysis of Climate Change and decarbonisation, so it has already become a material aspect for them. On the other hand, 60% of the customers surveyed consider environmental care and the fight against climate change as one of the 6 most relevant issues among 14 alternatives related to the three ESG dimensions.

The increase in natural disasters due to climate change and the increasing frequency and severity of catastrophic losses due to adverse and unpredictable climatic phenomena result in peaks of incurred claims that make it difficult to manage them in a timely manner and can worsen the service to policyholders. This situation alarms the stakeholders.

Social Impact

Both society and the environment are affected by the continuous updating of regulations and standards. The impact identified in this material issue is considered both positive and negative. To assess it, the return on social investment has been determined, associating it with a cost caused.

Linea Directa has estimated the external impact of this aspect, using a quantitative metric that serves as a general guide to understand its monetary importance.

Social cost of Carbon

Taking into account a cost of \$75 according to the international carbon price floor (ICPF) estimated by IMF

Linea Directa's carbon footprint would generate a social cost of \$65,010 and the footprint associated with the value chain, \$11.1 million.

Material issue: **SUSTAINABLE PRODUCTS.**

Linea Directa has detected the **growing demand for sustainable products** by society, so in recent years, it has developed different products and services that respond to this interest. This has a positive impact on the company, not only in terms of reputation and strengthening its values but also in its revenue generation.

Sustainable growth makes it possible to respond to the company's current needs, but it also means thinking in the long term and adopting the business model to the characteristics of the market environment, thus ensuring a balance between economic growth, social well-being, and the environment.

The type of impact on the business would be mainly in the premiums generated by products that respond to new customer needs and priorities. Linea Directa has included a roadmap in its Sustainability Plan 2023-2025 to expand the portfolio of products and services related to sustainability.

Actions to mitigate the impact

As regards to the business activity, the Group has developed different products and services that respond to the goal of ensuring that its activity and products generate a positive impact on society, the environment, and the company, in each of the company's three business lines: Motor, Home and Health. For this reason, Linea Directa has developed a number of sustainable products, such as:



- **ConducTOP**, an app that rewards customers who are the most responsible behind the wheel and have a more efficient driving behaviour.
- **ECO-labelled** replacement vehicles for its customers.
- **Póliza Respira** (Breathe Policy), a special insurance policy for electric cars that is committed to a more environmentally friendly model of urban mobility and helps reduce CO2 emissions.
- **Safe & Go**, which can be contracted on demand under the concept of on/off insurance or pay as-you-go. This stimulates the insurance on electric scooters, electric bikes and Segways, which allow a more agile and flexible mobility, as well as greater respect for the environment.
- **Llámallo X**, which changes the market paradigm by including a car with a C or ECO environmental label in the insurance offer.

Promoting sustainable mobility

Linea Directa is an innovative company with a range of products to promote the insurance of sustainable travel. For example, due to the high number of electric vehicles insured by Linea Directa Aseguradora, 31,355 tons of CO2 emissions have been avoided thanks to the 18,453 electric and non-plug-in hybrid vehicles.

Due to its high impact on emission reduction, **the main objective is to place the share of electric vehicles insured by the company with respect to the fleet of electric vehicles in Spain above the share of total vehicles insured by the company with respect to total vehicles in Spain. The current market share of vehicles insured by Linea Directa with respect to the Spanish vehicle fleet is 6.8% at the end of 2022.**

Linea Directa includes in its Sustainability Plan, both for 2022 and 2023, the launch of new sustainable products for mobility, as well as to respond to other customer needs in its other branches of home and health. In 2022, **executive compensation** was established for the executive director linked to the **fulfilment of the Sustainability Plan**, which contained to promote news sustainable products or services linked to electric mobility, energy efficiency at home or aimed to vulnerable groups.

Responding to customer needs: modeling the future.

Linea Directa has detected the growing demand for sustainable products by society, so in recent years, it has developed different products and services that respond to this interest. This has a positive impact on the company, not only in terms of reputation and strengthening its values but also in its revenue generation. Sustainable growth makes it possible to respond to the company's current needs, but it also means thinking in the long term and adapting the business model to the characteristics of the market environment, thus ensuring a balance between economic growth, social well-being, and the environment.

