



Annual Integrated Report

Línea Directa Aseguradora, S.A.

Index

1. REPORT OF THE EXTERNAL AUDITORS

2. CONSOLIDATED FINANCIAL STATEMENTS 2021

Consolidated balance sheet	2
Consolidated statement of profit or loss	4
Consolidated statement of other comprehensive income	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9

3. CONSOLIDATED MANAGEMENT REPORT

Company overview	123
Business performance	133
Material Risks and uncertainties	147
Outlook for 2022	153
Events after the reporting period	155
Environmental, safety and personnel issues	156
Research, development and innovation activities	163
Other significant information	171
Complaints, ombudsman and other non-financial information	175
Annual corporate governance report, ICFR and Annual Report on Director Remuneration	177
Consolidated statement of non-financial information	178



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Report of the external auditors



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

Audit report

Consolidated annual accounts for the year ended 31 December 2021

Consolidated management report



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

Independent auditor's report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion

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thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of the motor insurance provision for claims</p> <p>The Group engages in non – life insurance activities, mainly in the motor, home and medical assistance lines of business.</p> <p>The Group recognizes insurance contract liabilities that amount for the unearned premiums and provision for claims.</p> <p>The provision for claims includes the estimated cost of claims pending settlement or payment and for claims not reported as of the date of preparing the annual accounts.</p> <p>Calculations related to the provision for claims are a complex estimation, given its nature. For the motor insurance line of business, this estimate is significantly impacted by the projection techniques used, the settlement periods and the assumptions selected by management, as well as the individual valuation of the personal claims following the relevant regulations.</p> <p>For these reasons, the valuation of motor insurance provision for claims is considered as a key audit matter.</p> <p>See Notes 2.e), 3.l) and 12 to the 2021 consolidated annual accounts.</p>	<p>We gained an understanding of the Group's process for estimating and registering the motor insurance provision for claims, which included understanding and evaluating the internal control process, the relevant IT systems, and the most relevant assumptions. We have engaged a team of actuarial specialists to perform the following procedures:</p> <ul style="list-style-type: none"> • Understanding the methodology used for calculating this provision. • Checking the completeness, accuracy and reconciliation of the data used as inputs for the calculations. • Checking the sufficiency of the motor insurance provision for claims recognised as of the end of the previous reporting period. • Selecting a sample of claims to evaluate the reasonableness of its individual valuation considering the available information. • Performing an actuarial contrast test to evaluate the reasonableness of the motor insurance provision for claims calculated by a statistical methodology recognized as of the end of the reporting period. • Checking the adequacy of the disclosures in the attached consolidated annual accounts. <p>In our procedures above, we obtained sufficient appropriate audit evidence to support the estimates of management regarding this matter.</p>

Responsibility of the directors and the audit and compliance commission for the consolidated annual accounts

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



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

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

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

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

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

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

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

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



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

accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

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

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

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

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

Report to the audit and compliance commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit and compliance commission of the Parent company dated 18 February 2022.



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

Appointment period

The General Ordinary Shareholders' Meeting held on 18 March 2021 appointed us as auditors for a period of one year, for the year ended 31 December 2021.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 22 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Enrique Anaya Rico (23060)

18 February 2022

Original signed in Spanish



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

Independent verification report
Statement of Non-Financial Information
31 December 2021



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

Independent verification report

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

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the accompanying Consolidated Statement of Non-Financial Information (“SNFI”) for the year ended 31 December 2021 of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros (the Parent company) and its subsidiaries (hereinafter “Línea Directa” or the Group) which forms part of Group’s Consolidated Management Report attached.

The content of the Consolidated Management Report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in the table “Anexo I: Requerimientos de la Ley 11/2018 en materia de información no financiera” of the Consolidated Management Report attached.

Responsibility of the Parent company's directors

The preparation of the SNFI included in Línea Directa's Consolidated Management Report and the content thereof, are the responsibility of the directors of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and in accordance with the criteria of the *Sustainability Reporting Standards of the Global Reporting Initiative* (“GRI Standards”) selected in accordance with the details provided for each matter in the table: “Anexo I: Requerimientos de la Ley 11/2018 en materia de información no financiera” of the Consolidated Management Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free from material misstatement due to fraud or error.

The directors of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team has consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent verification report based on the work we have performed solely in relation to the year 2021. The data relating to previous years were not subject to verification in accordance with current mercantile legislation. We carried out our work in accordance with the requirements set out in the current International Standard on Assurance Engagements 3000 Revised, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”).

In a limited assurance engagement, the procedures performed vary in nature and timing, and are less extensive than, those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Línea Directa that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with Línea Directa personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the necessary information for the external review.
- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by Línea Directa and described in section “Análisis de materialidad”, taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.
- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the directors and management.



Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Línea Directa, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and in accordance with the criteria of the GRI Standards selected in accordance with the details provided for each matter in the table: “Anexo I: Requerimientos de la Ley 11/2018 en materia de información no financiera” of the Consolidated Management Report

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities considered to be environmentally sustainable in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2021, provided that the Statement of Non-Financial Information is published as from 1 January 2022. Consequently, comparative information on this matter has not been included in the accompanying SNFI. In addition, information has been included in respect of the criteria that the directors of Línea Directa have chosen to apply that, in their opinion, best allow compliance with the new obligation and that are defined in Appendix: “Anexo I: Requerimientos de la Ley 11/2018 en materia de información no financiera” of the accompanying SNFI. Our conclusion is not modified in respect of this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Ramón Abella Rubio

18 February 2022

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Consolidated financial statements

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

Consolidated financial statements
for the year ended 31 December 2021

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

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

Consolidated balance sheet at 31 December 2021

(in thousand euro)

ASSETS	Notes	2021	2020
Cash and cash equivalents	6	115,788	162,500
Available-for-sale financial assets	7 a)	864,978	917,074
I. Equity instruments		153,963	125,855
II. Debt securities		711,015	791,219
Loans and receivables	7 a)	120,615	110,373
I. Debt securities		10,990	9,990
III. Receivables on direct insurance business		53,538	54,413
1. Policyholders		53,538	54,413
IV. Receivables on reinsurance business		7,969	5,086
V. Other receivables		48,118	40,884
1. Tax and social security receivable	14	1,040	1,126
2. Other receivables		47,078	39,758
Reinsurers' share of technical provisions	12	20,153	12,477
I. Provision for unearned premiums		4,280	3,705
II. Provision for claims		15,873	8,772
Property, plant and equipment and investment property	8	110,721	111,282
I. Tangible fixed assets		45,264	45,334
II. Investment property		65,457	65,948
Right-of-use assets	9 a)	4,496	2,713
Intangible assets	10	14,121	12,688
I. Other intangible assets		14,121	12,688
Tax assets	14	28,467	24,016
I. Current tax assets		19,916	14,388
II. Deferred tax assets		8,551	9,628
Other assets	11	89,139	83,410
I. Prepaid fees and other acquisition costs		87,219	83,055
II. Prepayments		1,528	180
III. Other assets		392	175
TOTAL ASSETS		1,368,478	1,436,533

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated balance sheet at 31 December 2021

(in thousand euro)

LIABILITIES	Notes	2021	2020
Debt and accounts payable	7 b)	175,406	174,445
I. Due on direct insurance business		2,526	2,862
1. Due to policyholders		1,939	1,893
2. Due to agents, brokers and intermediaries		587	969
II. Due on reinsurance business		1,244	981
III. Lease liabilities	9 b)	4,534	2,766
IV. Other debts:		167,102	167,836
1. Taxes and social security payable	14	17,454	14,489
2. Due to group companies and associates		56	839
3. Other debts		149,592	152,508
Hedging derivatives	7 b)	9,447	15,167
Technical provisions	12	738,158	716,491
I. Provision for unearned premiums		449,740	446,423
II. Provision for unexpired risks		3,280	4,622
III. Provision for claims		285,138	265,446
Non-technical provisions	13	22,133	16,849
I. Provisions for taxes and other legal contingencies		-	492
II. Provisions for settlement agreements		21,915	16,174
III. Other non-technical provisions		218	183
Tax liabilities	14	44,456	45,066
I. Deferred tax liabilities		44,456	45,066
Other liabilities		603	1,156
I. Accruals		-	477
IV. Other liabilities		603	679
TOTAL LIABILITIES		990,203	969,174
EQUITY			
Equity	15	334,909	422,727
I. Capital or mutual fund		43,537	37,512
1. Subscribed capital or mutual fund		43,537	37,512
III. Reserves		260,146	250,369
1. Legal and bylaw reserves		9,046	9,046
2. Other reserves		251,100	241,323
IV. (Own shares)		(1,247)	-
VII. Profit/(loss) for the year		110,137	134,846
VIII. (Interim dividend)		(77,664)	-
Valuation adjustments:	15 f)	43,366	44,632
I. Available-for-sale financial assets		43,366	44,632
TOTAL EQUITY		378,275	467,359
TOTAL LIABILITIES AND EQUITY		1,368,478	1,436,533

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated statement of profit or loss at 31 December 2021

(in thousand euro)

NON-LIFE STATEMENT OF PROFIT OR LOSS	Notes	2021	2020
Earned premiums, net of reinsurance		882,728	878,177
Written premiums		907,520	899,638
Direct insurance		907,189	898,614
Change due to impairment of outstanding premiums receivable		331	1,024
Premiums from ceded reinsurance		(23,392)	(20,675)
Change in the provision for unearned premiums and unexpired risks	12	(1,975)	(1,815)
Direct insurance		(1,975)	(1,815)
Change in the provision for unearned premiums, reinsurers' share	18	575	1,029
Income from property, plan and equipment and from investments		57,904	76,613
Income from investment property		4,278	4,121
Income from financial investments	17	31,473	35,550
Application of impairment adjustments for property, plant and equipment, and investments		-	23
Property, plant and equipment and investment property		-	23
Gains on realisation of property, plant and equipment and investments		22,153	36,919
Property, plant and equipment and investment property		21	1
Financial investments	17	22,132	36,918
Claims incurred, net of reinsurance		(597,820)	(540,064)
Claims and other expenses paid		(468,836)	(441,320)
Direct insurance		(478,796)	(447,987)
Reinsurers' share		9,960	6,667
Change in the provision for claims	12	(12,591)	13,115
Direct insurance		(19,692)	11,184
Reinsurers' share		7,101	1,931
Claims-related expenses	19	(116,393)	(111,859)
Change in Other Technical Provisions, net of reinsurance		(594)	(708)
Profit sharing and premium refunds		(594)	(708)
Change in the provision for profit sharing and premium refunds		(594)	(708)
Net operating expenses		(203,458)	(209,603)
Acquisition expenses	19	(181,972)	(186,745)
Administration expenses	19	(26,510)	(26,690)
Reinsurance commissions and profit participation	18	5,024	3,832
Other technical expenses		22,779	18,137
Change in claims paid under settlement agreements		24,490	23,593
Other	19	(1,711)	(5,456)
Expenses from property, plant and equipment and investments		(23,243)	(47,360)
Management expenses from property, plant and equipment and investments	19	(7,791)	(7,649)
Expenses from property, plant and equipment and investment property		(3,245)	(2,627)
Expenses from financial investments and accounts	17 and 9 b)	(4,546)	(5,022)
Valuation adjustments for property, plant and equipment and investments		(28)	(878)
Depreciation of property, plant and equipment and investment property		(28)	(27)
Impairment of property, plant and equipment and investment property		-	(851)
Losses on property, plant and equipment and investments		(15,424)	(38,833)
Property, plant and equipment and investment property		(7)	(542)
Financial assets	17	(15,417)	(38,291)
Profit/(loss) from non-life insurance		138,296	175,192

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated statement of profit or loss at 31 December 2021

(in thousand euro)

OTHER ACTIVITIES	Notes	2021	2020
Profit/(loss) from non-life insurance		138,296	175,192
Other income	20	10,345	10,750
Other income		10,345	10,750
Other expenses	19	(3,461)	(6,318)
Other expenses		(3,461)	(6,318)
Subtotal (Profit or loss from other activities)		6,884	4,432
Profit/(loss) before tax		145,180	179,624
Income tax	14	(35,043)	(44,778)
Profit/(loss) for the year		110,137	134,846
Profit/(loss) attributable to the Parent Company		110,137	134,846
Profit/(loss) attributable to non-controlling interests		-	-
Basic earnings per share (in euro)	16	0.10	0.12
Diluted earnings per share (in euro)	16	0.10	0.12

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated statement of other comprehensive income for the year ended 31

December 2021
(in thousand euro)

	Notes	2021	2020
Profit/(loss) for the year		110,137	134,846
Items that can be reclassified to profit or loss		(1,266)	7,453
Available-for-sale financial assets		(1,610)	9,859
Gains/(losses) on valuation adjustments		4,956	8,217
Amounts transferred to the statement of profit or loss		(6,566)	1,642
Income tax		344	(2,406)
Other comprehensive income	7	(1,266)	7,453
Total comprehensive income for the year, net of tax		108,871	142,299

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated statement of changes in equity for the year ended 31 December 2021

(in thousand euro)

	Notes	Subscribed capital (Note 15)	Legal reserve (Note 15 a)	Other reservations (Note 15 b)	Own shares (Notes 15 c and 23)	Consolidated profit or loss for the period	(Interim dividend) (Note 15 d)	Valuation adjustments (Note 15 f)	Total
Adjusted balance at 1 January 2020		37,512	9,046	227,076	-	107,295	(93,048)	37,179	325,060
Total recognised income/(expense)		-	-	-	-	134,846	-	7,453	142,299
Other changes in equity		-	-	14,247	-	(107,295)	93,048	-	-
Transfers between equity items		-	-	14,247	-	(107,295)	93,048	-	-
Closing balance at 31 December 2020	15	37,512	9,046	241,323	-	134,846	-	44,632	467,359
Adjusted balance at 1 January 2021		37,512	9,046	241,323	-	134,846	-	44,632	467,359
Total recognised income/(expense)		-	-	-	-	110,137	-	(1,266)	108,871
Transactions with owners or mutual members	15	6,025	-	(126,025)	(1,247)	-	(77,664)	-	(198,911)
Capital increases or mutual fund		6,025	-	(6,025)	-	-	-	-	-
Distribution of dividends or payments due to mutual members	15	-	-	(120,000)	-	-	(77,644)	-	(197,664)
Transactions with own shares or holdings (net)		-	-	-	(1,247)	-	-	-	(1,247)
Other changes in equity		-	-	135,802	-	(134,846)	-	-	956
Payments based on equity instruments		-	-	956	-	-	-	-	956
Transfers between equity items		-	-	134,846	-	(134,846)	-	-	-
Balance at 31 December 2021	15	43,537	9,046	251,100	(1,247)	110,137	(77,664)	43,366	378,275

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

Consolidated statement of cash flows for the year ended 31 December 2021

(In thousand euro)

	Notes	2021	2020
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Insurance activities			
Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance		908,396	896,421
Proceeds from ceded reinsurance		769	6,667
Reinbursements of claims		31,816	28,916
Other proceeds from operating activities		764	115,003
Total proceeds from insurance activities		941,745	1,047,007
Payments for direct insurance, coinsurance and accepted reinsurance		(573,740)	(532,496)
Payments for ceded reinsurance		(11,797)	(18,356)
Payments for intermediaries		(19,993)	(20,187)
Other payments for operating activities		(235,591)	(344,890)
Total payments for insurance activities		(841,121)	(915,929)
Other operating activities			
Proceeds from other operating activities		14,813	11,290
Total proceeds from other operating activities		14,813	11,290
Payments for other operating activities		(1,742)	(5,472)
Total payments for other operating activities		(1,742)	(5,472)
Income tax			
Income tax collected/(paid)		(25,036)	(30,576)
Total income tax collected/(paid)		(25,036)	(30,576)
Total net cash flows from operating activities		88,659	106,320
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from investing activities			
Property, plant and equipment		-	13,072
Investment property		4,440	145
Intangible assets		-	890
Financial instruments		192,412	207,284
Interest received		26,758	21,843
Dividends collected		2,224	1,745
Total proceeds from investing activities		225,834	244,979
Payments for investing activities			
Property, plant and equipment		(3,468)	(15,657)
Investment property		(1,377)	(51)
Intangible assets		(6,205)	(6,484)
Financial instruments		(144,389)	(276,945)
Other payments for investing activities		(4,343)	(464)
Total payments for investing activities		(159,782)	(299,601)
Total net cash flows from investing activities		66,052	(54,622)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from financing activities			
Other proceeds from financing activities		4,047	6,098
Total proceeds from financing activities		4,047	6,098
Payments for financing activities			
Dividends to shareholders	15 d)	(197,664)	(28,344)
Acquisition of own and parent company securities	15 c)	(1,247)	-
Other payments for financing activities		(6,411)	(11,620)
Total payments for financing activities		(205,322)	(39,964)
Total net cash flows from/(used in) financing activities		(201,275)	(33,866)
Effects of exchange rate changes		(148)	(269)
Total increase/(decrease) in cash and cash equivalents		(46,712)	17,563
Cash and cash equivalents at beginning of year	6	162,500	144,937
Cash and cash equivalents at end of year	6	115,788	162,500
Components of cash and cash equivalents at end of year			
Cash and banks		110,292	161,008
Other financial assets		5,496	1,492
Total cash and cash equivalents at end of year	6	115,788	162,500

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2021.

1. Overview of the Group

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

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

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

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

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

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

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

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

The 2021 consolidated financial statements accounts were authorised for issue by the Board of Directors on 17 February 2022 and are pending approval by the shareholders at the Annual General Meeting. However, it is the understanding of the directors that such annual accounts will be approved as presented.

2. Basis of presentation of the consolidated financial statements

a) Regulatory financial reporting framework applicable to the Group

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

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

The special purpose consolidated financial statements for the years ended 31 December 2020, 2019 and 2018 were the first to be prepared in accordance with IFRS-EU, and therefore IFRS 1 — First-time Adoption of International Financial Reporting Standards applied, with the transition date being 1 January 2017.

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

b) True and fair view

The consolidated financial statements have been prepared from the Company's accounting records and are presented in accordance with the applicable financial reporting framework, especially the accounting principles and criteria contained therein, to provide a true and fair view of the Company's consolidated equity, consolidated financial position, consolidated earnings and consolidated cash flows for financial year 2021.

c) Basis of presentation

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

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

There has been no early adoption of any standards or interpretations that have been approved by the European Commission but that were not yet in effect at year end 2021.

d) Functional currency and presentation currency

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

e) Critical aspects regarding the valuation and estimation of uncertainty

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

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

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

- Provisions for insurance contracts (Note 3 I):

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 3 I) to these Notes. The Group also relies on judgements and estimates to calculate technical provisions.

Statistical methods are used to determine these provisions in the Motor insurance segment. For the other segments in which the Parent operates, an individual estimate is made of the technical provisions for non-life insurance.

On 29 December 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorises the Group to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was first applied at the end of 2021 and did not have a significant impact. In accordance with IFRS 4, the new calculation method does not introduce additional prudence.

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

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

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

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

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

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

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

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

- Liability adequacy test:

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

- Impact of COVID-19 on the Línea Directa Group (Notes 5, 7 and 8):

The Group is domiciled in Spain, where it carries out practically all of its activities. Its business has been affected by the outbreak of the COVID-19 pandemic and the measures deployed by the Spanish government to curb the spread of the virus.

As mentioned in Note 8 a) of these notes to the consolidated financial statements, new property valuations were carried out during the period due to the uncertainty of the possible loss in value of the properties owned by the Group in the wake of the COVID-19 health crisis and the general downturn in the real estate market. As a result, an impairment provision of € 851 thousand was recognised at 31 December 2020. No new appraisals were carried out in 2021 as there are no signs of depreciation due to the performance of the real estate market.

Faced with the economic crisis caused by the pandemic, the Group took various initiatives in 2020 to make it easier for policyholders to pay their instalments, such as deferring payment to consecutive months without additional surcharges, offering cheaper products, etc. These measures, which were initiated in 2020, and the policy of containing renewal prices applied in 2021 resulted in an improvement in the retention of policies for the year.

Potential impairment of outstanding premiums pending collection has been analysed more closely in the case of vehicle-sharing fleet insurance, which has been particularly affected by the pandemic. The impact has not been significant, as this insurance still accounts for a relatively small portion of the total business. In 2020, an impairment provision of approximately € 300 thousand was set aside to cover possible future defaults, which was included as an increase in

the provision for outstanding premiums, and which were maintained at the end of 2021.

In the health sector, the effect of the postponement of consultations, treatments and non-urgent surgeries in the framework of the pandemic in 2020 was corrected in 2021, and visits and treatments resumed their usual rhythm.

The judgements and estimates described in the preceding paragraphs were made on the basis of the best information available at the end of the current financial year. However, future events may make it necessary to adjust them after the end of financial year 2021 or in subsequent financial years.

The Group has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern.

f) Comparison of information

The consolidated financial statements present, for comparison purposes, figures for the previous year alongside each of the items in the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the Notes to the consolidated financial statements, in addition to the consolidated figures for 2021.

g) Changes in accounting standards

There has been no change in accounting policy in financial year 2021 compared to the special purpose consolidated financial statements prepared for the years ended 31 December 2020, 2019 and 2018.

h) Interpretation standards issued but not applied

IFRS 17 — Insurance contracts

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

IFRS 17, in keeping with its purpose of standardising international insurance accounting practices, envisions three valuation methods for insurance contracts:

- General measurement model (Building Block Approach, or BBA), which is the default method.

- Variable Fee Approach (VFA), which is a variant of the general model (BBA) and should be applied to contracts with significant direct participation features.
- Premium Allocation Approach (PAA), which is a simplification of the BBA and can optionally be used for contracts with coverage equal to or less than one year, or in those specific cases where, although the contract is for a duration of more than one year, it is not expected to produce a valuation materially different from that of the BBA. This approach is similar to the current unearned premium provision model.

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

The effects of changes in the above assumptions may be recognised in either the consolidated statement of profit or loss or in equity in the consolidated balance sheet, depending on their nature and whether or not they are associated with the provision of a service that has already occurred, or involve a reclassification between the components of the recognised insurance liability.

In recognising finance income or finance costs on insurance contracts that arise as a result of a change in the discount rate, they may be recognised both in the statement of profit or loss and in equity in the consolidated balance sheet. The Group is in the process of finalising the analysis of the most appropriate option, but in principle the treatment would be to recognise the financial expenses or income from insurance contracts in the consolidated statement of profit or loss.

However, if the contract is onerous at initial recognition or becomes so during the period in which the entity performs the service, the entity must immediately recognise the loss in the consolidated statement of profit or loss. According to the preliminary analysis carried out, the only unit of account that could be considered as onerous is the health unit, given that a provision for unexpired risks has already been assigned to this segment. (Note 12).

The Group has conducted an impact analysis on the application of IFRS 17, concluding that the first-time adoption of the standard will not have a significant financial impact on the Group, as the PAA model will generally be applied and its calculation methodology is very similar to the method currently used under IFRS 4.

The impact on future earnings is also expected to be immaterial, with the difference in respect of current earnings existing mainly because of the pattern of recognition of contracts with initial loss (onerous), as well as the redistribution between operating results and net interest income.

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

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

In this respect, the Group shall apply the changes retrospectively for the insurance contracts of the direct business as well as for ceded reinsurance contracts.

In 2020 and 2021, the Group continued to work towards the eventual implementation of the standard to allow sufficient time for testing and stabilisation in order to ensure the sound functioning and timing of the necessary disclosures as of 1 January 2023, this being the date on which the standard is expected to enter into force.

IFRS 9 — Financial instruments

The Group has elected to apply the temporary exemption from the effective date of IFRS 9 – Financial Instruments, as described in paragraphs 20A – 20N of IFRS 4 – Insurance Contracts, as it considers that it meets the eligibility criteria set out in that standard.

Having availed itself of this exemption, the date of application of IFRS 9 will be the effective date of IFRS 17 — Insurance contracts, which according to the decision of the International Accounting Standards Board (“IASB”) is 1 January 2023. The European Union has adopted IFRS 9 for application in Europe on 19 November 2021 and, therefore, until that date the Group will continue to apply IAS 39 — Financial Instruments: Recognition and measurement.

The Group has conducted the necessary analyses to be able to apply such deferral and has determined its eligibility by confirming that the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90%, and that the Group does not engage in a significant activity unconnected with insurance, as indicated in paragraph 20D of IFRS 4. The analysis has been performed as of the yearly close ended 31 December 2020.

The disclosure requirements for financial assets required by IFRS 4 when applying this temporary exemption are set out in Note 7 a) ii).

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

No significant impact is expected from its implementation, due to the characteristics of the Group's investment portfolio, as no significant changes are expected in the classification of financial assets or in their valuation. As the current debt securities pass the SPPI test, no major reclassifications of portfolios will be necessary, although it is expected that there may be a non-significant increase in the impairment loss as a result of the new methodology under this standard. Any such increase would be recorded under Reserves at the transition date. In relation to shares, IFRS 9 provides for the possibility of measuring them either at fair value through equity without recycling to profit or loss or at fair value through profit or loss, depending on the business model chosen. The Group is currently assessing the impact of this and the classification to be ultimately chosen.

- i) **Standards, amendments and interpretations to existing standards which have not yet entered into force and which, if adopted, would not have a material impact on the Group.**

At the date of authorisation for issue of these consolidated financial statements, the IASB and IFRIC had published the following standards, amendments and interpretations:

Amendments to IAS 37 — Provisions, contingent liabilities and contingent assets: Provisions for onerous contracts.

The amendments to IAS 37 clarify that costs that relate directly to fulfilling the contract include the incremental costs of fulfilling that contract and an allocation of other costs that directly relate to fulfilling contracts.

The amendments will apply for financial years beginning on or after 1 January 2022.

Amendments to IFRS 3 — Business Combinations: Reference to the 2018 Conceptual Framework.

The change in IFRS 3 determines what constitutes an asset or liability in a business combination. It also introduces a new exception under IFRS 3 for liabilities and contingent liabilities

The amendments will apply for financial years beginning on or after 1 January 2022.

Amendment to IAS 16 — Property, Plant and Equipment Proceeds before intended use.

The amendments to IAS 16 prohibit a company from deducting, from the cost of its property, plant and equipment, proceeds received from selling items produced while the company is preparing the asset for its intended use.

The amendments will apply for financial years beginning on or after 1 January 2022.

Annual Improvements to IFRSs — 2018-2020 Cycle.

- Amendments to IFRS 1 – First-time adoption of IFRSs, on exceptions to the treatment of translation differences.
- Amendments to IFRS 9 – Financial Instruments to determine the costs of modifications to financial liabilities.
- Amendment to IFRS 16 – Leases.
- Amendments to IAS 41 – Agriculture.

The improvements will apply to years beginning on or after 1 January 2022.

With respect to the standards indicated above which have already been approved by the European Union, the Group considers that, at the date of authorisation for issue of these consolidated financial statements, these amendments are not expected to have a material effect on the Group's future consolidated financial statements.

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

Amendments to IAS 1 — Presentation of Financial Statements.

IAS 1 will be amended to promote consistency in application and to clarify the requirements on determining whether a liability is current or non-current.

In addition, a number of amendments will be included with the objective of improving disclosures relating to accounting policies that are considered material, i.e. without them, users of financial statements would be unable to understand other material information contained in the financial statements. It is also made clear that immaterial disclosures on accounting policies are not required.

These amendments will apply for annual periods beginning on or after 1 January 2023 and are currently pending adoption by the European Union.

Amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates.

The amendments to IAS 8 provide a new definition of accounting estimates, among other changes, to help entities distinguish between changes in accounting estimates and changes in accounting policies. An entity is required to apply the standard in its first IFRS financial statements for periods beginning on or after 1 January 2023. The amendments are currently pending adoption by the European Union.

Amendments to IAS 12 — Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction.

On 7 May 2021, the IASB issued amendments to IAS 12, which require deferred tax to be recognised on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This will be mainly reflected in the recognition of deferred tax upon initial recognition of right-of-use assets and lease liabilities under IFRS 16 — Leases and for the recognition of assets and liabilities when decommissioning provisions are made under IAS 37 — Provisions, Contingent Liabilities and Contingent Assets. These amendments apply for periods beginning on or after 1 January 2023, although early adoption is permitted. This amendment is pending adoption by the European Union.

3. Recognition and measurement standards

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

a) Subsidiaries

a.1) Acquisition of control

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

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

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

The acquisition cost is determined as the sum of the acquisition-date fair values of the assets given, the liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that is contingent on future events or the fulfilment of certain conditions being met and that is required to be recognised as an asset, liability or equity according to its nature.

Expenses related to the issuance of the equity instruments or financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules governing financial instruments. Fees

paid to legal counsel or other professionals involved in the business combination are expensed as incurred. The cost of the combination does not include the expenses generated internally for these concepts, nor any such expenses incurred by the acquired entity.

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

a.2) Method of consolidation

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

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

b) Segment information

The Group is structured internally into operating segments, which have been defined according to the different categories of products and services provided by the Group. The earnings and results of these segments are regularly reviewed as part of the decision-making process to decide on the resources to be allocated to the segment and to assess its performance. The Group's Board of Directors, which includes the Chief Executive Officer, identifies the segments from a business perspective and is the supreme decision-making body when it comes to defining these segments. The segments are aligned with the Group's organisational structure and reflect the information provided to Management and the markets.

For the year ended 31 December 2021, the Group comprised the following operating segments in accordance with IFRS 8, whose principal products, services and operations were as follows:

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

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

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

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

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

There are no differences in accounting policies, nature of activities, valuation and measurement of assets and liabilities between each of the operating

segments and there have been no changes from previous years. Note 17 provides quantitative information on the Group's segments.

c) Cash and cash equivalents

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

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

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

d) Financial instruments

d.1) Financial assets

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

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

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

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired, considering those situations that generate such evidence, whether individually or in combination with others. The Group considers evidence of possible impairment to be a significant or prolonged decline in the market value of equity or fixed income securities, individually considered, to below their cost or amortised cost.

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

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

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

Derecognition of financial assets

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

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

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

Dividend distribution

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

Measurement of financial instruments

At initial recognition, the Group measures its financial assets at fair value, adjusted (for financial assets not recognised at fair value through profit or loss) to

reflect the transaction costs that are directly attributable to the acquisition or issuance of the assets.

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

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

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

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

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

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

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

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

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

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

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

d.2) Financial liabilities

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

Debt and accounts payable

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

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

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

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

Derecognition of financial liabilities

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

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

e) Hedge accounting

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

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

Fair value hedges

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

Cash flow hedges

Cash flow hedges cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations. The Group did not designate this type of hedge in 2021.

Measuring hedge effectiveness

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

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

f) Property, plant and equipment and investment property

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

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

Asset expansion and improvement costs are added to assets as an increase in the value of the asset only when they result in an increase in its capacity, floor area, or return, or when they lengthen its useful life, whereupon the carrying amount of the replaced items is derecognised. Under no circumstances does repair and maintenance work qualify as improvements.

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

Property, plant and equipment and investment property	Rate
Furniture and installations	4 - 12%
IT equipment	20 - 25%
Vehicles	25%
Other property, plant and equipment	12 - 15%
Buildings for own use	2%
Buildings for property investment	2%

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

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

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

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

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

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

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

At each reporting date, the Group assesses whether there is any indication that the impairment loss recognised in prior periods no longer exists or may have decreased. Impairment losses are reversed only if there has been a change in

the estimates used to determine the asset's recoverable amount. The reversal of the impairment loss is credited to profit or loss.

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

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

g) Right-of-use assets and lease liabilities

Identification of a lease

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

Accounts of the lessee

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

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

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

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

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

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

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

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

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

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

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

Accounts of the lessor. Operating leases

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

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

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

The Group recognises income from operating leases, net of incentives granted, as income over the lease term on a straight-line basis, unless another systematic

basis of allocation is more representative of the pattern in which benefit from the use of the asset diminishes.

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

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

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

h) Intangible assets

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

In particular, the following criteria apply:

Software

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

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

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

i) Prepaid commissions and other capitalised acquisition expenses

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

j) Inventories

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

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

k) Accrued income (assets)

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

l) Technical provisions

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

Provision for unearned premiums

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

Provision for unexpired risks

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

Provisions for claims

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

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

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

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

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

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

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

Liability adequacy test

Technical provisions recognised in the accounts undergo regular reasonableness tests to determine their adequacy. These tests are carried out using the most current estimates of future flows from insurance contracts in effect, taking into account the time value of money and using assumptions based on experience. If the test shows that these provisions are insufficient, they are adjusted, with a charge to profit or loss for the year.

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

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

For the other insurance business line, the valuation methodology used to calculate the provision for claims pending settlement is on an individual claim-by-claim basis, as the claims for the period are settled pending payment and there is no uncertainty about the future trend in their cost or about claims

incurred but not reported at that date. It is therefore considered sufficient in accordance with the requirements of IFRS 4.

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

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

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

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

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

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

In relation to the Health business line, which the Group started operating at the end of 2017, there is insufficient historical information from which to draw statistical estimates of premium sufficiency in this segment. Based on the Group's experience, a provision for unexpired risks of € 3,280 thousand (2020: € 4,622 thousand) was posted in December 2021.

Most significant assumptions and other sources of uncertainty estimation

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

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

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

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

m) Reinsurers' share of technical provisions

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

n) Provisions and contingencies

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

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

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

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

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

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

p) Equity

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

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

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

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

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

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

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

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

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

The aim is to maintain an adequate level of solvency. When determining the adequate level of solvency, the risk profile, the results of capital planning for the coming years at the Company at an individual level, the minimum levels required

by the regulations and the existing criteria and regulations for optimal capital management were all taken into consideration. The Parent's solvency ratio was 186% in 2021 and 213% in 2020, taking into account the distribution of the extraordinary dividend charged to reserves of € 120 million.

q) Non-technical income and expenses

Non-technical income

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

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

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

r) Income and expenses

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

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

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

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

Direct insurance

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

Reinsurers' share

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

Reclassification of expenses by purpose

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

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

The following purposes have been established:

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

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

s) Termination benefits

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

t) Employee benefits

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

The Group's obligations with its employees with regard to retirement or similar pension plans are fully externalised, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999 of

15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

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

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

Defined contributions

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

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

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

The Group records the contributions to be made to defined contribution plans progressively as the employees render their services. The amount of accrued contributions is recorded as an employee benefits expense and as a liability after deducting any amounts already paid. In the event that the amounts paid exceed the accrued expense, the corresponding assets are only recognised to the extent that they can be applied to reductions in future payments or result in a cash refund.

Defined benefit plans

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

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

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

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

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

Payments for share-based services and goods

The Group's Chief Executive Officer and Management Committee members receive share-based remuneration under a plan of which the Parent is the parent company following its stock market listing. The purpose of this plan approved by the General Shareholders' Meeting on 18 March 2021 is to offer members the possibility of receiving a certain number of shares over the three years following the Parent's stock market flotation (Note 23 c).

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

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

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

u) Related-party transactions

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

v) Foreign currency transactions

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

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

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

w) Income tax

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

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

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

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

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

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

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

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

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

x) Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents (i.e. short-term, highly liquid investments which are subject to an insignificant risk of changes in value). Cash and cash equivalents means the balances included under "Cash and cash equivalents" in the accompanying consolidated balance sheet.
- Operating activities: typical activities of insurance institutions, as well as other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that do not form part of operating activities.

4. Scope of consolidation

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

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

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

(*) Limited review of condensed annual accounts.

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

There were no changes in the scope of consolidation in 2021 or 2020.

5. Risk management

The Group's supreme governing body is the Board of Directors, the composition of which is compliant with the requirements of Law 20/2015 of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, meaning its members possess adequate professional qualifications, competence and experience and likewise meet the requirements of repute and good standing required by the supervisor and included in the Group's Fitness and Propriety Policy.

The Board of Directors understands and manages the Group's risks and discharges management, administration and control functions, within the limits prescribed by the Corporate Enterprises Act (Ley de Sociedades de Capital) and doing so through the Audit and Compliance, Internal Control and Compliance Committee, with the support of the Appointments and Remuneration and Corporate Governance Committees.

These committees have decision-making powers on matters that fall within their remits, as regulated by the Rules and Regulations of the Board of Directors, and facilitate the preparation of resolutions and their proposal to the Board on all such matters.

The Audit, Internal Control and Compliance Committee exercises powers related to the supervision and control of the Group's risks, the veracity, objectivity and transparency of its accounting, business and financial information, and compliance with the Group's legal and regulatory requirements. It is also responsible for oversight of the Company's risk functions and the four key functions that report directly to it, as described below.

The Appointments and Remuneration Committee submits proposals and reports on remuneration and appointments and dismissal of directors, the chairman and the chief executive officer, members of the management team and the heads of key functions, ensuring that they meet the conditions and have the capabilities to perform their roles, as required by current regulations.

Although it is not a board committee in terms of its composition and functions, the Investment Committee exercises powers relating to the supervision and control of investments and their financial results, economic and financial information, and compliance with the investment guidelines to which the Group is subject. The Investment Committee is chaired by the Chairman of the Board of Directors who, in turn, reports on the Investment Committee's conclusions and decisions to the Board of Directors.

As required by insurance regulations, the Group has an Internal Audit function, which is an independent unit that continuously analyses, evaluates and oversees the procedures, practices and activities involved in the internal control system for the Group's risks, ensuring the reasonable efficiency and effectiveness of the use of resources, the reliability and consistency of accounting and management information, and compliance with current regulations.

The Internal Audit function reports to the Audit, Internal Control and Compliance Committee and reports functionally to the Chairman of the Board of Directors, coordinated by the Office of the General Secretary, without prejudice to the powers vested in the Chief Executive Officer. This guarantees at all times the independence, autonomy and universal scope of the Internal Audit function at the Línea Directa Group.

The Actuarial Function is attached to the Corporate Governance and Risk Department and reports to the Audit, Internal Control and Compliance Committee.

The Compliance function is part of the Office of the General Secretary and reports regularly, like the other key functions, to the Audit, Internal Control and Compliance Committee. It advises administrative, management and supervisory bodies on compliance with the legal rules and obligations applicable to the Group and its activities, and on the voluntary rules and obligations arising from relationships with third parties and from sector and self-imposed standards whose compliance is legitimately expected by stakeholders in the communities where it operates.

The Risk Management function is decentralised at various Group areas of departments and the Internal Control and Risk Management Unit, which reports to the Finance Division, is responsible for unifying and integrating all of the Group's risk reporting and for applying and verifying compliance with risk control policies.

All departments provide the Internal Risk Management and Control Unit with the information needed to monitor the Group's risks and apply the risk policies.

The Internal Risk Management and Control unit collates all information on Línea Directa's risks and integrates it into the corporate risk map. It monitors changes in risk through the key risk indicators (KRIs) scorecard and reports to the Standing Risk Committee.

The Group has established various levels of management or defence to ensure adequate management and control of each risk, thus guaranteeing each type of risk identified has:

- A management unit directly responsible for its day-to-day or current management, acting as the first line of defence.
- A structure of committees, each of which is responsible for identifying, managing and reporting risks to the organisation's governing bodies, to which the management units report and submit specific decisions. Due to their composition and functions, these committees are executive in nature as they take decisions on the risks they manage.
- A person responsible for managing and coordinating the Company's risks, namely the head of Corporate Governance and Risk.
- Control functions as the second line of defence, meaning the Risk Management, Actuarial and Compliance functions.
- An oversight function as the third line of defence, in the form of the Internal Audit function.

The following committees have been entrusted risk management functions:

- Operational, Legal and Reputational Risk Committee, which is responsible for operational, legal, compliance and reputational risk management.
- The Reserves Committee is tasked with the management of reserve risk and reinsurance credit risk, claims control and the preparation of the reinsurance programme, all of which is then submitted for scrutiny and, if necessary, approval by the Executive Committee attached to the Company's Board of Directors. This Committee submits proposals regarding the level of the Bank's reserves, reinsurance policy and, in general, any other matters that must be submitted to the Board of Directors or its Executive Committee.
- Investment Committee, responsible for the management of market risk and all other risks exposure to which stems from the decisions taken on the volume and structure of the Group's investment portfolio: ALM risk, concentration risk, liquidity risk and credit risk from lending and investment activities.
- Technical Committee, responsible for underwriting management and thus for premium risk, as well as customer credit risk.
- Internal Models Committee, tasked with analysing the Internal Premium Model and the Internal Reserves Model, including the interaction between the two.

Each of these committees, except the Investment Committee, reports the decisions taken to the Risk Management and Internal Control Unit, which is responsible for centralising and standardising the information so that it may be relayed to the Audit, Internal Control and Regulatory Compliance Committee, which is responsible for analysing and approving the different risk policies and strategies and for reporting to the Board of Directors on all such matters.

This structure ensures:

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

The Internal Risk Management and Control unit collates all information on the Group's risks and integrates it into the corporate risk map. It monitors changes in risk through the key risk indicators (KRIs) scorecard and reports to the Standing Risk Committee.

The Board of Directors is responsible for ensuring the effectiveness of the Risk Management System through compliance with the Group's overall strategies, while the various committees are responsible for ensuring the sound implementation, maintenance and monitoring of the Risk Management System in accordance with the instructions and guidelines emanating from the Board of Directors.

As part of its risk management, the Parent carries out the Own Risk and Solvency Assessment (ORSA) in accordance with the criteria defined in its ORSA Policy. Decision-useful stress scenarios are defined as part of this process. The Audit, Internal Control and Compliance Committee steers the process and verifies and approves the results. The ORSA report contains a projection of capital consumption and available capital for the three-year time horizon.

The main risks that may undermine the Group's efforts to achieve the objectives, including the impact of COVID-19, are broken down as follows:

a) Credit risk

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

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

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

The Group analysed the economic environment amid the COVID-19 pandemic and is now taking the following steps to limit its exposure to credit risk.

- The Group only worked with highly solvent reinsurers with a minimum credit rating of "A".
- Premium payment policies have been made more flexible for the Group's customers, with the option to spread premium payments over consecutive months without incurring any additional surcharge.
- The credit risk for motor policies is limited because in the event of non-payment by the policyholder, the Group cancels the policy within a maximum term of 90 days.
- For investments in financial assets held by the Group in 2021 and 2020, no coupon defaults occurred and the Group regularly monitors its exposure to all of its investments.

The impact of COVID-19 on the Group has not been significant.

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

	2021	2020
Cash and cash equivalents	115,788	162,500
Available-for-sale debt securities	711,015	791,219
Loans and receivables	120,615	110,373
Total	947,418	1,064,092

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

The rating of debt securities and cash and cash equivalents is an average rating of that assigned to the issuer by three of the main rating agencies (Moody's, Fitch and DBRS) and presents the following classification at the end of 2021 and 2020:

	2021	2020
AAA	6,342	3,072
AA	10,092	7,382
A	296,736	353,120
BBB	363,125	380,743
BB	27,989	20,613
B	-	5,919
N/R	17,721	30,360
Total debt securities	722,005	801,209

The above table includes debt securities included under "Loans and receivables" for an amount of € 10,990 thousand (€ 4,998 thousand rated A and the remainder unrated) and € 9,990 thousand (rated A) in 2021 and 2020, respectively.

The non-rated positions are mainly composed of promissory notes amounting to € 6,891 thousand (€ 19,686 thousand) and representative securities whose issuer does not have a rating, but which nevertheless have an issue rating appropriate to the Group's investment policies.

The unrated securities are mainly commercial paper.

	2021	2020
A	39,512	92,058
BBB	70,780	68,950
BB	2,998	500
N/R	2,498	992
Total cash and cash equivalents	115,788	162,500

The impairment losses recognised at year-end 2021 and 2020 are described in Note 7 a) i.

At year-end 2021 and 2020, there were no non-performing balances that were not impaired.

In addition, at 31 December 2021 and 2020, the Group had a monetary guarantee covering a public debt repo transaction (assignment with repurchase agreement of government bonds). Further information on this matter can be found in Note 7 b) i.

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

	2021	2020
Premium payments outstanding	54,472	55,678
Provision for outstanding premiums	(934)	(1,265)
Policyholders	53,538	54,413

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

certain premium receipts may require special treatment due to their unique characteristics or features.

b) Liquidity risk

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

The Group manages liquidity risk prudently. The Group is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

Among the measures taken by the Group to respond to potential future liquidity constraints arising from the COVID-19 pandemic and in line with the measures and requirements of regulators, the Group decided that no dividend would be paid in 2020 in order to maintain a strong liquidity position. This policy led to an improvement in cash and cash equivalents at year-end 2020 compared to the previous year. In 2021, the Group's business recovered in this respect and it paid out several interim dividends (Note 15 d).

The debts shown under the heading "Debt and accounts payable" fall due in less than one year for both 2021 and 2020.

The maturities of lease liabilities at 31 December 2021 and 2020 are described in Note 9 b).

The following table shows the estimated timing of disbursements for the insurance liabilities recognised at 31 December 2021 and 2020 (amounts without financial discounting):

2021

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

2020

	Estimated cash outflows in the periods						Subsequent periods	Closing balance
	2021	2022	2023	2024	2025	2026 to 2030		
Provision for claims	164,292	51,683	26,867	13,221	(3,529)	12,235	677	265,446
Due on direct insurance business and coinsurance	2,862	-	-	-	-	-	-	2,862
Due on reinsurance business	981	-	-	-	-	-	-	981
Total	168,135	51,683	26,867	13,221	(3,529)	12,235	677	269,289

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

The table below shows the estimated timing of disbursements for the hedging derivatives recognised at 31 December 2021 and 2020:

2021

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

2020

	2021	2022	2023	2024	2025	Subsequent periods	Total
Hedging derivatives	(1,423)	(1,455)	(1,447)	(1,396)	(1,366)	(8,080)	(15,167)
Total	(1,423)	(1,455)	(1,447)	(1,396)	(1,366)	(8,080)	(15,167)

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

2021

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

2020

	2021	2022	2023	2024	2025	Subsequent periods	Total
Financial assets at fair value through other comprehensive income	104,328	36,059	117,151	52,320	45,845	435,516	791,219
Debt securities	104,328	36,059	117,151	52,320	45,845	435,516	791,219
Financial assets at amortised cost	105,381	4,992	-	-	-	-	110,373
Total	209,709	41,051	117,151	52,320	45,845	435,517	901,593

c) Market risk

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

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

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

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

The Group's investment portfolio was affected by the announcement of the COVID-19 pandemic. However, the unrealised capital gains were recovered as the markets began to recover in late 2020 and throughout 2021, resulting in a positive impact on the investments held by the Línea Directa Group.

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

Portfolio	Fixed interest rate		Floating interest rate		Not exposed to risk		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Available for sale:								
Debt securities	615,766	692,578	8,619	6,170	86,630	92,470	711,015	791,219
Total	615,766	692,578	8,619	6,170	86,630	92,470	711,015	791,219

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

If interest rates at 31 December 2021 had been 100 basis points higher holding all other variables constant, other comprehensive income would have been € 29,835 thousand, gross of tax (€ 18,831 thousand in 2020) lower, mainly due to a decrease in the fair value of fixed rate financial assets classified as available-for-sale.

If interest rates at 31 December 2021 had been 100 basis points lower holding all other variables constant, other comprehensive income would have been € 32,751 thousand, gross of tax (€ 29,349 thousand in 2020) higher, mainly due to an increase in the fair value of fixed rate financial assets classified as available-for-sale.

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

	2021	2020
Equity instruments	153,963	125,855

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

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

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

If the sensitivity of a 10% fall in the market prices of the equity instruments recorded under "Available-for-sale financial assets" at 31 December 2021 and 2020 is applied, all other things remaining constant, this circumstance would have an impact on the Group's equity of € 9,430 thousand in 2021 (2020: € 8,579 thousand).

In 2016, Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) entered into force for insurance undertakings. This Directive regulates the solvency calculation of insurance undertakings, to measure the ability of the undertakings to meet their future obligations. The result is to compare eligible own funds under Solvency II with the Solvency Capital Requirement (SCR). The Solvency Capital Requirement includes all risks to which the undertaking is exposed (underwriting and non-life health, market, counterparty and operational). The calculation is standardised at European level and is not an accounting ratio. The Parent's solvency ratio was 186% in 2021 and 213% in 2020.

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

- A 10% decline in equity instruments would have an impact on the solvency ratio of -3% in 2021 and 2020.
- A 30% decline in equity instruments would have an impact on the solvency ratio of -8% in 2021 and 2020.
- A 10% decline in the value of property assets would have an impact on the solvency ratio of -3% in 2021 and 2020.
- A combination these two scenarios, that is, a 10% decline in equities and a 10% decline in property assets, would have an impact on the solvency ratio of -6% in 2021 and 2020.

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

d) Insurance risk

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

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

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

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

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

Reinsurance policy

The reinsurance system used by the Group is based mainly on an Excess of Loss (XL) structure for each segment, so as to achieve protection against serious losses

or catastrophic losses and events caused by natural phenomena not covered by the Insurance Compensation Consortium, using reinsurance to provide stability against this type of random natural catastrophes, for both occurrence and amount, and a quota share reinsurance contract for the health insurance segment signed in 2017.

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

The contract also includes a table of fixed and variable reinsurance commissions payable to the Group. The fixed commission is calculated as a % of the premium transferred and as a fixed amount until 2020. The variable commission is calculated based on the premiums assigned during the term of the contract of the year, and the performance of the accident rate ratio during the agreed years. These commissions are subject to a maximum limit.

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

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

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

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

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

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

Premium sub-risk

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

The Technical Committee takes operational decisions that affect prices and risk underwriting terms for the products offered by Línea Directa Aseguradora, ensuring that they are consistent with the strategy and objectives established by the Board of Directors. To do so, it considers the proposals presented by the Technical Department, also taking into account data on the position of the business and the outlook provided by the relevant business areas for each of the segments.

Reserve sub-risk

On December 29, 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorizes Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology and as a contrast methodology the deterministic methodology of average cost. The methodological change began to be applied at the end of 2021.

In the provision for benefits in the household, care and health branches, for the provision for claims pending settlement or payment, estimates were made on the basis of an individual analysis of each case

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

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

- Analysis of the trend in subsequent periods of cost deviations of claims occurring before the end of each period. The analysis is carried out on the basis of claims incurred and reported at the end of the reference period. Its purpose is to check and to correct possible cost deviations that occur in claims of those referred to as "long tail", which are caused as a result of not having sufficient information at the reporting date to properly assess them.

- Performance of monthly and quarterly forecasts of claim costs.
- The Group's reserves position is also analysed by independent external consultants at least once a year and the findings are presented to the Board of Directors.

Concentrations of insurance risk

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

The following table shows the premium concentration for those autonomous communities of Spain with a concentration of above 5% for 2021 and 2020:

	2021	2020
Andalusia	23.2%	23.1%
Catalonia	20.9%	20.6%
Madrid	12.3%	13.0%
Valencia	12.3%	12.4%
Murcia	4.8%	4.9%
Other	26.6%	26.0%
Total	100%	100%

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

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

	2020				
	Total	Risks – Motor	Multi-risks – Home	Other insurance businesses	Risks – Health
Premiums written (Direct Insurance)	898,614	754,656	120,654	1,478	21,826
Premiums ceded	(20,675)	(5,537)	(4,930)	(191)	(10,017)

Sensitivity to insurance risk

At 31 December 2021 and 2020, the Group performed a mixed sensitivity analysis on certain key business parameters. Based on expert judgement and experience of the most sensitive parameters of the business, the effect of a 1% increase in the cost of claims and of a 1% increase in the combined ratio on profit for the

year net of tax of each business unit (Motor, Home, Health and Other insurance), and therefore on consolidated equity, was analysed as a measure of sensitivity to insurance risk.

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

	2021	2020
Motor	(5,189)	(4,654)
Home	(660)	(637)
Health	(130)	(107)
Other insurance businesses	-	(3)
Total	(5,979)	(5,401)

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 4,535 thousand for 2021 and € 4,054 thousand for 2020.

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

	2021	2020
Motor	(7,473)	(7,526)
Home	(1,191)	(1,115)
Health	(150)	(120)
Other insurance businesses	(14)	(20)
Total	(8,828)	(8,781)

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 6,697 thousand for 2021 and € 6,593 thousand for 2020.

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

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

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

e) Reputational risk

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

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

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function.

Thus, reputational risk management falls upon the shoulders of the Corporate Governance Division, more specifically through the departments of External Communication and Corporate Reputation and Risk Management and Internal Control.

f) Legal risk

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

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

g) Operational risk

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

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

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

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

h) Currency risk

At 31 December 2021 and 2020, the Group had a foreign currency position of € 47,890 thousand and € 28,091 thousand, respectively. These amounts relate to direct investments in financial instruments traded in these currencies, with no currency hedging whatsoever.

The following table shows the Group's exposure to foreign currency risk at 31 December 2021 and 2020 and the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currencies.

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
US dollar	31,412	-	19,244	-
Pound sterling	10,093	-	3,054	-
Swiss franc	2,699	-	2,097	-
Danish kroner	955	-	138	-
Other	2,731	-	3,558	-
Total	47,890	-	28,091	-

The Group has no significant exposure to any foreign currency.

i) Environmental, social and governance risks

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

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

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

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

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

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

j) Internal control system

Pursuant to Article 66 of Law 20/2015, on the regulation, supervision and solvency of insurance entities, the Group must have an effective internal control system in place. That system shall include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function, at least.

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

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

Internal Control Framework

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

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

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

This report is made available to the board on a monthly basis through reporting to the Audit, Internal Control and Compliance Committee, the Standing Risk Committee and the Management Committee.

The Group has an effective risk management system that determines how to manage each risk category and area, and any risk aggregation. The risk management system assesses the overall solvency needs identified in the Group's assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, as well as the description of the frequency and content of the regular stress tests and situations that require specific stress tests. Policies are in place that define the risk categories and risk measurement methods.

The Board has set the risk profile and overall risk tolerance limits and supervises the various committees set up to monitor and manage potentially serious risks, doing so through the Audit, Internal Control and Compliance Committee.

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

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

Risk reporting and information mechanisms

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

The regular risk reports are as follows:

- The Corporate Governance and Risk division reports on the status of the Group's risks, as well as the possibility of risks materialising and the status of all recommendations arising from testing, to the Group's Management Committee each month and to the Standing Risk Committee every quarter.
- The Audit, Internal Control and Compliance Committee is informed by the Head of Corporate Governance and Risk of the most significant risks in the Group's risk map, the status of recommendations issued in testing of Línea Directa and the performance of the key risk indicators.

The Internal Audit function reports to the Audit, Internal Control and Compliance Committee every quarter.

6. Cash and cash equivalents

The composition of cash and cash equivalents at banks, cheques and cash on hand at 31 December 2021 and 2020, in thousand euro, is as follows:

	2021	2020
Cash at credit institutions	110,287	161,005
Cash in hand	5	3
Financial instruments maturing within 3 months	5,496	1,492
Total	115,788	162,500

Of the total balance of cash at banks at 31 December 2021 and 2020, a total of € 70,373 thousand and € 68,946 thousand, respectively, was held at Bankinter, S.A. (see Note 22).

At 31 December 2021 and 2020, the Group held a current account that had been pledged to a reinsurer for a total of € 2,100 thousand to secure compliance with certain contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Group's current accounts is negotiated with each bank and did not accrue any return in 2021 and 2020, except for the current account denominated in USD, which accrued a yield of 0.18% for 2021 and of between 0.17% and 1.65% in 2020, amounting to € 1 thousand for 2021 and € 1 thousand for 2020.

The Group held euro-denominated cash only at year-end 2021 and 2020. Accrued interest is recorded under the sub-heading "Income from financial investments" in the consolidated statement of profit or loss.

7. Financial instruments

a) Financial assets

a.1) Balances of financial assets

The classification of financial assets by category and class at year-end 2021 and 2020 is as follows:

	2021	2020
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets		
Equity instruments		
Listed	97,457	85,975
Non-listed	56,506	39,880
Debt securities		
Listed	711,015	791,219
Total financial assets at fair value through other comprehensive income	864,978	917,074
Financial assets at amortised cost		
Loans and receivables		
Debt securities	10,990	9,990
Receivables on direct insurance business – policyholders	53,538	54,413
Receivables on reinsurance business	7,969	5,086
Other receivables	47,078	39,758
Total financial assets at amortised cost	119,575	109,247
Total financial assets	984,553	1,026,321

Details of financial assets at fair value through other comprehensive income are as follows:

Equity instruments

The sub-heading “Equity instruments” at 31 December 2021 showed € 75,237 thousand in shares and € 60,508 thousand in 2020, along with interests in investment and venture capital funds amounting to € 78,726 thousand in 2021 and € 65,319 thousand in 2020. Of the total investment in shares, 2021 included a total of € 9,950 thousand in two listed real estate investment companies in which a Bankinter Group financial institution held a stake, and of € 10,000 thousand in 2020.

In 2020, the Group acquired a total of 239,678 shares of Bankinter S.A. at an average price of € 3.12, with a par value of € 747 thousand, which are carried at fair value for an amount of € 1,059 thousand. From 29 April 2021, the date of the IPO, a total of 239,678 treasury shares were allotted to the Parent in the exchange of these Bankinter shares (Note 15 c).

Debt securities

This sub-heading includes € 711,015 thousand in 2021 and € 791,219 thousand in 2020 corresponding to fixed income securities and their unmatured accrued interest, of which € 4,181 thousand related to group companies at 31 December 2021 (31 December 2020: € 3,316 thousand).

Accrued and unmatured interest on these investments amounted to € 7,059 thousand in 2021 and € 9,360 thousand in 2020. The average yield on the fixed income portfolio in 2021 was 2.01% (2.62% in 2020).

At year-end 2021 and 2020, there were no impairment losses on these debt securities.

Details of financial assets at amortised cost are as follows:

Debt securities

This balance includes investments in commercial paper issued by local banks maturing in 2022 for the 2021 financial year and in 2021 for the 2020 financial year, as well as unmatured accrued interest thereon.

In 2021, accrued and unmatured interest on these investments totalled € 12 thousand (2020: € 5 thousand).

At year-end 2021 and 2020, there were no impairment losses on these debt securities.

Receivables on direct insurance business

The "Receivables on direct insurance business" sub-heading shows loans to policyholders for premium receipts that are overdue and for premium fractions yet to be issued. The balances comprising this sub-heading of the accompanying consolidated balance sheets at year-end 2021 and 2020, and the related impairment adjustments, are as follows:

	2021	2020
Receivable from policyholders	54,472	55,678
Impairment adjustment	(934)	(1,265)
Total	53,538	54,413

Impairment losses at year-end 2021 and 2020 were as follows:

	2021	2020
Balance at the beginning of the year	(1,265)	(2,290)
Allowances	(934)	(1,265)
Amounts utilised	1,265	2,290
Balance at the end of the year	(934)	(1,265)

The receivables on direct insurance operations for December 2021 and 2020 mature in 2022 and 2021, respectively.

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

Receivables on reinsurance business

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

On 1 September 2017, the Group entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2025 and comes with a two-year renewal option. This agreement includes the assignment of 50% of the majority of the policies of the business covered.

At year-end 2021 and 2020, the balances comprising this sub-heading of the accompanying consolidated balance sheet were € 7,969 and € 5,086 thousand, respectively, for health quota share reinsurance.

Other receivables

The balances comprising the “Other receivables” sub-heading at the end of 2021 and 2020, and related impairment adjustments, are as follows:

	2021	2020
Bonds and deposits	297	295
Receivables from recoveries and claims	42,920	34,956
Receivables under claim settlement agreements	1,743	1,661
Sundry receivables	2,638	2,153
Receivable from Group companies and associates	(419)	754
Impairment allowances on other receivables	(101)	(61)
Total	47,078	39,758

The “Receivables from recoveries and claims” sub-heading shows the amount of outstanding claims that will be recovered under the modules governed by agreement and claims not subject to agreement. The amount recognised in 2021 and 2020 amounted to € 42,920 thousand and € 34,956 thousand, respectively. The balance in 2020 was significantly lower than in 2021 due to a reduction in claims amid the COVID-19 pandemic (see Note 17).

In 2021 and 2020, outstanding claims to be recovered by the claims settlement modules amounted to € 22,372 thousand and € 15,623 thousand, respectively. Meanwhile, claims with a high probability of recovery, based on acceptance of fault by the other party, amounted to € 20,548 thousand in 2021 and € 19,333 thousand in 2020. The realisation of recoveries based on claims settlement modules is sufficiently ensured because they are classified as such when there is an acknowledgement of fault by the other insurer. For all other recoveries,

the Group relies on available information to form expectations as to whether the counterparty will acknowledge fault. Premium refunds are only capitalised in the consolidated balance sheets when they are considered certain, which occurs when the other insurer accepts the claim and there is evidence of this. Refunds are confirmed as certain on a claim-by-claim basis according to the status of the claim at a given date.

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

a.2) Classification under SPPI criteria

The fair value of financial assets based on the SPPI approach (required under the temporary exemption provided for in IFRS 9, see note 2 h)) as at 31 December 2021 and 2020 and the change in fair value during those periods are presented below. According to the SPPI criterion, assets are classified into two categories:

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

Financial assets	2021	2020	FV change, 2021-2020
Financial assets at fair value through other comprehensive income			
Available-for-sale financial assets			
Equity instruments			
Other	153,963	125,855	28,108
Debt securities			
SPPI	711,015	791,219	(80,204)
Financial assets at amortised cost			
Loans and receivables			
Debt securities			
SPPI	10,990	9,990	1,000
Receivables on insurance business			
SPPI	53,538	54,413	(875)
Receivables on reinsurance business			
SPPI	7,969	5,086	2,883
Other receivables			
SPPI	47,078	39,758	7,320
Total financial assets	984,553	1,026,321	(41,768)

The credit rating of fixed income issuers and deposits held at credit institutions at 31 December 2021 and 2020 is as follows:

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

2020							
Rating	AAA	AA	A	BBB	Below investment grade	No rating	Total
Public fixed income							
SPPI	3,072	-	220,749	214,942	-	-	438,763
Private fixed income							
SPPI	-	7,382	132,371	165,801	26,532	30,360	362,446
Total fixed income	3,072	7,382	353,120	380,743	26,532	30,360	801,209
% fixed income	0%	1%	44%	48%	3%	4%	100%

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

a.3) Income and expenses from financial assets

The amount of net gains and losses by category of financial asset at year-end 2021 and 2020 is as follows:

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

	2020		
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Other financial assets
Interest on bank deposits	512	-	-
Income from premium instalments	4,537	-	-
Net losses on swap valuation	-	-	(1,583)
Losses on realisation of investments	-	(12,741)	-
Interest on fixed-income securities	-	21,187	-
Income on equity instruments	-	1,649	-
Net valuation gains on fixed income securities covered by swap	-	-	1,583
Gains on realisation of investments	-	11,368	-
Positive exchange differences	-	236	-
Negative exchange differences	-	(505)	-
Other expenses	-	4,524	(1,578)
Net result in profit and loss	5,049	25,718	(1,578)
Change in fair value	-	7,453	-
Net result in other comprehensive income	-	7,453	-

a.4) Fair value breakdown

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

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

	2020			
	Carrying amount	Level 1	Fair value Tier 2	Tier 3
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Equity instruments				
Listed	85,975	85,975	-	-
Non-listed	39,880	-	28	39,852
Debt securities				
Listed	791,219	767,539	23,680	-
Total	917,074	853,514	23,708	39,852

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

To determine Level 2 fair values for the years 2021 and 2020, a model has been used in which discounted future cash flows, including the redemption value, are discounted from a yield curve with two main components:

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

The following table sets out the valuation methods used in 2021 and 2020 to determine Level 3 fair values, along with the unobservable inputs used and the interrelationship between key inputs and fair value.

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

Type	Valuation method	Variables used (non-observable)	Interrelationship between key variables and fair value
Net asset value of investments in private equity funds with renewable energy generating assets as the underlying	<p>Discounted cash flows: the most widely accepted method, which treats the investment as a cash flow generator. To obtain its value, this method calculates the present value of the future cash flows by taking into account the implicit risk of achieving them. Thus, the discounted cash flow method estimates the cash flows that the asset/investment will generate in the future, and then discounts them at an appropriate discount rate, depending on the risk associated with achieving those cash flows. The discount rate used is based on the resulting WACC (weighted average cost of capital), according to the different sources of financing (equity vs. debt) and their respective weights. For the 2020 measurements, the discount rate is between 3.5% and 4.5%. The discount rate was between 4% and 5% for 2019.</p> <p>The expected cash flows are determined on the basis of the following key assumptions: Regulated income – return on investment and operations in accordance with Spanish Order ETU/130/2017, which places this reasonable return at 7,398% for the 2020-2031 period. Price Pool Production – number of hours Inflation OPEX of each facility CAPEX Residual value and cost of dismantling Cash flows are discounted at a discount rate representing the average of the various sources of financing for each asset, weighted by the market value of each source of financing, reflecting in each case the risk assumed in financing the assets.</p>	WACC and Return on investment	The higher the WACC the lower the fair value, and the higher the return on investment the higher the fair value (bearing in mind that income depends on prevailing regulations)
Net asset value of the underlying funds	<p>As funds of funds, the value of each unit is calculated as the sum of the net asset values provided by each of the underlying funds. Valuation as per the amounts communicated by the fund management companies, which are compared with the net asset values included in the annual accounts. These fund management companies are filed and registered with the CNMV. In each fund the fair value is calculated according to the valuation reports and financial statements provided by each of the Investee Entities.</p>	<p>Net asset value of each fund</p> <p>% holding in the portfolio of each fund</p>	<p>The higher the net asset value of the underlying funds, the higher the value of these funds.</p> <p>The higher the percentage holding in the underlying funds, the greater the proportional value of that fund to the investing funds.</p>
Net asset value of shares	<p>Relates to shares held in SOCIMIs (Spanish REITs). The valuation methodology is based on the standards and techniques recommended by RICS, using the relevant methods of comparison (comparable transactions) and cash flow discounts (based on the estimated income and expenses of the asset over a 10-year period).</p>	Market data on returns, discount rates and annual valuation by an independent expert.	The higher the value of the property investments, the higher the net asset value of the Company.
Net asset value of loans	<p>The manager of the BNY Mellon fund conducts a daily valuation of the fund. In carrying out its calculation, the fund manager relies on public sources to retrieve the daily price of the loans. These public sources are independent price providers, such as Bloomberg, Markit and Reuters. These price providers generate their information from actual transactions supplied to them by the trading desks of the main financial institutions, on the basis of cross-trading during the day and the level of supply and demand for each loan during the day.</p>	<p>Quotations provided by the trading desks of the main financial institutions.</p> <p>Specialised sources, Markit Partners/LoanX and IDC/Reuters</p>	Prices calculated on the basis of the information supplied to them by the trading desks of the main financial institutions.

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

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

Equity instruments	Non-listed
Balance at 31 December 2019	44,668
Purchases	3,767
Sales	(8,007)
Transfers to level 1 or 2	(4,016)
Statement of profit or loss	2,273
Other comprehensive income	1,167
Balance at 31 December 2020	39,852
Purchases	17,924
Sales	(8,839)
Statement of profit or loss	4,378
Other comprehensive income	3,163
Balance at 31 December 2021	56,478

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

During the year ended 31 December 2021, there were no transfers of financial assets between the different levels. In 2020, transfers from level 3 to level 1 occurred at Healthcare Activos Yield Socimi S.A. The Group considers transfers between levels to occur on the date on which the event or change in circumstances that caused the reclassification occurs (IFRS 13.95).

b) Financial liabilities

b.1) Balances of financial liabilities

The classification of financial liabilities by category and class at year-end 2021 and 2020 is as follows:

	2021	2020
Financial liabilities at amortised cost		
Debt and accounts payable		
Due on insurance business with policyholders	1,939	1,893
Due on insurance business with brokers	587	969
Due on reinsurance business	1,244	981
Lease liabilities (Note 10 b))	4,534	2,766
Due to group companies and associates	56	839
Other debts	149,592	152,508
Total financial liabilities at amortised cost	157,952	159,956
Hedging derivatives	9,447	15,167
Total hedging derivatives	9,447	15,167
Total financial liabilities	167,399	175,123

Details of financial liabilities at amortised cost are as follows:

Due on reinsurance business

The sub-heading “Due on reinsurance business” shows the debts owed to reinsurers. The balances comprising this sub-heading of the accompanying consolidated balance sheets at year-end 2021 and 2020 are as follows, by reinsurance type:

	2021	2020
Reinsurance – Penalties and other guarantees	828	682
Reinsurance XL	416	299
Total	1,244	981

Other debts

Details of the sub-heading “Other payables” at year-end 2021 and 2020 are as follows:

	2021	2020
On goods delivered and services rendered	30,207	30,023
On securities lending	115,306	115,730
Outstanding remuneration	4,079	6,755
Total other debts	149,592	152,508

At 31 December 2021, the sub-heading “On securities lending” refers to the monetary guarantee received for a public debt repo transaction (assignment of government bonds with repurchase agreement) with a total carrying amount of € 115,306 thousand, including uncollected accrued interest and comprising two repos, one of Spanish Government securities and the other of Italian Government securities maturing on 10 January 2022. The counterparty to the transactions is Banco BBVA. Guarantees on the transactions amount to € 115,306 thousand. On 10 January 2022, the three repo operations with the same Spanish government securities were renewed, resulting in a new maturity date of 10 February 2022 at an average negative interest rate of 0.51% per annum. The counterparty to these transactions is Banco Santander S.A.

At 31 December 2020, the sub-heading “On securities lending” showed the monetary collateral received on a public debt repurchase transaction (assignment with repurchase agreement of government bonds) with a total carrying amount of € 115,730 thousand, including uncollected accrued interest and comprising three repos on Spanish government securities that matured on 18 January 2021. The counterparty to the transactions was Banco BBVA. Guarantees on the transactions amounted to € 115,730 thousand. On 18 January 2021, the three repo operations with the same Spanish government securities were renewed, resulting in a new maturity date of 18 February 2021 at an average negative interest rate of 0.47% per annum. The counterparty to

these transactions is Banco Santander S.A. The carrying value of the transferred assets amounted to € 115,322 thousand.

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

The "Outstanding remuneration" as at 31 December 2020 sub-heading includes a provision for the 2019-2021 three-year remuneration programme accrued from 1 January 2019 through to 31 December 2021. This remuneration programme includes the Group's senior management and key executives and aims to incentivise and motivate them to achieve medium-term strategic targets. The final target is based on net income from premiums written in 2020, on a scale of 0% to 150% achievement (from minimum income of € 966 million to maximum income of € 1,036 million). If the final target is met, the amount payable will be based on the degree of achievement of two objectives: the combined ratio and growth in written premium income above the average of the 20 largest non-life companies operating in the Spanish market. The maximum amount to be received was € 16,673 thousand for the highest degree of achievement and the minimum would be zero.

At 31 December 2020, the amount provisioned was € 3,773 thousand, taking into account the performance of the indicators described in the previous paragraph and the possible updating of these indicators by the Appointments and Remuneration Committee before the end of the year, taking into account the exceptional circumstances generated by the pandemic, especially in premium income in general in the sector. Given that the aforementioned Appointments and Remuneration Committee has not changed the pre-established thresholds and that premium income in 2021 was € 907 million, the achievement of the three-year bonus was 0%. Therefore, the € 3,773 thousand provisioned at the end of 2020 have been reversed as lower expenses at the end of 2021.

Therefore, the "Outstanding remuneration" sub-heading does not include any provision for the triannual bonus but does include other recurring incentives, of an annual, quarterly and monthly nature, pending payment for € 3,683 thousand as at 31 December 2021 (€ 2,512 thousand at December 2020).

The heading "Hedging derivatives" includes three financial swap contracts.

The balance at year-end 2021 and 2020 and changes during the year were as follows:

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

2020			
	Final value at 31.12.2019	Valuation adjustment	Final value at 31.12.2020
SWAP	13,584	1,583	15,167
Total	13,584	1,583	15,167

The breakdown by type of contract at year-end 2021 and 2020 is as follows:

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

2020							
Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	20,099	20,099	20,099	Eonia	EUR
Subtotal – Current Account			20,099	20,099	20,099	Eonia	EUR
Swaps	BBVA S.A.	1	(10,140)	(10,140)	50,000		EUR
	BBVA S.A.	1	(5,027)	(5,027)	25,000		EUR
Subtotal – Swaps			(15,167)	(15,167)	75,000		EUR
Total			4,932	4,932	95,099		EUR

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

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

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

The hedged item consists of the payment of coupons of 2.35% on one SPGB bond worth € 25,000 thousand per annum through to its maturity on 30 July 2033; and of 2.45% on one BTPS bond worth € 50,000 thousand through to its maturity on 1 September 2033. In exchange, the Company receives collections of Euribor 6M+0.94% and Euribor6M+1.11% on € 25,000 thousand of the SPGB bond through to its maturity on 30 July 2033; and of Euribor 6M+1.03% on € 50,000 thousand of the BTPS bond through to its maturity on 1 September 2033.

b.2) Income and expense on financial liabilities

No amount for significant ineffectiveness in derivative hedging had to be recognised in the consolidated statements of profit or loss in 2021 and 2020.

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

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

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

2020					
31 December 2020	Nominal	Carrying amount	Heading of the consolidated balance sheet	Changes in fair value used as the basis for recognising ineffectiveness in the period	Ineffectiveness reported
Hedging derivatives	75,000	15,167	Hedging derivatives	4,529	-

2020					
31 December 2020	Nominal	Carrying amount	Heading of the consolidated balance sheet	Cumulative fair value adjustment on the hedged item	Changes in fair value used as the basis for recognising ineffectiveness in the period
Fixed-income instruments	75,000	91,812	Debt securities	15,167	4,529

b.3) Fair value breakdown

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

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

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

During the years ended 31 December 2021 and 2020, there were no transfers of financial liabilities between the different levels.

8. Property, plant and equipment and investment property

a) Property, plant and equipment

At 31 December 2021 and 2020, the balance of this sub-heading in the accompanying consolidated balance sheets and the changes therein during those years are as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.2019	15,083	21,446	17,121	24,478	7,058	8,900	94,086
Additions	-	234	274	1,545	61	507	2,621
Retirements	-	-	(66)	(2,849)	(888)	-	(3,803)
Transfers	2,822	3,147	2,297	-	634	(8,900)	-
Cost at 31.12.2020	17,905	24,827	19,626	23,174	6,865	507	92,904
Additions	-	-	924	2,359	70	98	3,451
Retirements	-	-	(3)	(9,292)	1	-	(9,294)
Transfers	-	390	117	-	-	(507)	-
Cost at 31/12/2021	17,905	25,217	20,664	16,241	6,936	98	87,061
Accumulated depreciation at 31.12.2019	-	(6,126)	(13,169)	(21,691)	(3,759)	-	(44,745)
Additions	-	(500)	(1,285)	(1,736)	(311)	-	(3,832)
Retirements	-	-	48	3,183	27	-	3,258
Accumulated depreciation at 31.12.2020	-	(6,626)	(14,406)	(20,244)	(4,043)	-	(45,319)
Additions	-	(494)	(1,238)	(1,461)	(323)	-	(3,516)
Retirements	-	-	3	84	-	-	87
Transfers	-	-	-	9,202	-	-	9,202
Accumulated depreciation at 31/12/2021	-	(7,120)	(15,641)	(12,419)	(4,366)	-	(39,546)
Impairment allowances at 31.12.2019	(1,423)	-	-	-	-	-	(1,423)
Amounts utilised in the period	(851)	-	-	-	-	-	(851)
Reclassifications	23	-	-	-	-	-	23
Impairment allowances at 31.12.2020	(2,251)	-	-	-	-	-	(2,251)
Impairment allowances at 31/12/2021	(2,251)	-	-	-	-	-	(2,251)
Carrying amount at 31.12.2019	13,660	15,320	3,952	2,787	3,299	8,900	47,918
Carrying amount at 31.12.2020	15,654	18,201	5,220	2,930	2,822	507	45,334
Carrying amount at 31/12/2021	15,654	18,097	5,023	3,822	2,570	98	45,264

At 31 December 2019 the Group had recognised € 8,900 thousand in relation to a new building acquired by the Group. Its definitive capitalisation and commencement of activity took place in 2020.

The main additions at 31 December 2021 relate to information processing equipment. The main additions recognised as at 31 December 2020 related to information processing equipment following the purchase of laptops for

employees due to the increase in teleworking arrangements amid the COVID-19 health crisis.

In 2021 and 2020, the Group derecognised fully depreciated items of property, plant and equipment amounting to € 12,580 thousand and € 1,300 thousand, respectively.

At 31 December 2021 no impairment losses had been recognised.

At year-end 2020, the Group ran the corresponding impairment test, taking into consideration the changes in assumptions due to the uncertainties caused by the spread of COVID-19 and its impact on the recoverable amount of the assets. As part of this valuation, the Group assumed that the current situation, and therefore business indicators, would return to normality or near normality in 2021.

At 31 December 2020, as a result of the COVID-19 health crisis and the downturn in economic activity, impairment losses of € 851 thousand were recognised on property assets under "Impairment of property, plant and equipment and investment property" in the consolidated statement of profit or loss.

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

The following table provides a breakdown of the fair value at 31 December 2021 and 2020 of the properties included under property, plant and equipment, such fair value as determined by an authorised property valuation company (see Note 3 f):

2021					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Market value
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,823)	-	3,135	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,345)	(734)	5,292	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,528)	(1,275)	17,050	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,593	(137)	(105)	6,351	6,026
Land and Constructions in Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(287)	(137)	1,923	1,951
Total	43,122	(7,120)	(2,251)	33,751	41,864
2020					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Market value
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,737)	-	3,221	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,268)	(734)	5,369	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,291)	(1,275)	17,287	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,203	(72)	(104)	6,027	6,027
Land and Constructions in Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(258)	(13)	1,951	1,951
Total	42,732	(6,626)	(2,251)	33,855	41,865

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

b) Investment property

The Group's investment property comprises property assets held for lease. In 2021, rental income from investment property owned by the Group amounted to € 4,203 thousand (2020: € 4,093 thousand), as recognised under "Income from property, plant and equipment and from investments" in the accompanying consolidated statement of profit or loss.

Activity recognised under this sub-heading in 2021 and 2020 is as follows:

	Land	Buildings	Plant	Total investment property
Cost at 31.12.2019	32,409	38,241	95	70,745
Additions	-	-	62	62
Cost at 31.12.2020	32,409	38,241	157	70,807
Additions	-	155	132	287
Cost at 31/12/2021	32,409	38,396	289	71,094
Accumulated depreciation at 31.12.2019	-	(3,984)	(91)	(4,075)
Additions	-	(765)	(19)	(784)
Accumulated depreciation at 31.12.2020	-	(4,749)	(110)	(4,859)
Additions	-	(768)	(10)	(778)
Accumulated depreciation at 31/12/2021	-	(5,517)	(120)	(5,637)
Carrying amount at 31.12.2019	32,409	34,257	4	66,670
Carrying amount at 31.12.2020	32,409	33,492	47	65,948
Carrying amount at 31/12/2021	32,409	32,879	169	65,457

At year-end 2021 and 2020, there were no restrictions whatsoever on the realisation of new investment property or on the collection of income therefrom, or on the proceeds from any possible sale or disposal. Furthermore, no investment property was subject to guarantees or reversion.

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

No investment property was sold or disposed of in 2021 or 2020.

At 31 December 2021 no impairment losses had been recognised.

At year-end 2020, the Group ran the corresponding impairment test on its investment property, taking into consideration the changes in assumptions due to the uncertainties caused by the spread of COVID-19 and its impact on the recoverable amount of the assets. As part of this valuation, the Group assumed

that the current situation, and therefore business indicators, would return to normality or near normality in 2021. This test did not reveal any impairment losses at 31 December 2020.

All properties were insured against the risk of fire and third-party liability in 2021 and 2020.

The following table provides a comparison between the carrying amount and the fair value of investment property (land and buildings), as determined by an authorised property valuation company (see Note 3 f), at 31 December 2021 and 2020.

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

2020					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Fair value
C/ José Echegaray, 9 (Madrid)	6,902	(733)	-	6,169	8,077
C/ Chamberí 8 (Madrid)	41,867	(2,260)	-	39,607	45,050
Avda. de Bruselas 22 (Madrid)	21,881	(1,756)	-	20,125	25,564
Total	70,650	(4,749)	-	65,901	78,691

The rental income discount method is used to obtain fair value. This method discounts expected future profits (expected cash flows from rent or associated economic activity) and uses unobservable inputs such as current occupancy and the probability of future occupancy and/or current or expected delinquency of collections (Level 3).

The state of alarm proclaimed by the Spanish government in response to the COVID-19 pandemic led to the closure of all non-essential businesses. As a result, lease payments for some of the properties were renegotiated, leading to an immaterial reduction in income for the Group in 2020.

Future receivables from undiscounted operating leases for the years 2021 and 2020 are as follows:

	2021	2020
Within one year	3,225	4,093
Between 1 and 5 years	2,851	9,323
Beyond 5 years	-	-
Total future receivables	6,076	13,416

9. Right-of-use assets and lease liabilities

a) Right-of-use assets

Details and movements by asset class for right-of-use assets in 2021 and 2020 are as follows:

	Buildings	Furniture and other property, plant and equipment	Total right-of-use assets
Cost at 31.12.2019	3,081	4,312	7,393
Additions	466	-	466
Cost at 31.12.2020	3,547	4,312	7,859
Additions	49	3,454	3,503
Cost at 31/12/2021	3,596	7,766	11,362
Accumulated depreciation at 31.12.2019	(1,052)	(2,547)	(3,599)
Additions	(462)	(1,085)	(1,547)
Accumulated depreciation at 31.12.2020	(1,514)	(3,632)	(5,146)
Additions	(485)	(1,235)	(1,720)
Accumulated depreciation at 31/12/2021	(1,999)	(4867)	(6,866)
Carrying amount at 31.12.2019	2,029	1,765	3,794
Carrying amount at 31.12.2020	2,033	680	2,713
Carrying amount at 31/12/2021	1,597	2,899	4,496

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

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

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

The expense associated with these exemptions is classified in the consolidated statement of profit or loss by purpose and in the statement of cash flows under

the sub-heading "Payments for other activities". The total lease expense subject to IFRS 16 treatment but exempted by term or amount, amounted to € 725 thousand in 2021 (2020: € 97 thousand).

In 2021 and 2020, the Group did not incur any expenses for variable lease payments.

b) Lease liabilities

Details of movements in lease liabilities during the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	2,766	3,881
Additions	3,770	466
Finance costs	(63)	35
Payments	(1,939)	(1,616)
Balance at the end of the year	4,534	2,766

The contractual maturities of undiscounted lease liabilities, i.e. including future interest payable, for the years 2021 and 2020 are as follows:

	2021	2020
Within one year	2,022	1,105
Between 1 and 5 years	2,647	1,552
Beyond 5 years	-	63
Total future payments	4,669	2,720

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

The weighted average incremental borrowing rate was 1.37% and 0.94% for 2021 and 2020, respectively.

10. Intangible assets

At 31 December 2021 and 2020 the balance of this heading related entirely to software. Changes in 2021 and 2020 are as follows:

	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.2019	96,540	102	96,642
Additions	5,621	4	5,625
Retirements	(5,824)	-	(5,824)
Cost at 31.12.2020	96,337	106	96,443
Additions	4,043	2,304	6,347
Retirements	(5,709)	-	(5,709)
Transfers	22	(22)	-
Cost at 31/12/2021	94,693	2,388	97,081
Accumulated amortisation at 31.12.2019	(84,797)	-	(84,797)
Additions	(910)	-	(910)
Retirements	1,952	-	1,952
Accumulated amortisation at 31.12.2020	(83,755)	-	(83,755)
Additions	5,566	-	5,566
Retirements	(4,771)	-	(4,771)
Accumulated amortisation at 31/12/2021	(82,960)	-	(82,960)
Carrying amount at 31.12.2019	11,743	102	11,845
Carrying amount at 31.12.2020	12,582	106	12,688
Carrying amount at 31/12/2021	11,733	2,388	14,121

The additions recognised in 2021 and 2020 mainly relate to technological developments and the purchase of software licences.

Retirements of software in 2021 were largely due to the decommissioning of computer processing equipment. Retirements of computer software in 2020 were largely due to the disposal of all intangible assets carried out by subsidiary company Ambar Medline, S.L.U., following the stoppage of business at Nuez.

At 31 December 2021 and 2020 there were no intangible assets subject to guarantees or reversals.

11. Other assets

The following table provides a breakdown of this heading at 31 December 2021 and 2020.

	2021	2020
Acquisition expenses	87,219	83,055
Accruals	1,528	180
Inventories	392	175
Total	89,139	83,410

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

Deferred acquisition expenses are recognised in accordance with the accounting principles explained in Note 3 i). Changes in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	83,055	84,469
Additions	87,219	83,055
Retirements	(83,055)	(84,469)
Balance at the end of the year	87,219	83,055

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

At 31 December 2021, the sub-heading "Accruals" includes the cost of certain services prepaid by the Group and accrued in 2022, amounting to € 1,528 thousand (2020: € 180 thousand).

12. Technical provisions

Activity in 2021 and 2020 in relation to each of the technical provisions shown in the accompanying consolidated balance sheets is as follows:

Direct insurance

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

Thousand euro	Balance at 1 January 2020	Change in the statement of profit or loss	Change in adjustments and settlements in the statement of profit or loss	Balance at 31 December 2020
Technical provisions:				
Unearned premiums	443,115	3,308	-	446,423
Provision for unexpired risk	6,115	(1,493)	-	4,622
Provision for claims	276,630	(5,089)	(6,095)	265,446
Total	725,860	(3,274)	(6,095)	716,491

Ceded and retroceded reinsurance

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

Thousand euro	Balance at 1 January 2020	Change in the statement of profit or loss	Balance at 31 December 2020
Technical provisions:			
Unearned premiums	2,676	1,029	3,705
Provision for unexpired risk	-	-	-
Provision for claims	6,841	1,931	8,772
Total	9,517	2,960	12,477

The provision for claims breaks down into the following provisions:

Thousand euro	2021	2020
Provision for benefits pending settlement and payment	270,997	253,018
Provision for claims not reported	1,630	1,294
Provision for internal claims settlement expenses	12,511	11,134
Provision for claims	285,138	265,446

The following table shows changes in 2021 and 2020 in the provision for claims pending settlement and payment:

Thousand euro	2021	2020
Balance at 1 January	253,018	246,788
Cost incurred		
Current year	518,437	437,044
Prior years	(21,651)	(25,202)
Total	496,786	411,842
Expenses paid		
Current year	(341,822)	(271,357)
Prior years	(136,985)	(153,037)
Total	(478,807)	(424,394)

The provision for unexpired risks is there to supplement the provision for unearned premiums, if the latter is not enough to cover the cost of all the risks and expenses for which the insurance company is responsible over the period of coverage that has not elapsed upon reaching the end date of the financial year. In 2021, the Group recognised a total of € 3,280 thousand for this item under the Health segment (€ 4,622 thousand in 2020).

The following table shows changes in 2021 and 2020 in the Group's provision for claims without reinsured coverage and roadside assistance, corresponding solely to claims outstanding as at 31 December 2021 and 2020, respectively, and broken down by segment.

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

	Provision at 31.12.2019	Net payments	Provision at 31.12.2020	Surplus (Deficit)
Motor, general liability insurance	174,763	119,730	80,138	(25,105)
Motor, other coverage	67,236	35,409	21,818	10,009
Home	21,175	15,203	5,563	409
Total	263,174	170,342	107,519	(14,687)

In the above tables, please note that:

- a) The column “Provision at prior year-end” shows the provision for claims pending settlement and payment in the consolidated balance sheets at that date, on the understanding that:
 - i. It does not include roadside assistance and other reinsured supplementary cover, such as claims for fines, or legal assistance. The amount of the provision for these guarantees at each date is certain and there is no uncertainty regarding the subsequent trend.
 - ii. Claims incurred but not reported (IBNR), which form part of the provisions for claims on the liabilities side of the consolidated balance sheets, are not included in the provision at the end of 2021 and 2020 for all segments, as the provision for outstanding, reported and unreported claims is calculated jointly using the statistical methods described in Note 3 I.
 - iii. Provisions under the “Other insurance business” segment are not included, as the amounts involved are insignificant.
 - iv. Provisions for claims settlement expenses, which, together with the provision for outstanding claims and the provision for claims incurred but not reported (IBNR), make up the provision for claims on the liabilities side of the consolidated balance sheets are not included in the above tables as they are posted to meet all the internal costs of settling claims outstanding at a date on which the Group ceases operations and therefore have no further life beyond the date on which the provision is posted.
- b) The second column, “Net payments”, relates to the heading “Claims and expenses paid – Direct insurance” in the statement of profit or loss for the insurance business, but counting only those claims incurred prior to the date of the provision shown in the first column of the table. Therefore, net claims payments for claims incurred in the reference year are not counted.

- c) The third column showing the provision at the end of the following year includes the amount of the provision for claims incurred in the previous year and prior years.
- d) Lastly, the fourth column, "Surplus (Deficit)", is the result of:
- i. (+) First column showing the provision at the end of the previous financial year.
 - ii. (-) Second column showing Net payments.
 - iii. (-) Third column showing the provision at the end of the following year.

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

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

However, since 2020 was an atypical year due to the pandemic, the provision shows a deficit of € 14,687 when comparing figures for year-end 2019 and for 2020. This deficit was largely down to the increase in provisioning in the last quarter of the year, which was due to various factors:

The first factor relates to the handling of civil liability claims for personal injury, especially serious claims (which take longer to handle), as the victim's health may change significantly over time, thus requiring the related provision to be updated accordingly to reflect new medical information as it is received. Until the victim's condition stabilises, these updates push up the provision and when the claim is terminated they trigger the release of the provision. In a normal situation, increases and releases of provisions for all serious claims are typically netted. The deficit shown in 2020 can largely be explained by the fact that the provision increases made that year related to more recent claims, where the victim still remained in the stabilisation phase, which were subject to indemnification under the new injury scale (more demanding than the old one), although the settlement of serious claims under the new injury scale, which would release the provision, had been delayed due to the pandemic. Serious claims finalised in 2020 related to claims settled under the old injury scale, which released less in the way of provisions.

Secondly, and given the exceptional and atypical nature of 2020, a certain degree of prudence was added to the management of the most serious

outstanding claims due to the difficulty of maintaining normal management processes amid the current pandemic.

The results of the 2021 run-off exercise show that we are back to surplus levels, as in the years before the pandemic, mainly due to the return to relative normality. The Group has assessed the impact of the new injury scale and no significant changes in the trend of provisions are expected.

Changes in Non-Life direct insurance claims incurred, without counting reinsured coverage and roadside assistance, from the year of occurrence of the claims through to the end of financial year 2021 are as follows, including a breakdown by year of occurrence of the provision for claims for this insurance segment at year-end:

Year of occurrence	Item	Year of occurrence	Trend of claims in the years following year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	Beyond 9 years later
2011 and earlier	Provision pending	764,431	244,850	126,081	71,527	42,393	23,718	13,055	9,339	4,629	2,339	2,095
	Accumulated payments	1,160,058	1,555,176	1,625,990	1,653,606	1,667,832	1,674,849	1,678,916	1,680,777	1,683,479	1,684,462	4,186,577
	Total cost	1,924,488	1,800,026	1,752,071	1,725,132	1,710,225	1,698,566	1,691,971	1,690,116	1,688,107	1,686,801	4,188,672
2012	Provision pending	163,341	49,518	24,066	11,629	7,025	4,355	2,747	1,114	849	364	
	Accumulated payments	264,553	343,579	356,867	362,567	365,276	367,496	367,847	368,559	368,708	369,121	
	Total cost	427,894	393,097	380,933	374,196	372,301	371,851	370,595	369,674	369,557	369,485	
2013	Provision pending	166,114	45,343	19,188	10,857	5,977	2,942	1,296	887	459		
	Accumulated payments	246,997	323,768	335,554	339,693	342,652	345,733	347,123	346,820	346,309		
	Total cost	413,111	369,110	354,742	350,551	348,629	348,675	348,419	347,707	346,768		
2014	Provision pending	173,850	52,020	24,477	14,242	7,068	4,289	3,380	1,957			
	Accumulated payments	226,371	301,964	316,187	322,192	326,451	329,024	329,771	330,757			
	Total cost	400,221	353,984	340,664	336,434	333,519	333,313	333,151	332,714			
2015	Provision pending	182,026	55,643	25,755	13,535	6,999	3,369	2,151				
	Accumulated payments	228,749	305,687	321,533	328,216	332,705	334,597	335,243				
	Total cost	410,775	361,330	347,288	341,752	339,705	337,967	337,393				
2016	Provision pending	202,458	78,595	42,829	16,373	9,764	5,635					
	Accumulated payments	235,655	311,395	332,794	346,605	353,124	356,323					
	Total cost	438,113	389,991	375,623	362,978	362,888	361,958					
2017	Provision pending	208,990	72,671	31,904	16,434	7,861						
	Accumulated payments	249,121	342,549	367,384	378,659	384,478						
	Total cost	458,111	415,220	399,288	395,093	392,339						
2018	Provision pending	193,962	60,231	36,413	16,439							
	Accumulated payments	273,301	372,321	398,886	410,657							
	Total cost	467,263	432,552	435,299	427,096							
2019	Provision pending	207,311	85,088	38,961								
	Accumulated payments	304,802	405,904	429,947								
	Total cost	512,114	490,992	468,908								
2020	Provision pending	164,757	58,920									
	Accumulated payments	226,617	301,818									
	Total cost	391,373	360,738									
2021	Provision pending	214,752										
	Accumulated payments	296,419										
	Total cost	511,171										

Changes in Non-Life direct insurance claims incurred, without counting coverage for fines and roadside assistance, from the year of occurrence of the claims through to the end of financial year 2020 are as follows, including a breakdown by year of occurrence of the provision for claims for this insurance segment at year-end:

Year of occurrence	Item	Year of occurrence	Trend of claims in the years following year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	Beyond 9 years later
2010 and earlier	Provision pending	579,604	184,851	95,073	54,727	32,908	18,907	10,585	8,107	4,313	1,976	1,415
	Accumulated payments	870,173	1,173,781	1,230,271	1,251,488	1,262,267	1,266,952	1,270,524	1,271,623	1,273,596	1,274,466	2,500,705
	Total cost	1,449,777	1,358,633	1,325,344	1,306,215	1,295,175	1,285,859	1,281,109	1,279,730	1,277,909	1,276,442	2,502,120
2011	Provision pending	184,826	59,999	31,008	16,799	9,485	4,810	2,470	1,233	316	363	
	Accumulated payments	289,885	381,395	395,719	402,118	405,565	407,896	408,392	409,154	409,883	409,996	
	Total cost	474,711	441,394	426,727	418,917	415,050	412,707	410,862	410,386	410,199	410,359	
2012	Provision pending	163,341	49,518	24,066	11,629	7,025	4,355	2,747	1,114	849		
	Accumulated payments	264,553	343,579	356,867	362,567	365,276	367,496	367,847	368,559	368,708		
	Total cost	427,894	393,097	380,933	374,196	372,301	371,851	370,595	369,674	369,557		
2013	Provision pending	166,114	45,343	19,188	10,857	5,977	2,942	1,296	887			
	Accumulated payments	246,997	323,768	335,554	339,693	342,652	345,733	347,123	346,820			
	Total cost	413,111	369,110	354,742	350,551	348,629	348,675	348,419	347,707			
2014	Provision pending	173,850	52,020	24,477	14,242	7,068	4,289	3,380				
	Accumulated payments	226,371	301,964	316,187	322,192	326,451	329,024	329,771				
	Total cost	400,221	353,984	340,664	336,434	333,519	333,313	333,151				
2015	Provision pending	182,026	55,643	25,755	13,535	6,999	3,369					
	Accumulated payments	228,749	305,687	321,533	328,216	332,705	334,597					
	Total cost	410,775	361,330	347,288	341,752	339,705	337,967					
2016	Provision pending	202,458	78,595	42,829	16,373	9,764						
	Accumulated payments	235,655	311,395	332,794	346,605	353,124						
	Total cost	438,113	389,991	375,623	362,978	362,888						
2017	Provision pending	208,990	72,671	31,904	16,434							
	Accumulated payments	249,121	342,549	367,384	378,659							
	Total cost	458,111	415,220	399,288	395,093							
2018	Provision pending	193,962	60,231	36,413								
	Accumulated payments	273,301	372,321	398,886								
	Total cost	467,263	432,552	435,299								
2019	Provision pending	207,311	85,088									
	Accumulated payments	304,802	405,904									
	Total cost	512,114	490,992									
2020	Provision pending	164,757										
	Accumulated payments	226,617										
	Total cost	391,373										

13. Non-technical provisions

Details of the provision for tax and other legal contingencies in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	492	492
Allowances	-	-
Amounts utilised	(492)	-
Balance at the end of the year	-	492

Provisions for payments under claims settlement agreements in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	16,174	21,968
Allowances	21,915	16,174
Amounts utilised	(16,174)	(21,968)
Balance at the end of the year	21,915	16,174

Details of other non-technical provisions in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	183	356
Allowances	218	183
Amounts utilised	(183)	(356)
Balance at the end of the year	218	183

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

14. Tax position

The Boards of Directors of both Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and its subsidiary, Línea Directa Asistencia S.L.U., agreed that the two companies would avail themselves of the special tax regime provided for in Chapter IX of Law 37/1992, on value added tax, effective 1 January 2010, thus joining VAT Group 128/09, whose parent company is Bankinter, S.A. In 2011, subsidiary company Centro Avanzado de Reparaciones, CAR, S.L.U. also joined the same VAT Group. Subsequently, the integration of subsidiary Ambar Medline, S.L.U. to the VAT Group, effective 1 January 2012, was formally notified. Lastly, LDA Reparaciones joined the tax group effective from 1 January 2018.

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

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

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

Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2021 and 2020 at 25%.

The reconciliation between accounting profit and taxable income for income tax purposes for 2021 and 2020 is as follows:

	2021		2020	
	Statement of profit or loss	Income and expenses recognised directly in equity	Statement of profit or loss	Income and expenses recognised directly in equity
Accounting profit/(loss) for the year	110,137	-	134,846	-
Corporate income tax	(35,043)	-	(44,778)	-
Consolidation adjustments with no tax impact	277	-	-	-
Permanent differences:				
Increases	2,865	-	3,458	-
Reductions	(4,072)	-	-	-
Taxable profit/(loss)	144,250	-	183,082	-
Temporary differences:				
Originating in the year				
Increases	2,095	1,375	2,963	-
Reductions	-	-	(6,964)	(9,624)
Originating in previous years				
Increases	2	-	11	-
Reductions	(6,104)	-	(59,631)	-
Tax losses carried forward	(10)	-	-	-
Tax base	140,233	1,375	119,461	(9,624)

Details of current and deferred income tax expense recognised in the consolidated statement of profit or loss for 2021 and 2020 are as follows:

	2021	2020
Current tax expense	34,049	29,012
Adjustments to deferred taxes	995	15,767
Corporate income tax expense	35,044	44,778

Income tax expense recognised in 2021 and 2020 was calculated on the basis of the taxable profit/(loss) shown in the above table, as follows:

	2021	2020
Accounting profit/(loss) before tax	145,180	179,624
Tax rate	25%	25%
Tax payable	36,295	44,906
Deductions on tax payable	(1,142)	(1,110)
Impact of consolidation adjustments	73	-
Adjustment for settlement of previous year CIS	122	174
Non-deductible expenses	716	717
Non-taxable income	(1,017)	-
Deductions and amounts utilised, net	-	91
Tax losses carried forward	(3)	-
Corporate income tax expense	35,044	44,778

Consolidated statement of profit or loss

The increases in permanent differences in 2021 and 2020 arise from various transactions that are not deductible for income tax purposes, relating specifically to the contributions made by the Parent for contingencies under pension plans, which are not tax deductible in accordance with Article 14.2 of the Corporate Income Tax Law, and to the donations made by the Parent to Fundación Línea Directa and certain other entities.