Llámallo



Due to a growing need for sustainable products on the part of Linea Directa's customers, the company has launched products such as the Póliza Respira, which includes specific coverage for electric vehicles at a highly competitive price. In 2022, Póliza Respira has been extended to plug-in hybrid vehicles and motorcycles, due to their lower environmental impact. As an example of its success and growth, at the end of 2021, Linea Directa Aseguradora had 2,142 Póliza Respira customers, and, at the end of 2022, this number reached 4,000 Póliza Respira customers.

Sustainable product offerings **accounted for 0.3% of total premium** business volume and reached EUR 2.9 million, reflecting an emerging market that is gaining share of portfolio.

Social Impact

Given this incorporation of a commercial offer that responds to the needs of its customers in terms of sustainable mobility, Linea Directa's portfolio attracts a large number of electric and plug-in hybrid, and non-plug-in hybrid vehicles every year.

This high underwriting of low-emission vehicles, in particular 18,453 electric and non-plug-in hybrid vehicles, 31,355 tons of CO2 emissions have been avoided.

Social cost of Carbon.

Taking into account a cost of \$75 according to the international carbon price floor (ICPF) estimated by IMF.

Póliza Respira's portfolio of vehicles has avoided up to 31,355 tonnes of carbon emissions. In terms of social carbon cost, this amounts to \$2.35 million.

Material issue: **ETHICS, COMPLIANCE AND RISK MANAGEMENT**

This material topic is divided into two aspects that we have added in order not to lose the linkage in the stakeholder responses, referring to the good governance of the company. However, two distinct aspects are identified: ethics and compliance, on the one hand, and corporate risks, on the other. In the following description we will focus on the first part, which is a fundamental issue in corporate governance.

Professional ethics, together with good corporate governance and Línea Directa Aseguradora's values, are essential to the company's culture and the fundamental basis of its Code of Ethics. Línea Directa Group is committed to fostering and promoting firm ethical principles that ensure compliance with laws and the trust of customers, shareholders, employees, and suppliers.

Ethical actions can enhance Línea Directa Group reputation and strengthen its brand. Consumers prefer to engage with ethical and responsible businesses, which can lead to increased customer loyalty and attract new customers. This is directly translated to revenue generation.

Detecting possible non-compliance

The Code of Ethics, renewed in 2021, is the main pillar for the development of corporate values and sets out the models and guidelines for behaviour to be followed by all Group employees. Línea Directa Aseguradora's Code of Ethics contains, among other things, the commitments made regarding environmental and social issues, respect for human rights and the fight against corruption and bribery, and support for equal treatment, equal opportunities and nondiscrimination.

All Group employees receive training on the Code of Ethics upon joining the Group, which is regularly reinforced with various training and informative activities. Línea Directa has developed the Ethics Channel, which is available on the corporate website and allows employees and any interested third party to confidentially or anonymously report irregularities related to violations of the Code of Ethics or possible breaches of regulations or unlawful conduct. The Ethical Channel Policy establishes the general principles and procedure for management of the Ethical Channel. You can access the ethical channel in the following link: <https://canaletico.lineadirecta.com/lineadirecta>

It is important for Línea Directa that all employees are aware of the company's Code of Ethics. For this reason, an aim has been established Average score for code of ethics-related questions in the culture and commitment survey superior to 95% by 2023.

In 2022, **executive compensation** was established for the executive director linked to the **fulfilment of the Sustainability Plan**, which contained, among other ESG actions, one aimed at improving visibility and transparency of the Ethical Channel.

Awareness of the Code of Ethics

The latest employee survey on the degree of knowledge and acceptance of the Code of Ethics and the Ethics Channel, conducted in 2021, showed very positive results, with 94% stating that they take the company's ethical principles into account when making decisions related to their work.

Moreover, regarding the Ethics channel, during the 2022 financial year, ten communications were received and analysed, only one of which concerned a breach of the Code of Ethics.

The Ethics Manager proceeded with the processing of the file, which found that the Code of Ethics had effectively been breached and led to the relevant measures being taken. The remainder were communications from customers in relation to the processing of their claims.