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

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

Income and expenses recognised directly in consolidated equity

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

Tax assets and liabilities

Tax assets and liabilities were as follows at 31 December 2021 and 2020:

	2021	2020
Tax assets		
Current tax		
Withholdings for the year / Corporate income tax credit	19,916	14,388
Deferred tax		
Temporary differences	8,551	9,628
Other receivables		
Tax and social security receivable	1,040	1,126
Tax liabilities		
Current tax		
Corporate income tax debt		
Deferred tax		
Temporary differences	44,456	45,066
Other debts		
Personal income tax/corporate income tax/non-resident income tax payable	5,030	2,109
VAT payable	608	619
Social security payable	3,073	2,851
Insurance Compensation Consortium payable	1,496	1,427
Tax payable on insurance premiums	5,938	4,360
Other taxes payable	1,309	3,123

Current tax assets correspond to the amount of corporate income tax payable (receivable) for 2021 and 2020, net of payments on account and income tax withholdings for the year that will be settled in the following year.

The tax assets due to temporary differences relate to temporary differences arising in the year, as indicated in the reconciliation of accounting profit and the tax effect on capital losses of the “available-for-sale” investment portfolio.

Temporary differences existing at 31 December 2021 will be reversed from 2022 onwards, and deferred income tax is therefore calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the prior year (reductions).

Current tax liabilities show the amount of corporate income tax payable for the year, net of payments on account.

At 31 December 2021 and 2020 deferred tax liabilities relate to the tax effect on:

- Under PCEA, the Group recognises an equalisation reserve that is reclassified for presentation purposes in accordance with IFRS requirements. The Group bases its taxation on the PCEA. Therefore, from the balance arising from the equalisation reserve recognised under the PCEA, a deferred tax liability of € 29,389 thousand arose at year-end 2021 (2020: € 29,389 thousand), which will be settled with the tax authorities in the year in which it is applied in accordance with the PCEA.

- 2 The tax impact of capital gains on the “available-for-sale” investment portfolio, amounting to € 15,066 thousand at year-end 2021 (2020: € 15,674 thousand).
- 3 The tax impact of the carrying amount of certain assets acquired in 2012, 2011, 2010 and 2009 and which are fully depreciated for tax purposes, in accordance with Additional Provision 11 of the Corporate Income Tax Law, amounting to € 0.9 thousand in 2021 (€ 3 thousand in 2020).

Changes in deferred tax assets and liabilities in 2021 and 2020 are as follows:

	Balance at 31.12.2019	Originating in profit and loss		Originating in equity		Balance at 31.12.2020	Originating in profit and loss		Originating in equity		Balance at 31.12.2021
		Additions	Retire- ments	Additions	Retire- ments		Additions	Retire- ments	Additions	Retire- ments	
Deferred assets											
Positive temporary differences in assets	16,590	887	(14,904)	-	-	2,573	546	(1,544)	-	-	1,575
Capital losses on available-for-sale assets	1,477	-	-	-	(677)	800	-	-	-	(188)	612
Taxes deferred	6,161	-	-	-	-	6,161	-	-	-	-	6,161
Rights to deductions and rebates	125	-	-	30	(74)	81	-	-	85	(72)	94
Tax deductions and bonuses to be credited	-	-	-	-	-	-	-	-	100	-	100
Temporary differences due to IFRS conversion adjustments	22	(9)	-	-	-	13	-	(4)	-	-	9
Total	24,375	878	(14,904)	30	(751)	9,628	546	(1,548)	185	(260)	8,551
Deferred liabilities											
Tax effect of the Equalisation Reserve	(27,648)	-	(1,741)	-	-	(29,389)	-	-	-	-	(29,389)
Capital gains on the portfolio of available-for-sale assets	(13,869)	-	-	(77)	(1,728)	(15,674)	-	-	531	77	(15,066)
Liabilities – temporary differences from tax deduction for maintaining jobs	(6)	-	3	-	-	(3)	-	2	-	-	(1)
Total	(41,523)	-	(1,738)	(77)	(1,728)	(45,066)	-	2	531	77	(44,456)

Inspections in progress

At 31 December 2021 and in relation to the tax office's most recent inspection of the Parent (corporate income tax for 2011, 2012, and 2013), the proposed tax settlement that was signed in protest is currently being appealed before the Central Tax Appeals Board.

In addition to the above, the Group has analysed each uncertain tax treatment separately by virtue of IFRIC 23. The analysis revealed that it is probable that the Spanish tax authorities will accept the current tax treatments considered uncertain. Therefore, no additional contingency was disclosed at 31 December 2021 and 2020 relating to the calculation and presentation of the Group's income tax expense.

Pursuant to Inspection Order 51/2016 of 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in 2016. On 22 December 2017, the Parent was notified of the findings and the corresponding arguments were then lodged by the Company on 25 January. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds. On 27 May 2019, a lawsuit was filed with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, in which the allegations presented by the Company were partially upheld. On 9 June 2021, the Company filed an appeal in cassation before the Supreme Court for the part of the ruling that was not upheld, having been admitted for processing on 21 December 2021 and specifying that the issue does present cassational interest and opening the deadline to present allegations.

The Board of Directors does not believe that these proceedings will ultimately result in any significant contingency, control measure or any other risks that might have a significant impact on the Group's consolidated annual accounts.

15. Equity

The composition and movement in equity in 2021 and 2020 is presented in the accompanying consolidated statements of changes in equity.

On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to € 1,184 billion— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. The transaction was cleared on 22 March 2021 by the European Central Bank and by the Spanish Directorate General for Insurance and Pension Funds.

Prior to the admission of the Parent's shares to trading, on 5 April the General Shareholders' Meeting approved an extraordinary dividend of € 120 million payable to Bankinter. The Management Centre attached to the Directorate General for Insurance and Pension Funds analysed the proposal to distribute the extraordinary dividend and raised no objection to its implementation as it will have no material effect on the Company's future solvency or its ability to protect the rights and interests of policyholders.

On 15 April 2021, the National Securities Market Commission ("CNMV") approved and registered the prospectus relating to the shares of the Parent Company ("Informative Prospectus") in the corresponding official registry, with registration number 11157. Following the aforementioned distribution and approval of the prospectus, the Company's shares were subsequently admitted to trading on the continuous market on 29 April 2021 (Note 1).

Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 18 March 2021, the General Shareholders' Meeting of the Parent passed the following resolutions in unison:

- i. Changing the number of shares into which the share capital of the Company is divided, so that the share capital is divided into 1,088,416,840 shares.
- ii. In accordance with Article 296 of the Capital Companies Law, increasing the share capital of the Company, charged to Voluntary reserves and Unrestricted reserves, on the basis of the consolidated financial statements closed on 31 December 2020, duly audited and approved by the general shareholders' meeting under Resolution 1, for a total of € 6,024,673.60. As a result, the Company's share capital will be increased to € 43,536,673.60 **by raising the par value of the shares to € 0,005535263126 per share (taking into account the new number of shares approved, at the same time as this capital increase, in the previous paragraph, yielding a total of € 1,088,416,840 with a par value of € 0.04).**

As a result, the 2,400,000 registered shares previously held by the Parent, each with a par value of € 15.63, rose to 1,088,416,840 shares, each with a par value of € 0.04.

Name of shareholder	Amount of voluntary reserve to be netted	Shares that increase in par value	Numbering (both inclusive)		Final par value per share	
Bankinter, S.A.	6,024,671.09 €	1,088,416,386.00 €	1	† ○	1,088,416,386	0.04 €
Hispanmarket, S.A.	2.51 €	454.00 €	1,088,416,386	† ○	1,088,416,840	0.04 €
	6,024,673.60 €	1,088,416,840.00 €				

At 31 December 2021, the Parent's share capital amounted to € 43,537 thousand and was represented by 1,088,416,840 registered shares, each having a par value of € 0.04, all fully subscribed for and paid up and conferring the same rights and obligations.

The shareholders of the Parent with a stake equal to or greater than 3% of the share capital as at 31 December 2021 and considered significant shareholders according to the regulations of the Securities Market are the following:

	Number of shares	%
Cartival	208,426,443	19.15%
Bankinter	189,550,907	17.42%
Fernando Masaveu Herrero	50,905,871	4.68%
Lazard Asset Management	34,778,950	3.20%

At 31 December 2021 and 2020 the Parent had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

a) Legal reserve

In accordance with prevailing commercial legislation, companies that obtain profits during the financial year must allocate 10% of these profits to the legal reserve until this reaches at least 20% of share capital. The legal reserve may be used to increase share capital but only in respect of the part of the reserve that exceeds 10% of share capital already increased. Aside from this purpose, and until the legal reserve exceeds 20% of share capital, it may only be used to offset losses and provided that no other reserves are available for this purpose.

At 31 December 2021 and 2020 the balance of this reserve was above the minimum requirement.

b) Other reserves

At 31 December 2021 these reserves were unrestricted.

At 31 December 2020, the balance of these reserves was unrestricted and included reserves for shares in Bankinter, S.A., which was formerly the Group's parent company.

The equalisation reserve set up by the Parent in the amount of € 107,582 at year-end 2021 and 2020 will be freely available to offset possible future excess on the claims ratio.

c) Own shares

The balance of this sub-heading of equity in the consolidated balance sheet is shown net of equity in accordance with IAS 32 – Financial Instruments: Presentation.

Since 29 April 2021, the date of the IPO, on which the Parent was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. Thus, the number of own shares acquired by the Parent in 2021 was 795,643 shares, at an average price of € 1.57, accounting for 0.11% of the total number of issued shares. There were no own shares in 2020.

Changes in treasury shares are as follows:

Thousand euro	Cost of purchase	Nominal value	Number of shares
Balance at 1 January 2021	-	-	-
Additions	1,247	32	795,643
Balance at 31 December 2021	1,247	32	795,643

The breakdown of own shares at the end of 2021 is as follows:

Acquisition date	Type of acquisition	Titles	Price	Market value (thousand euros)	Acquisition cost (thousand euros)
29/04/2021	Exchange	239,678	1.32	316	316
04/05/2021	Purchase	186,570	1.61	300	300
06/05/2021	Purchase	94,700	1.58	150	150
21/07/2021	Purchase	64,332	1.77	114	114
22/07/2021	Purchase	85,957	1.73	150	150
23/07/2021	Purchase	59,702	1.74	104	104
26/07/2021	Purchase	27,293	1.76	48	48
27/07/2021	Purchase	23,183	1.75	41	41
28/07/2021	Purchase	14,228	1.75	24	24
Total		795,643	1.57	1,247	1,247

d) Interim dividend

2021

At its meeting of 5 April 2021, the Board of Directors of the Parent resolved to pay an extraordinary dividend of € 120,000 thousand. This dividend was agreed prior to the IPO that took place on 29 April 2021. The dividend was fully paid as at 31 December 2021.

In addition, the Board of Directors, at its meetings held on 29 June 2021, 23 September 2021 and 13 December 2021, agreed to the distribution of interim dividends of 2021 profits for a total amount of € 77,664 thousand. At 31 December 2021, there were no outstanding payments.

The legally required interim accounting statement drawn up by the Group in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of those interim dividends, as follows:

Liquidity statement for the period:

	Resolution of		
	29.06,2021	23.09,2021	13.12,2021
Net profit at date of resolution	29,596	58,211	86,293
Less:			
Other reserves	(1,634)	-	-
Unrestricted profit	27,962	58,211	86,293
Proposal to pay interim dividends	26,636	25,754	25,274
Total dividend to be paid	26,636	25,754	25,274
Cash liquidity prior to payment	61,410	84,669	144,460
Expected receipts less expected payments	63,888	(17,561)	(12,634)
Remaining cash	125,298	67,108	131,826

Before passing the resolution to distribute the interim dividend, the Group requested authorisation from the Spanish Directorate General of Insurance and Pension Funds and received a positive response from the regulator.

2020

Pursuant to Articles 40.6 bis and 41.3 of Royal Decree-Law 8/2020, of 17 March, on extraordinary and urgent measures to address the economic and social impact of COVID-19, and within the framework of the recommendations of the European Insurance and Occupational Pensions Authority and the Spanish Directorate General for Insurance and Pension Funds —as per their respective notes of 2 and 8 April 2020— the Board of Directors of the Parent has resolved not to distribute interim dividends out of the profit for the year.

e) Distribution of profits at the Parent

The proposed distribution of profit of the Parent for financial year 2021, which the Board of Directors submitted to the Annual General Meeting for its approval, is presented comparatively together with the distribution of profit for financial year 2020, as follows:

	Thousand euro	
	2021	2020
Distribution basis (Individual profit/(loss) of Línea Directa Aseguradora, S.A. de Seguros y Reaseguros)	108,115	132,671
Distributed:		
to interim dividends	77,664	-
to Voluntary Reserve	8,992	132,671
to final dividend	21,459	-

f) Valuation adjustments

The main item recognised off the consolidated statement of profit or loss is the valuation adjustments made to available-for-sale assets to reflect the amount of capital gains net of tax. Capital gains net of tax came to € 43,366 thousand at 31 December 2021 (31 December 2020: € 44,632 thousand).

g) Solvency

At the date of authorisation for issue of these consolidated financial statements, the Group's directors can confirm that an internal assessment of risks and solvency has been carried out and that Línea Directa Aseguradora is compliant with overall solvency requirements based on its risk profile, approved risk tolerance limits and business strategy.

The Group has implemented processes that are commensurate with the nature, scale and complexity of the risks inherent in its business and that enable it to properly identify and assess all existing or potential risks to which it may be exposed in the short and long run.

The directors do not expect to encounter any significant obstacles that might impede the Group's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of the Group's operations. The report on the financial position and solvency of Línea Directa Aseguradora for 2021 was approved by the Board of Directors at its meeting of 23 March 2022.

16. Earnings per share

Basic:

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year:

	2021	2020 (**)
Profit/(loss) for the year attributable to the owners of the Parent	110,137	134,846
Weighted average of shares issued (thousands of shares) (**)	1,088,417	1,088,417
Weighted own shares (thousands of shares) (*)	(536)	-
Weighted average number of common shares outstanding (thousands of shares)	1,087,881	1,088,417
Basic earnings per share (in euro)	0.10	0.12

(*) Refers to own shares held in treasury and weighted according to the period in which they were issued (Note 15-c).

(**) Shows the retroactive position resulting from the capital increase and the split for comparative purposes (Note 15).

At 31 December 2021, there were 796 thousand treasury shares, making the weighted average number of ordinary shares outstanding lower than the weighted average number of shares issued at that date. At 31 December 2020, there were no own shares.

Diluted:

Diluted earnings per share are calculated by adjusting the profit for the year attributable to owners of the Parent and the weighted average number of ordinary shares outstanding for all dilutive potential ordinary shares. The dilutive effect on earnings per share at 31 December 2021 was not material. At 31 December 2020, there were no dilutive effects.

17. Segment information

Below is a breakdown of income and expenses by segment, as well as the profit/(loss) of the insurance business for the year by segment, this being a performance measure used by the Group's Management.

The breakdown of non-life insurance business income and expenses by segment, as well as the profit or loss for the year by segment, for the years ended 31 December 2021 and 2020 is as follows:

	2021				
	Motor	Home	Health	Other insurance businesses	Consolidated
Total premiums earned, net of reinsurance	747,292	119,067	14,981	1,388	882,728
Total claims incurred in the period, net of reinsurance	(518,866)	(66,003)	(12,951)	-	(597,820)
Profit sharing				(594)	(594)
Total net operating expenses	(154,310)	(39,888)	(9,147)	(113)	(203,458)
Other income and expense for the non-life insurance business	22,877	(5)	(93)	-	22,779
Technical profit/(loss)	96,993	13,171	(7,210)	681	103,635
Total investment income	50,352	5,016	2,479	57	57,904
Total investment expenses	(23,040)	(179)	(22)	(2)	(23,243)
Income from the non-life insurance business account	124,305	18,008	(4,753)	736	138,296

	2020				
	Motor	Home	Health	Other insurance businesses	Consolidated
Total premiums earned, net of reinsurance	752,605	111,546	12,020	2,006	878,177
Total claims incurred in the period, net of reinsurance	(465,382)	(63,678)	(10,712)	(292)	(540,064)
Profit sharing	-	-	-	(708)	(708)
Total net operating expenses	(159,468)	(40,873)	(8,920)	(342)	(209,603)
Other income and expense for the non-life insurance business	18,726	(311)	(278)	-	18,137
Technical profit/(loss)	146,481	6,684	(7,890)	664	145,939
Total investment income	71,327	3,452	1,790	44	76,613
Total investment expenses	(47,244)	(103)	(11)	(2)	(47,360)
Income from the non-life insurance business account	170,564	10,033	(6,111)	706	175,192

In 2020, in the wake of the COVID-2020 crisis and the state of alarm imposed by the Spanish Government, which led to a lockdown between March and June of that year, the loss ratio fell sharply at the Motor segment because there were fewer cars on the road. Conversely, there was an increase in the loss ratio at the Home segment, because policyholders were spending more time in their homes due to the very same measures.

Given the type of products marketed by the Group and the segments in which it operates, there are no individual customers that can be considered significant in terms of concentration of ordinary revenues.

The amount of Other income and expenses in the statement of profit or loss for other activities, for the years ended 31 December 2021 and 2020, is as follows:

	2021	2020
Other income	10,345	10,750
Other expenses	(3,461)	(6,318)
Profit/(loss) from other activities	6,884	4,432

Details of "Other income" are shown in Note 20.

The breakdown of investment income and expenses of the consolidated non-life insurance business by segment for the years ended 31 December 2021 and 2020 is as follows:

	2021				
	Motor	Home	Health	Other insurance businesses	Consolidated
Income from investments in property, plant and equipment	3,633	567	71	7	4,278
Income from financial investments	24,566	4,449	2,408	50	31,473
Gains/(losses) on realisation of investments	22,153	-	-	-	22,153
On investments in property, plant and equipment	21	-	-	-	21
Financial investments	22,132	-	-	-	22,132
Total investment income	50,352	5,016	2,479	57	57,904
Investment management expenses	(7,588)	(179)	(22)	(2)	(7,791)
Expenses from managing investments in property, plant and equipment	(3,042)	(179)	(22)	(2)	(3,245)
Expenses from managing financial investments	(4,546)	-	-	-	(4,546)
Investment valuation adjustments	(28)	-	-	-	(28)
Depreciation of investments in property, plant and equipment	(28)	-	-	-	(28)
Losses on investments	(15,424)	-	-	-	(15,424)
Losses on investments in property, plant and equipment	(7)	-	-	-	(7)
Losses on financial investments	(15,417)	-	-	-	(15,417)
Total investment expenses	(23,040)	(179)	(22)	(2)	(23,243)

	2020				
	Motor	Home	Health	Other insurance businesses	Consolidated
Income from investments in property, plant and equipment	3,548	509	55	9	4,121
Income from financial investments	30,837	2,943	1,735	35	35,550
Application of value adjustments for investments	23	-	-	-	23
On investments in property, plant and equipment	23	-	-	-	23
Gains/(losses) on realisation of investments	36,919	-	-	-	36,919
On investments in property, plant and equipment	1	-	-	-	1
Financial investments	36,918	-	-	-	36,918
Total investment income	71,327	3,452	1,790	44	76,613
Investment management expenses	(7,537)	(99)	(11)	(2)	(7,649)
Expenses from managing investments in property, plant and equipment	(2,515)	(99)	(11)	(2)	(2,627)
Expenses from managing financial investments	(5,022)	-	-	-	(5,022)
Investment valuation adjustments	(878)	-	-	-	(878)
Depreciation of investments in property, plant and equipment	(27)	-	-	-	(27)
From provisions for financial investments	(851)	-	-	-	(851)
Losses on investments	(38,829)	(4)	-	-	(38,833)
Losses on investments in property, plant and equipment	(538)	(4)	-	-	(542)
Losses on financial investments	(38,291)	-	-	-	(38,291)
Total investment expenses	(47,244)	(103)	(11)	(2)	(47,360)

18. Reinsurance activities

The results of ceded and retroceded reinsurance activities in 2021 and 2020 are as follows:

	2021	2020
Premiums from ceded reinsurance	(23,392)	(20,675)
Change in the provision for unearned premiums, reinsurers' share	575	1,029
Benefits paid under ceded reinsurance	9,960	6,667
Change in the provision for benefits under ceded reinsurance	7,101	1,931
Reinsurer's share of fees and expenses	5,024	3,832
Profit/(loss) from ceded and retroceded reinsurance	(732)	(7,216)

19. Other operating expenses

Below is a breakdown of net operating expenses by type and purpose for 2021 and 2020:

Operating expenses by purpose:

	2021	2020
Operating expenses by purpose		
Claims-related expenses	(116,393)	(111,859)
Acquisition expenses	(181,972)	(186,745)
Administration expenses	(26,510)	(26,690)
Investment costs	(7,791)	(7,649)
Other technical expenses	(1,711)	(5,456)
Other non-technical expenses	(3,461)	(6,318)
Total operating expenses by purpose	(337,838)	(344,717)

Operating expenses by type:

	2021	2020
Operating expenses by type		
Fees and other portfolio expenses	(40,328)	(42,128)
Staff expenses (Note 23 b))	(117,147)	(117,314)
External services	(157,641)	(155,447)
Leases	(725)	(97)
Repair and maintenance work (premises and properties)	(2,546)	(2,349)
Other IT services	(26,238)	(29,183)
Utilities and supplies	(4,088)	(3,638)
Advertising and publicity	(47,559)	(45,906)
Public relations	(492)	(394)
Independent professional services	(991)	(575)
Other services	(75,002)	(73,305)
Taxes	(609)	(656)
Depreciation and amortisation (Notes 8, 9 a) and 10)	(10,785)	(7,073)
Expenses recognised directly to purpose	(11,328)	(22,099)
Total operating expenses by type	(337,838)	(344,717)

Each expenditure heading in the above table corresponds to the corresponding expenditure type as per its description. "Other services" shows expenses incurred by subsidiaries for services associated with claims incurred in the policy portfolio of the Group's parent, such as services rendered by crane drivers and vehicle inspectors, which are allocated to "Claims-related expenses" on the statement of profit or loss of the Group's non-life insurance business.

The statement of profit or loss shows expenses by purpose, i.e. on the basis of their function in the operating cycle of the insurance business (expenses attributable to claims, acquisition of insurance contracts, administrative activities, investments or other technical items).

Expenses are initially recognised by type, and are then reclassified to purpose if their purpose does not coincide with their type. The reclassification made under the following headings is shown below:

- 1) Claims-related expenses. Shows the expenses of claims handling staff, depreciation of fixed assets assigned to claims management, fees paid for claims management and expenses incurred for other services necessary for claims handling.
- 2) Net operating expenses. This heading includes:
 - Acquisition expenses. Showing fees and commissions, production staff costs, depreciation of fixed assets assigned to this activity, costs of studying and processing applications and drawing up policies, as well as advertising,

propaganda and commercial organisation costs directly related to the acquisition of insurance contracts.

- Administration expenses. These mainly include the costs of staff engaged in these functions and depreciation of the fixed assets assigned to this activity, as well as costs of litigation related to premiums and costs of handling claims and of ceded and accepted reinsurance.
- 3) Investment costs. These include the costs of investment management staff, depreciation of fixed assets assigned to this activity and other internal and external investment management expenses, the latter including fees, commissions and brokerage fees accrued.
- 4) Other technical expenses are those belonging to the statement of profit or loss for the non-life insurance business that cannot be allocated to one of the above-mentioned purposes. They are mainly general management expenses.

20. Other income

Details of other income in the statement of profit or loss for other activities is as follows:

	2021	2020
Other income from other activities		
Intermediation income from credit cards and other insurers' policies	613	655
Commission payment for Insurance Compensation Consortium	596	563
Income from bank branch management	868	858
Income from management expenses passed on	231	928
Income from profit sharing in businesses delivered to Bankinter	957	1,291
Reclassified non-technical income	7,080	6,455
Total Other income from other activities	10,345	10,750

The sub-heading "Non-technical income reclassified" shows income from Subsidiaries that is not eliminated upon consolidation, as well as other ancillary insurance income. "Reclassified non-technical expenses" shows the expenses associated with this income.

21. Pension commitments

a) Defined contribution

Under the terms of the collective bargaining agreement for the industry, the Group is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a life risk insurance policy renewable annually. This policy generated staff expenses for premiums paid of € 306 thousand in 2021 and € 448 thousand in 2020.

The collective bargaining agreement also imposes a savings and pension insurance obligation. For employees hired on or after 1 January 2017 and those who have voluntarily opted to transfer to this new system (approximately 95% of the total workforce), the Group has externalised the obligations by arranging a new insurance contract as an alternative to the existing defined benefit policy. This new contract is for a defined contribution policy covering more contingencies than the old system. The initial effective date of the commitments under the new policy is 1 January 2018 for all staff members concerned.

To ensure the effective transfer of the mathematical reserve set up for this group under the old plan, this reserve was surrendered and a premium covering the value of this reserve was then contributed to the new defined contribution policy. This policy resulted in staff expenses for premiums paid of € 708 thousand in 2021 (2020: € 3,088 thousand) and a mathematical provision of € 4,845 thousand at 31 December 2020 (31 December 2020: € 4,139 thousand).

The mobilisation of the rights of employees who have decided to adhere to the new system became effective in 2020.

No policy surrenders took place in 2021 or 2020. All the premiums for 2021 were paid in December 2021. All the premiums for 2020 were paid in December 2020.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2021, this policy accrued premiums of € 1,118 thousand and a mathematical provision of € 11,677 thousand at year-end. In 2020, this policy accrued premiums of € 1,420 thousand and its mathematical provision at year-end was € 10,299 thousand. The contributions made to this policy are entirely voluntary for the Group and are made at the discretion of the Board of Directors.

The Group also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of € 107 thousand in 2021 and its mathematical provision at year-end came to € 630 thousand. In 2020, the policy accrued premiums of € 111 thousand and its mathematical provision at year-end was € 489 thousand.

b) Defined benefit

For those employees hired prior to 1 January 2017 and who have decided not to migrate to the new system under the collective agreement, there is an obligation to pay a retirement bonus that will only be collected if the employee retires at the corresponding ordinary age at any given time and does so while in the entity's active employ. This obligation is externalised in the form of a matching policy and therefore the Group does not recognise any provision in its consolidated financial statements.

In 2021 and 2020, the Company made contributions only for those employees hired prior to 1 January 2017 and who chose not to avail themselves of the new system, with total premium payments of € 42 thousand and € 35 thousand, respectively.

The present value of commitments assumed by the company for post-employment benefits at 31 December 2021 was € 214 thousand (31 December 2020: € 180 thousand). These amounts include the outstanding mobilisation rights of employees who decided to join the new plan as of 1 January 2018. In 2021 and 2020, there were no policy surrenders.

In financial year 2020, the Company mobilised the rights of employees who decided to avail themselves of the new plan as of 1 January 2018, for the amount of € 3,684 thousand.

Defined benefit pension obligations are externalised through group life insurance contracts, which allocates investments whose flows coincide in both time and amount with the amounts and timing of the insured benefits.

The present value of the commitments has been determined by independent qualified actuaries, who have applied the following actuarial assumptions for their quantification:

Actuarial assumptions	2021	2020
Technical interest rate	Based on year in which premium is issued	Based on year in which premium is issued
Mortality tables	GR95 for the initial segment. For new hires from 2005: PERMF 2020	GR95 for the initial segment. For new hires from 2005: PERMF 2000
Annual wage growth rate	Línea Directa Aseguradora: 1.5% Línea Directa Asistencia: 1.9%	1.50%

At 31 December 2021 and 2020, there were no accrued contributions outstanding.

22. Related party transactions

“Related parties”, in addition to the dependent and associated entities, are considered the “key personnel” of the Management of the Group (members of its Board of Directors and the Management Committee), as well as the shareholders who may directly or indirectly exercise control of the Group, as well as those or a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information of the related transactions to be provided by companies issuing securities admitted to trading on official secondary markets.

Following the admission to listing of Línea Directa Aseguradora on 29 April 2021, the Bankinter Group and all the companies comprising that group are considered Significant Shareholders. Prior to that date, the Línea Directa Group was part of the Bankinter Group, which held a 99.99% stake. From the day of admission to trading until 31 December 2021, and as indicated in Note 15, Bankinter's stake dropped to 17.40% and it has had no seat on the Group's Board of Directors since the date of the IPO.

For the purposes of a better comparison of the information with related parties, Bankinter Group companies have been considered as significant shareholders in both 2021 and 2020.

In 2021 and 2020, there were no intercompany transactions between Group companies that were not eliminated on consolidation.

a) Direct insurance transactions

Insurance brokerage fees

Insurance brokerage fees accrued in 2021 and 2020 are as follows:

	2021	2020
Significant shareholders	6,039	5,355
Total	6,039	5,355

Issuance of insurance premiums

The following table shows insurance premiums issued in 2021 and 2020:

	2021	2020
Significant shareholders	1,332	1,289
Total	1,332	1,289

b) Transactions due to services rendered and received

This heading shows the aggregate amount of income and expenses recognised in the consolidated statement of profit or loss or other consolidated comprehensive income that concerns related party transactions.

	Significant shareholders	
	2021	2020
Services received	1,478	1,537
Finance costs	391	285
Total expenses	1,869	1,822
Services rendered	1,573	2,826
Finance income	677	408
Total income	2,250	3,234

The amounts of expenses and income with significant shareholders relate to transactions with Bankinter Group companies that were carried out at arm's length.

Within expenses, "Services received" corresponds mainly to brokerage commissions for the sale of insurance policies in the Home segment. Meanwhile, financial expenses relate mainly to financial services, such as fees and commissions for managing receipts and for collecting card-based payments of insurance policy receipts.

Income from services rendered largely relates to remuneration under collaboration agreements for the marketing, sale and issuance of "Affinity" cards and the provision of personalised offers of financial products and services intended for the Group's existing policyholders.

Further, and as indicated in Note 15-d, in 2021 an extraordinary dividend of € 120,000 thousand and interim dividends of € 77,664 thousand were announced for that year. No interim dividends were announced in 2020.

c) Balances with related parties on the consolidated balance sheet

The following table shows the relevant headings of the consolidated balance sheets at 31 December 2021 and 2020:

	Note	Significant shareholders	
		2021	2020
Assets			
Available-for-sale financial assets			
I. Equity instruments	7 a)	9,950	11,059
II. Fixed-income securities	7 a)	4,181	3,316
Cash and cash equivalents			
Cash and cash equivalents	6	70,373	68,946
Other receivables			
Other receivables	7 a)	(419)	754
Other assets			
Accruals		34	34
Total asset balances		84,119	84,109
Liabilities			
Due to group companies and associates	7 b)	56	839
Total liability balances		56	839

In 2020, the Group acquired 239,678 shares of Bankinter S.A. at an average price of € 3.12, with a par value of € 747 thousand. These shares were recognised as equity instruments at fair value for € 1,059 thousand, under available-for-sale financial instruments (Note 7-a i)). In 2021 the shares were derecognised as a result of the exchange process described in Note 15-c.

d) Remuneration and other benefits of the Board of Directors

The remuneration accrued by the Group's directors and senior management in 2021 amounted to € 1,133 thousand and € 3,029 thousand, respectively (€ 836 thousand and € 3,680 thousand, respectively, in 2020), broken down as follows:

2021:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated benefits	Total
Senior Management	2,332	440	190	-	67	3,029
Directors	816	74	26	209	8	1,133
Total	3,148	514	216	209	75	4,162

2020:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated benefits	Total
Senior Management Directors	2,474	924	195	-	87	3,680
Directors	594	124	26	82	10	836
Total	3,068	1,048	221	82	97	4,516

Senior management comprises the Group's Management Team, without counting the CEO and the Chairman, who are named as directors along with the other board members.

The Directors section includes the remuneration of the members of the Board of Directors in their capacity as such and for their executive functions. With regard to these functions, in particular, the remuneration for executive functions of the CEO is included, as well as the remuneration of the current Chairman of the Board for his executive functions from 1 January 2021 to 14 April 2021. As of 15 April (the date of registration with the CNMV of the prospectus of the Company's listing), the Chairman of the Board no longer has executive duties.

The item "Variable salary" for 2021 does not include amounts accrued during the year that are deferred to future years and which are subject to malus and clawback clauses. The variable salary not included in the table above that is deferred over the following three years amounts to € 293 thousand for the Senior Management and € 39 thousand for the Directors. Both amounts were provisioned as expenditure in 2021. There was no deferred remuneration in 2020.

The heading "Allowances" shows, in 2021, the amounts received by all individuals that held the position of Board member during the year, including the € 26 thousand received by two directors who stood down following the filing of the IPO prospectus with the CNMV.

The heading "Consolidated benefits" show a defined contribution savings and retirement insurance policy for the Group's Senior Management, as well as the monetary contribution received by the CEO as the mandatory allocation to his pension plan, amounting to € 8 thousand in 2021 (€ 10 thousand in 2020).

The savings policy for the Group's Senior Management accrued premiums of € 67 thousand in 2021 and its mathematical provision at year-end came to € 631 thousand. In 2020, the policy accrued premiums of € 87 thousand and its mathematical provision at year-end was € 517 thousand.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management and the CEO. These defined contribution policies are also externalised and regular contributions are made for the different members of the group (Note 21). In 2021, this policy led to the payment of premiums totalling € 1,118 thousand and no surrenders (2020: premiums amounting to € 1,420 thousand and no

surrenders). The amount of the mathematical pension provision for members of Senior Management amounted to € 11,677 thousand at 31 December 2021 and € 10,299 thousand at 31 December 2020. The contributions made are not included in the above table as they qualify as non-vested remuneration, in the sense that they may not be received in the future if certain conditions are not met.

In 2021 and 2020, the Group paid € 13 thousand in civil liability insurance premiums for members of Senior Management and other executives with decision-making powers at the Group.

At 31 December 2021 and 2020, no advances or loans had been granted by the Parent to the members of its Board of Directors or Senior Management and no obligations had been assumed on their behalf as way of guarantee or collateral.

23. Other information

a) Guarantees with third parties

Guarantees committed with third parties at 31 December 2021 amounted to € 1,874 thousand, mainly corresponding to a guarantee facility for advertising investments (31 December 2020: € 2,204 thousand). Further, € 362 thousand was committed in connection with a guarantee facility for amounts paid into court at 31 December 2021 (31 December 2020: € 494 thousand). At 31 December 2021, the Group had posted security deposits for office rentals amounting to € 25 thousand (31 December 2020: € 97 thousand), maturing annually.

b) Staff expenses and average number of employees

The breakdown of staff expenses in 2021 and 2020 is as follows:

	2021	2020
Wages and salaries	86,064	87,952
Termination benefits	1,926	872
Social security contributions and others	29,157	28,490
Total personnel expenses	117,147	117,314

The average number of Group employees on the payroll in 2021 and 2020, broken down by job category, is as follows:

	2021			2020		
	Total	Female	Male	Total	Female	Male
Managers	70	35	35	71	36	35
Senior sales reps/technicians	360	176	184	388	194	195
Sales reps/technicians	698	419	279	678	338	340
Staff	1,452	851	601	1,371	855	515
Total	2,580	1,481	1,099	2,508	1,423	1,085

Meanwhile, the distribution by gender of the Company's employees and directors, broken down by category and gender, was as follows at 31 December 2021 and 2020:

	2021			2020		
	Total	Female	Male	Total	Female	Male
Directors	6	3	3	9	1	8
Managers	70	35	35	72	36	36
Expert professionals	365	176	189	348	167	181
Professionals	705	422	283	766	407	359
Staff	1,436	847	589	1,375	856	519
Total	2,582	1,483	1,099	2,570	1,467	1,103

The average number of employees with a degree of disability greater than or equal to 33% in 2021 and 2020 is 40.

c) Share-based remuneration plan

The Chief Executive Officer and the members of the Group's Management Committee participate in a share-based remuneration plan following the Bank's stock market listing. The Plan was approved at the Annual General Meeting held on 18 March 2021, which was set as the award date of the Plan. It is intended to motivate and build the loyalty of plan members by offering them the option of receiving a certain number of shares within the three years following the date of the Company's stock market listing. The main features of the plan are as follows:

- i. The number of shares to be delivered per participant is the result of dividing € 100 thousand by the average share price over the 30 trading days following the date of the IPO. As this average price was € 1,6339, the number of shares to be delivered is 61,203 shares per participant. With 13 participants, the plan will entail the delivery of a total of 795,639 shares worth € 1,300 thousand.
- ii. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (April 29, 2022), the second batch of 33% on the second anniversary (April 29, 2023), and the remaining 34% on the third anniversary (April 29, 2024). The vesting condition for delivery of each batch of shares is that the

participant must continue to serve at the Company on the date of each of the three anniversaries.

The cost of the programme for the Group is recorded as a staff expense with a balancing entry in a reserve for own shares in equity in the consolidated balance sheet. This expense will be progressively written off on the three anniversaries as and when the shares are delivered to the employees.

At 31 December 2021, the staff expense accrued and recognised against equity amounted to € 1,056 thousand.

The value of the incentive to be received in shares of the Parent is assessed on the basis of the fair value of the equity instruments allocated at the grant date, considering the terms and conditions of the Plan. This allocation is on the assumption that all plan members will meet the tenure condition on each anniversary. The number of equity instruments included when determining the amount of the transaction is adjusted each year through to the vesting date.

The Parent has 795,463 treasury shares available to cover the remuneration plan, which means that no new share acquisitions will be necessary to meet the total number of shares to be delivered under the Plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, the Parent has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. The average purchase price of these shares was € 1.57 per share. These treasury shares are shown in equity in the amount of € 1,247 thousand with a debit sign (note 15-c).

Twelve of the thirteen participants in the Remuneration Plan are employees of the Parent, while one of them is employed by another company of the Group, namely Línea Directa Asistencia, S.L.U.

The Parent will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

d) Services provided to the Company

Below are the fees accrued by the auditor, PricewaterhouseCoopers Auditores, S.L., and the other entities in its network for services provided to the company (fees without expenses or VAT):

	2021	2020
Audit services	250	549
Other audit-related services	143	147
Total audit and related services	393	696
Total professional services	393	696

The fees accrued in 2021 for other audit-related services relate to the review of the 2021 report on financial and solvency position; the limited review of the consolidated interim financial statements as of 30 June 2021; the 2021 report on the system of Internal Control over Financial Reporting (ICFR); and the independent verification of the 2021 consolidated non-financial statement.

The fees accrued in 2020 for audit services include € 428 thousand corresponding to the audit of special purpose consolidated financial statements for 2018, 2019 and 2020 for the purposes of their inclusion in the Prospectus of admission to trading of the shares of Línea Directa S.A. de Seguros y Reaseguros, under the International Financial Reporting Standards adopted by the European Union.

The other services relating to the 2020 audit correspond to the review of the 2020 report on the Parent's financial and solvency position required by the regulatory body.

e) Information on the environment and on greenhouse gas emission allowances

The Group did not make any investments or incur any expenses in relation to environmental protection activities in 2021 or 2020.

The Group's directors consider that no significant contingencies exist when it comes to environmental protection and improvement and did not consider it necessary to post any provision for environmental risks and expenses at 31 December 2021 or 2020.

No amount was allocated to those items, nor was there any changes in expenses or provisions in 2021 and 2020, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

f) Information on conflicts of interest affecting directors and their related persons

At the end of 2021 and 2020, none of the Group's directors, nor any person related to them within the meaning of Law 229 on Public Limited Companies, notified the other directors of any conflict they may have, either directly or indirectly, with the Group's own interests.

g) Customer Service Department

The Customer Service Department operates in compliance with Order ECO 734/2004, of 11 March, on customer care departments and services of financial institutions, which seeks to regulate the requirements all such departments and services must meet.

The aim of the Customer Service Department (CCS) and the Consumer Ombudsman is to address and resolve any complaints or claims that any individual or legal entity may submit to the Group, guided by the principles of impartiality, speed, economy, publicity, due process and efficiency, and acting with total autonomy in respect of the Group's other departments with regard to the criteria and guidelines to be applied in discharging its functions so as to ensure fully independent decision-making.

In 2021, a total of 6,207 cases were handled, 6.03% of which qualified as complaints (374 cases) and 93.97% as claims (5,833 cases). Of the total, 23.23% related to policy quotes and management, 68.52% to accident handling and the remaining 2.66% mainly to roadside assistance services and the share price.

In 2020, a total of 7,717 cases were handled, 8.62% of which qualified as complaints (665 cases) and 91.38% as claims (7,052 cases). Of the total, 28.75% related to policy quotes and management, 61.32% to accident handling and the remaining 9.93% mainly to roadside assistance services and the share price.

The breakdown by type of case managed by the Group in 2021 and 2020 is as follows:

	2021		2020	
	Number	% of total	Number	% of total
Complaints	374	6%	665	9%
Claims	5,833	94%	7,052	91%
Total cases handled	6,207	100%	7,717	100%

The breakdown by department of the cases generated by the Group in 2021 and 2020 is as follows:

	2021		2020	
	Number	% of total	Number	% of total
Quotations and policy management	1,442	23%	2,219	29%
Accident management	4,253	68%	4,732	61%
Roadside assistance service	165	3%	766	10%
Other	347	6%	-	0%
Total cases handled	6,207	100%	7,717	100%

The main issues raised by customers are as follows:

1. Policy cancellation, in relation to processing and reimbursement of unearned premiums.
2. Rejection of damage claim following expert inspection.
3. Delays in handling cases, carrying out appraisals and valuations and repairing damage.

4. Requests to review the premium.

Of the total complaints and claims received in 2021, 73% (69% in 2020) were upheld and 35.28% (30.92% in 2020) were deemed to be admissible.

In 2021, a total of 801 cases were heard by the Consumer Ombudsman (1,045 cases in 2020). A decision was handed down against the insured claimants in 58.18% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 41.82% of decisions went with the policyholder in 2021, while in 2020 this figure was 24.30%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. He also suggests that LINEA DIRECTA itself monitor and verify its compliance with the decisions handed down in favour of the policyholder.

h) Average supplier payment period

The following table provides the information required under Final Provision Two of Law 31/2014, of 3 December.

	2021	2020
	Days	Days
Average supplier payment period*	17.29	24.27
Ratio of transactions paid*	17.26	22.86
Ratio of transactions outstanding*	17.89	61.56
	Amount (in thousand euro)	Amount (in thousand euro)
Total payments made	313,571	304,372
Total payments outstanding	14,623	11,489

(*) When a figure is shown in brackets, it means that the amount is negative, representing either a faster average payment in relation to the maximum payment period prescribed by law, or otherwise that the outstanding transactions are, on average, at a point in time prior to reaching that maximum period.

The data shown in the table above on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2021 and 2020.

The term “average payment period to suppliers” means the time taken in paying, or the delay in paying, trade payables. This “average payment period to suppliers’ is calculated as a ratio where the numerator is the sum of the ratio of transactions paid divided by the total amount of payments made plus the ratio of transactions outstanding divided by the total amount of payments outstanding, while the denominator is the total amount of payments made divided by the amount of payments outstanding.

The ratio of transactions paid is calculated as a ratio where the numerator is the sum of the products corresponding to the amounts paid divided by the number of days of payment (difference between the calendar days running from the end of the maximum legal payment period through to effective payment of the transaction), while denominator is the total amount of payments made.

Meanwhile, the ratio of transactions pending payment is a ratio where the numerator is the sum of the products corresponding to the amounts pending payment, divided by the number of days pending payment (difference between the calendar days running from the end of the maximum legal payment period through to the close date of the consolidated financial statements), and the denominator is the total amount of payments pending.

24. Events after the reporting period

No significant events have occurred after the end of 2021 and up to the date of authorisation for issue of these consolidated financial statements.

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linea directa



Consolidated Management Report

1. COMPANY OVERVIEW

1.1 Business model

Línea Directa Aseguradora began as a company specialising in car insurance and, over its 26 years in business, has gradually developed into a multi-line and multi-brand company with a differentiated and highly competitive range of Motor, Home and Health products. At the close of 2021, the group ranked 13th in the non-life line with a turnover of € 907.1 million and 3.34 million policyholders in its portfolio, according to the Insurance Sector Statistics and Studies Service in Spain, ICEA.

Motor insurance

The Motor segment is Línea Directa Aseguradora's main business and includes car and motorbike insurance for various customers: individuals, businesses, self-employed workers, and expatriates or those living or working abroad, and is the core of the company. At the end of 2021, this segment accounted for 82% of the company's premium income, with revenues of € 748.1 million, and 76% of the insurance portfolio, with over 2.5 million policies underwritten. These figures make Línea Directa the fifth largest motor insurance company in Spain.

Under the Línea Directa brand, the group has a tailor-made offer for private and corporate vehicles, large companies, SMEs and the self-employed, regardless of their sector of activity, with

insurance cover and service specifically designed for these customers. These policyholders have at their disposal a fleet manager; a professional whose main task is to adapt the policy to the characteristics and needs of each company.

The Motor segment also includes the *Penélope Seguros* brand, created in 2012, which offers insurance cover specifically for women with a unique service in the market. The other brand in this segment is *Aprecio*, which is aimed at motorcyclists.

In a scenario characterised by constant competitive pressure, Línea Directa Aseguradora has managed to climb above its peers thanks to a completely disintermediated business model, a rigorous risk policy and efficient management of the loss ratio. All this allows the company to achieve efficiency gains, which it passes on to its customers in the form of policies at highly competitive prices.

The Company's commercial offering is constantly adapted to policyholders' needs — essential in a scenario like the current one in which a revolution is taking place in the mobility paradigm based on greater environmental awareness and new habits of ownership and use of vehicles.

Home insurance

Línea Directa Aseguradora began diversifying its business in 2008 when it entered the home insurance sector, selling for the first time in the Spanish insurance market a multi-risk policy through the direct channel that is flexible and allows customers to pay only for what they really need.

With a turnover of over 131 million euros and 712,000 policies taken out, representing 15% of premiums issued and 21% of the insured portfolio, the Home insurance line has become one of the Group's main growth levers.

Amid fierce competition from banks due to the traditional link between mortgage loans and home insurance, Línea Directa Aseguradora has outperformed the market in terms of premium income and, at the end of the third quarter, is ranked 12th¹ in Home insurance by sales volume according to the ICEA.

The distribution of home insurance by Línea Directa is based, as in the case of motor policies, on a 100% disintermediated model, sold via telephone and internet. In parallel with this strategy of organic growth, in 2021 the company forged various distribution alliances with other financial institutions and companies from other sectors.

¹ The Home ranking does not include Caser Group companies (ICEA).

Línea Directa Aseguradora uses the latest technologies to speed up and facilitate the assessment of claims, offering policyholders a faster solution and the best service at the moment of truth, when customers really need their insurance company. With this in mind, and given the increasing frequency of claims caused by adverse weather phenomena such as Storm Filomena, the company's Home division began using drones to assess damage to homes in 2021. Not only does this speed up the process, but it also allows the company to access more difficult locations without putting professionals at risk.

Health insurance

Línea Directa Aseguradora continued its strategy of diversifying its business in 2017 by starting operations in the health insurance business under the Vivaz brand. In just over four years, Vivaz has established itself as one of the Group's main growth drivers.

Vivaz, Línea Directa Aseguradora's health insurance brand, has passed the 100,000 customer mark and € 26 million in premiums in 2021, making it one of the 25 largest health insurers by revenue, according to third quarter data. This growth is remarkable, especially considering that the health insurance sector is heavily concentrated in four large companies. In this scenario, Vivaz has consistently delivered double-digit organic growth in revenue and policyholders year on year, well above the market average.

Vivaz's commercial offer for health insurance is completely different from that of its competitors, as it is a 100% digital product, managed entirely through the mobile app and website, without the need for a health card, and with a simple and flexible offer that allows policyholders to choose the coverage they really need. In this way, Vivaz can create a new market and appeal to customers who have never taken out private health insurance before.

Vivaz has a medical team, in alliance with DKV, made up of 30,000 professionals and 1,000 health centres, with which it provides a high quality health service and responds to all the demands of its policyholders. Through the Vivaz Médico Online app, the Company provides health care via mobile phone by means of a chat service and medical appointment by video conference with a large pool of specialists in the fields of general medicine, paediatrics, psychology, gynaecology, dermatology, allergology, sexology, nutrition and dietetics and personal training.

Aside from providing excellent medical care, one of Vivaz's strategic priorities is to promote healthy lifestyle habits among its policyholders and society at large, driven by the philosophy that prevention is the best way to ensure health. Vivaz is the first health insurance brand to offer its customers the option to undergo preventive diagnostic tests, even if they have no symptoms. The company also encourages its policyholders to follow healthy habits, such as walking at least 10,000 steps and sleeping at least

seven hours a day, monitored with the help of a fitband or smartphone, and it rewards them for following these habits with discounts of up to 200 euros when renewing their policy.

Línea Directa Asistencia

Línea Directa Asistencia is the Group's subsidiary specialising in verification, appraisal and roadside assistance services. It has a network of thousands of collaborators throughout Spain, enabling it to offer on-the-spot assistance to vehicles and people 24 hours a day, 365 days a year, and relies on technology, digital media and innovation to be a benchmark in mobility and in the services it provides, such as the digital towing service, mechanical assistance for drivers or on-site replacement vehicles, among many other benefits.

Linea Directa Asistencia responds to more than 700,000 roadside call-outs per year. Thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this service to both Spanish and foreign customers, inside and outside Spain, 24 hours a day, every day of the year, in Spanish, English, German and Portuguese, for both the vehicle and its occupants in the event of a breakdown, accident or theft.

Thanks to the breadth and excellence of the company's staff network, the average arrival time of the tow truck is 30 minutes and the rate of on-site repairs is 45% of cases. These figures confirm

the satisfaction of customers, with eight out of ten respondents rating Línea Directa Asistencia's service as "excellent". Another reason for these results is the on-site battery testing and replacement service, thanks to which customers can continue using their vehicles in a matter of minutes.

Since 2014, Línea Directa Asistencia has also acted as an emergency call centre in the various autonomous communities of Spain. When the e-call device located in the vehicle involved in the accident is activated, the Company's specialists contact the customer to resolve the emergency. If communication is not possible, Línea Directa Asistencia contacts the emergency services and informs them of the accident and the location, reducing the time to medical attention.

Advanced Repair Centre (CAR)

Equally important are the innovative efforts in the management of claims and repairs, one of the fundamental aspects of the insurance business, the relationship between the companies and their policyholders, and thus the quality of the service provided. Línea Directa Aseguradora has a network of more than 500 collaborating repair shops and two Advanced Repair Centres (CAR), one in Madrid and the other in Barcelona, its own state-of-the-art repair shops that offer customers a comprehensive service, from the opening of the claim to the repair of the vehicle, always in accordance with the Group's high standards of quality, commitment and excellence.

In addition, the Company has a fleet of almost 1,200 replacement vehicles available to customers when they need to take their vehicle to a partner repair shop for repair after an accident. This year, the entire fleet was renewed without the quality of service suffering. Proof of this is that the Company has beaten records in the percentage of customers who choose to have their car repaired at a Línea Directa repair shop, and the NSS (Net Satisfaction Score or satisfaction index when buying products or services) of these repair shops. In 2021, 71% of customers chose a partner repairer and their NSS was 54%.

The first centre was opened in Madrid in 2008 and 10 years later the CAR centre was inaugurated in Barcelona, which has also provided the company with very valuable information on repairs and which, together with the Madrid centre, serves as a test bed for the introduction and improvement of technological applications and processes in the repair processes. In recent years, the use of WhatsApp as a communication channel with the customer has become widespread, covering processes as diverse as managing appointments, requesting a replacement car, requesting pick-up and delivery services or even checking the status of repairs.

CAR Madrid's repair volume during the year exceeded 8,000 vehicles, a record in absolute terms and up 26% on 2020, while CAR Barcelona repaired almost 7,000 vehicles, 31% more than last year. In total, more than 18,000 damaged vehicles were repaired at these Advanced Repair Centres in 2021.

LDARreparaciones

Since 2017, LDARreparaciones has been the Línea Directa Group's own repair network in the home insurance sector. The company was conceived with the characteristics and attributes of an official service and was created with the aim of transferring the high quality standards of Línea Directa Aseguradora to the multi-risk line, increasing knowledge of the home repair process, shortening the average life of claims and increasing policyholder referral rates.

In 2021, the Company carried out a total of 13,000 repairs, 18.8% higher than the previous year and 56% more than in 2019; a volume in which the average repair rate per professional is around seven repairs per day.

LDARreparaciones offers a unique repair process based on excellence, flexibility and technology. The professionals manage their services through a dedicated app that gives them a comprehensive overview of the process and allows them to provide photos of the repair at any stage of the process, report the presence or absence of affected third parties, quantify and assess the damage and open the action report for the next step in the process.

1.2 Organisational structure and corporate governance

The Línea Directa Aseguradora Group is made up of:

- The parent company, LÍNEA DIRECTA ASEGURADORA, S.A., COMPAÑÍA DE SEGUROS Y REASEGUROS, with tax number A-80871031 and registered address in Tres Cantos (Madrid), at calle

Isaac Newton, 7 (the "Company" or "Línea Directa Aseguradora"); and

- Subsidiaries, wholly owned by the parent company, according to the following organisation chart:



The Corporate Governance Policy, approved in 2021 and available on the corporate website, sets out the corporate and governance structure of the Línea Directa Group, its underlying principles, the bodies that compose it and the basic rules governing its internal functioning.

The Company's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021.

One of the priorities of Línea Directa Aseguradora in its stock market flotation was to build a robust and updated corporate governance system in accordance with the main recommendations of good governance in terms of composition, diversity and functioning of the governing bodies, while also laying the foundations for the progressive analysis and monitoring of best good governance practices.

The general shareholders' meeting is the sovereign body of the Company. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say. The Annual General Meeting to be held in 2022 will be Línea Directa's first general meeting as a listed company.

The board of directors of Línea Directa is the highest supervisory and representative body of the Company. It exercises the non-delegable powers established in the law and the board regulations – among others, the determination of general business strategies and the setting of fundamental policies, such as risk control and management (including tax), corporate governance or sustainability – and delegates the day-to-day management of the Company to the executive bodies and the management team.

Línea Directa demonstrated its commitment to good governance throughout 2021 by adopting a raft of measures, most notably:

Seven members make up the new Board of Directors, which is an appropriate and efficient size for its effective functioning.

With regard to the composition of the Board of Directors, 57% of its members are independent and 43% are women, exceeding the minimum recommended thresholds in this area. Furthermore, only one of the directors is an executive.

The Chairman of the Board of Directors has no executive functions, being a separate position from that of Chief Executive Officer.

There are two advisory committees (the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee) which are composed entirely of external (non-executive) directors and a majority of independent directors, including their chairmen.

These Committees assume the powers provided for by law and in the CNMV's Code of Good Governance, as set out in the Regulations of the Board of Directors of the Company. It should be noted that the Appointments, Remuneration and Corporate Governance Committee is responsible for the competencies related to the strategy and practices in sustainability matters recommended by the Code of Good Governance.

The Company approved and updated its internal regulations (Bylaws, Regulations of the General Shareholders' Meeting, Regulations of the Board of Directors) and its corporate policies (Corporate Governance Policy, Director Selection Policy, Policy on Engagement with Shareholders, Investors and Proxy Advisors, Policy on Related Party Transactions, Policy on Director Remuneration, etc.) in accordance with the latest reform of the CNMV's Code of Good Governance and incorporating the new provisions of Spanish Law 5/2021, amending the Corporate Enterprises Law.

At the executive level, the Company has a management committee, composed of the CEO and the officers responsible for the main functional areas of the Company: Motor, Home, Health, Services and Benefits, Technical Area, Finance, Digital Transformation, Technology, Marketing, General Secretariat, and People, Communication and Sustainability. There are also specific committees for analysis and deliberation on highly relevant issues such as investments or sustainability, as well as specific teams that manage the critical functions of Línea Directa as an insurance company: operational risk management, regulatory compliance, actuarial function and internal audit function.

Without prejudice to the Company's regular contact with shareholders and other stakeholders throughout the year, and the information permanently available on the corporate website (<https://www.lineadirectaaseguradora.com/gobierno-corporativo>), the Company provides a particularly detailed account of Línea Directa's corporate governance system and practices in its annual Corporate Governance Report, which is filed with the CNMV and can be found on the corporate website along with the other documents related to the announcement of the next General Shareholder's Meeting.

2. BUSINESS PERFORMANCE

2.1 Economic backdrop

The COVID-19 pandemic has triggered a global health, social and economic crisis on a scale unprecedented in modern times. Just as 2020 was dominated by the pandemic, so was 2021, albeit on a somewhat smaller scale. However, COVID-19 mutated into more transmissible variants, generated three new waves across the globe and caused more infections and deaths than in 2020.

Inflation in the United States and some other countries rose to levels not seen in decades (+7.0% in the United States and +6.6% in Spain), as the pandemic led to an increase in demand for goods, but also affected supply. Related to this, energy prices — particularly gas in Europe and coal in China — surged as a result of energy shortages. Spain has been particularly affected by the increase in the price of electricity, which reached record highs in 2021.

However, despite the lingering threat of COVID-19 and other sources of concern and background noise, we also witnessed a number of significant positive developments in the period.

Science and medicine began to take the lead against the pandemic: vaccines were implemented and 55% of the population (75% in developed countries and 84% in Spain) received a first dose that substantially reduced severe cases of

the disease. Several new treatments were also developed that promise to further reduce serious cases of COVID infection.

Fiscal stimulus measures and ultra-lax monetary policy helped to support spending among households and businesses.

As a result, global GDP is expected to have grown by almost 6% in 2021. In Spain, GDP growth stood at 3.4% and the unemployment rate fell by 1.56 percentage points. These figures, while positive, barely compensate for the dire economic collapse resulting from the COVID-19 pandemic, as Spain's GDP fell by 11% in 2020 compared to 2019 and the employment rate was up 2.35 percentage points, a figure unprecedented in our country's recent history.

Nevertheless, the economic recovery has brought a renewed sense of optimism to society, even though the necessary reforms still need to be implemented for this positive trend to continue and last in the long run.

Spain	2021	2020	2019
CPI % chg.	+6.55%	(0.53%)	+0.79%
GDP % chg.	+3.39%*	(10.84%)	+1.95%
Unemployment	13.33%	16.13%	13.78%
Debt-GDP ratio	122.10%*	120.00%	95.50%

Source: INE, EPA, Bank of Spain
*Data for September 2021

With regard to financial markets, fixed income yields rose and many central banks pared back their bond purchases to reduce monetary stimulus, some even raising interest rates.

Equities suffered some setbacks as a result of COVID-19 and inflation fears, though these were relatively mild. Stocks were boosted by earnings growth, low interest rates and optimism that vaccines would allow for a more sustained reopening of the markets.

US equities maintained a surprisingly strong outperformance, while emerging market equities fell as China's growth slowed.

Spanish equities closed the year with solid gains, with the blue chip Ibex35 rising 7.9% in 2021, compared to a 15.5% decline in 2020.

The following table shows the key figures for fixed income, equities, commodities and currencies.

Fixed income

Country	Bond yield (%)			
	1Y	3Y	5Y	10Y
Spain	(0.6)	(0.5)	0.0	0.6
Germany	(0.6)	(0.6)	(0.5)	(0.2)
United States	0.4	1.0	1.3	1.5

Source: Refinitiv, as at December 2021

Indexes

	2021	% chg.
Ibex35	8,713.8	+7.9%
Eurostoxx Insurance	305.9	+17.1%
Eurostoxx50	4,293.9	+20.8%
Dow Jones Industrial Average	36,338.3	+18.7%
S&P 500	4,766.2	+26.9%

Source: Refinitiv, as at December 2021

Commodities and currencies

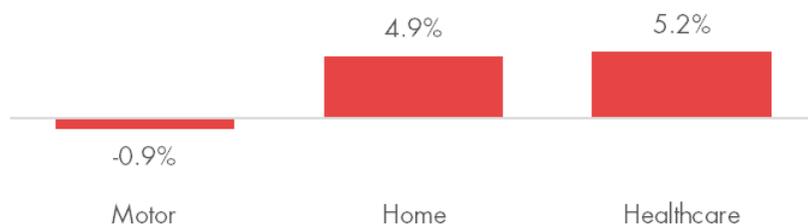
	2021	% chg.
Oil (\$/barrel)	77.9	+50.7%
Gold (\$/oz)	1,829.2	-3.6%
€/€	1.14	-6.8%
€/£	0.84	-6.0%

Source: Refinitiv, as at December 2021

2.2 Performance of the Spanish insurance market

The insurance sector turned in another solid performance, consolidating its position as one of the most stable, respected and profitable sectors of the wider Spanish economy. Notably, the Non-Life segment grew by 3.3% last year despite the decline in the Motor segment (-0.87%), where turnover fell to the levels seen a decade ago. The slump in new vehicle sales — a key indicator in this segment — saw a gentle recovery of 0.9% compared to 2020 but was down 31.7% compared to 2019. This complex situation has further aggravated the serious supply crisis that the automotive industry is enduring and has indirectly affected the turnover of the insurance business, as the used car market typically has more basic and lower average premiums.

Meanwhile, the Home segment performed very well, with a 4.86% increase in the volume of premiums. The Health segment also reported turnover growth of more than 5.23%, thus consolidating its status as one of the drivers of the Non-Life segment.



Source: ICEA, as at December 2021

Profit on the Non-Life technical account was down by 1.25 percentage points as a result of the Motor segment, due to the higher claims frequency. The Motor, Home and Health segments present the following combined ratios:

	Motor		Home		Health	
	9M '21	9M '20	9M '21	9M '20	9M '21	9M '20
Loss ratio	70.5%	65.0%	63.8%	61.5%	78.2%	75.5%
Expense ratio	21.6%	22.6%	33.4%	32.1%	13.1%	13.1%
Combined ratio	92.1%	87.6%	97.2%	93.6%	91.3%	88.5%

Source: ICEA, latest figures as at September 2021

2.3 Business performance

Relevant corporate events

On 19 March 2020, the Annual General Meeting of Bankinter S.A. approved the distribution in kind of its entire share premium reserve, amounting to € 1,184 million, through the delivery to its shareholders of shares representing approximately 82.6% of the share capital of its subsidiary, Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (Línea Directa Aseguradora). This transaction took place on 15 April 2021, registering with the Spanish National Securities Market Commission (CNMV) the listing of Línea Directa Aseguradora S.A. shares and their subsequent admission to trading on 29 April 2021, with a reference price of € 1.3175 per share.

Bankinter S.A. had previously obtained, on 22 March 2021, the pertinent regulatory authorisations from the European Central Bank, and on 26 March the confirmation of no objection from the Directorate General of Insurance and Pension Funds to Bankinter's shareholders acquiring a significant direct participation in Línea Directa Aseguradora.

Business performance

Main figures

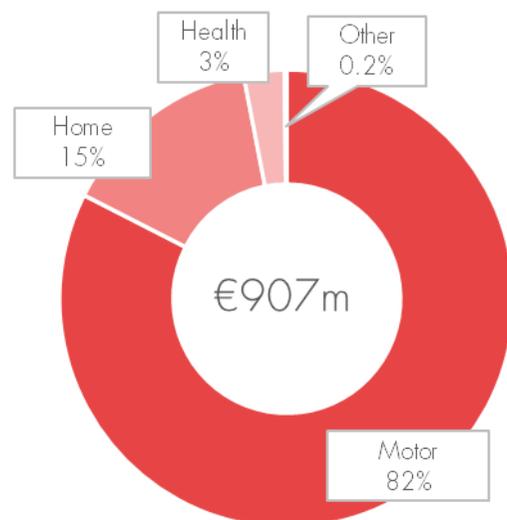
The following table summarises the consolidated statement of profit or loss as at December 2021, showing the various

components of profit or loss and their comparison with the same period of the previous year.

Thousand euro	2021	2020	% chg.
Gross written premiums (GWP)	907,189	898,614	1.0%
Premiums earned, net of reinsurance	882,728	878,177	0.5%
Technical result	103,635	145,939	-29.0%
Financial result	34,661	29,253	18.5%
Profit before tax	145,180	179,624	-19.2%
Profit after taxes	110,137	134,846	-18.3%
EPS (euro)	0.10	0.12	-18.3%
Loss ratio	67.7%	61.5%	6.2 p.p.
Expense ratio	20.5%	21.9%	-1.3 p.p.
Combined ratio	88.3%	83.4%	4.9 p.p.
Customers (thousands)	3,345	3,215	4.0%

Premiums written were up 1.0% to € 907.2 million. Meanwhile, premiums earned, net of ceded reinsurance, grew 0.5% during the year.

Motor premiums account for 82% of business volume, followed by Home and Health in order of importance:



The technical result, which measures the difference between premium income and claims payments and expenses, amounted to € 103.6 million, down 29% as a result of increased mobility and therefore claims incurred compared to the previous year.

The financial result, affected by a climate of historically low rates, came to € 34.7 million, up 18.5% on the previous year. The financial result includes net realised capital gains of € 6.7 million (compared to capital losses of € 1.4 million as at December 2020). Adjusted for this effect, the financial result would be down 8.8%

Profit after tax totalled € 110.1 million euros, down 18.3% on the same period of the previous year due to the increase in the loss ratio mentioned previously.

Management ratios

The combined ratio was 88.3% at year-end 2021 (+4.9 percentage points higher than the previous year). The loss ratio was up 6.2 percentage points, reflecting the increase in claims frequency at the Motor segment. The consolidated expense ratio was down by a notable 1.4 percentage points, once again showing continued cost containment across all business lines.

	Loss ratio		Expense ratio		Combined ratio	
	2021	2020	2021	2020	2021	2020
Motor	69.4%	61.8%	17.6%	18.7%	87.0%	80.5%
Home	55.4%	57.1%	33.5%	36.9%	88.9%	94.0%
Health	86.4%	89.1%	61.7%	76.5%	148.1%	165.6%
Other	0.0%	14.6%	50.9%	52.3%	50.9%	66.9%
Total	67.7%	61.5%	20.5%	21.9%	88.3%	83.4%

Statement of profit or loss by segment

Below is a detailed summary of changes in the statement of profit or loss by line of business:

Motor

The Motor segment experienced a slight decrease of 0.9% in premiums, in line with the market, which fell by the same percentage (*source: ICEA*). The slow recovery in vehicle sales —a key market indicator— is leading to an ageing of total insured vehicles, with average vehicle age now being 13.5 years.

In this context, new policy origination was muted while the existing portfolio grew solidly within a price competitive environment.

Meanwhile, the number of policyholders increased by 2.6% to reach 2.5 million at 31 December 2021.

<i>Thousand euro</i>	2021	2020	% chg.
Gross written premiums (GWP)	748,100	754,656	-0.9%
Premiums earned, net of reinsurance	747,292	752,605	-0.7%
Claims incurred, net of reinsurance	(518,866)	(465,382)	11.5%
Net operating expenses	(154,310)	(159,468)	-3.2%
Other technical expenses and income	22,877	18,726	22.2%
Technical result	96,993	146,481	-33.8%

	2021	2020	p.p. chg.
Loss ratio	69.4%	61.8%	7.6 p.p.
Expense ratio	17.6%	18.7%	-1.1 p.p.
Combined ratio	87.0%	80.5%	6.5 p.p.
Customers (thousands)	2,528	2,463	65

The change in the technical result is a result of:

- An increase in the loss ratio, following the lifting of mobility restrictions, rising claims frequency and a larger number of serious accidents;
- Cost containment, reflected in an expense ratio down 1.1 percentage points to an excellent 17.6%.

Home

The Company's Home segment delivered an excellent performance, with turnover up 8.8% on the same period of the previous year. outperforming the wider market, which grew by 4.86% (*source: ICEA*),

The number of policyholders in the segment was up 7.5% to reach 712 million at 31 December 2021.

<i>Thousand euro</i>	2021	2020	% chg.
Gross written premiums (GWP)	131,243	120,654	8.8%

Premiums earned, net of reinsurance	119,067	111,546	6.7%
Claims incurred, net of reinsurance	(66,003)	(63,678)	3.7%
Net operating expenses	(39,888)	(40,873)	-2.4%
Other technical expenses and income	(5)	(311)	-98.4%
Technical result	13,171	6,684	97.1%
	2021	2020	p.p. chg.
Loss ratio	55.4%	57.1%	-1.7 p.p.
Expense ratio	33.5%	36.9%	-3.4 p.p.
Combined ratio	88.9%	94.0%	-5.1 p.p.
Customers (thousands)	712	662	50

The change in the technical result is a result of:

- A notable improvement in the loss ratio of 1.7 percentage points;
- atmospheric claims totalling € 4.4 million net of reinsurance (€ 6.6 million gross of reinsurance); and
- a significant reduction in the expense ratio of 3.4 percentage points.

Health

Vivaz, the Company's health insurance brand that rewards customers for healthy lifestyle habits, is also faring very well thanks

to its flexible, digital model. Health reported premium growth of 21.2% in the period, compared with 5.23% for the sector (source: ICEA, Asistencia Sanitaria).

<i>Thousand euro</i>	2021	2020	% chg.
Gross written premiums (GWP)	26,449	21,826	21.2%
Premiums earned, net of reinsurance	14,981	12,020	2.6%
Claims incurred, net of reinsurance	(12,951)	(10,712)	20.9%
Net operating expenses	(9,147)	(8,920)	2.5%
Other technical expenses and income	(93)	(278)	-66.5%
Technical result	(7,210)	(7,890)	-8.6%
	2021	2020	p.p. chg.
Loss ratio	86.4%	89.1%	-2.7 p.p.
Expense ratio	61.7%	76.5%	-14.8 p.p.
Combined ratio	148.1%	165.6%	-17.5 p.p.
Customers (thousands)	105	89	16

The number of policyholders reached almost 105,000 customers, marking an increase of 16,000.

In this business segment, the Company has proportional reinsurance in which it cedes 50% of the premium and claims.

The change in the technical result reflects an ongoing improvement in the following areas:

- The loss ratio declined by 2.7 percentage points to 86.4%, showing prudent risk selection;
- The positive change in the expense ratio, which fell by 14.8 percentage points to reach 61.7%.

Other Insurance Businesses

This line of business includes several products, such as assistance insurance for Bankinter and Bankinter Consumer Finance credit card holders and the recently launched Vivaz Safe&Go, the first pay-as-you-go insurance for users of personal mobility vehicles.

At 31 December 2021, premiums written at this business amounted to € 1.4 million, down 5.5%, while the combined ratio was an excellent 50.9%.

<i>Thousand euro</i>	2021	2020	% chg.
Gross written premiums (GWP)	1,397	1,478	-5.5%
Premiums earned, net of reinsurance	1,388	2,006	-30.8%
Claims incurred, net of reinsurance	0	(292)	-100.0%
Profit sharing and premium refunds	(594)	(708)	-16.1%
Net operating expenses	(113)	(342)	-67.0%
Other technical expenses and income	-	-	-
Technical result	681	664	2.6%

	2021	2020	p.p. chg.
Loss ratio	0.0%	14.6%	-14.6 p.p.
Expense ratio	50.9%	52.3%	-1.4 p.p.
Combined ratio	50.9%	66.9%	-16.0 p.p.
Customers (thousands)	5	9	(5)

The change in the technical result is a result of:

- The complete termination of a deficit product and release of the corresponding provision;
- The reduction in the expense ratio on the back of lower operating expenses.

Condensed consolidated balance sheets:

The Company's balance sheet at 31 December 2021 is as follows:

Assets	2021	2020	% chg.
Cash and cash equivalents	115,788	162,500	-28.7%
Available-for-sale financial assets	864,978	917,074	-5.7%
<i>Equity instruments</i>	153,963	125,855	22.3%
<i>Debt securities</i>	711,015	791,219	-10.1%
Loans and receivables	120,615	110,373	9.3%
Reinsurers' share of technical provisions	20,153	12,477	61.5%
Property, plant and equipment and investment property	110,721	111,282	-0.5%
<i>Investment property</i>	65,457	65,948	-0.7%
<i>Property, plant and equipment</i>	45,264	45,334	-0.2%
Intangible assets	14,121	12,688	11.3%
Other assets	122,102	110,139	10.9%
Total assets	1,368,478	1,436,533	-4.7%

Thousand euro

Liabilities and Equity	2021	2020	% chg.
Debt and accounts payable	175,406	174,445	0.6%
Hedging derivatives	9,447	15,167	-37.7%
Technical provisions	738,158	716,491	3.0%
<i>Provision for unearned premiums</i>	449,740	446,423	0.7%
<i>Provision for unexpired risks</i>	3,280	4,622	-29.0%
<i>Provision for claims</i>	285,138	265,446	7.4%
Non-technical provisions	22,133	16,849	31.4%
Other liabilities	45,059	46,222	-2.5%
Total liabilities	990,203	969,174	2.2%
Equity	334,909	42,727	-20.8%
Valuation adjustments	43,366	44,632	-2.8%
Total equity	378,275	467,359	-19.1%

Thousand euro

The most relevant changes include:

- The reduction at December 2021 in the headings Cash and cash equivalents and Debt securities is due to the dividend payments carried out during the year.
- The increase in Equity instruments is a result of increased exposure to equities.
- Technical Provisions reflect the performance of the business and the progressive release of the provision for unexpired risks at the Health segment, which at the end of 2021 was down € 1.3 million to € 3.3 million.

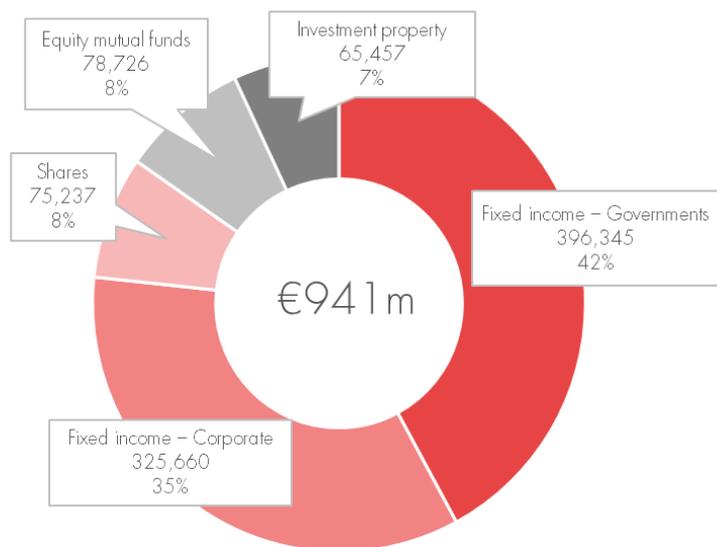
Changes in Other assets and liabilities are a result of the business management process.

The Company has no subordinated liabilities or financial debt.

Investment portfolio

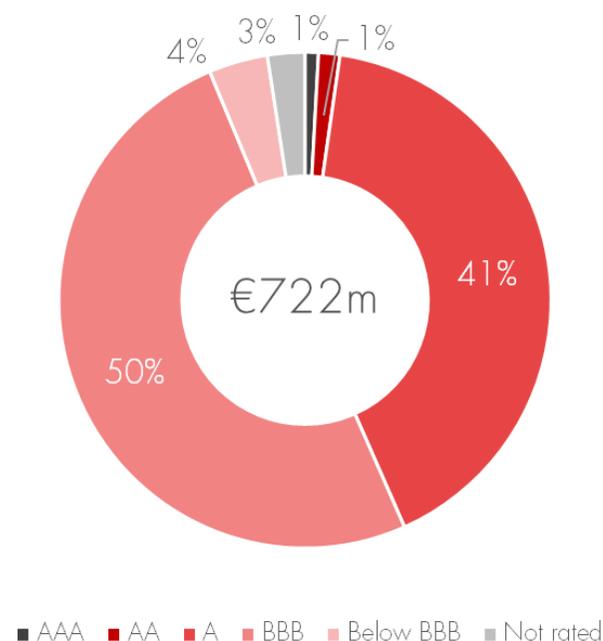
The Company has a low-risk investment portfolio, based on a prudent investment strategy.

At year-end 2021, the investment portfolio amounted to € 941.4 million and is distributed as follows:



- Fixed income of € 722.0 million, comprising € 396.3 million in government bonds and € 325.7 million in corporate bonds.
- Equities and equity funds for a total of € 75.2 million and € 78.7 million, respectively;
- Investment property amounting to € 65.5 million.

The credit rating of fixed income investments is as follows. Of the total, 94% has a rating of BBB or higher.



The average maturity of the fixed income portfolio is 4.14 years.

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



Meanwhile, investment property comprises three properties, with an occupancy ratio of 100%. The Company also has four buildings for its own use. Off-balance sheet capital gains on investment property and properties for own use amounted to € 21.5 million before tax.

Changes in equity

Consolidated equity totalled 378.3 million euros. The book value per share amounted to € 0.35 at 31 December 2021 (€ 0.43 at 31 December 2020).

The following table shows changes in the Company's equity during the period:

	Subscribed capital	Legal reserve	Other reserves	Own shares	Consolidated profit or loss for the period	(Interim dividend)	Valuation adjustments	Total
Adjusted opening balance as at 2020	37,512	9,046	227,076	-	107,295	(93,048)	37,179	325,060
Total recognised income/(expense)	-	-	-	-	134,846	-	7,453	142,299
Other changes in equity	-	-	14,247	-	(107,295)	93,048	-	-
Transfers between equity items	-	-	14,247	-	(107,295)	93,048	-	-
Closing balance as at 2020	37,512	9,046	241,323	-	134,846	-	44,632	467,359
Adjusted opening balance as at 2021	37,512	9,046	241,323	-	134,846	-	44,632	467,359
Total recognised income/(expense)	-	-	-	-	110,137	-	(1,266)	108,871
Transactions with owners or mutual members	6,025	-	(126,025)	(1,247)	-	(77,664)	-	-(198,911)
Capital increases or mutual fund	6,025	-	(6,025)	-	-	-	-	-
Distribution of dividends or payments due to mutual members	-	-	(120,000)	-	-	(77,664)	-	(197,664)
Transactions with own shares or holdings (net)	-	-	-	(1,247)	-	-	-	(1,247)
Other changes in equity	-	-	135,802	-	(134,846)	-	-	956
Payments based on equity instruments	-	-	956	-	-	-	-	956
Transfers between equity items	-	-	134,846	-	(134,846)	-	-	-
Closing balance as at 2021	43,537	9,046	251,100	(1,247)	110,137	(77,664)	43,366	378,275

Changes in net equity include:

- The reduction in the unrealised capital gains on the available-for-sale portfolio in the year amounting to € 1.3 million;
- Profit as at December 2021;
- the extraordinary dividend paid to Bankinter prior to the Company's listing in the amount of 120 million euros; and

- The interim dividends paid on account of 2021 for a combined total of € 77.7 million.

Return on equity

Return on equity (ROE), represented by the ratio of profit after tax to average equity, came to 30.4% at the end of 2021 (34.0% at December 2020).

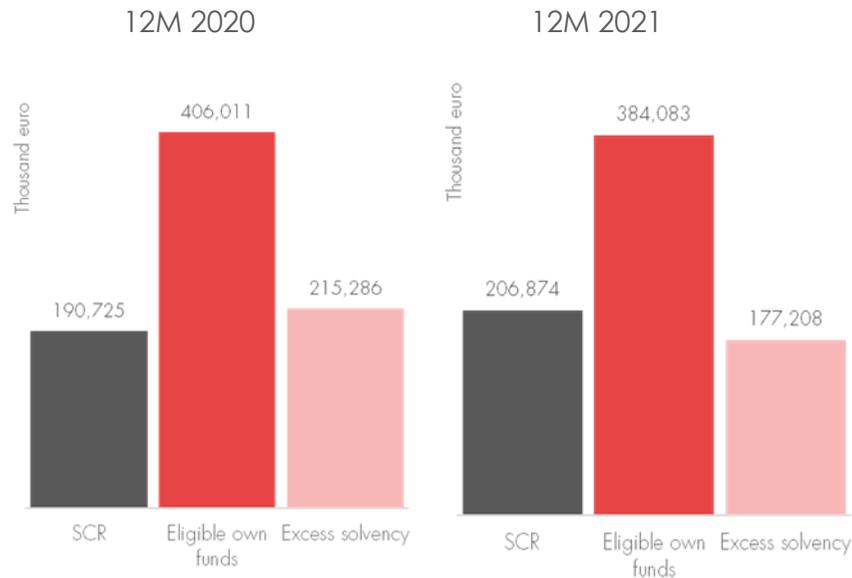
Solvency II

The Solvency II ratio of Línea Directa Aseguradora stood at 196% in 2021, compared to 213% at December 2020. At its meeting of 17 February 2022, the Company's Board of Directors resolved to propose to the General Shareholders' Meeting a final dividend of approximately € 21.5 million to be paid in March 2022. Taking this final dividend proposal into consideration, the solvency ratio would be 186%.

The table below shows the calculation of the SCR broken down into its different modules and its comparison with the previous year.

<i>Thousand euro</i>	2021	2020
SCR Market	132,271	113,510
SCR Counterparty	13,086	15,291
SCR Health	3,134	2,778
SCR Non-Life	171,657	161,004
BSCR	248,666	227,365
SCR Operational	27,166	26,935
Deferred tax adjustment	(68,958)	(63,575)
SCR	206,874	190,725
Eligible own funds Solvency II	384,082	406,011
Solvency II ratio	185.66%	212.88%

Eligible own funds amounted to € 384.1 million, of which 100% is unrestricted Tier 1 capital of the highest quality.

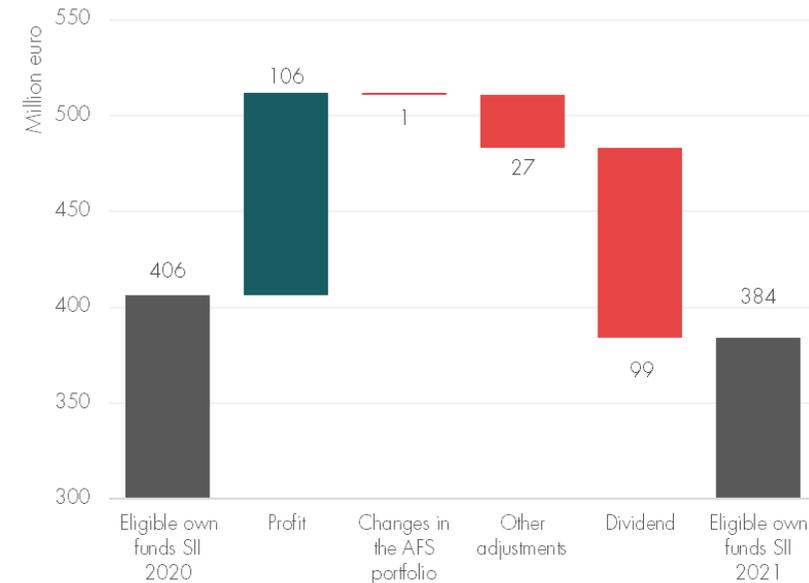


The solvency ratio excludes the subsidiaries of Línea Directa Aseguradora, as their corporate objects are ancillary insurance services almost all of which are provided to the parent company. As they are not insurers or reinsurers, there is no obligation to submit solvency reports at Group level.

The change in eligible own funds for solvency purposes from December 2020 through to the end of 2021 is largely a result of:

- profit at the parent, Línea Directa Aseguradora, on a separate basis
- the change in unrealised gains on the available-for-sale portfolio

- the change in the provision for claims in the solvency balance sheet
- dividends paid out in the year; and
- the final dividend proposed to shareholders at the General Meeting.



The Solvency II Ratio is a risk indicator that is closely monitored and tracked by the Company's Board of Directors when implementing its capital management policy (setting a dividend policy for shareholders, making decisions on investment policy, etc.) and in relation to the commercial strategy (launching new products or lines of business, acquiring risk mitigators, etc.).

The sensitivity of the solvency ratio to the impact of various variables is shown below:

	SII RATIO	Chg. (p.p.)
Interest rates +100 bps	179.1%	(6.6)
Interest rates -100 bps	194.1%	+8.5
Credit spreads +100 bps	181.0%	(4.7)
Credit spreads -100 bps	190.7%	+5.0
Equity markets +10%	188.1%	+2.4
Equity markets -10%	183.0%	(2.6)
Equity markets +30%	192.5%	+6.8
Equity markets -30%	177.2%	(8.5)
Real estate +10%	188.8%	+3.1
Real estate -10%	182.5%	(3.2)
Symmetric adjustment +10	183.5%	(2.2)
Symmetric adjustment -10	197.6%	+12.0
CURRENT	185.7%	--

3. MAIN RISKS AND UNCERTAINTIES

The macroeconomic scenario remains subject to a high degree of uncertainty. The relative weight or importance of purely epidemiological aspects has fallen, although the spread of new variants of the virus across the globe is leading to new restrictions that could raise the spectre of a new ceiling on economic growth. The course of the pandemic will continue to influence activity over the coming quarters. Moreover, even once the health crisis is resolved, its consequences will remain present.

These consequences may take many different forms, which in the insurance sector could mean lower levels of vehicle sales and of insured vehicles, and lower purchase rates of Motor insurance coverage.

Accident and claims frequency is expected to increase once the restrictive mobility measures have been lifted. It will be necessary to analyse whether this upturn in frequency will return to 2019 levels, seeing as though the new measures, including partial teleworking arrangements, have led to less use of vehicles by policyholders.

Weather-related phenomena will remain a determining factor in the rate of claims incurred in the Home segment.

Elsewhere, no major changes are expected in the Health segment compared to the first half of 2021, which saw continued growth.

Lastly, the Company's overhead expenses will continue to follow the current trend of strict cost control.

3.1 Security risks

Línea Directa Aseguradora's Security Policy is the reference framework for ensuring the sound definition, management, administration and implementation of the security measures and procedures needed to achieve a level of protection commensurate to the criticality of Línea Directa Aseguradora's physical and information assets.

The Standard on the Use of Information Systems regulates the proper use of these systems so as to guarantee the security and confidentiality of the information processed within them, protect the good image and name of Línea Directa and ensure full compliance with the law.

Línea Directa has implemented a Business Continuity Policy, which was drawn up and will continue to be monitored by the Group's Corporate Security Area. The Policy is there to guarantee the continuity of business operations in response to events that affect the normal operation of the Group's processes, and also to comply with Article 41.4 of Directive 2007/138/EC of the European Parliament and of the Council of 25 November 2009 (Solvency II) and its implementing regulations, according to which insurance undertakings must take reasonable steps to ensure continuity and regularity in the performance of their activities.

A Business Continuity Plan (BCP) has been put in place to respond to any event that might significantly interrupt the normal activity of the company or any of its component parts.

On the Technology side, the Disaster Recovery Plan for all the company's systems is a particular highlight. The main measure under the technology continuity plan is that of ensuring the availability of data processing centres in remote geographic locations where data is replicated.

This means that in the event of a contingency data and computer systems can be recovered without any appreciable loss of information. The recovery plan is tested at least once a year to ensure that it is fit for purpose.

For changes to existing applications or the implementation of new applications, developments and technical and functional user tests are carried out in non-production environments (development or test environments) so that they do not affect the Group's actual operations. Changes or new applications are transferred to the real (production) environment once they have been tested by all parties involved.

With regard to data protection and respect for the right to privacy of its customers, shareholders, collaborators and employees, the Company provides adequate and transparent information on the processing of such data, while also offering assurances that it is

transmitted through appropriate, reliable and secure channels, thus ensuring its integrity and confidentiality.

These security guarantees are also required of all the Group's suppliers during the tender and award process, while Línea Directa Aseguradora's employees are required to complete a mandatory course on privacy and data protection. The Company's Data Protection Office is dedicated to ensuring compliance with this Group-wide privacy policy.

In response to the current digital environment and the growing threat of cyber-attacks, Línea Directa Aseguradora has a powerful cybersecurity strategy in place aimed at protecting the Company's processes and operations from this threat. This strategy includes the implementation, assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks on the Group's systems and networks, together with awareness-raising actions and training for all employees in cybersecurity.

3.2 Financial and credit risks

Credit risk

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

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

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

The Group analysed the economic environment amid the COVID-19 pandemic and is now taking the following steps to limit its exposure to credit risk.

- The Group only worked with highly solvent reinsurers with a minimum credit rating of "A".
- Premium payment policies have been made more flexible for the Group's customers, with the option to spread premium payments over consecutive months without incurring any additional surcharge.
- Credit risk for motor policies is limited because in the event of non-payment by the policyholder, the Company cancels the policy within a maximum term of 90 days.

For investments in financial assets held by the Group in 2021 and 2020, no coupon defaults occurred and the Group regularly

monitors its exposure to all of its investments. Of the total fixed income portfolio, 94% (€ 676.3 million) is rated BBB or higher; 3.9% is rated below BBB and 2.5% (€ 17.7 million) of the Group's long- and short-term bonds have no assigned rating.

Liquidity risk

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

The Group carries out prudent liquidity risk management and is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

Market risk

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

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

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

Insurance risk

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

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

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

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

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

Currency risk

At 31 December 2021, the Company had a foreign currency position of € 47,890 thousand (31 December 2020: € 28,091 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency

hedging whatsoever. There is no significant exposure to any foreign currency.

3.3 Reputational risk

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

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

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function.

Thus, reputational risk management falls upon the shoulders of the Corporate Governance Division, more specifically through the departments of External Communication and Corporate Reputation and Risk Management and Internal Control.

3.4 Legal/regulatory risk

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

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

3.5 Environmental, social and governance risks

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

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

The Company has established the management model, processes and methodology for assessing ESG risks. The ESG risk

management model is a qualitative assessment through KPIs that help to identify risks that could be considered as more immediate threats. It includes regular monitoring to help ensure the exchange of information between the areas responsible for the risks and the Company's own Risk Department.

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

Línea Directa Group is committed to responsible environmental management by operating in the most environmentally friendly way possible and taking the necessary measures to mitigate its direct and indirect environmental impact.

Línea Directa has specific policies and measures that enable it to efficiently manage the consumption of resources, with the ultimate aim of minimising the impact on the environment.

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

3.6 Operational risk

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

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

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

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

3.7 Additional information

The “Risk Management Model” section of the Non-financial Statement provides further information on the principles of action and the main roles and responsibilities of the governing bodies and parties involved in the risk control and management process.

4. OUTLOOK FOR 2022

The outlook for 2022 is brighter than was the case a year ago. The rapid deployment of vaccines, together with the extraordinary economic support measures, has led to a significant improvement in the global economic situation and outlook. However, the return to normal is far from complete and uncertainty remains high, as indeed the emergence and rapid spread of infections caused by the Omicron variant has shown us.

The improvement in the economic climate can be illustrated using the most recent projections. Following the sharp decline in global GDP in 2020 (-3.1%), the International Monetary Fund forecasts a recovery of the world economy by 5.9% in 2021 and 4.9% in 2022. In the euro area, the latest Eurosystem forecasts also point to robust growth in 2022 of around 4.2%.

The Spanish economy has followed a similar timeline, but with the health crisis having a stronger initial impact on GDP followed by a slower recovery. This is largely due to our greater dependence on the tourism sector, though also to an increased weakness in household consumption and investment; the latter being heavily affected by the global supply crisis, particularly in the automobile sector, which has a high weight in the Spanish economy.

In the short run, however, the economic recovery will continue to be shackled by the continued threat posed by the Omicron variant. Further down the line, however, economic activity is expected to rally, as distortions along supply chains (known as

bottlenecks, which are proving more persistent than expected), private consumption, inflationary pressures and tourism flows gradually return to normal. These problems are expected to ease from the second half of 2022, though once again this assumption is subject to a high degree of uncertainty. Another element of uncertainty is the extent of the lingering damage that the crisis may have caused to the productive fabric or to employment.

In a nutshell, COVID-19 will continue to impact the Company's business performance in 2022, especially in the early stages of the year.

In relation to premium growth, all lines of business are expected to exceed 2021 sales in 2022. In Motor, moderate growth is projected, with some pressure on average premiums and sales volumes due to the situation described above coupled with a competitive pricing environment. Meanwhile, real estate activity has exceeded growth expectations. In returned to pre-pandemic levels in 2021 and in 2022 the outlook is also promising, with a growing housing stock. As a result, more significant growth is expected in the Home segment in terms of volumes, with rising average premiums as well. The Health segment will continue to grow and we hope to maintain the same levels of growth as seen in previous years.

Turning to the loss ratio, the Motor segment is expected to see an increase in accident frequency to levels similar to 2019. The cost of claims will also be affected by the increase in the prices of

spare parts and paint. With regard to the cost of compensation for victims, the 2022 injury scale includes an increase linked to the pension revaluation index, as well as a review of the compensation tables. The frequency and intensity of atmospheric events will continue to be the main factor shaping the performance of the loss ratio at the Home segment. In the Health segment, the cost of claims will face pressure from an increase in hospital fees.

With regard to average costs, we will continue to focus on efforts on efficiency in 2022. The Company's overhead expenses will remain largely on par with 2021 levels, and we do not expect to see major growth.

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



5. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the end of the accounting period that may affect the annual accounts or otherwise be of interest to users of the financial statements.

6. ENVIRONMENTAL, SAFETY AND PERSONNEL ISSUES

Environment

Línea Directa Group is committed to responsible environmental management by operating in the most environmentally friendly way possible and taking the necessary measures to mitigate its direct and indirect environmental impact.

The Company has an Environmental and Energy Efficiency Policy based on its commitment to the environment and proper energy management, focusing on strict compliance with legislation and continuous improvement of environmental performance. The aim of this policy is to promote better control of the natural resources used in order to create a more sustainable environment and achieve greater efficiency in the energy sources used.

Línea Directa has an environmental management system to adequately monitor and manage its main consumption and waste. This system allows the company to develop and implement measures and strategies for more effective control and management aimed at minimising the environmental impact of its activity. This management leads not only to a reduced environmental impact, but also to real and quantifiable savings in operating costs.

Measures worth mentioning in 2021 include the installation of photovoltaic panels on Línea Directa's buildings, the introduction of a system to monitor installed renewable energy, and the installation and commissioning of two efficient chillers for air conditioning, one of which is already in operation and the other is expected to be operational in the first quarter of 2022.

Safety

In 2021, the Company continued to work towards a safe environment in which to run its business.

Cybersecurity is a cornerstone of its strategy and business. The Group has an Information Management System based on three fundamental pillars: availability, integrity and confidentiality.

Línea Directa Aseguradora formulates its cybersecurity strategy around four strategic lines aimed at ensuring the resilience of all the company's processes and operations:

- Protection against cyber-risks, with assessment, evolution and improvement of mechanisms to prevent, detect and respond to cyber-attacks.
- Cybersecurity and privacy culture, with awareness-raising, training and sensitisation actions.
- Cybersecurity from the outset, integrating cybersecurity into the life cycle of new initiatives, thus ensuring their protection from the outset, implementing controls and measures and assessing cybersecurity in the processes of

purchasing technological solutions and arranging technological services.

- Cybersecurity assessment and audit and adaptation to the changing situation, with a team specialised in the permanent review of cyber threats, integration of cyber risks into the Company's risk map, implementation of controls and self-tests and regular reporting.

The Group has UNE-EN-ISO 22301 certification for business continuity in two of its most critical processes: Roadside assistance and Home claims handling. This accreditation demands ongoing efforts, modifications, and development to ensure that the organisation remains resilient in the face of adversity.

Some 90% of cyber attacks are caused by human error. One of the most effective means of combating this phenomenon is therefore to train employees in cybersecurity, with a focus on raising awareness about the proper use of technology. In 2021, the Company's entire workforce completed a course on cybersecurity.

Línea Directa Group, as part of its commitment to data protection and respect for the right to privacy of customers, shareholders, employees and collaborators, complies with the provisions of the General Data Protection Regulation 2016/679 (GDPR) and Spanish Organic Law 3/2018, on the protection of personal data and digital rights. It also has a privacy and data protection framework that ensures this right to privacy with the help of a specialised team and a data protection officer.

In March 2021, Línea Directa Aseguradora joined the Digital Pact for the Protection of Individuals of the Spanish Data Protection Agency (AEPD), promoting transparency and good practices in the processing of personal data.

In 2021, the Data Protection Office held privacy and data protection awareness sessions targeting key middle managers from all business units of the company and its subsidiaries.

Also during the year, the Línea Directa Group continued many of the actions it had taken in 2020. Not only were the regulations of the health authorities scrupulously complied with, but the health and safety of employees was also ensured (they were able to work in a safe environment). Thanks to an extraordinary coordination effort between areas and departments, with the People Area of Línea Directa Aseguradora at the centre, the company kept employees informed and advised at all times. On any given day, any employee could contact a specialised team to answer questions about the management of the pandemic or any COVID-19-related issue for themselves or their family

members. The company has also maintained direct, close and regular contact with all employees who were affected by the disease during the year, either themselves or a family member.

In addition, a special group, the so-called “protected group”, was also maintained this year, consisting of employees who are at particular risk of contracting the virus due to pre-existing conditions and who are permanently employed remotely. People who had to temporarily belong to this group due to illness, work-life balance or personal problems could also join it, which is not only a measure of caution but also of flexibility in special situations.

Since the beginning of the pandemic, the company has exercised extreme caution in all decisions and actions it takes to ensure people's health and safety. In this regard, the use of digital human resources tools continued for certain measures, such as capacity control.

Personnel

For the Group, people are at the forefront of all its decisions. Its corporate values determine the way it treats its employees and makes its decisions. Línea Directa is a company that promotes respect for people, a spirit of improvement, enthusiasm, a focus on results and clarity.

People are the Company's most important asset, and their commitment and engagement are crucial to meeting the challenges set. It is the people who, with their dedication and

talent, ensure that Línea Directa continues to stand out for its ability to innovate and achieve results far above the market average year after year.

The relationship with employees is above all human and close. This closeness and transparency in the professional relationship creates an atmosphere of trust, which is an essential prerequisite for all employees to feel cared for and heard.

The headcount of Línea Directa Group at 31 December 2021 was 2,576 employees.

The People area is aligned with the Company's strategic objectives and plays a part in achieving them. In 2021, its strategy has been focused on the Group's cultural transformation, looking for new ways to learn, communicate and work. Hence, the focus on promoting digital culture, agility, flexibility, efficiency, talent, branding and employee experience.

The Company has a flat and flexible organisational structure, with workspaces that facilitate the use of the latest technologies and agile methodologies, as well as a values-based leadership style where transparency, recognition of achievements, commitment and the development of talent are key.

The company's **#DNA LíneaDirecta** hashtag encapsulates its ethos as a means of attracting talent: “We are agile, we are different and we care about people”.

The mission of the People Area is, in short, is to develop the necessary plans to have the best team of people prepared to achieve the strategic objectives and who act with the highest level of integrity, commitment and responsibility. Línea Directa is made up of more than 2,500 professionals from 28 different countries. According to the *Implicate* survey, which examines employee satisfaction, motivation and commitment to determine their perception of the Company, 85% of them are committed to the Company in order to meet the challenges that lie ahead.

Attracting and retaining the best talent has always been one of Línea Directa's main objectives in terms of employees and the Company remains focused on the external selection and internal development of highly qualified and dedicated professionals to meet the challenges of the business. The Company has its own model for attracting talent based on a well-defined value proposition.

Equally important has been the introduction of a new professional roles model, according to international methodologies for which specialised external advice has been sought and obtained. An up-to-date and flexible model that aligns the company's professionals with the corporate strategy and undoubtedly helps to achieve the ambitious current goals and the new future challenges. This new model identifies the different professional functions that exist or may be required in the future for the company. It provides flexibility in the organisational structure, as one of its management advantages is that it is independent of

the hierarchical structure. It also allows the creation of career plans and the possibility to compare the different professional functions in other companies.

In terms of employee relations models, 2021 was a year of change due to Covid-19: early restrictions and a first return to normalcy gave way to the consolidation of hybrid working arrangements.

Thus, Línea Directa Group has introduced a rotation model that combines face-to-face and teleworking in two isolated groups, as well as another group to cater for employees with special circumstances. This system protects the health and safety of the employees, but also results in one half of the company having virtually no contact with the other half. As a result, the People division of Línea Directa's work has also been to build points of cohesiveness, using new technologies to combine the connection between people on site and remotely.

The Group's talent strategy seeks to attract, retain and develop individual talent to help ensure the success of the Company, which is committed to its internal talent through a transparent and simple internal vacancy procedure for all candidates.

A succession plan was set up in 2021 to analyse the suitability of the participants for the defined success profile and to develop new paths for career advancement to ensure the continuity of the Company. Meanwhile, managers identified those members of their teams who are ready to take on new responsibilities, allowing them to drive the internal talent pipeline.

Línea Directa Group is aware of the importance of training and learning to help employees improve and to accelerate the Company's transformation process. It is therefore working to equip them with the knowledge, skills, tools and technologies to do so.

This new way of learning puts people at the centre and makes them participants in their own development. To this end, the Group has digital platforms that allow employees to choose the training they need at a given time, depending on their skills and needs, and the means to achieve it. The self-learning programme, cybersecurity awareness, 100% online training itineraries or talent communities are some examples of its learning ecosystem.

In 2021, employees received more than 58,000 hours of training overall.

Linea Directa is now a fine example of diversity, inclusion and gender equality. At the end of 2021, **the Group employed 2,576 people of 28 different nationalities, almost 57% of whom were women, who also occupy 50% of the management positions.** Particularly noteworthy is the **absence of a significant pay gap** within the organisation, as the pay gap between men and women at the Línea Directa Group is only 2.6% in men's favour, a percentage that is notably better than the average for the Spanish labour market.

Línea Directa Group has a **Diversity and Inclusion Policy**, approved by the Board of Directors, which sets out the principles through which the company contributes to the achievement of its diversity and inclusion objectives. The following principles are outlined in the Diversity and Inclusion Policy:

- Ensure a culture of respect for people and diversity-friendly behaviour among employees or anyone providing services to the company.
- Ensuring fair selection, recruitment, training, promotion, remuneration and severance processes for employees. In short, these processes should be based exclusively on merit, skill, performance or professional experience, without any kind of discrimination.
- Promoting the inclusion of the most vulnerable groups, facilitating their proper integration into the Company and ensuring a respectful working environment.
- Championing a culture of diversity and inclusion supported by programmes, actions and protocols that facilitate the integration of all employees, focusing on the inclusion of people with disabilities or victims of gender-based violence.

In parallel, the Diversity Policy also establishes the company's main commitments in terms of generational diversity, functional diversity, cultural diversity and gender and sexual orientation diversity.

As part of the commitment to diversity and inclusion promoted as part of the corporate culture, one of the main pillars is the inclusion of employees with a disability card and the promotion of their recruitment and socially acceptable employment.

With this goal in mind, Línea Directa Aseguradora's **Sin Límites programme was launched in 2009 to promote diversity inclusion in the workplace in four areas:** attracting talent with different skills through selection processes, internal diversity, development and/or participation in social inclusion and projects and contributing to employability through specialised employment centres (CEE). At the end of the year, the Línea Directa Group employed 40 people with some kind of disability, representing 1.5% of the workforce.

The Group is held in high esteem by its own employees, as shown by the results of the employee satisfaction, motivation and engagement survey, *Implícate*, which provided highly meaningful data in June, such as the fact that 93% of the workforce has confidence in the future success of the Company, that 82% are proud to work for the Company and that 85% feel engaged.

The most direct and personal channel for nurturing relations with the Company's employees is undoubtedly the People care team. Línea Directa also has a digital channel through which any employee can ask their doubts or questions on any subject. All requests are resolved almost immediately by specialised staff from the human resources department. This team attends first-hand to the needs of Línea Directa employees, providing useful information and special attention with particular sensitivity. The specialists that make up this team were also crucial in the management of the pandemic, as they were responsible for direct contact with the affected staff and for dealing with all issues and incidents related to COVID-19. In 2021, more than 1,150 consultations have been attended.

The Línea Directa Group Human Rights Policy, adopted in 2020 and applicable to all subsidiaries, aims **to guide the protection and respect of human rights and prevent them from being violated. It reflects the Group's commitment to the general and specific international standards of the sector**, as well as to the United Nations Global Compact, the United Nations Principles for Responsible Investment and Sustainable Insurance.

This policy describes Línea Directa's commitments in its own activities as an employer and responsible business partner, but also as an insurer and in the way it implements the protection of human rights at the core of its activities.

Beyond health and safety measures, the company aims to offer its employees a more comprehensive programme that focuses on

different aspects of their well-being (physical, emotional, financial, etc.). Thanks to the strength of the company's Healthy Company Programme, a step has been taken in 2021 towards a more holistic wellness programme, that takes into account all aspects on which employees may need information, action or training, in order to then start their own good practices on an individual basis. For this reason, the Línea Directa Group has launched the "Wellness to be Well" programme as part of its wellness and health vector for employees. Thanks to the technological resources that Línea Directa has in addition to its own health insurance (Vivaz), it has been possible to develop a different and personalised strategy for the programme that results in a high level of participation by workers in each of the proposed actions.

The programme envisions actions in the realms of physical, emotional and financial wellness, among others, and involves awareness-raising activities and dynamic groups composed of employees selected as being exemplary in each of these realms, who help to spread the various actions in a highly dynamic way.

Línea Directa offers its employees an attractive package of corporate benefits and advantages that strengthen employee loyalty and invite them to get to know the Company's products in depth, notably:

- Life and accident insurance.

- Favourable conditions for employees when arranging insurance products across all business segments of the Company.
- Flexible remuneration programme whereby workers can arrange various services and products for themselves or their family members, such as health insurance, childcare cover, public transport or daily meals, at no cost to the employee. Of the Group's total employees, 32% use this flexibility system.
- Advances and loans.
- Advantages and discounts on financial products.
- Support for language and specialised training.
- Employee benefits portal, which any employee can access from their personal device and where they can obtain significant discounts and benefits in leisure, culture, cuisine, fashion, travel, etc.
- Línea Directa Renting, a programme through which employees can lease premium brand vehicles at a discount on the market price together with Línea Directa's comprehensive insurance.
- Legal advice: all Línea Directa employees have this service free of charge, thanks to an agreement between the insurer and one of the main providers of legal advice.

7. RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

Línea Directa Aseguradora is committed to Research, Development and Innovation and has powerful initiatives under way in the areas of technological sponsorship, innovation in products and services, digitalisation and quality. This strategy places the customer at the centre of all processes and decisions, always with the aim of providing versatile, disruptive solutions that are aligned with the Company's sustainability policies.

Thanks to its direct business model, with no intermediaries and relying heavily on technology, it is able to serve the whole country from a single location in Tres Cantos, Madrid. Therefore, the Company is, from its very origin, a clear example of the value of a powerful strategy in R&D&I, an area in which it has powerful initiatives in relation to technological sponsorship, innovation in products and services, digitalisation and quality, always under the prism of sustainability, efficiency and disruption.

Innovation, the life essence of Línea Directa

Since its appearance in Spain in 1995, Línea Directa Aseguradora has been a trailblazer within the Spanish insurance industry. By doing away with intermediaries and branch networks, the Company was the first insurer to sell policies over the telephone; a business model that offers immense competitive advantages over brokered systems: **more affordable prices**, great alignment

capabilities and much more **versatile and agile** when responding to market needs.

Four years after its creation and coinciding with the break even of the project, the Company also became the **first insurer to sell policies over the Internet**, a channel of great strategic weight in the direct model that allowed it to advance in ubiquity, immediacy and time flexibility; three pillars that have shaped a differential customer journey and which, over the years, have inspired the process architecture at Línea Directa.

This business model has cemented its status as an exceptional platform for developing innovative products and services, which have enabled Línea Directa Aseguradora to offer a wide range of solutions that have set the general trend within the market.

In 2021, the Company's greatest commitment to commercial innovation was **Safe&Go**, the first insurance product to cover **users of personal mobility vehicles (PMVs)** without them having to register their vehicle. The new product, which thanks to being 100% digital, can be taken out by the second, minute or for a whole year, is the **first insurance of its kind in Spain, and is known as "On/Off" or pay-per-use insurance, since it can be activated and deactivated using a smartphone** and can be managed without any phone calls, opening times or intermediaries, all at a truly unbeatable price: just **2 cents per minute**. As it covers the person and not the vehicle, Safe&Go is marketed through Vivaz, the **health care insurance brand of Línea Directa Aseguradora**.

Aside from covering damage caused to third parties, this new product covers personal injury sustained by the user him or herself, as well as legal defence in the event of a claim.

Little surprise then that Vivaz — Línea Directa Aseguradora's health insurance brand — is also one of the Group's main commitments to innovation. Launched in 2017, Vivaz became the **first insurance product to reward customers for leading a healthy life**, offering **discounts of up to € 200** when renewing the policy if they sleep at least seven hours and walk at least 10,000 steps a day, which is the minimum level of activity recommended by the World Health Organization.

Both these requirements are monitored through the Vivaz Activity App, available on both Android and iOS. The insurance has been very well received in the market, with **a portfolio of more than 100,000 customers achieved in just over four years** without resorting to acquisitions or mergers. It is also almost entirely online, as customers can manage their products through digital channels such as the Vivaz Seguros App, allowing them to obtain a digital health card and view the details of their policy, search for medical practitioners and centres, access all the insurance telephone numbers or manage their bills.

Moving to Motor insurance, the Company has an long tradition of innovation and has consolidated its status as the **5th largest company operating in the segment** measured by turnover, with premiums written of more than € 748 million. Aside from the direct

model, the Company was the first insurer to provide **Comprehensive Medical Treatment (CMT)** for injuries resulting from traffic accidents. This treatment consists of a full range of health care practitioners and centres capable of providing immediate medical treatment to victims of traffic accidents. The service is completely free of charge and covers any person travelling in a car insured with Línea Directa, whether or not they are at fault, as well as any injured third parties. All processes and procedures are much more agile, making for shorter waiting times and a better and faster recovery.

One of the Company's biggest and most recent commercial innovations in the Motor segment is **Llámalo X**, the **first All-Risk insurance product to come with a car**. The product includes an All-Risk policy, plus, in a single pack, a latest generation vehicle, ranging from the most sought-after SUVs to premium brand compacts. The product has been a huge success among drivers, with each launch selling out within days and **over 800 cars delivered in just over a year**, a remarkable figure considering the economic environment and the supply crisis in the automotive industry.

As part of its commitment to quality services and commercial disruption, the company also offers a **courtesy vehicle service** that is truly unique in the market, with premium brands, completely free of charge, without having to wait for the vehicle appraisal and repair work to be finished, and with the only requirement being that the customer must take their vehicle to a collaborating

workshop for the repair work to be carried out. Notably, the Company has **more than 1,000 vehicles of leading makes available for leasing, which it distributes through its network of collaborating repair shops, comprising more than 500 bodywork and paint repair centres throughout the country, in addition to the windscreen and mirrors repair shops.** The service has been running since 2018 and upon launch it represented a real paradigm shift in the concept of service within the industry, with the Company seeking not only to respond to customer demand, but also to strengthen the range of options and the attractiveness of its extensive network of collaborating repair shops.

Línea Directa Aseguradora was also the first company to launch the **first specific insurance policy for electric cars.** This insurance, marketed under the name **Póliza Respira**, aims to respond to the growing demand for more sustainable and environmentally friendly mobility models. Aware of this need, Línea Directa launched the product in 2016 with the aim of responding to society's growing concern for the environment. The unique product offers All-Risk cover with deductible to drivers of private electric vehicles, at a cost of € 199 for the first year. The insurance includes benefits specifically tailored to this type of car, such as roadside assistance without mileage limit or theft of the integrated charging cable, among others.

The Motor segment also includes the **Penélope Seguros** brand, created in 2012, which offers insurance cover specifically for

women with a unique service in the market. The other brand in this segment is **Aprecio**, which is aimed at motorcyclists.

Línea Directa Aseguradora also helped transform the **Home segment** with the first configurable insurance; a unique product on the market that allowed the customer to choose, at the time of its launch in 2008, between 23 different types of cover, paying only for what they actually needed. The insurance, distributed exclusively over the telephone or Internet, has been a huge commercial success, since at year-end it had **turnover of € 131.2 million** and a **portfolio of 712,000 customers**, accounting for 21.3% of the customer portfolio.

Digital transformation

Because the direct model does away branches and brokers, it requires a heavy investment in technology in order to work, which certainly constitutes a big competitive advantage when it comes to developing digital solutions across all business processes. Indeed, this circumstance allows for the knowledge and expertise of the human team to be dedicated to the procedures that generate real value for the policyholder. Therefore, under the slogan **"More digital, more useful"**, Línea Directa has a potent digitalisation strategy focused on the customer and on making all of its processes more immediate, flexible and omni-channel.

Along these lines, in 2019 the company approved and presented a **Strategic Digitalisation Plan** that aimed **to save policyholders 50% of time** in managing their policies compared to analogue

channels and to ensure that at least half of the portfolio interacts with Línea Directa through digital media. Two objectives that have been comfortably met in little more than two years, since, by the end of 2021, **85% of policyholders** communicated with the Company via online channels.

However, the Company's commitment to technology and digital services has not meant that it has entirely done away with analogue channels, since the aim is to strengthen the **omni-channel model**, meaning that **each type of customer can be served through whatever channel they prefer**, whether traditional, such as the telephone — ideal for generating added value for customers in the case of more serious claims —, or *bots*, Virtual Helpers, apps or mobile devices in general.

The company's Digitalisation Plan has been built taking into account the different moments of customer contact with the company, from the time they first arrange the product through to subsequent renewals, including the process of managing the policy or registering accident reports for the different insurance segments. In all these milestones, we have analysed the main problems and the different ways in which the analogue channels might be improved, with the aim of creating a differential and more agile customer experience with shorter waiting times, around-the-clock service and without having to leave the house.

Furthermore, as part of its commitment to responsibility in the online sphere also, in 2021 Línea Directa Aseguradora joined the

Digital Pact for the Protection of Individuals of the Spanish Data Protection Agency (AEPD), which seeks to promote responsible conduct in the digital realm and in relation to data protection. The Pact aims to promote transparency and good practice, to make known the consequences of infringements and to promote the protection of the most vulnerable groups.

Digital services: the value of difference

Línea Directa Aseguradora has a wide range of state-of-the-art procedures, including the **digital signature**, whereby the customer can authorise or approve transactions without having to leave their home or send documents through the post, or the **option to submit claims via the website or App**, which already account for 50% of Motor claims and 33% of Home claims. Meanwhile, the **Vivaz App** allows Health policyholders to manage virtually all aspects of their policy, while the **Activity App** allows them to earn **discounts of up to € 200** when renewing their health insurance if they lead a healthy lifestyle.

Línea Directa Aseguradora customers can also request the **roadside assistance service via a completely automated process**, with no human intervention, while receiving information in real time and with the option also to send messages to the driver and rate the service. In 2021, some 60% of tow truck services were requested via the Company's website and App, with no telephone calls whatsoever.

Bots are another important element in the Company's digital strategy, as are instant messaging apps such as **WhatsApp**, which is an ideal channel for handling more simple, straightforward claims. Last year alone, more than **75,000 motor** claims were managed through this app, which allows for photographs to be sent so that the damage can be assessed there and then. In fact, in 2021 the Company received more than **300,000 photographs of vehicle damage through this channel**, making things much easier for the policyholder, who no longer has to take their car to a repair shop for an appraiser to determine the cost of the repair work. In the Home insurance segment, the Company relies on video technology as an innovative and agile valuation process. An example of this is the video assessment of damage to glass ceramic hobs, where, thanks to this technology, the proposal for financial compensation is transmitted immediately, which, if accepted by the customer, is then automatically transferred to their bank account.

Further steps were taken in 2021 in the strategy of creating and developing digital services that help the customer enjoy more agile and efficient dealings with the Company. One such service takes the form of **real-time compensation for Motor claims with no human intervention**, achieved through artificial intelligence (AI). Through the use of AI, Línea Directa Aseguradora launched a pilot project in 2021 **to assess and provide compensation for damage caused by minor accidents, all in real time and with no human intervention**. These simple mishaps, such as scratches on the body

of the car that do not affect the safety of the vehicle, account for 70% of all claims.

In the realm of **UBI insurance** (Usage Based Insurance), Línea Directa Aseguradora launched **ConductTOP**, a brand new app for customers that **automatically analyses the driving habits of each driver** based on how well they take corners, brake and accelerate, how fast they travel and also their degree of concentration. The App, available for iOS and Android, awards a score that can be exchanged for rewards such as car washes or fuel vouchers at Cepsa petrol stations.

In 2021, the Company also became the first insurer to use **drones to assess home material**; a process specially designed to speed up the process of appraising extraordinary, high-impact damage. This innovative appraisal system will be used to analyse damage to the exterior of homes, especially in the most difficult-to-access areas, which will improve the occupational safety of the Company's professionals and collaborators. According to the estimates of Línea Directa Aseguradora, this system will be used for **approximately 20% of Home** claims caused by storms or atmospheric events.

Special mention should also go to the pioneering "Autonomous Ready" project being developed by the Directorate General of Traffic, Barcelona City Council and Línea Directa Aseguradora. "Autonomous Ready" reflects **Spain's commitment to the connected car and to the autonomous car of tomorrow** which

features Advanced Driving Assistance Systems (ADAS) as the basis for their development and implementation. Under the initiative, **a device will be installed on nearly 800 vehicles** to collect a host of information on driving habits, the environment and the characteristics of the road, thus identifying the main risk points within the city, especially for the most vulnerable road users.

Línea Directa, as the **official insurer** of “Autonomous Ready”, will digitally analyse all the information collected by the in-vehicle devices, thus enabling it to assess the impact these systems will have on road safety and mobility.

For Línea Directa Aseguradora, digitalisation is an irreversible process undergoing constant change. It has therefore set up a **Digital Think Tank** comprising Company executives, lecturers from business schools and disruptive business leaders from other sectors. It is there to analyse and discuss the latest trends in digitalisation, with the aim of identifying and reflecting on useful and inspiring solutions that have succeeded in improving levels of service and customer experience.

At year-end 2021, this working group comprised **Patricia Ayuela**, Head of Motor and Digital Transformation; **Ana Sánchez Galán**, Head of Technology; **David Pérez-Renovales**, Head of Health; and **Mar Garre**, Head of People, Communication and Sustainability at Línea Directa Aseguradora. Together with them, the Think Tank features renowned experts in innovation and digitalisation, including **Javier Rodríguez Zapatero**, chairman of ISDI and former

Managing Director of Google Spain; **Pablo Foncillas**, professor at the Instituto de Empresa business school; **Pablo Fernández**, co-founder of Clicars, the first e-commerce site for used car sales in Spain; and **Fernando Encinar**, co-founder and CMO at Idealista.com.

Technology sponsorship

Línea Directa Aseguradora supports and finances various business projects that may represent great value to society due to their viability, importance, scientific relevance, innovative nature and alignment with the company’s reputational interests. Responsible investment is a very important element within the Group’s sustainability policy and encompasses a wide, diverse and varied range of topics that are of great interest, both scientifically and economically.

Línea Directa Aseguradora always seeks to support social, economic and business initiatives and, to this end, has approved Línea Directa Aseguradora’s Sustainability Master Plan 2020-2022 IV, which, under the motto “We care about what matters”, establishes as one of its main lines of action the care for society, promoting or participating in initiatives that enable, facilitate and influence a significant improvement in the social well-being of citizens. The Plan also includes the area of healthcare promoted through the Vivaz brand, which aims to improve and promote healthy lifestyle habits.

In 2021, Línea Directa Aseguradora provided financial support to *projects in the areas of health, self-driving vehicles and technology*. The former include investments in a dual diagnostic kit for Sars-Cov-2 and influenza using the technology LAMP, in new therapeutic alternatives for the treatment of Covid-19, in the development of an active carrier for the immobilisation of DNA/RNA, in the treatment of neuropathic pain and degenerative diseases and, finally, in research into new compounds that allow cell regeneration times to be reduced. In the automotive sector, support was provided to study the architecture and systems of autonomous vehicles in terms of lateral safety, while in engineering, projects were funded on photonics in automotive wireless communications, optical sensors for monitoring breathing gases in oxygen masks, and sustainable asphalt mixes.

All these projects funded by Línea Directa Aseguradora have contributed to the development of R&D throughout Spain, as the companies involved are located in Madrid, Aragon, the Basque Country and Galicia.

Service quality

For Línea Directa, the quality of the products and services offered to clients is a priority and a strategic objective.

In recent years, the company has expanded, improved and exhausted the processes and tools it uses to monitor the satisfaction level of its portfolio, such as new developments to

collect and measure customer experience in real time, always with the aim of identifying their needs and possible areas for improvement.

The Línea Directa Group modified the Strategic Quality Plan in 2020, known as Plan Forte, introducing a measurement system based on key processes and with the NPS indicator (Net Promoter Score, aggregated net recommendation index). **In 2021, the Company's global NPS was 37.94%.**

In addition to the NPS and customer satisfaction with the various processes, the Group has devised other quality indicators as essential metrics to its day-to-day operations. The first is **Satisfaction with the customer service provided by the telephone agents (customer service percentage)**: customers rate their satisfaction with the agents' attention and with the service received on many of the calls received by the company every day. Month after month, the professionalism and the attention and treatment of the agents is the aspect that is most appreciated by them.

Given the importance that digital service has acquired in recent years, the company has also set targets for **customer satisfaction with the digital experience** in the various services offered through the web and mobile applications (26.34% in digital experience).

Each survey, whether it is a process, a call or a digital management, assesses satisfaction with the service received (**the NSS in 2021 is 42.87%**).

The survey channel strategy is based on customer choice, i.e. if the customer calls, the surveys are conducted by phone, and if the customer conducts the survey digitally, the survey is conducted through the digital channel.

In 2021, it was possible to measure customer satisfaction with the above indicators at each of the identified moments of truth: from the sale to the renewal or cancellation, to the services offered in the handling of vehicle and household claims or in the provision of the breakdown service.

In the case of Vivaz, a mainly digital brand, we have started measuring all digital processes, service satisfaction and also NPS.

These measurements are complemented by text analytics technologies that allow us to categorise customer comments by reason and gain immediate insight into their concerns.

When it comes to quality, measurements are important but not enough in themselves. With this in mind, the Company has established various procedures for quality management.

As part of its commitment to quality, Línea Directa Aseguradora has a quality management procedure known as “Close the loop”, which contains all the information about the satisfaction level of each customer. This system generates various alerts on policyholder expectations based on their ratings and comments, allowing departments to gain flexibility and reduce response times. In addition, all agents of the company have access to

information about the quality surveys, their ratings and comments in the business applications, which is a very useful tool to improve the customer experience.

8. OTHER SIGNIFICANT INFORMATION

8.1 The Línea Directa Aseguradora share

At year-end 2021, the Company's issued share capital amounted to € 43,536,673.60, comprising 1,088,416,840 fully subscribed and paid-up ordinary registered shares, all of the same class and series and each with a par value of € 0.04.

All outstanding shares carry the same dividend and voting rights and are represented by in book entry form. The shares are listed on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao (the Spanish stock exchanges).

The main stock market index to feature the Company's share is the IBEX Medium Cap, which ranks Spanish listed mid-cap companies.

The ISIN code of the Company's share is ES0105546008.

Share price performance

Since the start of trading on 29 April 2021, the average share price has stood at € 1.71 euros, closing the year at € 1.609 euros.

Taking into account the reference price at the time of the IPO (€ 1.3175), the share had appreciated by 22.1% by the end of the period.



At year-end 2021, a total of nine research houses followed the share, 56% of which recommended "buy", 22% "hold" and 22% "sell", with an average target price of € 1.851.

The Línea Directa Aseguradora share	
	12M 2021
Main figures	
Low price (€)	1.514
High price (€)	1.934
Close price (€)	1.609
Number of shares	1,088,416,840
Treasury shares	795,643
Number of shares outstanding	1,087,621,197
Nominal value (€)	0.04
Average daily volume (shares)	1,573,406
Average daily turnover (million €)	2,7
Market capitalisation (million €)	1,751
Ratios	
Earnings per share (€)	0.101
Book value (€)	0.348
Price / Book value (times)	4.6 x
P/E ratio (times)	15.9 x
ROE (%)	30.4%
Dividend yield (%)	5.7%

Dividends

The Company has paid three cash dividends for a total amount of € 0.071 gross per share, equivalent to a cumulative amount of approximately € 77.7 million. These payments were made on 7 July 2021, 7 October 2021 and 23 December 2021.

In addition, the Company's Board of Directors, at its meeting of 17 February 2022, resolved to propose to the Annual General Meeting a final dividend of € 0.020 gross per share for a total amount of some € 21.5 million, payable in March 2022. This would bring the total dividend payable in 2021 to € 0.091 gross per share, equivalent to a total of approximately € 99.1 million. The dividends represent a payout of 90% of the Company's after-tax profit and a dividend yield of 5.7% based on the year-end price.

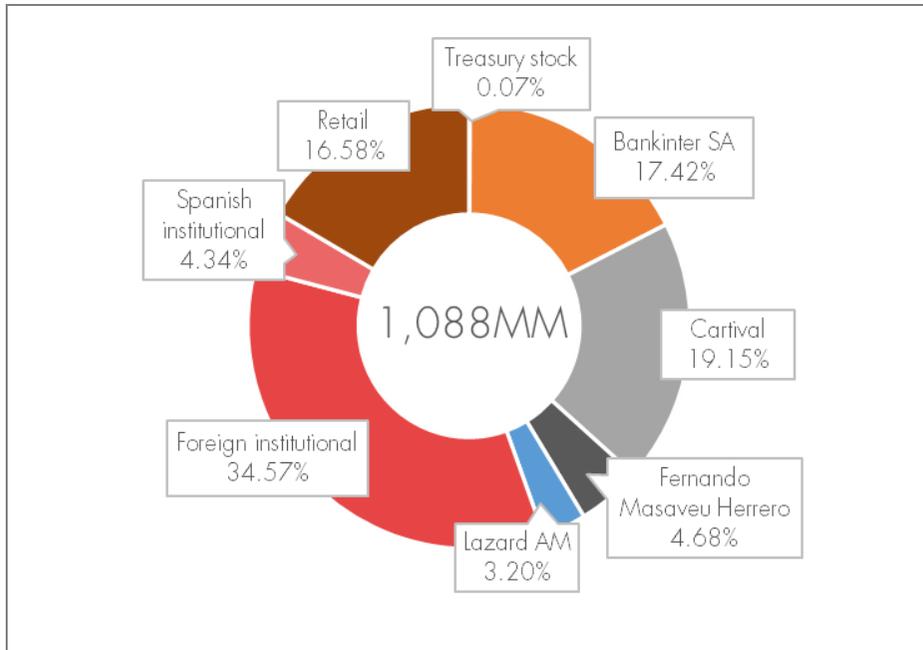
Acquisition and disposal of treasury shares

On 12 May 2021, the Board of Directors approved an own share buyback programme under the authorisation granted at the Company's general shareholders' meeting held on 18 March 2021 and in accordance with market abuse regulations. This authorisation was duly communicated to the CNMV on the same day.

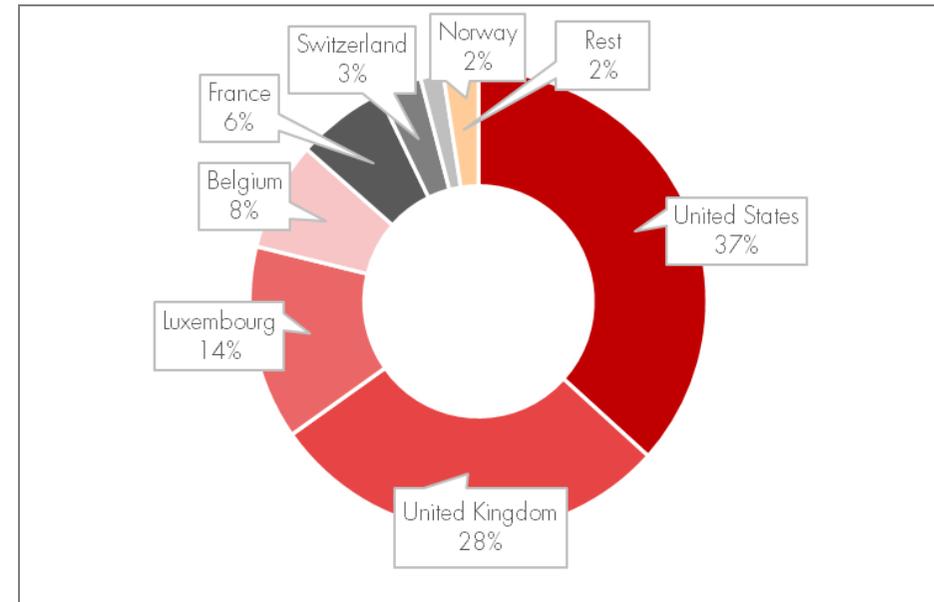
At 30 December 2021, Línea Directa Aseguradora held 795,643 treasury shares, representing 0.073% of capital and amounting to € 1,279,792.

8.2 Shareholding structure

At year-end 2021, Cartival held 19.15% of the Company's shares, Bankinter 17.416%, Corporación Masaveu 4.677% and Lazard Asset Management 3.195%. Línea Directa holds 0.073% as treasury stock. As a result, 55.5% is free float and is mainly in the hands of institutional investors.



The composition of the foreign institutional tranche is as follows:



8.3 Relationship with the financial market

Following the recent listing of Línea Directa Aseguradora, S.A., the Company intends to follow best practices of good governance and the recommendations of the CNMV's Code of Good Governance, which will strengthen its commitment to transparency, to ensuring the full engagement of shareholders and investors and to the creation of long-term value. To succeed in these tasks, the Company considers it necessary to implement procedures to maintain adequate communication with all of its stakeholders.

In this regard, the Company has a Communication Policy in effect with shareholders, institutional investors and proxy advisors of Línea Directa (available on the website), which also includes the general policy regarding the communication of economic-financial, non-financial and corporate information through the Company's social networks and other communication channels.

In particular, the website for shareholders and investors is regularly updated to include information on CNMV filings, financial information, results, presentations and share performance.

The Company has also released its 2021 Non-Financial Statement, which contains extensive information on the performance in environmental, corporate governance, personnel, social and human rights issues relevant to the Company's business activities.

Since start of trading, the Company webcast its published earnings on a quarterly basis throughout 2021 (in Spanish and English). It has also taken part in 12 national and international conferences and forums, all held in virtual format, and has held more than 84 meetings (two of them in face-to-face), thus bringing the business closer to shareholders and investors.

8.4 Average supplier payment period

Payments made to suppliers in 2021 and 2020 are as follows, in accordance with Spanish Law 31/2014. The average payment period to suppliers at the end of 2021 for Línea Directa Aseguradora was 17.29 days.

	2021	2020
	Days	Days
Average payment period to suppliers	17.29	24.27
	(thousand euro)	(thousand euro)
Total payments completed	313,571	304,372
Total payments pending	14,623	11,489

9. COMPLAINTS, OMBUDSMAN AND OTHER NON-FINANCIAL INFORMATION

The Customer Service Department operates in compliance with Order ECO 734/2004, of 11 March, on customer care departments and services of financial institutions, which seeks to regulate the requirements all such departments and services must meet.

The aim of the Customer Service Department (CCS) and the Consumer Ombudsman is to address and resolve any complaints or claims that any individual or legal entity may submit to the Group, guided by the principles of impartiality, speed, economy, publicity, due process and efficiency, and acting with total autonomy in respect of the Group's other departments with regard to the criteria and guidelines to be applied in discharging its functions so as to ensure fully independent decision-making.

In 2021, a total of 6,207 cases were handled, 6.03% of which qualified as complaints (374 cases) and 93.97% as claims (5,833 cases). Of the total, 23.23% related to policy quotes and management, 68.52% to accident handling and the remaining 2.66% mainly to roadside assistance services and the share price.

In 2020, a total of 7,717 cases were handled, 8.62% of which qualified as complaints (665 cases) and 91.38% as claims (7,052 cases). Of the total, 28.75% related to policy quotes and management, 61.32% to accident management and the remaining 9.93% mainly to roadside assistance services and the share price.

The breakdown by type of case managed by the Group in 2021 and 2020 is as follows:

	2021		2020	
	Quantity	% of total	Quantity	% of total
Complaints	374	6%	665	9%
Grievances	5,833	94%	7,052	91%
Total filings managed	6,207	100%	7,717	100%

The breakdown by department of the cases generated by the Group in 2021 and 2020 is as follows:

	2021		2020	
	Quantity	% of total	Quantity	% of total
Quotes and policy management	1,442	23%	2,219	29%
Accident management	4,253	68%	4,732	61%
Travel assistance service	165	3%	766	10%
Other	347	6%	-	0%
Total filings managed	6,207	100%	7,717	100%

The main issues raised by customers are as follows:

5. Policy cancellation, in relation to processing and reimbursement of unearned premiums.
6. Rejection of damage claim following expert inspection.
7. Delays in handling cases, carrying out appraisals and valuations and repairing damage.
8. Requests to review the premium.

Of the total complaints and claims received in 2021, 73% (69% in 2020) were upheld and 35.28% (30.92% in 2020) were deemed to be admissible.

In 2021, a total of 801 cases were heard by the Consumer Ombudsman (1,045 cases in 2020). A decision was handed down against the insured claimants in 58.18% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover; and
- Valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 41.82% of decisions went with the policyholder in 2021, while in 2020 this figure was 24.30%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between Línea Directa and the

Consumer Ombudsman, they can be resolved before the deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. He also suggests that Línea Directa itself monitor and verify its compliance with the decisions handed down in favour of policyholders.

10. ANNUAL CORPORATE GOVERNANCE REPORT, ICFR AND ANNUAL REPORT ON DIRECTOR REMUNERATION

For the purposes of Article 538 of the Corporate Enterprises Act, the Management Report includes the Annual Corporate Governance Report (ACGR), Internal Control over Financial Reporting (ICFR) and the Annual Report on Director Remuneration (ARDR) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, all for the year ended 2021. Both reports are available and can be consulted in full on the website of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV) and on the corporate website.

11. CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION

SNFI 2021



2021 CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION
LÍNEA DIRECTA ASEGURADORA, S.A.

Contents

LETTER FROM THE CHAIRMAN	182	ENVIRONMENTAL ISSUES	249
INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER	185	SOCIAL AND PERSONNEL ISSUES	261
ABOUT THIS REPORT	189	RESPECT FOR HUMAN RIGHTS	299
LÍNEA DIRECTA GROUP	191	FIGHT AGAINST CORRUPTION AND BRIBERY	301
SUSTAINABILITY MANAGEMENT	242	SOCIETY	303

LETTER FROM THE CHAIRMAN

For Línea Directa, the listing offers the possibility of an adequate capital structure and a dividend policy in line with demand, two advantages that will undoubtedly bring great benefits to the Company and its shareholders in the future.

The year 2021 has laid the foundation for the beginning of the economic recovery. Despite serious structural problems such as rising energy and fuel prices, in 2021 Spain has seen an increase in its **Gross Domestic Product** of +5%, according to advanced data from the INE, and the creation of 840,700 jobs. However, these figures, even if positive, barely compensate for the enormous economic collapse resulting from the **COVID-19 pandemic**, as Spain's GDP fell by 10.8% in 2020 compared to 2019, a figure unprecedented in our country's recent history. Nevertheless, the economic recovery has brought a sense of optimism to society, even though the necessary reforms need to be implemented for this positive trend to continue and last in the long term.

In this environment of moderate economic recovery, the **insurance sector** has again performed well, consolidating its position as one of the most stable, respected and profitable sectors of the Spanish economy as a whole. In fact, the **Non-Life line** has managed to grow by 3.3% despite the decline experienced by the Motor line (-0.9%), which in 2021 registered an increase in passenger car registrations of just 0.9%, a clearly insufficient figure considering account the great collapse in sales experienced during 2020 (-32.3%). This complex situation has further exacerbated the severe supply crisis in the automotive industry and indirectly impacted sales in the insurance business,

as the used car market typically has more basic and lower premiums.

Home insurance, in turn, accelerated its growth in 2021 with very solid figures, achieving an increase in premium volumes of 4.9%. **Health insurance** also consolidated its strong growth rate seen in recent years, recording an increase in turnover of more than 4.9%. It thus consolidated its position as one of the driving forces of non-life insurance and as an asset that brings high profitability to the sector.

Línea Directa, a sure value

Against this backdrop, **Línea Directa Aseguradora** has successfully completed the path to **listing on the stock exchange**, a project that had been put on hold due to the measures taken by the European Central Bank in the wake of the health crisis.

For Línea Directa, the listing offers the possibility of an adequate capital structure and a dividend policy in line with demand, two advantages that will undoubtedly bring great benefits to the Company and its shareholders in the future.

In terms of financial results, **Línea Directa Aseguradora** closed 2021 with very positive figures. The **volume of premiums written** was over **€907 million** (+1%), with a significantly higher growth rate than that of the sector, except in the case of **Motor line** (-0.9%), whose fall, caused by a set of exogenous factors, is comparable to that of the industry. In the **Home** business, Línea Directa Aseguradora experienced an increase in the volume of premiums written of +8.8%, compared to 4.9% for the sector, consolidating this line of business as a real growth driver. Of

particular note is **Vivaz**, the Group's health insurance brand, which continues to perform extremely well thanks to its flexible, innovative and digital approach. By the end of 2021, this line of business had comfortably passed the **100,000 customer mark** in just over 4 years, enabling an increase in **portfolio volume to 3.34 million policyholders**, 4% higher than the previous year.

In terms of profitability, Línea Directa Aseguradora achieved a **profit before tax (PBT) of €145.2 million in 2021**, an increase of 1.6% compared to 2019 and a decrease of -19.2% compared to 2020, a predictable result due to the decrease in claims incurred experienced in that year caused by the lockdown and mobility restrictions. Following the return to normality, the Group's **net claims incurred ratio** increased by 6.2 points against 2020 to **67.7%**, a very positive figure compared with 2019 (-0.3 points). The **Combinado Ratio** experienced an increase of +4.9 points compared to 2020 (88.3%) and a slight worsening compared to 2019 (-0.38 pp), an indicator that, in the case of the Motor Line, is significantly lower than our competitors. These results consolidate Línea Directa as one of the most profitable Spanish insurance companies, with a **ROE of 30.4%**, in 2021, one of the highest in the industry.

For Línea Directa Aseguradora, sharing its good results and profitability with all its shareholders is a strategic priority. In fact, since becoming a listed company, the company has distributed **a dividend of 77.66 million euros charged to the first three quarters of the 2021 financial year, implying a payout of 90%** and an annualised return of 5.45% in June and 5.53% in September; figures that undoubtedly make Línea Directa one of the most attractive and interesting stocks on the Spanish stock market.

Corporate governance, diversity and transparency

Last year, the Board of Directors of Línea Directa Aseguradora was due for renewal in order to comply with the **recommendations for good corporate governance** for listed companies published by the National Securities Market Commission (CNMV).

The new Board of Directors, composed of 7 members (compared to 10 in the previous period), is one of the most efficient, inclusive, independent and diverse of all listed companies, as it has **43% female members** and **57% independent members**, who also chair the Board's advisory committees. The renewal of the company's highest governing body, alongside a commitment to equality, transparency and inclusion, is a key tool for addressing the new challenges posed by Línea Directa's immediate future, which will continue to transform and revitalise the insurance industry in Spain.

The value of sustainability

Línea Directa Group's IV Sustainability Plan, in force until 2022, is guided by ESG criteria and seeks to respond to the three major challenges facing the company today in these areas of action: environmental, by incorporating into its corporate governance objectives to promote environmental protection and the fight against climate change; social, by focusing on caring for groups at risk of exclusion and promoting equality and diversity, but also promoting health, road safety and security at home; and good governance, which affects the ethical management and correct performance of the company in an increasingly digital world and with emerging risks.

Línea Directa Aseguradora's IV Sustainability Plan, whose implementation is on schedule, underlines the company's commitment to the **United Nations' Global Development Strategy, reflected in the SDGs and the 2030 Agenda**, to which the Línea Directa Group has committed with 8 specific goals. To this end, up to 15 action areas have been identified and more than 70 actions have been planned in the environmental (18%), social (41%) and good governance (41%) areas, maintaining a balance between the three ESG dimensions.

Línea Directa is now **a good example of diversity, inclusion and equality**. At the end of 2021, the Group employed 2,576 people from 28 different countries, almost 57,4% of whom were women, who also occupy 50% of the management positions. Particularly noteworthy is the absence of a pay gap in the organisation, as the pay gap between men and women at the Línea Directa Group is only 2.6%, a percentage that is significantly better than the average for the Spanish labour market.

The company has its own policies on **corporate governance** (director selection and remuneration, dividends, corporate risks, taxation and related-party transactions) and **sustainability** (human rights, diversity and inclusion, gender equality and social contribution). These policies are formulated by the company's **Sustainability and Reputation Committee** and approved by the Board of Directors through the Appointments, Remuneration and Corporate Governance Committee, thus complying with the recommendations of the **Good Governance Code of the Spanish Securities and Exchange Commission (CNMV)**. The primary goal is to generate value for the company, its shareholders, customers, employees, and suppliers, as well as society as a whole.

The **Sustainability Plan** will enable the Group to consolidate its position as a true benchmark in an area in which it has extensive experience and in which it is included year after year in the country's main reputation monitors, such as **MERCO Empresas, MERCO RSC and Corporate Governance, MERCO Talento** and Top Employer, to name but a few. An achievement to which the **Línea Directa Foundation**, one of the most prestigious organisations in our country in the field of road safety, has also made a decisive contribution, thanks to the great research, awareness and training work it has been carrying out for years, which last year earned it the **Silver Cross of the Order of Merit of the Guardia Civil**, an accolade which fills us with satisfaction.

Línea Directa Aseguradora is optimistic about the future and firmly believes that in the coming years it will consolidate its position as **one of the most profitable** and respected names in the market. This is thanks to its great commercial capacity, potential and financial strength, which, together with its firm commitment to sustainability, have made it one of the largest companies in our country.

Alfonso Botín-Sanz de Sautuola

Chairman of Línea Directa Aseguradora

INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER

Miguel Ángel Merino, CEO of Línea Directa Aseguradora, gives an overview of the main milestones reached by the company in 2021, a year marked by the company's IPO. He also addresses such important topics as the business goals for 2022, sustainability, transparency and corporate governance.

The year 2021 is one of the most important milestones in the history of Línea Directa Aseguradora, as it was the year it became a listed company. How do you assess the company's IPO and what are the prospects for the future of the group?

Línea Directa's IPO is undoubtedly one of the biggest milestones in the company's history since it was founded in 1995. Since we entered the Spanish market, we have made a different, technological, flexible and high-quality offer that has dramatically changed the insurance sector. We were the first to operate without a branch network or agents; the first to democratise car and home insurance through very competitive prices and the first to reward health insurance customers for a healthy lifestyle. All this has made Línea Directa a different and innovative company, one that has revitalised the market, which has managed to transform outmoded services and products on the insurance market, the role technology plays in insurance or the customer experience, to name just a few areas.

Our IPO is another step in the Group's development and growth, as it gives it more autonomy and flexibility and highlights our true potential in the market. The transformation of Línea Directa into a listed company has been a real success, especially in the first months of our activity, **as we have been very well received by investors, which has allowed us to significantly increase our**

capitalisation and the value of our shares. But we still have a long way to go. We are not satisfied with just being an attractive value, but aspire to become a benchmark for profitability and versatility in the Spanish economy - so we cannot set ourselves any limits.

RESULTS AND OUTLOOK

On the business front, Línea Directa posted very positive results in 2021. How do you rate them?

Overall, the results were excellent: the best ever in terms of revenue and portfolio and the second best in terms of profitability, which is very commendable given the complex environment in which we live. There is no doubt that the Spanish economy is still suffering the consequences of the pandemic, which was not only a great tragedy for many Spanish families, but also almost completely brought the Spanish economy, which is essentially based on services, to a standstill.

The decline in consumption has particularly affected the automotive industry, which continues to record very negative sales figures. In fact, new car sales data increased by only 0.9% compared to 2020, a clearly insufficient figure given the huge slump in the previous year, which reached -32.2%. This circumstance has weighed heavily on the motor line, as new vehicles are the main revenue drivers in the insurance sector, as they tend to have the most comprehensive products.

Despite this, Línea Directa achieved a revenue of over €907 million in 2021, with a growth rate of 1%, a profit before tax (PBT) of €145.2 million and a ROE of 30.4% at the end of last year, one of the highest in the market. The company has also maintained a high level of robustness, **with a solvency margin of 196%** at the

end of the year and a surplus of accounting provisions over the Best Estimate of 18%, which is undoubtedly a **sign of strength**. This prudence also extends to the financial income policy, an area in which Línea Directa has a portfolio of more than €875 million euros based on very stable securities, mainly fixed income.

What would you say are the keys to Línea Directa's success?

Historically, Línea Directa's high profitability has been based on three fundamental pillars: dynamism and commercial daring, great adaptability to the environment thanks to its business model, which is much more efficient than the broker model, and finally, extraordinary prudence in risk underwriting.

Our underwriting model is able to analyse a wide range of circumstances and behaviours of each driver, which allows us not only to control claims costs and the combined ratio, but also to act as a real demand generator, being able to offer the best possible price to each customer.

The company ended 2021 with solid technical margins and recorded a Claims incurred ratio of 67.7%, despite the increased mobility and higher frequency of weather claims in Home, which weighed on the overall indicator by 0.5 percentage points. The expense ratio rose 1.3 percentage point better than in 2020 to 20.5%, despite the extraordinary costs from the IPO.

The Combined Ratio continues to consolidate itself as one of the lowest and most stable in the sector, reaching 88.3%, 4.9 percentage points more than in 2020. This increase is clearly cyclical in nature, as it is due to the end of lockdown and restrictions. This is shown by the comparison with 2019, where it improves by 0.4 points.

Finally, it is also worth highlighting the significant increase in the portfolio in 2021, which allowed us to pass the 3.34 million customer mark last year. A very positive figure achieved entirely organically and in just three lines.

How did each of the business lines perform during 2021?

The performance of Línea Directa's business units is positive and satisfactory. It is true that turnover in the Motor line fell by -0.9%, a decline identical to that of the sector (-0.9%). A result that can be considered acceptable in the current context, as the crisis in the supply of new vehicles is significantly affecting the sector's revenue.

The Home insurance line continues to grow at an unstoppable rate, with Línea Directa's growth outpacing that of its competitors as a whole, at 8.8% versus 4.9% across the sector. This result means that this line of business now contributes more than 13% to the Group's total profit, despite natural events such as DANAS or Filomena extreme weather events, which have significantly increased the cost of claims.

In the health insurance line, where Línea Directa Aseguradora has been operating under the Vivaz brand since 2017, the company experienced a remarkable upswing in 2021, exceeding 100,000 customers in just 4 financial years, a truly remarkable result. Premium growth was 21.2% and claims incurred fell below 100% for the first time, to 86.4%, which bodes well for the medium term.

Moreover, Vivaz's digital nature, flexibility and innovative way of understanding the customer journey will not only make it a key growth driver for the Group, but also an excellent testing ground

for the launch of new customer-focused products. Thus, in 2021, Vivaz Safe&Go was launched, the first insurance to cover mobility and individuality and Línea Directa's answer to the new demands and challenges of the new mobility with electric scooters, Segways and electric bikes; more flexible, sustainable and dynamic.

What are the biggest challenges for the company in the future?

From the beginning, we have been ambitious about our growth and profitability targets. That is why we want to continue to focus on growth in the motor line, which is very profitable thanks to our excellent risk underwriting, although it is very sensitive to the macroeconomic context, which has suffered recently.

Home must continue to grow steadily and maintain the momentum that has propelled it into the top 10 in the industry since its inception in 2008, with no mergers or acquisitions. Home is already a consolidated and highly profitable business, providing diversification and solidity. Health needs to continue to mature and move towards breakeven, as it is a business that has huge profitability potential thanks to its digital and flexible nature, which will enable us to achieve our goal of being one of the 10 largest non-life companies in the medium term.

On the stock market, we will continue to focus on good financial results and our policy of high shareholder remuneration.

SUSTAINABILITY AND TRANSPARENCY

Línea Directa has always put sustainability, honesty, and ethical management at the heart of its corporate culture. How is sustainability structured in the group?

Perhaps because of our direct contact with customers and society, Línea Directa has developed important sustainability initiatives since its inception. While these initiatives initially focused on the more social side of corporate responsibility, over time, as Línea Directa became a large project with several business units and different concerns, it became necessary to organise and systematise the sustainability plans within the group by defining the objectives, the elements of measurement and the allocation of responsibilities.

To this end, the Group has a strategic plan for the three-year period 2020-2022, overseen by a dedicated committee and guided by the three main ESG axes (environmental, social and good governance), which apply to three different areas of action: the company, the organisation and society. In order to develop and implement the plan, we also have specific strategies in the area of sustainability, approved by the Board of Directors itself, whose orientation corresponds to the company's commitment to the Sustainable Development Goals and the 2030 Agenda, where Línea Directa has committed to eight of these goals.

What are the main measures taken by Línea Directa in 2021 with regard to transparency and good governance?

In order to adapt Línea Directa's governing bodies to the needs of a listed company, the company decided to set up a new Board of Directors to be guided by best practises in corporate governance. The Board of Directors was reduced from 10 to 7 members, making it one of the most efficient and inclusive governing bodies in the continuous market, with 43% women and 57% independent members. In addition, the advisory committees are chaired by independent directors, which strengthens the Board's autonomy and independence.

Another notable milestone of the year is the fact that for the first time in our history we have produced a non-financial information (NFI) report, an initiative that aims not only to comply with applicable regulations, but also to increase the transparency of the company and provide society and our stakeholders with the most truthful and objective information possible about our ESG performance.

Special mention should be made of the Línea Directa Foundation, one of the Group's pillars in the area of sustainability.

The Línea Directa Foundation brings together and channels the Group's extensive experience in the fight against road accidents. Founded in 2014 under the slogan "Here and Now", the organisation has four lines of action: Dissemination, Research, Social Action and Training, always with the aim of putting an end to the tragedy of road accidents.

To this end, it carries out and disseminates important studies on Road Safety that attract a lot of attention and coverage in the media. It also organises the Road Safety Journalism Award, which promotes the dissemination of news that raises awareness of responsible driving and has become one of the most important

competitions in Spanish journalism, and the Entrepreneurship and Road Safety Award, which aims to promote entrepreneurship in the field. The organisation's work is complemented by a wide range of training activities and collaboration with other organisations and foundations, which has earned it great recognition and prestige. This year, the Línea Directa Foundation was honoured to be awarded the Silver Cross of Merit of the Order of the Guardia Civil for its commitment to road safety, a recognition that is an incentive to continue working for the benefit of society as a whole.

ABOUT THIS REPORT

With this document, Línea Directa Aseguradora reports on environmental, corporate governance, human resources, social and human rights issues relevant to the company in the context of its business activities.

Introduction

The Statement of Non-Financial Information has been prepared in accordance with the requirements established in **Law 11/2018 of 28 December 2018 on Non-Financial Information and Diversity** approved by the Chamber of Deputies on 13 December 2018, which amends the Commercial Code, the revised text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts, in relation to non-financial information and diversity (which dates back to Royal Legislative Decree 18/2017, of 24 November).

The 2021 Consolidated Non-Financial Information Statement has been prepared in accordance with the contents set out in the applicable commercial regulations and in compliance with the “Essential” option of the **GRI (Global Reporting Initiative) standards**. The scope of each indicator is given in the indicator tables annexed to this report.

With this document, Línea Directa Aseguradora reports on environmental, corporate governance, human resources, social and human rights issues relevant to the company in the context of its business activities.

Materiality and relevant aspects

The selection of content included in this report is based, among other things, on the materiality analysis carried out in 2019 by evaluating external sources of information (sustainability standards and international indices, industry peers, industry reports and studies, academic and financial consultations, customers, users and civil society) and internal sources (Group employees and managers).

This report, prepared in accordance with the Non-Financial Reporting and Diversity Act, has taken into account the GRI Standards in its materiality, in addition to other sources, and is reported under the Core option. Thus, it has been drawn up based on different quality principles, including the principles of balance, comparability, precision, periodicity, clarity and reliability. Further, by preparing, publishing and distributing this report on an annual basis, Línea Directa makes it possible to compare it with previous years, so that the different Stakeholders can objectively assess the changes in the main performance indicators. For more information on the materiality and relevance of this Report, see the GRI tables on page 298.

As a result of this process, it was also determined that the contents of Law 11/2018 relating to noise and light pollution, circular economy, food waste, biodiversity and impact on protected areas were not considered material, given the specificities of the sector and the Group's activities.

The appearance of COVID-19 in the last two years has significantly changed the relevance of some aspects whose materiality has increased. The most material issues in 2021 are those fundamentally related to the integration of sustainability

into management, highlighting specific aspects related to employment and innovation.

In addition, the Group was also significantly impacted by the IPO it carried out this year as a company listed on the Spanish continuous market, making corporate governance an important issue of the first order.

In this context, and on the occasion of the company's IPO, the Línea Directa Group is preparing this report individually for the first time, as it ceased to be part of the Bankinter Group in April this year.

Scope of the report

The report therefore includes information on all the companies that comprise it: Línea Directa Aseguradora, S.A., Línea Directa Asistencia, S.L.U., Centro Avanzado de Reparaciones (CAR), S.L.U., Club Más Moto S.L.U., Ámbar Medline, S.L.U., LDActivos, S.L.U., LDA Reparaciones, S.L.U.

Verification of the report

The quantitative and qualitative information has been externally audited by PwC, including information provided by the subsidiaries.

Anyone wishing to view or complete the report may contact the External Communications and Sustainability Department at the following email address: comunicación_externa@lineadirecta.es.

LÍNEA DIRECTA GROUP

MILESTONES AND AWARDS

JANUARY

Línea Directa Group is one of **the most responsible companies with the best corporate governance according to the Merco ranking**, the most important reputation monitor in Spain, ranking 64th.

Línea Directa Aseguradora is listed as a **2021 Top Employer company** in Spain, an independent international certification that recognises the best companies for their human resources management model, with a score of 89%.

Aseguranza, a specialised website which covers the insurance and financial sector, awarded **Miguel Ángel Merino, CEO of the group, “Cum Laude 2020”**, recognising his outstanding work over the past year, both for the company's good results and for its upcoming IPO, digital transformation and the good work of the Línea Directa Foundation.

FEBRUARY

To work together against the adversities still being caused by the pandemic, Línea Directa Aseguradora announces new measures to support the customers who need it most. Thus, on the one hand, the company will cover part of the outstanding insurance premium for self-employed people who close their business, and on the other hand, it will compensate those customers who use their vehicles less due to the exceptional situation that the country experienced.

As part of the Group's alliance strategy, Línea Directa Aseguradora has entered into an agreement to provide sustainable offerings to its customers, including the contracting of photovoltaic systems.

MARCH

Línea Directa Aseguradora announces the **refund of the cost of MOT for new customers**. The promotion, which aims to promote this very important element for road safety, applies to private vehicles that are insured with the company during the campaign, are at least four years old and must pass the compulsory inspection in the first year of the insurance policy.

Línea Directa Aseguradora joins the **Digital Pact for the Protection of Individuals of the Spanish Data Protection Agency (AEPD)**. With this initiative, the company contributes to promoting transparency and good practises in data processing.

Bankinter is authorised by the European Central Bank to distribute the entire issue premium, amounting to 1,184 million euros, by means of the delivery of shares in Línea Directa, as a prior step to the listing of the insurer on the Stock Exchange.

Línea Directa holds its first Capital Markets Day with a large number of national and international investors and analysts.

APRIL

-The Group appoints a **new Board of Directors** with a majority of independent directors, who represent 57%, and women representing 43%, exceeding the recommendations of the CNMV's Code of Good Corporate Governance.

The CNMV approves and registers the IPO prospectus of Línea Directa Aseguradora. The company's shares admitted to trading have a reference price of 1.3175 euros per share, giving the company a value of €1,434 million. This means **on 29 April, Línea Directa is the first company to go public in Spain in 2021, and the third insurance company to be listed on the Spanish market.** Línea Directa's stock market debut is the best in the last eight years, according to the financial press, with a 23% increase on the same day.

On the occasion of the IPO, the company unveils a **revamped corporate website**, with a different design and content aligned with the new reality, including corporate governance, regulatory compliance, and shareholders and investors.

The company launches the **second edition of the “Llámalo X” (“Call it X”) campaign**, the first fully comprehensive insurance policy with an included car, which, as a clear commitment to sustainability, includes the Toyota C- HR Advance, a hybrid vehicle that is in great demand in the market for its design, efficiency and features.

Línea Directa Aseguradora celebrates the **fourth edition of its Digital Think Tank**, an ideas lab that brings together company executives and renowned external experts in digital, technology

and the internet to inspire, stimulate and inform on the latest trends in technology and digitalisation.

Línea Directa presents the study '**Zombie vehicles: Uninsured cars in Spain. Problem and accident rate (2010-2019)**', which analyses the phenomenon of uninsured vehicles in the last decade. The report points out that 7.7% of the Spanish vehicle fleet is uninsured, a percentage that has increased by 16% in the last year and can have serious consequences.

Línea Directa Aseguradora wins several prizes in the **17th Insurance Fraud Detection Competition**. The competition is organised by ICEA (the Spanish Service for Statistics and Studies in the Insurance Sector) and rewards the participation of companies in the fight against fraud. The Company wins the following awards: first place in the world ranking for motor vehicle fraud detection, second place in the world ranking for housing fraud detection, second prize for the best motor vehicle fraud detection case and the Professional Merit Award for the best fraud processor.

MAY

The start-up Evix wins the 8th edition of the **Línea Directa Foundation Prize for Entrepreneurs and Road Safety**. The prize aims to promote and recognise the best initiatives in the Spanish entrepreneurial ecosystem to reduce road accidents and fatalities and improve care for victims.

The **11th edition of the Línea Directa Group Collaborators Award** was held, to thank and recognise its partners, employees and suppliers for their commitment, dedication and hard work. CMC Group, OpenMags, Lukkit, PwC, Madintegra, Javier Gonzalez

Espadas, TASACIONES DIRECT SERVICE SL and Berriprocess Agility are this year's winners.

More than 80% of customers interact with the company digitally.

The first target of the digital transformation plan was that at least half of the customers interact with the company digitally by the end of 2020. Línea Directa has comfortably reached this target. In addition, in 2020, 47% of motor vehicle parts and 33% of household parts were opened via the app and the website, and 50% of customers requested a tow truck via the app and the website. In other words, half of the insured parties can use their devices to find out how long the tow truck will take and to track its location is at all times, thanks to the service's geolocation feature.

The Línea Directa Foundation presents the study called “COVID and road safety.

Influence of the pandemic on mobility and accidents in the future” with the aim of contextualising the claims incurred figures for 2020, which are considered to be the best in history, in a very specific environment: the lockdown and mobility restrictions this year. Taking into account the journeys made this year, 128 fewer people would have died in road accidents in 2020. In addition, two other points of concern were uncovered: During the lockdown, 39% more people were speeding than before and 36% of traffic fatalities were not wearing seat belts.

-The company launches the **Línea Directa Digital Talks** series, a set of interviews in which the management team explains first-hand the progress made in innovation and digital transformation within the group, which allows customers to streamline their procedures.

JUNE

The **18th edition of the Línea Directa Foundation's Road Safety Journalism Award is held.** The competition awards the best reports and articles in the categories written press and online media, radio and television with a net prize of 10,000 euros each.

Línea Directa launches **ConducTOP**, an app which rewards customers for driving well. The app takes into account the smoothness of cornering and braking as well as acceleration, appropriate speed on any road and concentration. Depending on how they drive, customers accumulate rebates that can be exchanged for five-euro vouchers or car wash vouchers at Cepsa petrol stations and stores, Cepsa being one of the company's partners.

Vivaz publishes the “Vivaz Healthy Eating Manifesto” to raise society's awareness of the importance of good eating habits as the cornerstone of a healthy life. Vivaz, the health insurance brand of Línea Directa Aseguradora, is thus committed to promoting the principles of healthy eating and implementing them among all its stakeholders, especially its employees, customers and society in general. For this project, the company is working with Juan Revenga as Vivaz's nutritionist. Revenga is a nutritionist and biologist and a member of the Spanish Academy of Nutrition and Dietetics.

The Group is renewing the fleet of company cars for its customers in partner repair shops, opting for hybrid vehicles such as the new Renault Captur, an LPG hybrid. The Volkswagen Polo and the Audi A1 were also added.

Thanks to artificial intelligence (AI), the company is the **first insurer to assess and compensate in real time** for small claims, which account for 70% of all claims. The customer benefits most from having an option in addition to the traditional repair by choosing compensation that takes place in a few seconds. He can do this management quickly and easily through digital channels such as the web, the company's app and WhatsApp, in real time and at any time of the day. This innovation is another step in the evolution of its digital transformation plan, which aims to make procedures more agile and simple with its digital customers, who already represent more than 80% of the portfolio.

JULY

As part of its commitment to the environment, **the company provides its employees with several charging stations for plug-in and electric vehicles** in all buildings at its headquarters.

The 4th edition of the “Big Ideas” Hackathon was held, a meeting to discover young talent in which this year 38 students from different specialities once again demonstrated their skills in solving different challenges related to the insurance sector. With this initiative, Línea Directa Aseguradora continues this year its commitment to bring university and master's students closer to the world of business, in order to improve their employability.

The company organises the **10th edition of its “Our Values. People who leave their mark”**, an award for those employees who have been selected by their peers for embodying the Group's values: **respect for people, will to self-improvement, enthusiasm, being results-driven and clarity.**

The Línea Directa Foundation presents the study ‘Drugs and driving: a deadly cocktail. Consumption of drugs by Spanish drivers (2010-2019)’, which provides important data, such as the fact that 11% of drivers admit to using more dangerous drugs to drive than before and that **in the last three years** the number of **drivers who have died** and who tested positive for these substances **has increased by 40%**.

Línea Directa Aseguradora presents its **results for the second quarter of the year, its first as a listed company**. The accounts show steady growth in business volumes and sustained and recurring results, with a portfolio of 3.3 million customers (+4.5%), a premium volume of €456.5 million (+1%) and a net profit of €58.2 million (-1.2% compared to 2020, which was an atypical year, and +8% compared to the first half of 2019).

The Company distributes €0.024 gross per share in cash to its shareholders as a **first interim dividend on the 2021 results**, for a total amount of €26.6 million. This dividend implies the distribution of 90% of the Group's results in the first quarter of the year.

AUGUST

The new website of Línea Directa Asistencia, the group's subsidiary dedicated to travel assistance, goes online. It is much more intuitive and user-friendly than the previous version and reflects the spirit of service quality and innovation.

SEPTEMBER

The Línea Directa Group is positioned in 54th place in the **Merco Empresas ranking**, an indicator that evaluates the companies with the best reputation in Spain.

Vivaz launches "Safe &Go", the first pay-as-you-go insurance for users of private mobility: electric scooters, electric bicycles, sedgways and hoverboards, among others. In addition, three round tables were organised in Madrid, Valencia and Barcelona, with the participation of regional and municipal public bodies to discuss mobility.

The Company appears in the ranking of the 100 best companies to work for in Actualidad Económica (El Mundo), specifically in 71st place. The ranking highlights that 87% of employees say they are proud to work for the company.

OCTOBER

Five months after its listing and having increased its capitalisation and kept it stable, **Línea Directa is included in the Ibex Medium Cap**, an index that provides greater visibility and a response to the capitalisation needs of large companies not included in IBEX-35. It is a benchmark for small and medium-sized listed companies that aims to provide transparency in management and financing.

The company presents its results for the third quarter of the year, with a notable increase in policyholders in all lines of business and above-average sales in the home and health lines.

Línea Directa Aseguradora participates in the **Autonomous Ready** connected car project, a pioneering initiative led by DGT and Barcelona City Council to lay the foundations for the future self-driving car in Spain. Línea Directa is participating as the official insurer and is analysing the big data that the more than

800 cars operating in Barcelona will produce from the point of view of accident rates and road safety.

The Línea Directa Foundation publishes the study **"The Great Change. Young drivers: anatomy of a new generation behind the wheel"** which analyses road accidents among Spanish drivers aged 18 to 29 between 2010 and 2019. Despite being the group with the worst image among Spanish drivers (58%), **young Spaniards aged 18 to 29 are the age group with the lowest fatality rate among drivers (0.5%)**, an indicator that has fallen by 41% in the last decade.

NOVEMBER

Vivaz, the health insurance brand of the Línea Directa Group, has reached **100,000 customers in just over 4 years**, in a completely organic way, without resorting to acquisitions or mergers. In terms of revenue, this places the company among the top 25 health insurers in Spain.

Vivaz publishes the study **"Chronological age vs. real age: how old do Spaniards think they are?"** The aim of the Vivaz study is to measure the health and perceived age of Spaniards, compare it with their chronological age, evaluate the impact of lifestyle habits and the perception of well-being at different ages. One of the conclusions is that 6 out of 10 Spaniards feel younger than their chronological age.

The Integra España Foundation gives the Commitment Award to Línea Directa Aseguradora for its volunteer programme that helps socially disadvantaged and disabled people gain a foothold in the labour market.

The company launches the **7 Razones Línea Directa digital series**, in which different employees say why Línea Directa Aseguradora is a good place to work. The campaign will be featured on the company's website and social media (LinkedIn, Facebook, Twitter, Instagram and YouTube) through testimonials and creative posts.

Línea Directa Aseguradora will pay its **second interim dividend on the results of the second quarter of 2021**, paying €0.023 gross per share in cash, for a total distribution of €25.7 million and a payout ratio of 90%.

DECEMBER

The Group resolves to distribute €0.023 gross per share in cash as the **third interim dividend for 2021**. The total amount distributed to Línea Directa Aseguradora shareholders is 25.3 million euros, representing 90% of third quarter profits.

The company joins the WEP (Women's Empowerment Principles) and the **United Nations Global Compact**, the world's largest corporate sustainability initiative, which more than 13,000 companies have joined to date. By doing so, Línea Directa Group commits to incorporating the 10 universal principles on human rights, labour standards, the environment and anti-corruption into its strategy and contributing to the Sustainable Development Goals (SDGs) and the 2030 Agenda.

The Ministry of the Interior awards the Línea Directa Foundation the **Silver Cross of the Order of Merit of the Guardia Civil** in recognition of its important work for road safety.

Under the title **"How to present your start-up to an investor"**, the Línea Directa Foundation, together with the Finance Director of

Línea Directa Aseguradora, offers a masterclass in which entrepreneurs learn the aspects they need to consider in order to turn their ideas into reality.

The Home division of Línea Directa Aseguradora publishes the report **"Impact of atmospheric phenomena on home insurance from a social point of view"**. One of the main conclusions is that 27% of Spanish households have been affected by a weather event in the last 10 years, which corresponds to almost seven million households.

Línea Directa Aseguradora is the **first insurer to use drones to assess home damage**. Their main task will be to speed up the assessment in exceptional situations such as storms or strong atmospheric phenomena, and to gain access to more difficult places without endangering professionals.

The Línea Directa Foundation is publishing a solidarity calendar in favour of the **Spanish Federation for People with Brain Injuries (FEDACE)**, a project in which **12 Olympic and Paralympic medallists from Tokyo 2020 and 12 volunteers** with brain injuries are selflessly collaborating. All proceeds from the sale, as well as a direct donation of 3,000 euros, will go to FEDACE for the fight against brain injury.

KEY FIGURES

ECONOMIC FIGURES IN MILLIONS

Total revenues and by line of business

Premium written €907.1 Mn

Motor Revenue **€748.1 Mn**

Home Revenue **€131.2 Mn**

Assistance Revenue **€1.4 Mn**

Health Revenue **€26.4 Mn**

PBT (Profit before tax) **€145.2 Mn**

Net profit **€110.1 Mn**

Customers **3.3 Mn**

Technical result **€138.3 Mn**

GOOD GOVERNANCE

% Women on the board: **43%**

% independent directors: **57%**

No. of directors: **7**

STAFF DATA

Average age **42**

Seniority **9 years**

Workforce has received training **97%**

STAFF DATA

Total employees **2,576**

Men **(43%)**

Women **(57%)**

VALUE CREATED

SHAREHOLDERS

Market capitalisation at 31/12 **€1,750.7 Mn**

Share price performance **+22.09%**

(since listing on 31/12)

Dividends paid **€77.7 Mn**

Dividend yield **5.91%**

EMPLOYEES

Permanent contracts **95.25%**
Women in senior management positions **33%**
Women in positions of responsibility **50%**
Employees in corporate volunteering **154**

CUSTOMERS

NPS (Net Promoter Score) **37.94%**
NSS (Net Satisfaction Score) **42.87%**
Digital clients **84.6%**
Electric vehicles **9,178**
insured in the company

Steps taken by customers **35,000 Mn**
in the Vivaz Activity App

Number of enquiries for **39,747**
telemedicine service and online medical chat

Calls answered **10,441**
from our customers

95% Local suppliers

ENVIRONMENT

Tons of CO2 **9,378**
avoided through electrical vehicle insurance
(Including Póliza Respira)

Renewable electric power **86%**
(Línea Directa)

CHANGE IN CONSUMPTION COMPARED TO 2019

Power Consumption **-5.5%**
(Línea Directa)

Reducing paper consumption **-62%**
(Línea Directa)

Reduction of water consumption **-39%**
(Group)

Reduction of emissions **-58%**
(Group) (scope 1 and 2)

SOCIETY

Direct and indirect taxes **€225 Mn**
borne and passed on

LÍNEA DIRECTA FOUNDATION

Start-up projects received **52**
In the Entrepreneurs Award

Projects presented **1,600**
to the Journalism Prize

Three studies with more than **700**
media Information Impacts

IPO OF LÍNEA DIRECTA ASEGURADORA

As of April 2021, Línea Directa Aseguradora is the third listed Spanish insurance company.

As of April 2021, Línea Directa Aseguradora is the third listed Spanish insurance company. At the end of 2019, the Board of Directors of Bankinter, at the time the company's sole shareholder as it held 100% of the shares, approved the insurer's IPO, dividing 82.6% of the share capital among the financial institution's shareholders and maintaining a minority stake of 17.4%. On 19 March 2020, the bank's general meeting approved the transaction, which valued the company at €1,434 million.

The IPO was carried out under the listing procedure, so the shares of Línea Directa Aseguradora were placed on the market with the owners instead of a public offering. The owners were the shareholders of Bankinter, who at the same time became shareholders of an independent and autonomous insurance company. Each Bankinter shareholder received the same number of shares in Línea Directa Aseguradora as the bank itself.

The operation received all regulatory approvals and was prepared for months in close and continuous collaboration with the General Directorate of Insurance and Pension Funds (DGSFP) and the National Securities Market Commission (CNMV). On 22 March 2021, Bankinter received approval from the European Central Bank (ECB) to carry out this demerger of its banking and insurance business, and on 26 March the DGSFP expressed no objections. Línea Directa Aseguradora registered its listing prospectus with the CNMV on 15 April and its stock market debut took place on 29 April at a reference price of €1.3175 per share.

Prior to the start of trading on 5 April 2021, the Group appointed a new Board of Directors with a structure and composition in line with corporate governance best practises. The company's new Board of Directors is now composed of a total of seven members, compared to the previous nine, strengthening the company's efficiency; **the number of female directors represents 43% of the total number of members, and the number of independent directors, 57%**, creating a very balanced board. The Board of Directors has two advisory committees — the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee — the majority of which are chaired and composed by independent directors.

The transformation of Línea Directa Aseguradora into a listed company was, on the one hand, in response to the need of its former sole shareholder to separate its insurance business from its banking business, which has allowed both companies to be more independent in their respective strategies and to operate with a capital structure and dividend policy that meet their needs. On the other hand, this was a natural step given the type and profitability that Línea Directa Aseguradora has achieved in its 26 years of operation. During this time, the company has become the fifth largest motor insurer in the country, with more than 3.3 million customers, an annual revenue of around €900 million and a profitability (ROE) of more than 30%.

The operation will allow the company to explore new avenues of growth and strengthen its ability to attract talent as it achieves greater visibility, while providing a professional challenge for the group's more than 2,500 employees.

BUSINESS MODEL

BUSINESS ENVIRONMENT

In a very complex macroeconomic environment, where the economy is still far from pre-pandemic growth rates, the insurance sector has earned a reputation as a guarantor of stability and solvency.

In 2021, the **non-life line** recorded an increase in premiums volume of 3.3% to **€38,277 million**, a result that is particularly relevant given the unfavourable evolution of the motor line, one of its main pillars.

In 2021, motor insurance recorded a premium volume **of almost €10,990 million**, a decrease of **-0.9%** compared to 2020, although according to FIVA (Fichero Informatizado de Vehículos Asegurados) data, the insurance volume exceeded **32.6 million vehicles**. However, the slump in new car sales has had a decisive impact on the sector, whose revenues have fallen back to the level of a decade ago. This situation, which threatens to continue until 2022, is due, among other things, to the microchip crisis in the automotive industry, which has been partially offset by the dynamism of the used car market.

The decline in new car sales has also meant that the insurance market is mainly fed by **cars that are 10 years old or more**, which exacerbates the problem of the ageing of the Spanish car fleet, which is now **13.2 years old on average**. This has two key consequences for the insurance industry and for society: a decrease in average **premiums** and **less protection against road accidents**, as older vehicles do not have the same safety systems

as newer vehicles, which further aggravates the consequences of accidents.

The recovery of mobility after the end of the lockdown and restrictions has led to **an increase in the number of most serious accidents** compared to 2020 (+15%), which has led to an overall increase in the claims incurred ratio and consequently in the sector's Combined Ratio (92.1%, at the end of September 2021, the last available data), a key indicator in the insurance business as it measures the relationship between premium income and the sum of the cost of claims and expenses, thus representing the real profitability of insurance companies. In this context, Línea Directa Aseguradora recorded a 0.9% decrease in premium volume in 2021, a fall which was roughly that experienced by the sector as a whole. In the ranking of the motor sector, the company is in 5th place, with a turnover of more than €748 million at the end of the year.

Home insurance continues to consolidate as a dynamic and solid value offering stability, diversification and profitability to the non-life line. At the end of 2021, the total revenue of the business increased by 4.9% compared to the previous year. For its part, Línea Directa Aseguradora continues its steady and sustainable growth. At the end of 2021, the company's premium volume increased 8.8%, 3.9 percentage points more than the market. Particularly noteworthy is the trend in new production and customer retention, two key indicators of growth.

Thanks to this strong performance, Línea Directa Aseguradora consolidated its position in 12th place in the Home ranking by turnover, according to ICEA data. This is a commendable milestone, considering the company's firm commitment to organic growth, which has always been based on high

profitability and exceptional risk calibration. In fact, during 2021, the company's claims incurred ratio was only 55.4%, giving it one of the best Combined Ratios in the industry (88.9%), 8.2 percentage points lower than the market average at the end of the third quarter of 2021, the latest available data.

Results in health insurance continue to be very positive, making it one of the best performing and most promising lines of business in the market. In 2021, the growth in the total premiums earned volume of the line was 4.9%, which enabled it to exceed €9,849 million and significantly increase the number of policyholders (+4.8%) to reach 13.4 million risks at the end of September 2021, the latest available data. This result was even more remarkable in the Healthcare segment, where revenue increased by 5.2%.

Línea Directa Aseguradora, which has been operating in the line since 2017 with its Vivaz brand, has performed very positively and has been able to exceed the 100,000 customer mark entirely through organic growth. In addition, the company achieved a turnover of €26.4 million in 2021, 21.2% more than the previous year, a growth rate four times higher than the sector and which puts Línea Directa Aseguradora in 21st place in the ranking of healthcare companies, according to ICEA data, at the end of the third quarter.

BUSINESS LINES

Línea Directa Aseguradora began as a company specialising in car insurance and, over its 26 years in business, has gradually developed into a multi-line and multi-brand company with a differentiated and highly competitive range of Motor, Home and Health products. At the close of 2021, the group ranks 13th in the non-life line with a turnover of €907.1 million and 3.34 million

policyholders in its portfolio, according to the Insurance Sector Statistics and Studies Service in Spain, ICEA.

Motor insurance

The motor area comprises Línea Directa Aseguradora's main business, which includes car and motorbike insurance for various clients: Individuals, businesses, self-employed and those living abroad or operating internationally, and is the core of the company. At the end of 2021, this segment accounted for 82.5% of the company's premium income, with revenues of €748.1 million, and 75.5% of the insurance portfolio, with over 2.5 million policies underwritten. These figures make Línea Directa the **fifth largest car insurance company in Spain.**

Under the Línea Directa brand, the group has a tailor-made offer for **private** and **corporate vehicles**, large corporations, SMEs and the self-employed, regardless of their sector of activity, with insurance cover and service specifically designed for these customers. These policyholders have at their disposal a fleet manager, a professional whose main task is to adapt the policy to the characteristics of each company.

The Motor segment also includes the **Penélope Seguros**, brand, created in 2012, which offers insurance cover specifically for women with a unique service in the market. The other brand in this segment is **Aprecio**, which is aimed at motorcyclists.

In a scenario characterised by constant competitive pressure, Línea Directa Aseguradora has managed to **stand out from the market average** thanks to a completely disintermediated business model, a rigorous risk policy and efficient claims

management. All this allows the company to achieve efficiency gains, which it passes on to its customers in the form of policies at highly competitive prices.

In this context, and after offering the greatest help in its history to policyholders in 2020 on the occasion of the Covid 19 pandemic with the "Real guarantee that you pay less" campaign, Línea Directa Aseguradora will resume in 2021 its famous **campaign for drivers who keep all the points on their licence**, the only one of its kind in the Spanish insurance market, which it first launched in 2013. In this way, Línea Directa will once again reward with discounts drivers who keep 15 points on their licence and have not caused any accidents over the last five years.

The Company's commercial offering is constantly adapted to policyholders' needs - essential in a scenario like the current one in which a **revolution is taking place in the mobility paradigm** based on **greater environmental awareness and new habits of ownership and use of vehicles**.

In April 2021, the Group launched the second edition of "**Llámalo X**", the first all-risk insurance with car included for a fixed price per month, including maintenance and taxes linked to it, which represents a departure from the traditional model whereby cars are marketed with insurance included. Since its launch in 2020, Línea Directa Aseguradora has sold more than **800 "Llámalo X" ("Call it X") policies**, a product that responds to consumer concerns about respect for the environment.

Along the same lines and as part of the Group's commitment to sustainability, Línea Directa Aseguradora has continued to promote the insurance of electric vehicles through its **Respira Policy**. At the end of the year, 9,178 electric vehicles were insured

by the Company, more than two thousand with the Respira policy.

In addition to the growing phenomenon of shared vehicles, there is a boom in personal mobility vehicles (PMVs), such as electric scooters and electric bicycles - vehicles whose use and circulation were regulated by the authorities in 2021. In this context, Línea Directa Aseguradora has developed and launched Vivaz Safe&GO in September this year, the first PMV insurance that covers personal mobility, is 100% managed through a mobile application and works on the on/off or pay-as-you-go model.

Línea Directa Aseguradora has also been working for years on the future of the self-driving car using tools that allow remote and real-time monitoring of driving and user behaviour. In 2019, the Group became the official underwriter of **Autonomous Ready**, a cutting-edge mobility and road safety project of the Directorate General of Transport (DGT) and Barcelona City Council to promote the connected car and the future self-driving car. Each car is equipped with a device that collects all the information about driving behaviour, the environment and the characteristics of the road and identifies the main risk points in the city, especially those that affect the most vulnerable road users (pedestrians, cyclists and motorcyclists). The goal is to reach 5,000 connected cars.

Línea Directa Aseguradora is the company responsible for analysing these millions of data. The conclusions are used to configure predictive models for mobility and road traffic prevention based on these driving assistance systems, known as ADAS. As part of the pilot project, Línea Directa installed 50 devices in some of the replacement vehicles offered to its

customers by its CAR Barcelona workshop, always with the aim of learning directly from the possibilities offered by this technology.

In July 2021, the company launched the **ConductTOP** mobile application, an innovative programme for its customers that automatically analyses each driver's journey, taking into account the smoothness of turns and braking, appropriate acceleration and speed, and concentration at the wheel. For each trip with a good score, the driver collects rewards that customers can exchange for wash cheques at Cepsa petrol stations or cheques worth five euros that they can cash at Cepsa petrol stations or in shops. This initiative allows the Group to continue its innovations in the field of motor insurance and to offer discounts to its customers, with the aim of rewarding and rewarding good and safe driving behaviour. In just six months, this app has been downloaded almost **18,000 times** in the Google Play and iOS stores.

Thanks to its simple and efficient processes and digital services, the Cars division is able to offer a differentiated customer experience based on technology, flexibility and immediacy.

In recent years, the use of **WhatsApp** as a communication channel with the customer has increased to cover processes as diverse as managing appointments, requesting a replacement car, sending photos for damage assessment, requesting pick-up and delivery services or even checking the status of repairs.

Technology has also been a great ally in automating processes in motor claims management. One example of this is digitalisation of the assignment processes for loss adjusters, as well as the online claims adjustment processes. This has made it possible to avoid information gaps and carry out damage

assessments in real time. Also the automation of invoicing, which has made it possible to streamline the invoicing process with the Advanced Repair Centre (CAR) via an online platform.

The Group's digital transformation over the last few years has reached such a point that, for example, el 49,8% of the company's policyholders' motor claims are handled through digital channels and more than half of towing services (el 59,7%) are requested through Línea Directa's app or website.

Through the use of artificial intelligence (AI), Línea Directa Aseguradora launched a pilot **project in 2021 to assess and compensate damages caused by minor accidents in real time and without human intervention**. These simple mishaps, such as scratches on the body of the car that do not affect the safety of the vehicle, account for 70% of all claims. With this new option, the customer can manage the claim quickly and easily by sending photos of the damage to the vehicle in real time and at any time of day via digital channels such as the website, the app and WhatsApp. They will then immediately receive the assessment and compensation for the damage. The company expects that by 2022, 30% of these claims will be handled without human intervention.

Home insurance

Línea Directa Aseguradora began diversifying its business in 2008 when it entered the home insurance sector, selling for the first time in the Spanish insurance market a multi-risk policy through the direct channel that is flexible and allows customers to pay only for what they really need.

With a turnover of over 131 million euros and **712,000 policies taken out**, representing 14.5% of premiums issued and 21.3% of the insured portfolio, the home insurance line has become one of the Group's main growth drivers.

In a market characterised by strong competition from banks due to the traditional link between mortgage loans and home insurance, Línea Directa Aseguradora has outperformed the market in terms of premium income and, at the end of the third quarter, is ranked **12th in Home insurance** by sales volume according to the ICEA.

The distribution of home insurance by Línea Directa is based, as in the case of motor policies, on a 100% disintermediated model, sold via telephone and internet. In parallel with this strategy of organic growth, the company is exploring various distribution alliances with other financial institutions and companies from other sectors, which it has concluded in 2021.

With the aim of attracting new clients and generating new forms of engagement, **Línea Directa Aseguradora and Naturgy** entered into a **commercial alliance** in the first half of the year that complements the products and services of both companies with attractive offers and strong discounts for both companies' clients. Following the success of the agreement, four months later they consolidated their partnership with sustainable proposals. Línea Directa Aseguradora customers who sign this agreement will receive a fixed discount of 300 euros if they choose a photovoltaic system from Naturgy.

Línea Directa Aseguradora has also entered into a **distribution agreement for its home insurance with Evo Banco**, a 100% digital

financial institution with more than 700,000 customers, whose distribution model via internet and mobile phone is fully in line with the Group's disintermediated model.

Since its launch in 2008, Hogar has continued to develop processes and tools with a strong digital component to enable customers to resolve their incidents more quickly, including in the self-assessment of claims, so that currently 32,5% of home insurance claims are opened through digital channels. In 2021, Línea Directa Aseguradora's Home division further expanded its commitment to digital channels. The omnichannel approach optimises the delivery of services to customers in their homes.

The company uses video operations technology as an innovative and agile assessment process. An example of this is the video assessment of damage to glass ceramic hobs, where, thanks to this technology, the proposal for financial compensation is transmitted immediately, which, if accepted by the customer, is automatically transferred to their bank account.

Línea Directa Aseguradora uses the latest technologies to speed up and facilitate the assessment of claims, offering policyholders a faster solution and the best service at the moment of truth, when customers really need their insurance company. With this in mind, and given the increasing frequency of claims caused by adverse weather phenomena such as Storm Filomena, the company's Home division began using drones to assess damage to homes in 2021. Not only does this speed up the process, but it also allows the company to access more difficult locations without putting professionals at risk.

Vivaz, the health insurance brand of Línea Directa Aseguradora

Línea Directa Aseguradora continued its strategy of diversifying its business in 2017 by starting operations in the health insurance business under the Vivaz brand. In just over four years, Vivaz has established itself as one of the Group's main growth drivers.

Vivaz, Línea Directa Aseguradora's health insurance brand, has passed the 100,000 customer mark and €26 million in premiums in 2021, **making it one of the 25 largest health insurers** by revenue, according to third quarter data. This growth is remarkable, especially considering that the health insurance sector is heavily concentrated in four large companies. In this scenario, Vivaz has consistently delivered double-digit organic growth in revenue and policyholders year on year, well above the market average.

Vivaz's commercial offer for health insurance is completely different from that of its competitors, as it is a 100% digital product, managed entirely through the mobile app and website, without the need for a health card, and with a simple and flexible offer that allows policyholders to choose the coverage they really need. In this way, Vivaz can create a new market and appeal to customers who have never taken out private health insurance before.

Vivaz has a **medical team**, in alliance with DKV, made up of **30,000 professionals and 1,000 health centres**, with which it provides a high quality health service and responds to all the demands of its policyholders. Through the **Vivaz Médico Online** app, the Company provides health care via mobile phone by means of a chat service and **medical appointment by video conference** with a large pool of specialists in the fields of general medicine, paediatrics, psychology, gynaecology, dermatology, allergology, sexology, nutrition and dietetics and personal training.

Through this telemedicine service, 39,747 consultations were attended via chat and videoconference in 2021, more than double in 2020. Almost 45% of these consultations were for general medicine, followed by video consultations with paediatricians, nutritionists and gynaecologists.

In addition to providing excellent medical care, one of Vivaz's strategic priorities is to **promote healthy lifestyle habits** among its insured members and society at large, driven by our philosophy that prevention is the best way to ensure health. Vivaz is the first health insurance brand to offer its customers the opportunity to have **preventive diagnostic tests**, even if they have no symptoms. The company also encourages its policyholders to follow healthy habits, such as walking at least 10,000 steps a day and sleeping at least 7 hours a day, monitored with the help of a fitband or smartphone, and rewards them for following these habits with discounts of up to 200 euros when renewing the policy.

At the end of 2021, Vivaz Activity, the app that tracks adherence to these healthy habits, had 21,120 active users. Since the launch of this initiative, users of the app have **accumulated 75,149 million steps**, with an average of 198,750 steps per month per active user in 2021, and around **almost 21 million hours of sleep**, which means that each user slept more than 7 hours on an average of 88 days in 2021. Thanks to this activity and sleep challenge, these policyholders were able to **renew their policies with an average discount of €49.33**.

In June 2021, mindful of the importance of eating well to prevent disease, Vivaz launched the Vivaz Manifesto. This document, authored by Juan Revenga, dietician-nutritionist and biologist, and member of the Spanish Academy of Nutrition and Dietetics,

includes basic tips for good nutrition and proactive commitments by the health insurance brand of Línea Directa Aseguradora to help society achieve this goal. Such tips include promoting healthy lifestyles, truthful and rigorous disclosure and a critical approach to false claims about nutrition, etc.

Vivaz also accepts the principles set out in the Manifesto and puts them into practise in everything the company does in this area **towards all its stakeholders, especially employees, customers and society in general**. Vivaz has announced these principles through all its content on nutrition and healthy habits on its social media channels, website and apps, as well as in its interventions and collaborations in the media since its creation.

Among other things, Vivaz policyholders can take part in training programmes run by nutritionist Juan Revenga, and the group's more than 2,500 employees have the opportunity to take part in webinars on healthy habits with various experts.

Vivaz combines two strategic goals with all this: for its customers to enjoy better overall health and benefit from this in their insurance pricing.

Vivaz Safe&Go, the first pay-as-you-go insurance for users of private mobility vehicles

One of the phenomena that is part of the new mobility scenario that society is going through is the emergence and rise of personal mobility vehicles (PMVs), such as electric scooters and electric bicycles, which do not require licencing or any other kind of official registration. The exponential increase in the use of these vehicles and the associated increase in accidents has become a major cause of concern for the Directorate General of

Transport (DGT), the Public Prosecutor's Office for Road Safety and municipalities. This has led the authorities to regulate the use of these vehicles in 2021 by, among other things, making helmets compulsory, banning their use on pavements, limiting their speed to 25 km/h and establishing penalties for driving MPVs under the influence of alcohol and drugs.

Under current national laws, PMV users are not obliged to take out liability insurance covering at least the damage caused to third parties in the event of an accident involving an electric scooter or a bicycle. Therefore, PMV users who are involved in an accident with their PMV are currently liable with their own assets for both the damage they suffer and the damage they cause to others. The authorities are aware of this loophole and the danger to other road users such as pedestrians and have therefore opened the debate on the need for compulsory insurance for electric scooters and electric bicycles.

In this context, **in September 2021, Línea Directa Aseguradora launched Vivaz Safe&Go, the first 100% digital insurance aimed at users of PMVs: scooters, bicycles, skates, segways, unicycles and hoverboards**. To do this, users can activate and deactivate their insurance through the Safe&Go app and only pay for the actual time of use for each ride.

This innovation by Línea Directa Aseguradora also helps to remove an obstacle to the expansion of compulsory insurance among VMP users, because since it is the person and not the vehicle that is insured, it is not necessary to create a register for these vehicles or to register them.

With the Vivaz Safe&Go mobile app, you can check routes 24 hours a day and manage the policy digitally without making

calls, including by signing a contract, reporting an accident or viewing your payments. Once accepted, the compensation is immediately transferred to the customer's current account, so there is no waiting time.

Vivaz Safe & Go offers insurance cover that is **unique in its category**, as it not only covers damage caused to third parties, but also physical damage suffered by the user himself, and even legal defence. In addition, in the event of an accident, the insurance app pinpoints the location, which can shorten the response times of the emergency services and get you help quickly.

Vivaz Safe & Go is characterised by its **simplicity and clarity** and offers two contract options: pay-per-use and annual. Pay-per-use has a flat rate of 2 cents per minute. All prices include Insurance Compensation Consortium (CCS) taxes and surcharges. There are three different packages in the annual package, depending on the scope of coverage, ranging from €16.35 for the most basic product to €33.2 for the most comprehensive product. This means that every VMP user can take out an annual insurance policy for only four cents per day.

Línea Directa Asistencia

Línea Directa Asistencia is the Group's subsidiary specialising in verification, vehicle inspection and travel assistance services. It has a network of thousands of employees throughout Spain, which enables it to provide assistance to vehicles and people 24 hours a day, 365 days a year. It relies on technology, digital media and innovation to set standards in the field of mobility and the services it offers:

- **Digital Towing**, which allows customers to request a tow truck from their mobile phone in less than 30 seconds, also solving the problems of locating the vehicle at the time help is requested, thanks to **GPS geolocation**.

Once help is requested, the tow truck's, and estimated time of arrival can be tracked in real time.

- **Facetruck**: for reinforced customer safety, customers can receive a photo and details of the truck driver on their mobile phone, with whom they can interact via messages before the driver arrives at the scene.
- **Instant replacement vehicle**: at the time of assistance, our towing staff will bring a replacement vehicle to the scene to allow the customer to continue their journey while removing the customer's damaged vehicle.
- **Photo inspection**, to assess the vehicle remotely without the customer having to travel to the repair shop.
- **Mechanical Assistance**, a pioneering service that provides policyholders with professional advice on mechanical matters, including a trip to MOT, technical advice, on-site repairs, support or a comprehensive maintenance service to keep maintenance up to date.

Roadside assistance

Línea Directa Asistencia provides more than 700,000 roadside assistance services per year. Thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this

service to both Spanish and foreign customers, inside and outside Spain, 24 hours a day, every day of the year, in Spanish, English, German and Portuguese, for both the vehicle and its occupants in the event of a breakdown, accident or theft.

The service is based on three pillars: a management team with a passion for service; a wide, experienced and dedicated network of employees; and the most innovative technology, with location-based solutions such as a dedicated app, a mobile website and, soon, the possibility of requesting the towing service via WhatsApp. In fact, technology has enabled the implementation of a **predictive model** to know how complex a case will be before the call reaches an agent, and thus be able to direct it to the most appropriate group of professionals for each case, depending on each type of case.

Línea Directa Asistencia has a team of **mechanics who specialise** in diagnosing breakdowns over the phone at the time of assistance, so they can decide what is the best option for the customer at a given time, send information to the employee for an on-site repair, find out if a tow truck is necessary or tell the insured that they can continue to drive their vehicle to the repair shop. These systems and teams of staff are able to identify all of the customer's needs at the time of assistance, manage the case comprehensively and improve the resolution on the first call.

Thanks to the breadth and excellence of the company's staff network, **the average arrival time of the tow truck is 30 minutes and the rate of on-site repairs is 45% of cases.** These figures confirm the satisfaction of customers, with **eight out of ten respondents rating Línea Directa Asistencia's service as "excellent"**. Another reason for these results is the on-site battery

testing and replacement service, thanks to which customers can continue using their vehicles in a matter of minutes.

Since 2014, **Línea Directa Asistencia** has also acted as an **emergency call centre in the** various autonomous communities. When the **E-Call device** located in the vehicle involved in the accident is activated, the company's specialists contact the customer to resolve the emergency. If communication is not possible, Línea Directa Asistencia contacts the emergency services and informs them of the accident and the location, reducing the time to medical attention.

Mobility solutions

Línea Directa Asistencia's mobility service is 100% digital and has a complete network of qualified vehicles and drivers to offer its clients the best services in the sector. Among other things, it offers a solution for repair shops that want to offer their customers the possibility of using a replacement vehicle while their own vehicle is being repaired.

Línea Directa Asistencia also offers the company's customers or external customers a network of professional drivers who collect their vehicles or take them to the repair shops, always with the aim of providing a safe, fast and reliable service that includes, among many other options, **the transfer of cars to MOT with all the related procedures** - as part of the assistance with vehicle maintenance at home - or the **personalised delivery of new or used cars and other external services.**

Risk verification

Línea Directa Asistencia offers a pre-contract verification service. An average of **170,000 checks** are carried out annually, both in person — through the national network of verifiers — and digitally, by sending photos of the vehicle and documentation via the Línea Directa Aseguradora app.

Advanced Repair Centre (CAR)

Equally important are the innovative efforts in the management of claims and repairs, one of the fundamental aspects of the insurance business, the relationship between the companies and their policyholders, and thus the quality of the service provided. Línea Directa Aseguradora has a network of more than 1,500 collaborating repair shops and two **Advanced Repair Centres (CAR)**, one in **Madrid** and the other in **Barcelona**, its own state-of-the-art repair shops that offer customers a comprehensive service, from the opening of the claim to the repair of the vehicle, always in accordance with the Group's high standards of quality, commitment and excellence.

In addition, the company has a **fleet of almost 1,200 replacement vehicles** available to customers when they need to take their vehicle to a partner repair shop for repair after an accident. This year, the entire fleet was renewed without the quality of service suffering. Proof of this is that the company has beaten records in the percentage of customers who choose to have their car repaired at a Línea Directa repair shop, and the *NSS (Net Satisfaction Score, or satisfaction index when buying products or services)* of these repair shops. In 2021, 71% of customers chose a partner repairer and their *NSS* was 54%.

The first centre was opened in Madrid in 2008 and 10 years later the CAR centre was inaugurated in Barcelona, which has also provided the company with very valuable information on repairs and which, together with the Madrid centre, serves as a test bed for the introduction and improvement of technological applications and processes in the repair processes. In recent years, the use of WhatsApp as a communication channel with the customer has become widespread, covering processes as diverse as managing appointments, requesting a replacement car, requesting pick-up and delivery services or even checking the status of repairs.

Both CAR Madrid and CAR Barcelona are highly rated by their users. The *NSS (Net Satisfaction Score or satisfaction index for purchasing products or services)* of CAR Barcelona and CAR Madrid was 45.99%, at the end of the year, while the score for non-cooperating repair shops was 34.09%.

In addition, CAR Madrid's repair volume this year was more than 8,000 vehicles, a record in absolute terms, with a 26% increase compared to 2020, while CAR Barcelona repaired almost 7,000 vehicles, 31% more than last year. In total, more than 18,000 claims have been repaired in these Advanced Repair Centers in fiscal year 2021.

LDA Reparaciones

Since 2017, LDA Reparaciones has been the Línea Directa Group's own repair network in the home insurance sector. The company was conceived with the characteristics and attributes of an official service and was created with the aim of transferring the high quality standards of Línea Directa Aseguradora to the

multi-risk line, increasing knowledge of the home repair process, shortening the average life of files and increasing policyholder referral rates.

LDA Reparaciones is made up of **eight professionals** from the plumbing, masonry and painting trades who work in the **Madrid region**. For this purpose, the company divides the region into five different areas, which it assigns to each professional according to their geographical proximity.

In 2021, the Company carried out a total of **13,000 repairs**, **18.8%** higher than the previous year and 56% more than in 2019; a volume in which the average per professional is around seven repairs per day.

LDA Reparaciones offers a unique repair process based on excellence, flexibility and technology. To this end, the professionals manage their services through a **dedicated App** that gives them a comprehensive overview of the process and allows them to provide photos of the repair at any stage of the process, report the presence or absence of affected third parties, quantify and assess the damage and open the action report for the next step in the process. In addition, the company's specialists use high-quality materials in their repairs, resulting in the final satisfaction of the customer, and have a homogeneous brand image, including vans and uniforms with their own logo.

Companies that make up the Línea Directa Group

Línea Directa Aseguradora, S.A.

Owner of 100% of the capital of its subsidiaries.

Línea Directa Asistencia, S.L.U.

Roadside assistance and vehicle inspection company.

Centro Avanzado de Reparaciones (CAR), S.L.U.

Repair shops in Madrid and Barcelona.

Club Más Moto, S.L.U.

Exclusive club for Línea Directa motorcycle customers.

Ámbar Medline, S.L.U.

Insurance auxiliary activities company.

LDActivos, S.L.U.

Asset management company.

LDA Reparaciones, S.L.U.

Repair company of Línea Directa Aseguradora.

The Línea Directa brand

Línea Directa Aseguradora was founded in 1995 as a joint venture between Bankinter and the Royal Bank of Scotland and began operations with a different brand and business model imported from the UK.

Línea Directa was the first insurance company in Spain to sell motor policies exclusively by telephone. This marked a turning point in the Spanish insurance market, which until then had been very traditional, rigid and highly dependent on broker and branch networks.

The company's business model, which operates directly without intermediaries, has been exceptionally well received by consumers, as it allows for efficient administration that translates into savings on the final price of policies without compromising insurance coverage and quality of service. In just four years of operation, Línea Directa Aseguradora broke even and passed the one million policyholder mark in 2004.

The success of the Línea Directa brand is based on a form of marketing that was previously unknown in the Spanish insurance sector: Mass media advertising with simple, direct and friendly communication. This revolutionary and successful marketing strategy has made Línea Directa's red phone an iconic brand and the phonotype a recognisable music for the general public.

In 1999, only five years after its foundation, the company accomplished a second revolution by becoming the first insurer to sell policies via the Internet. Since then, Línea Directa's commitment to the digital channel has grown steadily, enabling the company to be at the forefront of responding to the needs

of society. Today, Línea Directa is present in all digital media and invests significantly in advertising. All this has made Línea Directa a leading brand on the internet, as evidenced by the fact that it is the most searched insurance brand on Google and has the highest awareness in digital media.

The ability to provide the flexibility and simplicity demanded by customers, including constant innovation in digitalisation, has meant that around 85% of these offers are now digital and that more than 51,5% of the offers requested this year were made via the internet.

In 2012, the group chose Matías Prats, one of the most well-known personalities with the best reputation among consumers, as the star of its campaigns. Matías is currently one of the most popular national thought leaders, conveying values that are an important part of the Línea Directa brand, such as trust, professionalism and intimacy, in a light-hearted way.

Línea Directa Aseguradora is currently one of the 10 largest advertisers in the country according to the latest Infoadex report and the Spanish insurance brand with the highest advertising recall according to the IOPE Advertising Awareness study by Kantar TNS.

The excellent results achieved in motor insurance alone (cars and motorbikes), which have made Línea Directa the fifth largest motor insurer in the country, led the group in 2008 to extend the brand and its activities to home insurance, which has followed the same path of growth and profitability. Thus, in 2017, Línea Directa Aseguradora launched Vivaz, its health insurance brand, which has already surpassed the 100,000 insured mark in 2021. This was done under the criterion of operating in mass-market

branches, where distribution is adapted to the direct business model.

Línea Directa Aseguradora became a wholly owned subsidiary of Bankinter in 2009, when this financial institution acquired Royal Bank of Scotland's 50% stake in the group. Ten years later, Bankinter announced its intention to transform the company into a listed company, retaining a 17.4% stake and dividing the remaining 82.6% among the bank's shareholders. This decision was approved by Bankinter's General Meeting of Shareholders on 19 March 2020 and, following the approval of the supervisory and regulatory authorities and the registration and approval of the listing prospectus, Línea Directa Aseguradora's shares began trading on the Spanish stock exchanges on 29 April 2021 at a reference price of 1.3175 euros, valuing Línea Directa Aseguradora as a whole at 1,434 million euros.

In its 26 years of activity, Línea Directa Aseguradora has gained the trust of more than 3.34 million customers and has established itself as one of the brands with the best reputation in the national insurance sector. It is also one of the most dynamic companies in the market, a benchmark for innovation and digitalisation in the sector, an example of sustainability and employability, and a strong source of value creation for the country.

Since it began operating, Línea Directa Aseguradora has charged almost €14.0 billion euros in premiums, paid out more than €8.0 billion in benefits, invested more than €20.5 billion in government bonds, fixed-income corporate bonds, stocks, investment funds, real estate and deposits, and paid more than €2.8 billion euros in taxes since 1995. In terms of job creation, Línea Directa Aseguradora has hired more than 5,200 new employees

and paid more than €1.2 billion in salaries and personnel costs during these 26 years.

In addition to its visibility through advertising, the company has achieved significant coverage thanks to a powerful corporate communication plan based mainly on its stock market activity, its financial results, its great commercial dynamism, its innovative solutions and its policy of sustainability, especially in the area of road safety, a commitment developed through the Línea Directa Foundation.

In 2021, Línea Directa published a total of 43 press releases, which generated 8,340 reactions, an increase of 84.9% over the previous year.

In total, 79.8% of all this news was published on the Internet, 16.3% in printed press, 2.4% was heard on the radio and 1.4% was seen on TV.

As a result of these efforts, the company is ranked 54th in the Merco Empresas (Corporate Reputation Business Monitor) as one of the 100 companies with the best reputation in Spain. It is also listed in the Merco Talento Monitor as one of the 100 best companies in Spain (49th place).

PUBLIC LEADERSHIP	2019	2020	2021
Number of news items	3,417	4,510	8,340
Audiences reached (millions)	1,156	1,902	3,208
Press releases made	22	36	43
Merco Empresas	46	49	54
Merco Talento	54	54	49
Merco Responsibility and Corporate Governance	68	64	64

Recognition	6	9	8
Followers on social media	454,958	421,312*	434,395

*Fell due to the closure of the Nuez brand

Social media

Línea Directa Aseguradora entered social media in March 2011 with a strategy based on creating a loyal community around the brand to interact with and grow organically, using the channel to promote another facet of the company beyond just advertising.

The company has a total of 434,395 followers on its Facebook, Twitter, Instagram and LinkedIn profiles, making it one of the insurers with the largest social mass and activity on social media.

Strategy

Línea Directa Aseguradora's strategy is based on several pillars that define the company and set it apart from others: its direct model, its commitment to organic growth, constant innovation, intensive investment in useful technologies and excellent risk underwriting. All this has made Línea Directa a profitable, efficient and sustainable company that adds value to its main stakeholders - shareholders, customers, suppliers, employees and society in general.

Since its foundation in 1995, Línea Directa has developed a business model based on disintermediation, organic growth, technology, innovation and commercial audacity. Based on this strategy, which has made the company a unique success story in the insurance industry, it has defined its mission, vision and corporate purpose, which are in line with the motto "Innovate, protect and bring closer together".

Direct model and organic growth

Two of the cornerstones of Línea Directa Aseguradora's business strategy are its direct sales model and its commitment to organic growth. In the direct selling model, the absence of office networks, agents and intermediaries results in greater efficiency, profitability and alignment of the organisation and allows some of these operational savings to be passed on to the final price of the product. Direct selling allows the company to be more efficient than the model with intermediaries and therefore to apply more competitive prices to its products, which directly benefits customers.

Another important pillar is the commitment to organic growth. Since its founding in 1995 with the motor line of business and its entry into home insurance in 2008 and health insurance in 2017, the company's growth has been policy-by-policy, without resorting to acquisitions, mergers or takeovers. This strategy has provided Línea Directa with harmonious growth that has enabled it to adapt its resources to the needs at hand in a sustainable, gradual and progressive manner.

This model has enabled the company to achieve sustained growth in its 26-year history, among the highest in the industry, with written premiums volume of €748.1 million in motor, €131.2 million in home and €26.4 million in health. This turnover puts it in 5th place in the ranking of car insurance companies by premium volume, in 12th place in the ranking of home insurance companies and in 21st place in the ranking of health insurance companies, with a total of more than 3.34 million customers.

Suma en Línea

To achieve this model and sustainable growth, the company has set itself the goal of strengthening the loyalty of its policyholders. As such, the highly competitive policies and quality of service that the company offers its customers have resulted in the group recording one of the highest retention rates among policyholders. **According to the consultancy firm Gain Dynamics, Línea Directa has the second highest retention rate in the motor industry, at 91.3%.** In addition, Línea Directa has a loyalty programme, **SUMA en Línea**, which offers a wide range of discounts and commercial benefits to the company's customers and which over 481,885 customers had joined by year-end. By using **the free SUMA en Línea points card** in the cooperating establishments, the company's policyholders accumulate points that they can later exchange for discounts on policy renewals, fuel and products at Cepsa. On the other hand, customers who use the **Línea Directa Aseguradora Card** accumulate between 0.2% and 2% of each purchase they make with it towards insurance renewal.

Excellent underwriting

Thanks to the high technological level of the Direct model, we are able to offer each customer a price that suits their needs and adapt the rates to the circumstances of each insured party. The ability to individualise and identify the actual risk of each insured allows the company to better control incurred claims.

As a result, the company's underwriting profits are well above the sector average, with a difference that, in the case of the combined ratio, which measures the profitability of insurance activity, has ranged between 5 and 10 percentage points in recent years. This excellent underwriting policy, combined with

an efficient business model, good cost control and great prudence in financial investments, have led the company to consolidate its position as one of the most profitable Spanish companies, with ROE reaching 30.4% in 2021.

In motor insurance, the combined ratio of Línea Directa Aseguradora reached 87.0%, compared to 80.5% at the end of 2020. This increase is explained by the increase in claims incurred following the measures to limit mobility derived from COVID-19. Nevertheless, this indicator is 5.1 percentage points better than that of the sector in September 2021, the latest data available. For household insurance, the combined ratio improved from 94% in 2020 to 88.9% at the end of 2021, 8.2 percentage points below the sector average (98.6% at the end of September 2021, the latest available ICEA data). Vivaz, the health insurance brand of Línea Directa Aseguradora, continues its business plan very successfully, achieving a combined ratio of 148.1%, 17.5 percentage points lower than in percentage points than in 2020. In addition, the net claims incurred ratio of the health line is now below 100% (86.4%).

Committed to innovation

Since its inception, Línea Directa Aseguradora has transformed its business model not only into a major competitive advantage in terms of profitability, but also into exceptional support for fostering a culture of innovation within the company. The alignment of the sales model and direct contact with customers at all stages of the business is a constant channel of conversation that provides very valuable information for improving service, quality and customer experience.

As the first company to sell insurance by phone and internet, Línea Directa Aseguradora has been able to develop and implement unique solutions that have given the company a special value: the All Risks insurance excess, photo inspection, the first self-configurable home insurance policy in 2007, the collection and delivery service and, more recently, Llámalo X, the first insurance policy to include a car, or Safe&Go, the first policy for the mobility of VMP users. All these are products born from a real vocation to do things differently and from direct contact with the market, the sector and the customers.??

At Línea Directa, innovation is not centralised in one department, but is driven by internal talent throughout the company, is part of the company's DNA and has been part of the corporate culture since its inception. The management encourages all departments and teams of the company to innovate. Thus, products like the ones just mentioned (Llámalo X or Safe&Go) have emerged from various cross-divisional working groups of the company.

Because the direct model offers its services centrally from a single geographical location, it requires a **strong commitment to technology that provides flexibility and immediacy for business and support processes**. In this sense, Línea Directa Aseguradora was born with a significant competitive advantage, as it was equipped from the beginning with cutting-edge technologies (telephony, information systems, digitalisation, etc.) that have enabled it to become a benchmark for quality and innovation over the years.

Línea Directa Aseguradora's digital transformation plan

In 2021, the company is making progress with the digital transformation plan it launched two years ago called "More digital, more useful". This process has two core features: omnichannelling, which allows customers to interact with the company through any channel, and usability, which makes customers' lives easier and more agile thanks to technology and digitalisation.

One of the objectives of the plan, that at least half of the portfolio should interact digitally with the company, has been more than met, with about 85% of customers interacting digitally with the company. As a direct company in constant communication with its customers, Línea Directa is constantly analysing how it can improve its digital and telephone services to better and better adapt to the changing needs of its policyholders, from the conclusion of the contract to the renewal of the insurance, as well as to all the procedures and services that our policyholders require. In 2021, for example, around 49,8% of motor claims and 32,5% of home claims were initiated via the app and the internet.

Another innovation introduced since the launch of the digital transformation plan is the management of assistance services via the policyholder's mobile phone, using the geolocation and tracking capabilities of these devices. Specifically, **59.7% of towing requests were made via the app and the internet in 2021**. This means that more than half of the policyholders can find out via their devices, how long the tow truck is going to take, who the tow truck driver is, his contact details and where he is at the moment thanks to the geolocation tool.

In its quest to adapt to the habits and requirements of its customers at all times, Línea Directa Aseguradora has become the first Spanish insurer to start offering solutions to its policyholders' claims via **WhatsApp**. The group is the first Spanish insurer to offer this service. The Group's clients can now handle breakdowns with their vehicle through this instant messaging service, without having to call, in order to speed up the process and receive accurate information in real time about the state of repair of their car or motorbike. Via WhatsApp, the insured can report the damage, make an appointment with their garage, request the collection of the damaged vehicle and a replacement car, track the progress of the repair and find out when the vehicle will be repaired and ready for collection. In 2021, more than **75,000 motor claims were processed via WhatsApp**.

The group is also using **artificial intelligence** (AI) to make its processes more efficient and improve service to policyholders. Using this disruptive technology, Línea Directa is already using **chatbots and virtual assistants** to help customers. By interacting with them, the company's policyholders can request and receive their insurance documents by email, submit insurance applications for motor and home insurance, and locate medical professionals and medical centres on the Vivaz health insurance list. In addition, Línea Directa Aseguradora is already using artificial intelligence in internal processes such as the analysis and classification of customer files and emails to improve internal efficiency and continue to offer increasingly competitive prices to its policyholders.

CORPORATE GOVERNANCE

One of the prerequisites for Línea Directa Aseguradora's IPO was the desire to take into account, from the outset, the recommendations for good corporate governance in terms of the composition and functioning of corporate bodies, and to lay the necessary foundations for the design of a complete and effective system of corporate governance that continuously and progressively incorporates the best practises identified in the market. Línea Directa Aseguradora has a Corporate Governance Policy, approved by the Board of Directors, which sets out the corporate and governance structure of the Línea Directa Group, its underlying principles, the bodies that compose it and the essential rules of its internal functioning. The Corporate Governance Policy can be accessed on the Company's corporate website.

Based on the structure defined in this Policy, the following is a detail of the information related to the Company's good governance.

CORPORATE INFORMATION

COMPOSITION OF THE GROUP

The Línea Directa Aseguradora Group is made up of:

- The parent company, Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with tax number A-80871031 and registered address in Tres Cantos (Madrid), Calle Isaac Newton, 7 (the "Company" or "Línea Directa Aseguradora").

- Subsidiaries, wholly owned by the parent company, according to the following organisation chart:



COMPOSITION OF SHARE CAPITAL

Share capital	43,536,673.60 €
No. of shares	1,088,416,840 ordinary shares
Nominal value	€0.04 /share
No. of voting rights	1,088,416,840 votes (1 share = 1 vote)

Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021.

The Company has been part of the Ibex Medium Cap since 20 September 2021.

SHAREHOLDER STRUCTURE

At 31 December 2021, the shareholding structure of Línea Directa Aseguradora has the following composition:

SIGNIFICANT SHAREHOLDERS	ownership in share capital (direct and indirect)
Cartival, S.A.	19.15%
Bankinter, S.A.	17.41%
Fernando Masaveu	4.68%
Lazard Asset Management	3.19%
Fidelity International Limited	2.04%

OTHER SHAREHOLDERS	ownership in share capital (direct and indirect)
Treasury shares	0.073%
Members of the Board with non-significant holding	0.017%
Free Float	53.45%

CORPORATE BODIES

The corporate bodies of Línea Directa Aseguradora are as follows:

General Shareholders' Meeting

The General Meeting is the sovereign body of the Company. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say.

When the company went public, the **Regulations of the General Shareholders' Meeting were approved** with the content typical

of listed companies, including the latest provisions of the law on remote meetings.

The first General Meeting of Línea Directa Aseguradora as a listed company will take place in 2022.

Board of directors

Functions

The Board of Directors is the body responsible for the administration, governance and representation of the Company in accordance with the duties assigned to it by law, the Bylaws and the Board Regulations.

In 2021, since the Company's IPO, 13 Board meetings were held, with an attendance rate of 98%. The main actions carried out by the Board of Directors include the following:

- The adoption of the corresponding corporate resolutions related to the Company's IPO.
- Approval of the appropriate internal regulations for the Company as a listed company.
- Ratification and follow-up of the strategic plan.
- Review and approval of financial and non-financial information to be disclosed to regulators and the market.
- Oversight of the committees.
- Interaction with the management level.

Size and structure

As set forth in the Bylaws, the Board of Directors shall have a minimum of 5 and a maximum of 15 directors. As of the date of this report, the Board of Directors of the Company is composed of seven Directors, in particular:

BOARD MEMBERS	LEGAL CATEGORY	POSITION
Alfonso Botín-Sanz de Sautuola y Naveda	Proprietary (represented shareholder: CARTIVAL, S.A.)	Chairman
Fernando Masaveu Herrero	Proprietary	Member
Ms. Ana María Plaza Arregui	Independent	Member *Chairwoman of the Audit and Compliance Committee
Ms Elena Otero-Novas Miranda	Independent	Member
Ms Rita Estevez Luaña	Independent	Member
John de Zulueta Greenebaum	Independent	Member *Chairman of the Appointments, Remuneration and Corporate Governance Committee
Miguel Ángel Merino González	Executive	Member

Pablo González-Schwitters is the non-director Secretary of the Board of Directors.

Selection: Independence and diversity

The Board of Directors approved the current Director Selection Policy applicable to the Company on 18 March 2021. One of the main objectives of this Policy is to promote diversity of gender, experience and knowledge on the Board of Directors, avoiding any implicit bias that could imply discrimination and, in particular, hinder the selection of female directors, and to encourage the Company to have a significant number of female directors.

In line with this policy, the Company's Board of Directors also aims to have a Board whose composition ensures a healthy diversity of opinions, perspectives, skills, experience and professional backgrounds, in accordance with the latest recommendations on good corporate governance for listed companies. A summary of the of all Board members' professional profiles and track records can be found on the company's website. The Board of Directors consists mainly of profiles specialised in the insurance sector with extensive experience in the motor vehicle and healthcare industries. There is also a high presence of profiles from the finance and banking sectors, as well as training and experience in auditing, financial and non-financial risk management, law and regulation. Digitalisation and cybersecurity skills are also very present.

Similarly, it is a fundamental principle of the Company that the number of independent directors constitutes a sufficient majority of the Board and that the number of executive directors is kept to the minimum necessary.

The term of office of the members of the Board of Directors is four years and they may be re-elected for the same term.

At the time of writing, we have the following data on independence and diversity on the Board of Directors, which exceeds the ratios recommended by the Code of Good Corporate Governance:

Percentage of independent Directors	57%
Percentage of women	43%
Skills matrix	Board members have expertise in insurance, banking and finance, as well as relevant backgrounds and skills in areas such as auditing, compliance, risk management and sustainability. They also have skills in the areas of digitalisation and cyber security.
Nationalities	Two
Average age	57 years (from 49 to 74 years of age)

Evaluation

As required by the Board Regulations, in December 2021 and January 2022 the Board conducted the annual evaluation of its functioning and that of its members and committees for the financial year 2021. The main conclusions on the results of the evaluation are included in the Annual Corporate Governance Report, which has been published on the corporate website and on that of the CNMV.

Remuneration

Directors' remuneration in 2021 has been determined in accordance with the provisions of applicable law, the Company's Bylaws and the Directors' Remuneration Policy.

Average annual compensation	2020			2021		
	Men	Women	Total	Men	Women	Total
Non-executive director	27,500.0		27,500.0	61,782.7	68,333.7	63,966.3
Executive director	446,902.5		446,902.5	428,190.5		428,190.5
Average	195,261.0		195,261.0	204,512.8	68,333.7	159,119.8

Average remuneration by type of executive director / non-executive director.

Average annual compensation	2020			2021		
	Men	Women	Total	Men	Women	Total
Senior Management	343,445.0	432,953.7	370,986.0	319,971.7	228,244.5	289,396.0

Línea Directa Aseguradora's Directors' Remuneration Policy, the text of which is permanently available on the Company's website, is valid for a period of 3 years (2020-2023) and takes into account the latest developments introduced by the recent amendment to the Corporate Enterprises Act.

The Policy is inspired and underpinned by the following **principles**:

- It designs remuneration based on **prudent and effective risk management**, with a medium and long-term vision, taking into account deferral periods, caps, performance periods (in the case of equity-based remuneration) and

clauses for withholding, reduction or repayment of amounts.

- In the case of the Executive Director, an **appropriate ratio** between fixed and variable components is applied.
- It rewards the level of responsibility borne by the directors without compromising their **independence**.
- **It guarantees equality** and avoids any kind of discrimination.
- **It provides flexibility**, including mechanisms to deal with exceptional situations as provided for under prevailing laws.
- **It ensures transparency**, by simplifying the description, calculation methods and conditions of the remuneration components and making them known and public.
- It is **consistent with the principles** on which the general remuneration policy for all Línea Directa Aseguradora employees is based.

The remuneration system is generally composed of the following components:

- For their **status as Directors** (in relation to their supervisory and collegial decision-making functions), Directors receive a fixed annual amount and a per diem allowance for attending meetings of the Board of Directors and the Committees to which they belong.

The maximum annual remuneration of all directors in their capacity as such shall not exceed €1,500,000.

By virtue of their status as	Annual ceiling in aggregate (€)	
Directors		
Fixed annual compensation	Attendance fees	1.5 Mn

- As an executive director, the Chief Executive Officer also receives an annual remuneration consisting of a fixed part and a variable part depending on the achievement of pre-determined objectives. The Executive Directors are also entitled to participate in the long-term variable remuneration plans that the Company decides to implement. Finally, the Executive Directors benefit from a long-term defined benefit savings plan and an allocation to a pension plan.

By virtue of executive functions (CEO)			
Fixed annual compensation	Variable annual compensation	Long-term variable compensation	Long-term savings systems

The details of these remunerations and the conditions applicable to their collection are broken down in the Annual Report on Directors' Remuneration published on the corporate website and in the CNMV website.

Committees

The Board of Directors has two advisory committees:

- The **The Audit and Compliance Committee**, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
Ms Ana María Plaza Arregui	Chairwoman	Independent
Ms Elena Otero-Novas Miranda	Member	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
Pablo González-Schwitters	Non-Board Secretary	

Audit and Compliance Committee

Percentage of independent directors	67%
Percentage of women	67%
No. of meetings 2021 (since IPO)	10
Percentage of attendance	99%

The members of the Audit and Compliance Committee as a whole, and in particular its Chairman, have been appointed on the basis of their knowledge and experience in accounting, auditing and risk management, both financial and non-financial. Full information on the members of the Committee can be found on the corporate website.

The main responsibilities of the Audit and Compliance Committee include the following:

- To report to the Annual General Meeting through its Chairman on the state of control of the Company and the activities of the Committee during the financial year.
- To propose to the Board for submission to the Annual General Meeting the appointment, re-appointment or replacement of the external auditors and their terms of engagement. To ensure the independence of the external auditor and monitor compliance with the audit contract.
- Awareness, monitoring and evaluation of the preparation process and integrity of financial and non-financial information, control and management systems for financial and non-financial risks related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political, reputational and corruption risks).
- Pre-reporting to the Board of Directors on all matters required by law, e.g. related party transactions to be approved by the Board of Directors.
- Supervise the application of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.
- Monitor and promote compliance with the Company's internal rules of conduct for the securities market, the Code of Ethics and, in general, the Company's internal rules of

conduct, as well as monitor and promote the confidential whistleblowing procedure by stakeholders.

On the occasion of the convening of the AGM, the annual report on the activities of the Committee was made available to shareholders **on the Company's website**, which includes the activities carried out by the Committee during the 2021 financial year since the Company's listing.

2. The **Appointments, Remuneration and Corporate Governance Committee**, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
John de Zulueta Greenebaum	Chairman	Independent
Ms Rita Estevez Luaña	Member	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
Pablo González-Schwitters	Non-Board Secretary	

Appointments, Remuneration and Corporate Governance Committee

Percentage of independent directors	67%
Percentage of women	33%
No. of meetings 2021 (since IPO)	5
Percentage of attendance	100%

The main responsibilities of the Audit and Compliance Committee include the following:

- Propose the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
- Assess the balance of skills, capacity, knowledge, diversity and experience required on the Board.
- Report to the Annual General Meeting, through its Chairman, on the activities of the Committee during the year, as appropriate.
- Propose to the Board the remuneration policy for the Directors and their individual remuneration, the individual remuneration of the executive Directors and, where appropriate, the outside Directors for the performance of duties other than that of a Director, and other terms of their contracts.
- Propose the remuneration policy for senior management, including the General Managers or those who perform senior management duties under the direct supervision of the Board. Likewise, to determine the remuneration of members who, although not part of the top management, carry out professional activities that may have a relevant influence on the company's risk-taking.
- Oversee and review the Company's compliance system.
- Oversee the corporate governance of the company.

- Monitor the company's sustainability strategy and practises by assessing their level of compliance and reviewing the company's sustainability policies and ensuring that they are aligned with value creation.
- Monitor the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.

On the occasion of the convening of the AGM, the annual report on the activities of the Committee was made available to shareholders on the Company's website, which includes the activities carried out by the Committee during the 2021 financial year since the Company's listing.

Management Committee

At the executive level, Línea Directa Aseguradora has a Management Committee, made up of members of the management team.

It is responsible, among other things, for the organisation and supervision of the general management policies and the strategic planning of the businesses managed by the subsidiaries in accordance with the Group's business model. Likewise, it is tasked with communicating the guidelines established by the Board of Directors to the rest of the organisation, involving as many areas and resources as necessary and making the necessary internal communication for the correct knowledge and execution of these guidelines.

Internal committees

The internal committees are dedicated to analysing specific topics relating to regulatory matters or issues of particular relevance to the company (**risks, investments, products, digital transformation**, etc.) and report to the Board of Directors and its committees. Without prejudice to the committees mentioned in the Corporate Governance Policy, a pivotal role is played by **the Sustainability and Reputation Committee**.

The Sustainability and Reputation Committee is composed of the members of the Management Committee and meets regularly to monitor the Sustainability Plan, assess the progressive achievement of the set targets and indicators and report its conclusions to the Appointments, Remuneration and Corporate Governance Committee.

Delegation of authority procedure

The Board of Directors has delegated to the Chief Executive Officer the powers that cannot be delegated by law or by the Bylaws. In addition, the Group has a structure of authorised officers and employees in accordance with the **Internal proxy policy**.

According to this policy, the powers of attorney are limited by type of transaction (signing of contracts, banking transactions, investments, etc.) and by amount. As a rule, proxies must act jointly, with certain exceptions (e.g. Chief Executive Officer proxies or general litigation proxies).

In accordance with the internal guidelines, all authorised representatives are obliged to use the powers of attorney

responsibly and exclusively for the fulfilment of the tasks arising from their position at Línea Directa.

NAME	POSITION(s)
Miguel Ángel Merino	Chief Executive Officer
Patricia Ayuela	Head of Motor and Digital Transformation
Olga Moreno	Head of Home Insurance
David Pérez Renovales	General Director for Health
Mar Garre	Head of People, Communications and Sustainability
Ana Sánchez	Head of Technology
Carlos Rodríguez	Chief Financial Officer
Pablo González-Schwitters	General Secretary
José María Maté	Head of the Technical Area
Antonio Valor	Head of Marketing
José Antonio Egido	Head of Services and Benefits
Julio Agulló	Head of Línea Directa Asistencia

ETHICS AND COMPLIANCE

Mission, Vision and Values

The company's mission is to put its expertise directly at the service of its customers, employees, shareholders, suppliers and thus society as a whole, in order to create prosperity, security and an environment in which people live more responsibly and sustainably. In addition, the company aims to be the insurance company known for its respect for the groups it relates to, especially customers, employees and suppliers.

Línea Directa's **vision** is to be at the forefront of innovation in the insurance sector, promoting values related to road safety, home safety, health, the environment and sustainability.

All the Group's subsidiaries share the same **values**, which they apply on a daily basis and in all aspects of their operations:

- **Respect for people:** Listen to your colleagues and customers, this promotes teamwork and helps everyone to do their best by appreciating the efforts and achievements of others.
- **Spirit of self-improvement:** Be creative and innovative, always making proposals and doing things better. Give, accept and encourage constructive criticism. All opinions are important.
- **Enthusiasm:** Always keep a positive attitude, work hard and have fun at the same time. Think of the customer as the recipient of your actions.
- **Results-driven:** Follow through on your commitments and be an example to those around you. Put good ideas into practice and make sure they are not just words.
- **Clarity:** Be simple. Be clear and sincere in your communication with others, simplify everything in your power. Share whenever you can.

The Purpose of Línea Directa

Complementing the mission, vision and values that govern the activity of the Línea Directa Group, in 2020, the Company unveiled its corporate purpose: **“Innovate, protect and bring**

closer”. This purpose was born with the vocation **to inspire and guide the long-term sustainability strategy**, and is a key differentiating factor, on which the Company's way of doing things and consistent decision making is based, not only in relation to the business, but also in relation to its main stakeholders: employees, customers, suppliers and investors.

This purpose, formulated by the company's Sustainability and Reputation Committee, which is made up of the management team and the CEO, reflects the disruptive nature of the Group since its inception; it relates to the essence of the insurance business and its commitment to provide coverage in risk situations and to build trusting and safe relationships with the community and the environment; and finally, it reflects the direct, open, close and accessible relationship with stakeholders and society in general.

Innovation is part of Línea Directa Aseguradora's DNA. The company's entry into the market as a start-up in 1995 marked a turning point in the way insurance was purchased in Spain, as it was the first insurance company in the country to sell policies directly to the customer, without intermediaries or offices, first by telephone and then via the internet. It also revolutionised the way insurance is taken out in the Spanish industry, providing consumers with products that are commonplace today but pioneered at the time, such as the all-risk insurance with excess, or the most recent ones, such as the Respira policy, specifically for electric vehicles, or other more innovative ones such as “Llámalo X”, the first insurance policy with an included vehicle.

The concept of protection refers to insurance activity. Línea Directa Aseguradora takes care of what is really important to its clients, like their health, their house or their car. But it also cares

about its value chain, its employees and its investors and shareholders. This concept of protection also relates to the company's commitment to environmental and social responsibility.

On the other hand, the company's direct business model, without intermediaries, allows it to offer customers the best and most innovative insurance policies and cover at the best price, as well as providing a personal, close and friendly service. This also includes the concept of making insurance popular by offering it simply and at a competitive price. And, of course, it has to do with **being close to the customer** at any time thanks to technology and digitisation.

Code of Ethics

Professional ethics, together with good corporate governance and the corporate values of Línea Directa Aseguradora, are an essential part of our culture, guiding all employees in their professional performance, and being the basis of our code of conduct.

Línea Directa Group is committed to conducting its business in accordance with high ethical principles that ensure compliance with laws and regulations and the trust of customers, shareholders, employees and suppliers.

The **Code of Ethics** is the main axis for the development of the corporate values that the company seeks to instill in its members and explicitly sets out the models and guidelines for conduct to be followed by all members. The Code was adopted by the Board of Directors on 27 January 2011 and updated in October 2018. It responds to the concern of the Board of Directors and the

Management of Línea Directa Aseguradora to clarify and disseminate the company's values among all employees and stakeholders. In 2021, the content of the Code was reviewed to make the necessary changes due to its new status as a listed company.

Línea Directa Aseguradora's Code of Ethics contains, among other things, the commitments made regarding environmental and social issues, respect for human rights and the fight against corruption and bribery, equal treatment and equal opportunities or non-discrimination.

This Code is not intended to cover all possible situations that may arise in the professional environment, but to establish minimum guidelines for conduct for all members of Línea Directa Aseguradora on how to act when discharging their duties.

The scope extends to all subsidiaries of Línea Directa Aseguradora and their employees and managers in the performance of their duties and responsibilities and in all professional areas in which they represent the company. The Línea Directa Foundation adopted its own Code of Ethics on 21 November 2019, which essentially follows the same general principles.

Línea Directa Aseguradora also has a Supplier Code of Conduct to which all employees must adhere.

In order to promote the application of the Code of Ethics, Línea Directa Group's procedure for handling requests and complaints through the Ethics Channel provides for guarantees of confidentiality and non-retaliation. In addition, if the user deems

it appropriate, he/she may establish communication while maintaining anonymity.

Access to the **Ethical Channel** is available through the corporate website and allows not only employees, but also any interested third party, to confidentially or anonymously report irregularities related to violations of the Code of Ethics or possible breaches of regulations or unlawful conduct.

During the 2021 financial year, five 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 the adoption of the relevant measures. The remainder were communications from customers in relation to the processing of their claims.

All Group employees receive training on the Code of Ethics when they join the Group. In addition, in-depth or informational training is provided at regular intervals. In 2021, training was directed at the employees of the Centro Avanzado de Reparaciones CAR (Madrid and Barcelona) and the employees of LDA Reparaciones. A reminder video was introduced through the Ethics Channel, encouraging all employees to use it via the intranet and plasma screens distributed in the buildings, both in the Línea Directa Aseguradora and in the Línea Directa Asistencia.

In 2021, staff were surveyed about the level of awareness and acceptance of the Code of Ethics and the Ethical Channel and received very positive results. 94% say that they take the company's ethical principles into account when making decisions that affect their work.

Group Policies

The Code of Ethics is the highest and most senior guide to conduct and behaviour within the Group. It sets out the commitment, vision and business values of the organisation and serves as a guide to the actions of the professionals that make up the whole Group, setting out the desired standards of conduct. The content of the guidelines is derived from the Code of Ethics, elaborating on the main concepts contained therein. At the same time, it establishes frameworks for action and defines the general minimum criteria for managing the Group's main areas and risks.

Línea Directa applies the following **Regulatory Compliance policies**:

Criminal Compliance Policy: In 2020, the Board of Directors of the Línea Directa Group adopted a Criminal Compliance Policy, the objective of which is to define the rules, procedures and tools implemented in the Group to prevent non-compliance with the criminal legislation applicable to the company and its employees and to adapt it to the regulatory environment. This system, based on the principle of zero tolerance of criminal offences approved by the Board of Directors, is managed by the Regulatory Compliance Department, which ensures that the main risks are properly identified, managed and disclosed.

Regulatory Compliance System: the Línea Directa Aseguradora Group has implemented a Compliance Management System to meet the commitment the company has made to comply with the various legal obligations that affect it, together with the internal regulations established. In this way, it can identify legal

risks and create a corresponding map of risks and controls managed by the Regulatory Compliance department, putting in place mechanisms for prevention, detection and response.

Anti-corruption policy: In 2021, the Línea Directa Group developed the principles of zero tolerance to any form of corruption through this policy, creating a framework for action that helps prevent and detect corrupt practises in the company's activities.

Policies related to ESG aspects (sustainability policy, corporate governance policy, human rights policy, etc.) are developed in other sections of this report.

As for the dissemination of the policies, since they are global in nature and affect all staff, communication to inform them consisted of publishing information on the intranet and plasma screens distributed in the offices. This communication provided information on the new and updated policies, as well as the place where they are published for consultation.

Tax practices

The Línea Directa Group has a Tax Strategy, **disclosed on its corporate website** approved by the Board of Directors in 2019, which sets out the objectives, principles, good tax practises and monitoring and control of tax risks. The purpose of this strategy is to ensure responsible tax compliance in the interests of society and to support the Group's business strategies.

The Línea Directa Group recognises the social role of the tax system and therefore intends that the development of the tax function in the Group also serves the social interest, that of its

stakeholders and the confidence of the community in which it operates.

The guiding principles of the tax strategy include the company's commitment to comply with applicable tax laws, rules and regulations and the taxes applicable to the company. In addition, the Group promotes a climate of goodwill, transparency, cooperation and reciprocity in its relations with tax authorities.

The Group has also established a corporate tax policy, which was approved by the Board in 2020 and delegated to it as a non-delegable power. It is implemented through the Office of the Secretary General and the Tax Advisory Department, which reports to it. The main objective of this policy is to establish the principles and the system of rules of action and tax conduct that govern the activity of the Group's companies, as well as to determine the control elements that make it possible to prevent the commission of tax offences. This policy is part of the tax risk management and control system, which in turn is part of the company's overall risk management system. It enables these risks to be assessed in a responsible manner and under defined parameters in order to prevent and minimise them, and provides an appropriate framework for defining, reviewing, achieving and reporting on tax risk management and control objectives. The Audit and Compliance Committee, in accordance with the provisions of its regulation, monitors the effectiveness of the tax risk control and management system.

TAX INFORMATION

Distribution of taxes on profits paid (in thousands of euros) Data at 31 December 2021	2020	2021*
Total income taxes paid by the Línea Directa Group	30,576.70	25,035.83

*It does not include the amount requested to be refunded for 2020 corporate income tax, filed in 2021, and which as of 31 December 2021 has not been refunded.

In this regard, the Línea Directa Group integrates the tax approach into the organisation through a dedicated section on the intranet, which contains the most important documents for the tax function, as well as a Frequently Asked Questions section, which answers the most frequently asked questions by employees. In addition, there is specific training in the area of taxation geared towards the different business areas.

The Group is also committed to following the best tax practises described in the strategy in its operations in order to mitigate significant tax risks and prevent behaviour that could lead to such risks. These best practises include the Group's full availability to the tax authorities in relation to requests for information or cooperation in the detection, search and resolution of tax fraud.

In July 2021, the Línea Directa Group signed the Code of Good Tax Practises promoted by the Spanish Tax Administration, which contains recommendations voluntarily accepted by the administration and affiliated companies aimed at improving the application of the tax system with legal certainty, mutual cooperation based on good faith and legitimate expectations, and the application of responsible tax policies with the knowledge of the Board of Directors.

The Línea Directa Group is also represented in the UNESPA Tax Commission, where it actively participates, as well as in other tax forums of interest to the sector.

The Línea Directa Group did not receive any public subsidies or aid in 2021.

Data protection

Línea Directa Group, as part of its commitment to data protection and respect for the right to privacy of customers, shareholders, employees and collaborators, hereinafter referred to as "data subjects", **complies with the provisions of the General Data Protection Regulation 2016/679 (GDPR) and Organic Law 3/2018 on the protection of personal data and the guarantees of digital rights**. It also has a privacy and data protection framework that ensures this right to privacy with the help of a specialised team and a data protection officer. It also has a data protection policy whose main lines of action are the adequate protection of the personal and confidential data of data subjects.

Línea Directa Aseguradora, as data controller, adheres to the **principle of transparency** and informs data subjects about the processing of personal data it carries out, the legitimate bases of the various processing operations, where and how they can exercise their rights of access, rectification, cancellation, opposition, portability and restriction of the recipients of their data and how they can contact the Data Protection Officer. The Group ensures at all times that **personal data and transaction data are transmitted through appropriate, reliable and secure channels, maintaining their integrity and confidentiality**.

The company has implemented a procedure for the awarding of contracts and the engagement of suppliers, amending the clauses and progressively regulating the contracts in force. In addition, all suppliers undergo security audits of their infrastructures to ensure the minimum security standards required to process Línea Directa Group information. Likewise, all employees must complete a mandatory course on privacy and data protection. In addition, all contracts include a clause with basic information about the processing of their data and they are informed about where they can obtain more detailed information about all processing by the Línea Directa Group.

During 2021, the DPO **held privacy and data protection awareness sessions** geared towards key middle managers from all business units of the company and its subsidiaries. The content of the sessions focused on communicating to employees the importance of complying with key privacy principles and Línea Directa Group's internal policies and procedures. Particular emphasis has been placed on the concept of privacy by design and by default, which means that the data protection of data subjects is taken into account before data processing is carried out and that the necessary technical and organisational measures are taken to ensure the privacy of data subjects from the outset.

In March 2021, Línea Directa Aseguradora joined the **Digital Pact for the Protection of Individuals of the Spanish Data Protection Agency (AEPD)**, promoting transparency and good practises in the processing of personal data. In this context, various internal publications have been published on the intranet to raise awareness among employees, as well as other external publications to inform stakeholders on social media, thus

conveying and reinforcing the message of caution in the use of the internet in society.

Cybersecurity

Cybersecurity is a very important part of the strategy and general activity of Línea Directa Aseguradora, which, as it does not have a network of branches and agents, needs a powerful, reliable and flexible system to prevent and respond to cyber threats. It is no accident that the **Strategic Digitalisation Plan** of Línea Directa Aseguradora attaches increasing importance to online processes, and that is why the Company has an **Information Management System** which is based on three key principles: **availability, integrity and confidentiality**.

Línea Directa Aseguradora formulates its cybersecurity strategy around **four strategic lines** aimed at ensuring the resilience of all the company's processes and operations:

Protection against cyber risks

- Evaluate and improve mechanisms to prevent, detect and respond to cyber attacks, including those that may occur in cloud computing environments.
- Continuous evolution of protection mechanisms for information systems and communications networks.
- Evaluation and improvement of disaster recovery mechanisms.
- Third-party risk management.

Cybersecurity and privacy culture

- Comprehensive awareness-raising actions.
- Training and education activities for all employees.
- Encouraging employees to obtain recognised safety certifications.

Cybersecurity from the beginning

- Integrate cybersecurity into the lifecycle of new initiatives to ensure their protection from the outset and implement controls and measures accordingly.
- Assess cybersecurity when procuring technological solutions and contracting technological services.

Cybersecurity assessment and audit and adaptation to the changing situation

- Creation of a specialised team (internal/external) for the permanent review of cyber threats.
- Establishment of controls from the beginning.
- Integration of cyber risks in the Company's risk map.
- Performance of internal and external controls and self-tests.
- Regular reporting to the Company's governing bodies.

Lines of action

Línea Directa Aseguradora's lines of action in cybersecurity aim to **protect information in its different phases: collection, storage and transmission**. Their key objective is to promote a diligent approach to the implementation of preventive measures, as well as to the detection and response to cyber-attacks or business interruptions.

To this end, its action lines include mechanisms aimed at identifying, monitoring and responding to external factors that may alter the protection needs of businesses, which are essentially three factors:

- **Cyber threats**, such as the emergence of systemic or "zero-day" vulnerabilities and advanced attacks. In 2020 and 2021, the environment of teleworking in Spanish businesses worked as a catalyst for cyber threats, heightening their intensity.
- **Regulatory changes or changes in rules**, such as new laws on security, privacy or data protection, are largely due to the growing demand from customers for better protection of information and personal data.
- **Business initiatives** linked to the need for agility and the use of new technological trends being driven by companies. In this context, Línea Directa Aseguradora has taken out a specific insurance policy in the event of a cyber risk occurring, in order to reduce the potential economic impact.

In order to respond to the identified needs and achieve the **set goals**, the company has put in place defences to increase its digital resilience. These capabilities have emerged thanks to extensive investment in cybersecurity, particularly in technological tools and specialised personnel to adapt to the scenario of insecurity imposed on numerous companies that have seen a cyberattack cripple their core business.

Ransomware

Ransomware, a virus that encrypts information, disables computer systems and spies on confidential corporate data, is one of the biggest threats in cybersecurity. Línea Directa Aseguradora is aware of this and has an effective strategy based on five fundamental points:

- **Highly specialised personnel**, who identify, define, design and, where appropriate, implement and operate the different security controls, such as the technological tools to protect the company's digital assets and the incorporation of new requirements, controls and functionalities.
- **Specific technologies** to monitor, detect and protect against security incidents that are integrated into the organisation's technology platform.
- **Tools, methodologies and specialists** that continuously review and assess Línea Directa's level of cybersecurity by capturing all affected assets and actors and proactively identifying vulnerabilities and lack of controls.

- **-Security Operations Centre (SOC)**, which monitors and operates cyber security 24/7 and acts as the first line of defence on cyber security issues. This operations centre has an agile and dynamic structure to respond in a timely manner to any potential threat.
- **Plans to respond to incidents and crisis situations**, that are systematically updated and trained. In this context, work has been done to include various measures in the cyber security plans to prevent similar cyber attacks suffered by other Spanish companies, especially in the financial and insurance sectors.

At Línea Directa, the cyber security action model is integrated into the company's security model, which is based on risk management and comprehensive protection of tangible and intangible assets. This protection is channelled through various measures that encompass all elements involved in one way or another in the company's operations (people, information systems, facilities and processes).

Another key area to which the Group pays particular attention is the **supply chain**, as minimum cybersecurity requirements are already established when services are tendered, which are subsequently included in the contractual framework with the contracted supplier and are regularly reviewed to verify actual compliance.

The Group has **UNE-EN-ISO 22301 certification for business continuity** in two of its most critical processes: **Roadside assistance** and **and home claims handling**. This accreditation demands ongoing efforts, modifications, and development to

ensure that the organisation remains resilient in the face of adversity.

Internal awareness

Some **90% of cyber attacks are caused by human error**. One of the most effective means of combating this phenomenon is therefore to train employees in cyber security, with a focus on raising awareness about the proper use of technology.

In 2021, **the company's entire workforce** participated in a cybersecurity **course** with a threefold objective: to raise awareness of behaviours that pose a risk, to recommend cybersecurity protection measures and to create a culture of self-protection within the company.

Through this programme, which uses a methodology based on gamification, storytelling and webinars, Línea Directa Group teaches and explains various cybersecurity basics to its employees with the aim of changing their behaviour and making them the first security barrier against possible cyber attacks.

RISK MANAGEMENT MODEL

The Línea Directa Aseguradora Group may be exposed to various risks which are inherent to the activities and businesses it carries out, as well as those arising from external factors, which may prevent it from achieving its objectives and successfully executing its strategies.

This policy establishes the following risk management principles in order to ensure that the most relevant risks are properly identified, measured, managed and controlled:

- **Integration.** Risk management is part of the management responsibilities and an integral part of all the Organisation's processes. A risk management culture must be maintained in every decision made at all levels.
- **Independence.** Duties and coordination mechanisms between business units and risk monitoring and control units must be properly segregated at the operational level.
- **Integral management.** The Línea Directa Aseguradora Group entities must identify, measure, manage and control all their significant risks, establishing the appropriate policies, procedures, structure and means for each of them. The Risk Map is a tool that provides an overview of the most significant risks to which the organisation is exposed.
- **Transparency.** There must be adequate channels in place for the reporting of internal information, so that any threats can be detected as early as possible to prevent, or reduce the impact of, threats.
- **Review and constant improvement of risk management.** The adequacy, suitability and efficiency of risk management will be periodically reviewed and evaluated. The Group will analyse opportunities for improvement that may arise internally from learning from reported incidents, or externally, from the availability of new tools and knowledge that can improve risk management.

- **Compliance with internal regulations.** The values and standards of conduct reflected in the Code of Ethics, in particular the commitment to upholding the law, and the principle of "zero tolerance" towards the commission of illegal acts and fraud as set out in the Regulatory Compliance Policy must be observed at all times.

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

The main roles and responsibilities of the governance bodies and parties involved in the risk management and control process are defined below:

- The Board of Directors of Línea Directa Aseguradora: is responsible for determining the General Risk Policy, which will be used as a framework for the specific policies for each risk to which the Company is subject.
- The Audit and Compliance Committee: will be responsible for overseeing the effectiveness of the company's internal control, internal audit, and risk management systems.

The heads of the Risk Function (Internal Audit, Risk Management and Internal Control Unit, Actuarial Function and Regulatory Compliance Function) report to this Committee upon the most significant risks included in the entity's Risk Map, as well as the status of the recommendations issued and the movements in the Key Risk Indicators (KRI).

- The Internal Audit Function: is responsible for executing the Internal Audit Plan, which includes overseeing the risk management system. The Risk Map should be used to align the work of Internal Audit with the organisation's strategy and to carry out the annual audit planning.
- The Risk Management Functions, i.e., the Risk Management and Internal Control Unit, the Actuarial Function and the Regulatory Compliance Function are responsible for:
 - Ensuring the proper functioning of risk management and control systems and, in particular, seeing to it that all significant risks affecting the company are properly identified, managed and quantified.
 - Playing an active role in the development of risk strategy and major risk management decisions.
 - Ensuring that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.
 - Periodically assessing the adequacy and effectiveness of controls (defined as measures to mitigate the impact of identified risks) and make recommendations to the officers responsible for the risks - recommendations that will be turned into action plans.
 - Regularly reporting to the Management Committee - and, as often as deemed appropriate, to the

Standing Risk Committee - on the status of the Company's risks, and on any possible risks that could emerge and the status of all recommendations arising from testing.

The risk management functions are equipped with adequate reporting systems and controls to ensure compliance with this policy and the way they function is described in the specific policies for each type of risk.

- The Standing Risk Committee: is responsible for facilitating and monitoring the implementation of effective risk management practices, monitoring and overseeing operational, legal, reputational and ESG risks.
- As to the specific Committees (Business, Investments, Reserves and Claims, Models, Reputation, CSR and Products): the way they are organised and their powers are described in the Governance System of Línea Directa Aseguradora S.A.
- Senior Management: is responsible for creating a culture and organisational structure that promotes effective risk management. The heads of the Business and Support Areas must be aware of the risks in their area of activity and manage them in a way that is consistent with their functions, powers and responsibilities, while also implementing the necessary measures for risk management.
- Business and Support Areas: are responsible for detecting and reporting risks that may become apparent in the course of their activities, and for managing them, working alongside the areas that make up the Risk Function.

Línea Directa Aseguradora has internal control processes and an effective risk management system that complies with applicable regulations and is in line with best practises in the sector. The company has identified different types of risks, mainly actuarial, market and operational.

To ensure effective risk management, the company has a set of **risk management** policies that define responsibilities and determine the framework for action for each type of risk and ensure uniform application across all Group divisions and subsidiaries.

The Board of Directors is ultimately responsible for establishing and defining the risk appetite and ensuring that identified risks are limited and properly monitored and managed. It is also responsible for updating the Company's risk appetite framework annually, monitoring the effective risk profile and ensuring consistency between the two.

The Board of Directors or the Audit and Compliance Committee sets the risk tolerance thresholds annually. They also approve changes to the KRIS (Key Risk Indicator) thresholds, which are reviewed annually.

Risk management is decentralised to various departments. The Risk Management and Internal Control Department, which reports to the Finance Department, is responsible for standardising and integrating the Group's risk information, as well as for applying the risk control guidelines and regularly reporting to Management on the most important risks.

The Risk Management and Internal Control Department integrates the information on the Línea Directa Group's risks into the **Corporate Risk Map**, monitors their evolution through the KRIS scorecard and reports on their status to the Audit and Compliance Committee. To ensure proper management and control of each risk, the Línea Directa Group has established different management or "levels of defence" to ensure that a risk management system is in place for each of the types of risks identified:

- **A management unit** with direct responsibility for the day-to-day or ongoing management of such risks, as a first line of defence.
- **A structure of committees**, each of which is responsible for identifying, managing and reporting risks to the organisation's governing bodies, and in which the management units report and submit specific decisions. By virtue of their composition and functions, these committees have executive functions in that they make decisions in relation to the risks they manage.
- **Control functions** as the second line of defence; i.e. the Risk Management, Actuarial and Compliance functions.
- **An oversight function** as the third line of defence, i.e. the Internal Audit function.

This structure ensures:

1. That there is adequate control, management and reporting of all risks at the various levels of "defence".

2. That control and reporting is vertical and transversal, through both dependent entities and independent control functions.
3. That there is adequate scalability of reporting, control and decision-making.
4. That responsibility, knowledge and control of risks is carried out at different levels up to the highest level of governance.

Línea Directa Aseguradora has identified the most significant risks to be the following:

1. **Non-life underwriting risk**
2. **Health risk** (disease underwriting).
3. **Market and concentration risk.**
4. **Financial, credit and counterparty risks**, including contingent liabilities and other off-balance sheet risks.
5. **Operational risks**, including technological and cybersecurity risks.
6. **Legal risk** (regulatory and compliance).
7. **ESG** (Environmental, Social and Governance) risks.
8. **Reputational risk**

With the aim of improving the company's internal control environment, in 2021 the Risk Management and Internal Control Department strengthened the self-testing process, which consists

of a monthly survey of middle management on the controls they implement and includes questions such as the objective or purpose of the control, its scope, the person responsible for its implementation, the tools used or the existence of a guide or operation.

During the year, a **specific training plan was also developed for those responsible for controls**, aimed at updating their knowledge of risk management and internal control processes, and raising awareness of the importance of their role in creating a map of risks and controls that corresponds to the reality of the company.

Work has also been done on creating the risk map and defining the ESG risk management processes, an area of particular importance for the company in general.

Following the IPO, the Línea Directa Group must ensure compliance with European Union regulations by adopting **International Financial Reporting Standards**. To this end, the Internal Control over Financial Reporting Department was created. Its goal is to identify and determine the relevant financial information that must be subject to internal control over financial reporting (ICFR), as well as the processes required for its preparation, under a defined materiality criterion and taking into account all reported and published financial information.

ICFR is a part of internal control and is configured as a set of processes carried out by the Board of Directors, the Audit Committee, the Senior Management and the personnel involved in the entity to provide reasonable assurance regarding the reliability of the financial information published on the markets.

In this regard, the Internal Control over Financial Reporting Department, which is responsible for the effective implementation of the ICFR and its proper monitoring, has identified and reviewed the relevant information processes included in the ICFR, designed and implemented controls related to said information and prepared a periodic report to the Audit and Compliance Committee on the operating effectiveness of the designed and implemented controls with respect to the half-year financial statements for the financial year, as well as established a review process by the external auditor.

The main risks identified by the Línea Directa Group that may have an impact in the medium and long term are:

- **Cyber attacks:** Rapid digitisation and widespread post-pandemic teleworking make cyber risk one of the concerns for the company, which is focusing its efforts on strengthening response and recovery systems and protocols. In addition to various security measures to mitigate this risk, the company has a cyber risk policy that covers the possible consequences of this type of event.
- **Business continuity** and crisis response.
- **The increase in natural disasters** due to climate change. The increasing frequency and severity of catastrophic losses due to adverse and unpredictable climatic phenomena result in peaks of incurred claims that make it difficult to manage them in a timely manner and can worsen the service to policyholders and affect the company's results. To mitigate this risk, the company has specific procedures for managing these claims and an accumulation reinsurance programme to cover events

exceeding a certain amount that are not covered by the Insurance Compensation Consortium. In this type of reinsurance, the claims costs of the event that exceeds the priority set in the contract are ceded, the claims costs being understood as the sum of all individual claims affected by an event that meets the conditions set in the contract.

- **Uncertainty arising from the COVID-19 health crisis** and the consequences of the pandemic, which are impacting both the economy and the valuation of financial markets.
- **Market risks:** although the Company maintains a prudent portfolio from the point of view of financial instruments (government and corporate fixed income), there are always risks associated with the capital markets (such as, for example, interest rate and/or equity market movements).
- **Increasing regulatory change:** increasing regulation and standards that force the Company to pay close attention to the requirements and restrictions derived from new laws, as well as to adapt its processes and systems, strengthen legal teams, etc.
- **Provisioning risks:** the company's reported reserves for claims and related costs are calculated using estimates based on actuarial calculations and statistical models, in addition to the reserves that the Services and Benefits team establishes individually based on information available at a given point in time. The following controls are also applied: monitoring of the development of the reserves in the monthly claims incurred committee, annual

review of the calculation of the technical provisions by the auditor, calculation of the technical provisions by an independent expert. However, there is a risk of underfunding caused by changes in the applicable legal provisions and the economic environment.

- **Digitalisation and emerging technologies:** the pandemic has accelerated the digitalisation of businesses and consumers. Change is happening very quickly, which can pose risks of not responding quickly and effectively to customer demand for new products and ways to engage with the business, as well as risks arising from the lack of scalability of our technology.

Managing environmental, social and governance (ESG) risks.

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

The Risk and Compliance team, together with the divisions of the company, periodically analyses the operational or regulatory risks that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an inherent assessment of the company's main risks is made and, in addition, the corresponding prevention and mitigation measures are identified in order to obtain an assessment of the residual risk. The heat map of the inherent risk obtained from this first assessment is shown below.

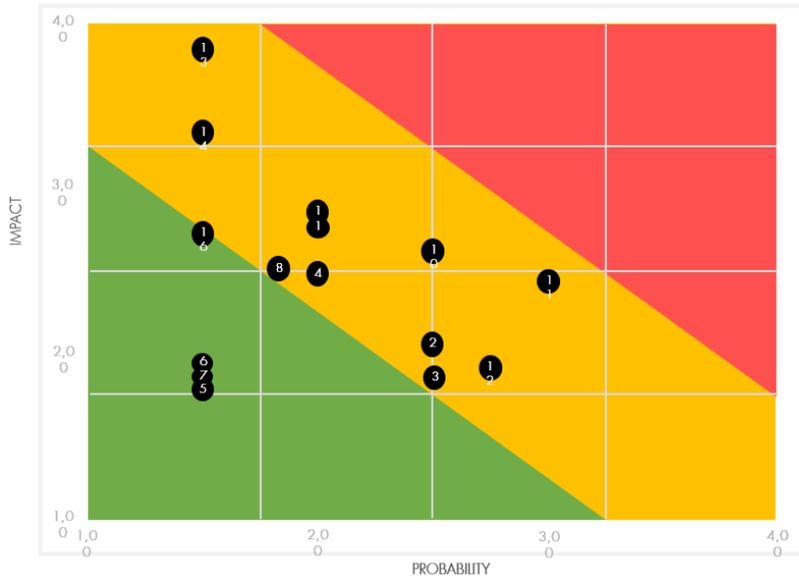
The company has defined the management model, processes, regulations concerned and methodology for ESG risk

management. It is a combined methodology, i.e., on the one hand, a qualitative assessment with KPIs that help to identify risks that could be considered more immediate threats, and regular monitoring that favours the transmission of information between the areas responsible for the risks and the company's risk management. On the other hand, the risk mitigation or control measures identified in each area are monitored, analysing whether they are being carried out effectively based on the evidence that can be provided. If an improvement is identified, appropriate action plans are defined.

CATEGORY		CAUSES/RISK EVENTS	
E	Environment and Climate Change	1	Non-compliance with sectoral environmental and/or climate regulatory requirements / best practices
		2	Lack of adaptation of products to the effects of climate change
		3	Failure to include climate change risks in the estimation of different financial and risk ratios
		4	Lack of or poor integration of an environmental operational efficiency strategy
S	Employees	5	Lack of promotion of diversity and equal opportunities
		6	Lack of attention to employee development and well-being
		7	Non-compliance with fundamental human and labour rights
S	Customer	8	Customer experience
		9	Lack of or inadequate contribution to the needs of the social environment
G	Relationship with third parties	10	ESG risks in the supply chain
		11	ESG risks in the relationship with other third parties
		12	Failure to make a responsible investment
	Governance, ethics and transparency	13	Inadequate corporate governance structure and practices
		14	Cases of corruption, fraud, bribery and tax non-compliance
		15	Information protection and security
		16	Weaknesses in communication and relationship with supervisors

The ESG risk map of the Línea Directa Group contains the risks to which the company is exposed. It is divided into three axes comprising the 5 main ESG blocks, which are in turn divided into 16 levels representing 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 it is important to note that the Línea Directa Group does not operate in a critical sector in terms of climate change, one of the main categories of ESG risks, the company is aware of this issue and therefore promotes responsible environmental management. The company is aware of this issue and therefore promotes responsible environmental management. To this end, the company has specific policies and measures, detailed in the Environmental Management section, which enable us to manage resource consumption efficiently in order to minimise our impact on the environment.

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. Moreover, in this respect, product design tries to take into account new developments, such as electric, hybrid or other types of combustion cars.

The corporate governance aspect highlights, among other things, the approval mechanisms for suppliers, the company's corporate governance structure that meets all regulatory and best practise requirements, the company-wide zero tolerance for bribery and other illegal acts reflected in the code of ethics and other internal policies, and of course all the measures implemented in the organisation to protect information and data.

Internal audit

In 2021, the internal audit plan has had a degree of compliance of 143%. 95% of the Action Plans have been satisfactorily implemented by the affected areas.

In order to obtain the quality certification of the Institute of Internal Auditors of Spain, a preliminary analysis exercise has been carried out on any breaches in the internal audit function whose action plans are being implemented.

Finally, the audit management tool SAP Audit Management was introduced to automate procedures and improve the quality of the work performed by the function.

In 2022, the audit plan will be developed with the following objectives: to protect assets, the reputation and sustainability of the organisation, as well as safeguarding the interests of shareholders. This includes reviews of cyber security, compliance, roadside assistance business continuity, integrated risk map and KRIs, and internal control over financial reporting (ICFR).

SUSTAINABILITY MANAGEMENT

Línea Directa Aseguradora bases its sustainability strategy on 3 dimensions: Environmental, Social and Good Governance, which have been set out and developed in the company's IV Sustainability Plan. The plan is the company's roadmap in this area and develops its commitments in areas such as corporate governance, ESG risk management, social aspects, sustainable finance, environment and climate change, inter alia.

SUSTAINABILITY MANAGEMENT

The Línea Directa Aseguradora Group has a Sustainability Policy, approved by the Board of Directors in 2020, with the aim of contributing to the sustainable and inclusive development of the environment in line with its values. It includes the commitments and responsible practises that are used to develop Línea Directa Aseguradora's sustainability strategy.

The Board of Directors has the ultimate responsibility for it: to ensure compliance with the same, to ensure compliance with laws and regulations in its relations with stakeholders, to ensure compliance with obligations and contracts in good faith and to ensure that customs and good practises are observed in the performance of its duties.

The Appointments and Remuneration Committee shall annually review compliance with the Policy and report to the Board of Directors on the level of progress made in complying with the Policy and the Sustainability Strategy, which shall be included in the relevant Annual Corporate Governance Report.

The Board of Directors, through the Appointments and Remuneration Committee, will monitor compliance with this Policy and its indicators.

The Sustainability and Reputation Committee of the Línea Directa Group will report to the Appointments and Remuneration Committee on the actions derived from the Sustainability plan and compliance with ESG indicators, at least annually.

SUSTAINABILITY STRATEGY

Línea Directa Aseguradora's IV Sustainability Plan, which runs from 2020 to 2022, is the Group's sustainability roadmap and aims to develop and build a profitable, ethical and socially committed management offering.

The **Environmental Axis** incorporates environmental protection and the fight against climate change into business management; the **Social Axis** focuses on caring for groups at risk of exclusion, promoting equality, diversity, health, road safety and home security; and the **Good Governance Axis** spans the ethical management of the company in all its operations.

The IV Plan, whose implementation and compliance is on track, aligns the Group's sustainability policy with the **United Nations Global Development Strategy**, which is based on the **SDGs and the 2030 Agenda**. Línea Directa has targeted **8 specific goals**, for which up to **15 different areas of action** have been identified and **more than 70 actions** have been planned, belonging to the Environmental (18%), Social (41%) and Good Governance (41%) axes.

Specifically, Línea Directa Aseguradora has focused on 8 SDGs: **Health and well-being** (SDG 3), **Gender equality** (SDG 5), **Decent work and economic growth** (SDG 8); **Industry, innovation and infrastructure** (SDG 9), **Reducing inequalities** (SDG 10), **Climate action** (SDG 13), **Peace, justice and strong institutions** (SDG 16) y **Partnerships to achieve the goals** (SDG 17).

The IV Sustainability Plan focuses on three specific lines of work: **“Caring for Business”**, **“Caring for the Organisation”** and **“Caring for Society”**, in which we develop the three ESG (Environmental, Social and Good Governance) axes through various initiatives. With its **“Caring for Business”** commitment, it promotes a **responsible supply chain** that supports energy-efficient mobility and homes, the introduction of sustainable and socially committed products and responsible business.

Línea Directa promotes a culture of commitment and talent through its **“Caring for the Organisation”** work area and cares for the health of its employees and values such as diversity, social inclusion and equality through its Healthy Company Plan. In addition, in this action area, the company also sets internal goals in the **fight against climate change** by reducing the impact of emissions, laying the foundations for achieving carbon neutrality and monitoring its consumption and waste through an efficient environmental management system. In terms of the Good Governance axis, Línea Directa is committed to strengthening risk control, promoting its code of ethics and developing its corporate governance policy to meet the expectations and requirements of investors and regulators.

Finally, through **“Caring for Society”**, the company has a social action plan to collaborate with non-governmental organisations and social institutions, promotes actions to protect the

environment and strengthen the energy transition, carries out important initiatives to promote road safety through the Línea Directa Foundation, supports education and training in domestic security and data protection and, finally, promotes alliances in the field of sustainability and advocates transparency.

MATRIX OF THE IV SUSTAINABILITY PLAN 2020-2022

	ENVIRONMENTAL AXIS	SOCIAL AXIS	GOOD GOVERNANCE AXIS
Business	<ul style="list-style-type: none"> Responsible supply chain. 	<ul style="list-style-type: none"> Products committed to society. 	<ul style="list-style-type: none"> Innovation and responsibility in the business.
Organisation	<ul style="list-style-type: none"> Climate change. 	<ul style="list-style-type: none"> Healthy company. Responsible company. Commitment. Talent and culture. 	<ul style="list-style-type: none"> Corporate Governance Occupational health and safety.
Society	<ul style="list-style-type: none"> Environmental impact. 	<ul style="list-style-type: none"> Road safety. Positive contribution to society. Volunteering 	<ul style="list-style-type: none"> Partnerships. Business transparency.

Compliance with the Plan

Since the activation of the IV sustainability plan, the company has achieved a high level of compliance. In 2020, 92% of the

proposed indicators were achieved, and 91% in the last financial year. One year before closing, the IV plan is already 91.5% implemented.

	No. of shares	Number of indicators	Achieved	In progress	Not achieved	Degree of achievement
Environmental axis	11	22	20	0	2	91%
Social axis	30	70	62	5	2	89%
Good governance axis	26	50	47	3	0	94%
Total	67	142	129	8	4	91%

Sustainability Policies

Línea Directa Aseguradora's Sustainability Policies, whose ultimate goal is to create long-term value for the Company, shareholders, customers, employees, suppliers and society as a whole, are formulated by the company's **Sustainability and Reputation Committee** and **approved by Línea Directa Aseguradora's Board of Directors** after review and oversight by the **Appointments, Remuneration and Corporate Governance Committee**.

These policies are intended to build sustainable and inclusive development. In October 2020, the Board approved the **Human Rights Policy, the Diversity and Inclusion Policy, the Gender Equality Policy, the Sustainability Policy and, in 2021, the General Risk Policy and the Social Contributions Policy**. In 2022, the Environmental and Energy Efficiency Policy will be addressed.

Línea Directa Aseguradora's sustainability policy is fully integrated into the corporate strategy and governance and takes into account **ESG** (environmental, social and good governance) criteria to promote sustainable, efficient and lasting growth. Línea Directa Aseguradora, as set out in its Code of Ethics, is committed to a proactive approach in this area, following the **United Nations Sustainable Development Goals (SDGs) and the recommendations of the CNMV**.

Línea Directa has a strong commitment to human rights and defends and promotes them in all its areas of activity and throughout its value chain.

Through the **Human Rights Policy**, the Board of Directors demonstrates this commitment to human rights, guided by the premises of the United Nations Guiding Principles on Business and Human Rights and in line with national (National Action Plan on Business and Human Rights) and European (Action Plan on Human Rights and Democracy 2020-2024) requirements.

In doing so, the Group is guided by the principles set out in the United Nations International Bill of Human Rights, the fundamental conventions of the International Labour Organisation, the OECD Guidelines for Multinational Enterprises and the European Convention on Human Rights.

Respect for diversity and inclusion is an essential reputational factor for Línea Directa Aseguradora, as well as a key factor for competitiveness that promotes innovation, ensures plurality and creates value in the company. The company strives to create a working environment where there is diversity of skills, experience, knowledge, origin, nationalities, age, sexual orientation and

gender, and where all people are treated and feel treated with respect and equality.

In terms of **Gender Equality** policies, the company promotes a culture of equal opportunities and flexibility that fosters a balance between employees' work, private and family lives. As a result, **57.4% of the workforce are women**, who also hold **50% of positions of responsibility**. The gender-weighted pay gap is 2.6 per cent in favour of men.

Línea Directa is now **a good example of diversity, inclusion and equality**. At the end of 2021, the Group employed 2,576 people from 28 different countries, almost 57,4% of whom were women, who also occupy 50% of the management positions. Particularly noteworthy is the absence of a pay gap in the organisation, as the pay gap between men and women at the Línea Directa Group is only 2.6% in men's favour, a percentage that is significantly better than the average for the Spanish labour market.

Through its **Social Contribution Policy**, Línea Directa Aseguradora expresses its commitment to society. It is aware that, through the application of responsible practises and commitments, it must be a driver for sustainable development that promotes progress in the communities in which it operates. To this end, the company seeks to improve people's quality of life and safety through a strategy of social contribution that promotes sustainable socio-economic development.

Finally, Línea Directa's **Environmental and Energy Efficiency Policy** is based on the company's commitment to the environment and proper energy management, focusing on strict compliance with legislation and continuous improvement of environmental

performance. The aim of this policy is to promote better control of the natural resources used in order to create a more sustainable environment and achieve greater efficiency in the energy sources used.

Technology sponsorship

Línea Directa Aseguradora supports and finances various business projects that may represent great value to society due to their viability, importance, scientific relevance, innovative nature and alignment with the company's reputational interests. Responsible investment is a very important element within the Group's sustainability policy and encompasses a wide, diverse and varied range of topics that are of great interest, both scientifically and economically.

Línea Directa Aseguradora always seeks to support social, economic and business initiatives and, to this end, has approved Línea Directa Aseguradora's Sustainability Master Plan 2020-2022 IV, which, under the motto "We care about what matters", establishes as one of its main lines of action the care for society, promoting or participating in initiatives that enable, facilitate and influence a significant improvement in the social well-being of citizens. The Plan also includes the area of healthcare promoted through the Vivaz brand, which aims to improve and promote healthy lifestyle habits.

In 2021, Línea Directa Aseguradora provided financial support to projects in the areas of health, self-driving vehicles and technology. The former include investments in a dual diagnostic kit for Sars-Cov-2 and influenza using the technology LAMP, in new therapeutic alternatives for the treatment of Covid-19, in the development of an active carrier for the immobilisation of

DNA/RNA, in the treatment of neuropathic pain and degenerative diseases and, finally, in research into new compounds that allow cell regeneration times to be reduced. In the automotive sector, support was provided to study the architecture and systems of autonomous vehicles in terms of lateral safety, while in engineering, projects were funded on photonics in automotive wireless communications, optical sensors for monitoring breathing gases in oxygen masks, and sustainable asphalt mixes.

All these projects funded by Línea Directa Aseguradora have contributed to the development of R&D throughout Spain, as the companies involved are located in Madrid, Aragon, the Basque Country and Galicia.

DIALOGUE WITH STAKEHOLDERS

Línea Directa Group's sustainability plan divides **the company's stakeholders** into **two different groups**, depending on whether or not it has a contractual/legal relationship with them. At the first level are the stakeholders with whom the company has such a relationship: **shareholders, customers, employees and suppliers**. The second level contains the rest: **the media, institutions, entrepreneurs, industry associations, opinion leaders, NGOs, non-clients and society in general**.



Línea Directa promotes **active listening** with all Stakeholders **by establishing different communication channels**.

STAKEHOLDERS	ENGAGEMENT CHANNELS	OFFICERS
Shareholders	General Shareholders' Meeting	General Secretary
	Shareholder's Office Confidential whistleblower channel	
Customers	Group Corporate Website	Head of People, Communications and Sustainability
	Social Media (Facebook, Twitter, Youtube, LinkedIn, Instagram)	
	Insured Party Ombudsman	General Secretary
	Confidential whistleblower channel	
	Spain's Directorate General of Insurance and Pension Funds	
	Quality Surveys	
	Commercial Multichannel	Head of Marketing
	Focus Group	
Direct telephone channel	Business Directors	

Regulatory agencies (DGSFP and CNMV)	Confidential whistleblower channel	Ethical Manager
Employees	Focus Group	Head of People, Communications and Sustainability
	Employee care	
	Climate and opinion surveys	
	Virtual Communities	
	Intranet	Management Committee
	Internal events: breakfasts and conventions	
	Confidential whistleblower channel	Ethical Manager
	Meetings and meeting points	Head of People, Communications and Sustainability
Collaborators	Focus Group	General Secretary
	Satisfaction questionnaires	
	Purchasing Portal	Chief Financial Officer
	Confidential whistleblower channel	Ethical Manager
	Collaborators Award	Management Committee
Partners (University and Business Schools)	Meetings	Head of People, Communications and Sustainability
	Forums	Head of People, Communications and Sustainability
	Seminars	
Third Sector	Meetings	Head of People, Communications and Sustainability
	Social media	Head of People, Communications and Sustainability
	Línea Directa Foundation website	
	Confidential whistleblower channel	Ethical Manager
Media	Press Conferences	

	Press Releases	Head of People, Communications and Sustainability
	Social media	
	Confidential whistleblower channel	Ethical Manager
Society	Group Corporate Website	Head of People, Communications and Sustainability
	Línea Directa Foundation website	
	Social Media (Facebook, Twitter, Youtube, Linkedin and Instagram)	
	Confidential whistleblower channel	Ethical Manager

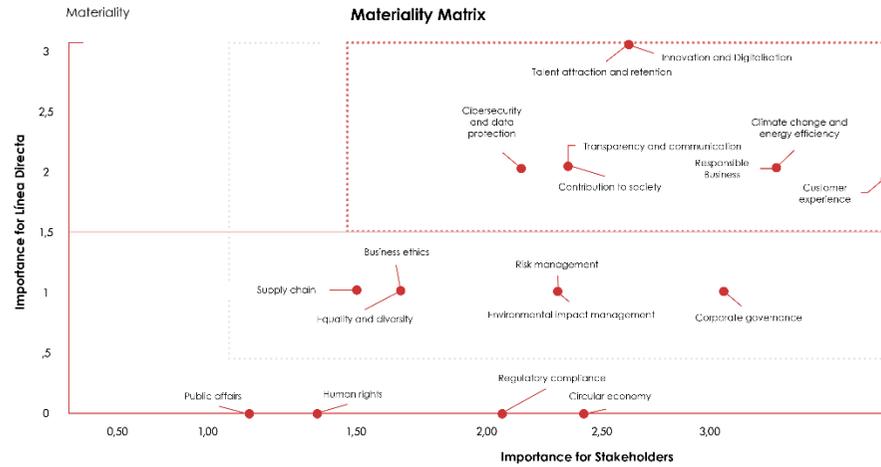
MATERIALITY ANALYSIS AND INDICATORS

Línea Directa reports its information transparently, taking into account the relevance to its various stakeholders, which it determines through different channels, following GRI standards.

Línea Directa Aseguradora's **IV Sustainability Plan**, which is valid and mandatory for **all Group companies**, reflects the results of the **materiality analysis** carried out to design, implement and develop the different lines of action.

It was prepared through in-depth analysis with consulting firms to identify **the most relevant issues for the company's different stakeholders**, an exhaustive and rigorous process that included, among other things, an industry benchmark and information from studies on the insurance sector and sustainability standards, as well as meetings and interviews with the company's senior management.

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



ENVIRONMENTAL ISSUES

Línea Directa Aseguradora's environmental impact is lower due to its operations and direct business model, as it has no office networks and provides its services centrally, unlike the traditional model. Although the company does not operate in a climate-critical industry, it is committed to responsible environmental management, launching products for new, emerging and less polluting forms of mobility, and facing the new challenges required by the energy transition.

INTRODUCTION

Línea Directa Group is committed to responsible environmental management by operating in the most environmentally friendly way possible and taking the necessary measures to mitigate its direct and indirect environmental impact.

Climate change brings new risks and challenges that require a high level of commitment from all sectors, including the insurance sector. In this context, strategies need to be developed that combine adaptation to new regulatory requirements arising from national and EU regulations such as the **Climate Change Act or the Taxonomy Regulation**, with the management of stakeholders' expectations.

The IPO of Línea Directa Aseguradora coincides with the approval of economic incentives (known as the Next Generation Fund) to rebuild a greener, more digital and more resilient Europe after the severe impact of Covid-19. This is an opportunity to strengthen its position in the face of climate change, develop more sustainable and innovative products and consolidate its position as a benchmark for digitalisation in the Spanish insurance sector.

To this end, the company relies on the precautionary principle, analysing and managing its main environmental risks not only in terms of direct risks arising from its properties, waste management and employee awareness, but also indirect risks. Four of the ESG (environmental, social and governance) risks identified in the company relate to the environment, including **adapting to new regulations** against climate change, considering **their impact on financial ratios, adapting products and services to climate change** and properly implementing **environmental efficiency measures**.

The company has developed a sustainability policy that takes into account the environmental approach and aims to enhance the positive impacts and minimise the negative impacts of its operations on the environment. In this way, it promotes its value chain by encouraging the responsible and rational use of resources, adopting an efficient approach and seeking to minimise waste generation.

Línea Directa's Board of Directors has ultimate responsibility for the company's sustainability and is the body responsible for approving, monitoring and reviewing the implementation of the environmental strategy. In addition, the company has an Environmental Policy, introduced in 2017 and extended until the 2022 financial year, which covers the entire Group and establishes the principles of action in this area.

In addition, the **Sustainability and Reputation Committee**, composed of the Senior Management and the CEO, ensures compliance with these principles and guarantees the implementation of appropriate measures to protect the environment.

This environmental pillar also includes the climate change strategy, with short, medium and long-term targets, and **the carbon footprint management system**, which identifies, measures and controls the direct, indirect and induced environmental impacts of the company's operations.

With regard to environmental management, in the 2021 financial year the Group has not considered it necessary to create a provision for environmental risks and charges, as there are no unforeseen events related to the protection and improvement of the environment and it has not received any type of sanction related to the environmental management carried out by the Group.

The **environmental risks** that could arise from the Group's activities are considered to be minor and, in any case, adequately covered and no additional risks are expected to arise in connection with the Group's activities. The Group has not incurred any expenses or received any subsidies in connection with these risks.

Climate change strategy

Due to its type of economic activity, the insurance sector is not identified as a carbon-intensive industry. In the case of Línea Directa Aseguradora, which operates in the Non-Life branch, its impact is equally low from a direct point of view. However, the service it offers in Motor insurance may generate an indirect impact that must be taken into account, either through the mobility of its own customers or through its suppliers, who must play a leading role in the transition to a low-emission economy (workshops, towing, repairs, etc.). For this reason, **the company's**

responsibility towards the environment is not limited to managing the direct impacts it causes (which it has been managing for more than a decade), but also includes special attention to indirect impacts.

In relation to its different business areas, Línea Directa has developed various initiatives.

For example, in the Motor line, Línea Directa has promoted the development of electric and hybrid vehicles and in 2016 launched **Póliza Respira**, an insurance policy designed to boost demand for more sustainable and environmentally friendly mobility models. The product offers drivers of private vehicles with electric or hybrid motors an all-risk insurance policy with a fixed tariff at a very competitive price, in addition to cover specifically designed for this type of vehicle, such as breakdown cover without mileage limit or theft of the integrated charging cable, among others.

In this way, the company positions itself in the market with responsible products to promote more sustainable and environmentally-friendly habits in society. Another example of this is the inclusion of hybrid vehicles in its fleet of replacement vehicles or in its innovative product "Llámalo X", the first insurance with a built-in car that also offers hybrid vehicles. It also insures electric mobility fleets for car sharing and motor sharing, thereby supporting new initiatives for solving the constant problems of pollution and mobility in urban areas.

In home insurance, Línea Directa covers atmospheric phenomena established by insurance law, within the coverage and limits established in the insurance conditions. The risks of extreme atmospheric phenomena, such as DANAS or atypical

cyclonic storms (ACS), whose frequency and intensity are due to climate change, are covered by the Consortium for Insurance Compensation (CCS), a public body of the Ministry of Economy and Digital Transformation. Thus, with this exceptional risk insurance model, the Spanish insurance sector has a useful tool for dealing with the damage caused by climate change.

Línea Directa Aseguradora also offers sustainable proposals for its customers in relation to the agreement it has developed with Naturgy to promote sustainable energies in the home.

During 2021, Línea Directa "Vivaz Safe & Go", first insurance to cover users of Personal Mobility Vehicles (PMV) such as electric scooters, bicycles or Segways, among others, without the need for a vehicle registration or number plate. With this insurance, which is 100% digitally managed, the company is positioning itself as an ally of the new forms of low-carbon urban mobility by offering an insurance solution that protects the driver and the other users of urban roads and enables a more sustainable and environmentally-friendly urban mobility.

In 2021, Línea Directa supported WWF's "Earth Hour" initiative to raise awareness of the impact of climate change and the importance of reducing CO2 emissions locally and globally. Línea Directa publicises this initiative in its social media community, where it already has more than 430,000 followers.

To raise awareness among employees about the importance of sustainability, the company has conducted training sessions explaining the environmental management system, the Línea Directa Group's commitment to sustainable development and reducing environmental impact, as well as providing advice and

recommendations on how to individually combat climate change.

CARBON FOOTPRINT

Línea Directa has been calculating its carbon footprint in a comprehensive way for more than 10 years in its three emission scopes: Direct (fossil fuel consumption), Indirect (electricity consumption) and Induced (including travel, business trips, paper and water consumption).

In 2021, for the second time, Línea Directa Asistencia prepared an estimate of the greenhouse gas emissions generated by the services it provides by road. The subsidiary has calculated the kilometres travelled annually through its supply chain as part of the towing services. It has also calculated the kilometres travelled by rental vehicles, by taxis used by customers when their vehicle needs to be repaired in the workshop, by the expert verification service and by the collection and delivery services of replacement vehicles to customers. The result was emissions of **6,032 Tonnes of CO2, 12%** higher than in 2020. These emissions are correlated with the number of assistance files opened in order to be able to verify the number of emissions for each customer service. With this measurement, the subsidiary can more comprehensively manage, reduce and ultimately neutralise emissions from its operations. In fact, emissions per file for 2021 were down by 1.5% from the previous year, being more efficient per service during this period.

In 2021, mobility has returned to levels similar to those before the COVID-19 pandemic. However, the measures implemented at Línea Directa will allow us to continue to significantly reduce

emissions and progress towards carbon neutrality by 2030, as set out in the Group's Sustainability Plan.

Línea Directa identifies the main energy sources and evaluates their performance in order to set targets, monitor them and thus complete a comprehensive environmental management system. This management aims to reduce the impact of the company's activities, protect the environment, minimise pollution, have a system of continuous improvement within the company, comply with applicable legal requirements, promote the acquisition of more efficient products and services and ensure the availability of information to carry this out.

As a measure to avoid and reduce carbon emissions, employees also have access to a fleet of electric vehicles to commute between employee office centres.

Carbon Footprint of Línea Directa Aseguradora

Direct CO2 emissions (Tn)	2019	2020	2021
From consumption of Gas* / Diesel**	331.4	208.2	287.5
Emissions/employee	0.16	0.09	0.13
*Natural Gas 2021 (1,569,508 Kwh). **Gasoil Type C 2021 (639 litres). Source: MITECO. Emission factors, carbon footprint registration, offsetting and carbon dioxide absorption projects (Version 17 – April 2021)			
Indirect CO2 emissions (Tn)			
Electricity consumption	949.0	65.9	76.1
Emissions/employee	0.45	0.03	0.03
Source: MITECO. Carbon footprint registration emission factors, compensation and carbon dioxide absorption projects. (Version 17 - April 2021) Electricity ELEIA / Iberdrola Customers. Buildings TC1, TC2 and TC4: 100% renewable ELEIA electricity. TC3 building: Estimation of consumption based on annual average.			
Induced CO2 emissions (Tn)			
Commuting*	2,405.2	1,173.7	2,089.7
Business trips**	16.2	3.6	5.7
Water**	6.2	3.2	3.8

Paper	56.1	24.0	15.1
Total:	2,483.6	1,204.5	2,114.3
Emissions/employee	1.14	0.55	0.95

Source: SIMAPRO (Ecoinvent System Processes, tap water, at user, RER/S). Updated 2019.

Source: SIMAPRO (Ecoinvent System Processes 3, paper production, newsprint). Updated 2019.

Source: Defra's business travel- land guidance. Version 1.0 2021. Renfe and Calcarbono.servicios4 of the Government of Aragon

* In 2021, the calculation of Commuting trips was modified based on the survey of mobility habits.

** In 2021 the scope of Business Trips is expanded. It includes high-speed trains (AVE) and plane travel.

*** Estimation of water consumption based on annual average data.

*The methodology for calculating emissions from business travel and commuting was changed this year. For the sake of completeness, rail and air travel for business purposes were included in the calculation and a survey was conducted among employees to determine their mobility habits, including all types of transport.

Carbon Footprint of Línea Directa Asistencia

Direct CO2 emissions (Tn)	2019	2020	2021
From consumption of Diesel*	49.6	28.2	22.0
Emissions/employee	0.22	0.13	0.10
*Gasoil Type C 2021 (7,680.64 litres). Source: MITECO. Emission factors, carbon footprint registration, offsetting and carbon dioxide absorption projects (Version 17 – April 2021)			
Indirect CO2 emissions (Tn)			
Electricity consumption *	102.1	52.0	47.8
Emissions/employee	0.44	0.24	0.22
*Estimated from average annual consumption Source: MITECO. Carbon footprint registration emission factors, compensation and carbon dioxide absorption projects. IBERDROLA CLIENTES S.A. (Version 17 - April 2021)			
Induced CO2 emissions (Tn)			
Commuting*	285.3	131.6	206.7

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



Business trips**	10.13	3.30	1.27
Water**	0.65	0.12	0.02
Paper	1.73	0.46	0.25
Total:	297.9	135.5	208.2
Emissions/employee	1.30	0.61	0.98

Source: SIMAPRO (Ecoinvent System Processes, tap water, at user, RER/S). Updated 2019.
 Source: SIMAPRO (Ecoinvent System Processes 3, paper production, newsprint). Updated 2019.
 Source: Defra's business travel- land guidance. Version 1.0 2021

*Commuting In-house based on 2021 Mobility Habits Survey.

** Business trips only include those trips made in a private vehicle.

*** Estimated from average annual consumption.

Carbon Footprint of CAR Madrid

Direct CO2 emissions (Tn)	2019	2020	2021
From consumption of Gas*	143.4	112.6	141.4
Emissions/employee	2.21	1.61	1.99

* Natural Gas 2021 (776,825 Kwh).

Source: MITECO. Emission factors, carbon footprint registration, offsetting and carbon dioxide absorption projects (Version 17 - April 2021).

Indirect CO2 emissions (Tn)

Electricity consumption	257.6	242.4	116.0
Emissions/employee	3.96	3.46	1.63

Source: MITECO. Carbon footprint registration emission factors, compensation and carbon dioxide absorption projects. IBERDROLA CLIENTES S.A. (Version 17 - April 2021)

Induced CO2 emissions (Tn)

Commuting*	N/A	N/A	N/A
Business trips*	N/A	N/A	N/A
Water	0.38	0.26	0.31
Paper	1.04	0.62	0.35

Total:	1.42	0.88	0.66
Emissions/employee	0.02	0.01	0.01

Source: SIMAPRO (Ecoinvent System Processes, tap water, at user, RER/S). Updated 2019.

Source: SIMAPRO (Ecoinvent System Processes 3, paper production, newsprint). Updated 2019.

* Emissions from business trips and commuting have not been calculated because they are not significant.

Carbon Footprint of CAR Barcelona

Direct CO2 emissions (Tn)	2019	2020	2021
From consumption of Gas*	130.3	120.6	145.0
Emissions/employee	2.77	2.08	2.46

* Natural Gas 2021 (797,004.6 Kwh). Estimated from average annual consumption.

Source: MITECO. Emission factors, carbon footprint registration, offsetting and carbon dioxide absorption projects (Version 17 - April 2021).

Indirect CO2 emissions (Tn)

Electricity consumption	151.1	71.4	63.6
Emissions/employee	3.21	1.23	1.08

Source: MITECO. Carbon footprint registration emission factors, compensation and carbon dioxide absorption projects. IBERDROLA CLIENTES S.A. (Version 17 - April 2021)

Induced CO2 emissions (Tn)

Commuting*	N/A	N/A	N/A
Business trips*	N/A	N/A	N/A
Water	0.33	0.39	0.45
Paper	0.26	0.58	0.83
Total:	0.59	0.97	1.28
Emissions/employee	0.01	0.02	0.02

Source: SIMAPRO (Ecoinvent System Processes, tap water, at user, RER/S). Updated 2019.

Source: SIMAPRO (Ecoinvent System Processes 3, paper production, newsprint). Updated 2019.

* Emissions from business trips and commuting have not been calculated because they are not significant.

In 2021, the Línea Directa Group has issued 58% less emissions than 2019 in scopes 1 and 2.

INDICATORS OF ECO-EFFICIENCY AND SUSTAINABLE USE OF RESOURCES.

Línea Directa has an environmental management system to adequately monitor and manage its main consumption and waste.

This system allows the company to develop and implement measures and strategies for more effective control and management aimed at minimising the environmental impact of its activity. This management leads not only to a reduced environmental impact, but also to real and quantifiable savings in operating costs.

Measures worth mentioning in 2021 include the **installation of photovoltaic panels on Línea Directa's buildings**, the introduction of a system to monitor installed renewable energy, and the installation and commissioning of two efficient chillers for air conditioning, one of which is already in operation and the other is expected to be operational in the first quarter of 2022.

In 2021, 86% of the electricity consumed in Línea Directa Aseguradora's facilities (Scope 2) is **green energy with a guarantee of origin**.

In addition, **various measures have been taken in the CAR workshops in Madrid and Barcelona** to reduce consumption and environmental impact. CAR Madrid has also installed solar panels, which should be fully operational by 2022. In addition,

compressors were replaced, lighting was converted to LED and the compressed air system used to power pneumatically operated tools was repaired. CAR Barcelona is located in a high-efficiency building with LED lighting, high-efficiency compressors and energy-efficient paint booths. In addition, both have a fleet of more sustainable replacement vehicles equipped with an LPG adapter and labelled ECO so that users can drive in the city centres.

The company continues to work on reducing paper consumption by introducing digital processes. Since 2016, the insurer has made all documents available digitally with the "Digital Policy", which is sent to the policyholder when the policy is taken out. As a result, by reducing the amount of mail in the various business processes during the lockdown and by increasing staff awareness, **paper consumption was reduced by 38% this year**.

Paper consumption (Kg)	2019	2020	2021	Diff % 2021/20
Línea Directa Aseguradora	28,384	17,342	10,697	-38.32
Línea Directa Asistencia	1,231	329	180	-45.08
CAR Madrid	736	437	249	-42.86
CAR Barcelona	187	412	586	42.43

In the course of reducing paper consumption, the company has also taken other measures, such as electronic signatures in contracts with suppliers and employees, which allow everyone to keep a personal digital file and so use less paper. This modality extends to the documentary relationship with customers, who can download any information through the website or the Company's app.

All these technological changes are gradually affecting the organisation's environmental management, but cultural change is also taking place within the organisation. The company has introduced training for the entire workforce on the importance of sustainability, focusing on specific environmental aspects related to the company's operations and providing awareness-raising messages and best practises to reduce environmental impact. To support employees in this change, the company has provided 10 charging stations for electric and hybrid cars this year.

WASTE MANAGEMENT

As the company has certified environmental management systems, the management of waste generated in its buildings is

Waste generated (Kg)	CAR MADRID	CAR BARCELONA
Glass	140.00	359.00
Plastic/Bumper Plastics	880.00	896.00
Paper and cardboard	4,777.50	715.00
Organic	16,220.00	11,752.05
Solvents	1,075.00	1,214.76
Contaminated materials, chemicals	4,777.00	21,522.08
Water-based waste paints	756.00	95264
Oils	351.00	21.00
Scrap	8,300.00	2,430.00
Oil Filters	418.00	-
Cabin Filters	1,945.00	530.00

closely controlled and all relevant documentation and monitoring indicators are kept up to date. The main wastes

generated by the company's operations are listed below. Both confidential paper waste and toner waste are managed by approved waste management companies, which certify that 100% of this type of waste is treated and reused appropriately.

In the case of electronic equipment, the appointed managers guarantee that this waste is treated appropriately.

For proper waste disposal, there are waste collection points in every factory and office, appropriately signposted so that all employees can separate organic waste, paper waste and packaging.

During the year, various pieces of computer equipment that was no longer in use was donated after being refurbished (with information deleted) by a group of technology volunteers to be donated to various NGOs. Specifically, 30 CPUs, 15 monitors, 30 keyboards and 30 mice were donated.

Waste generated (Kg)	LÍNEA DIRECTA ASEGURADORA	LÍNEA DIRECTA ASISTENCIA
Paper and cardboard	8,862.00	484.00
Toners and printer cartridges	16.20	0.98
Plastics	15,200.00	-

In the case of the CAR Madrid and CAR Barcelona repair shops, the subsidiaries have a strict waste management policy due to their activities and the type of materials they work with.

ENVIRONMENTAL MANAGEMENT SYSTEM

Since 2017, Línea Directa Aseguradora has been certified in accordance with Spanish standard **UNE-EN ISO 14001:2015**. The company considers it essential to centralise environmental performance in an environmental management system (EMS). Three of the four buildings the company owns in Tres Cantos are currently included in this certificate. There are plans to include the fourth building, which will be inaugurated in 2020. Although it does not fall within the scope of EMS, its consumption is also monitored.

Water consumption (ml)	2019	2020	2021	Diff % 2021/20
Línea Directa Aseguradora	19.27	10.05	11.92	18.62
Línea Directa Asistencia	2.02	0.36	0.05	-87.05
CAR Madrid	1.18	0.82	0.95	15.82
CAR Barcelona	1.03	1.20	1.40	16.25

Water consumption in 2021 increased at the insurance company due to increased activity in the offices following the normalisation of rotating shifts of employees. At Línea Directa Asistencia, the landlord reported much lower consumption in the common areas of the building. Finally, the two repair centres also increased their consumption due to the increase in activity, as the protocol is to wash the vehicle before delivery at the end of the repair.

Línea Directa Asistencia has also created a scorecard with the main consumption indicators of the subsidiary. The centralisation

of all information will be used to set consumption targets and take energy efficiency measures.

This includes toner consumption, which is monitored both at the head office and at the other subsidiaries.

Toner consumption 2021	Kg
Línea Directa Aseguradora	16.20
Línea Directa Asistencia	0.98
CAR Barcelona	6.00
CAR Madrid	7.65

In 2021, the energy consumption of the main entities that make up the Línea Directa Group increased compared to 2020, due to the gradual reintegration of employees into the offices. However, thanks to the measures taken, the impact has been minimised.

Electricity consumption (Kwh)	Origin	2019	2020	2021	Diff % 2021/20
Línea Directa Aseguradora TC1 - Isaac Newton, 7	Renewable	1,070,586.00	798,191.00	848,089.00	6.25
Línea Directa Aseguradora TC2 - Isaac Newton, 9	Renewable	392,779.00	306,114.56	315,639.00	3.11
Línea Directa Aseguradora TC3 - Torres Quevedo, 1	Non-renewable	-	329,643.69	507,390.63	53.92
Línea Directa Aseguradora TC4 - Ronda de Europa, 7	Renewable	2,484,779.00	1,929,640.00	2,022,522.00	4.81
Línea Directa Asistencia (Pozuelo de Alarcón)	Non-renewable	364,706.30	259,924.00	318,550.00	22.56
CAR Madrid (Torrejón de Ardoz)	Non-renewable	919,999.00	781,998.00	773,387.00	-1.10
CAR Barcelona (Sant Joan Despí)	Non-renewable	397,622.00	357,146.00	424,243.00	18.79

The consumption of Línea Directa Aseguradora TC3 and Línea Directa Asistencia in 2021 is an estimate based on an annual average.

Furthermore, the Direct Insurer Line has an energy management system certified according to the ISO 50001 international standard, which ensures a lower environmental impact by reducing energy consumption.

	Power Consumption (GJ)					
	2019	Gj/Empl	2020	Gj/Empl	2021	Gj/Empl.
Línea Directa Aseguradora	20,063.00	9.54	16,215.23	7.35	18,972.55	8.51
Línea Directa Asistencia	1,972.41	8.57	1,311.07	5.93	1,449.83	6.81
CAR (Madrid and Barcelona)	9,596.44	74.97	8,569.01	66.94	9,977.25	76.75

*Includes energy consumption in electricity, natural gas and diesel.

In addition, LDA Reparaciones, the Group's Home subsidiary, has a small leasing fleet that reports its consumption. All home assistance services are planned as efficiently as possible. The consumption results are as follows:

Vehicle fleet LDA Reparaciones	2020 Diesel (l)	2021 Diesel (l)	
Vehicle 1	1,578.96	749.66	
Vehicle 2	1,366.17	1,525.97	
Vehicle 3	938.66	1,102.46	
Vehicle 4	2,229.79	2,373.36	
Vehicle 5	1,022.30	1,217.47	
Vehicle 6	1,198.07	1,547.37	
Vehicle 7	1,160.33	1,484.64	
Vehicle 8	1,880.06	1,927.70	
Vehicle 9	-	1,167.94	Diff %
Total	11,374.34	13,096.57	15

The Group has annual Environmental Management programmes that include a series of goals and targets aimed at optimising consumption and proper waste management. It also works to reduce atmospheric emissions and conducts communication, awareness and training campaigns for employees on good environmental practises.

BIODIVERSITY

The Línea Directa Aseguradora Group has no impact on protected natural areas and/or biodiversity as its headquarters are located in urban areas.

Key biodiversity actions include supporting Earth Hour, a WWF-sponsored initiative to mobilise individuals, businesses and governments to reverse the loss of biodiversity in nature. The company is committed to the Earth Hour actions and also makes a small contribution to this project.

The company also runs campaigns aimed at employees with recommendations on how to reduce their environmental impact and publishes a good environmental practises manual on its intranet, which is available to all employees who wish to view it. In 2021, the Línea Directa Group has issued 58% fewer emissions than in 2019 in scopes 1 and 2.

ADAPTATION TO CLIMATE CHANGE

The transition to decarbonisation of the economy has become a global challenge that affects all companies and involves their various activities, especially the world of finance: banking and insurance.

As a result of this joint commitment, there has been a remarkable increase in recent years at the level of regulation and in the field of sustainable investment. For example, in the context of the 2015 Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development, the European Commission commissioned a group of experts to develop a European Union (EU) Sustainable Finance Strategy.

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments is one such rule. It is the **Taxonomy Regulation**, whose purpose is to establish the criteria for determining whether an economic activity is considered environmentally sustainable in order **work out the degree of economic sustainability of an investment**. Pursuant to Article 8 of this Regulation, any undertaking required to disclose non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU (as amended by Directive 2014/95/EU) shall include in its non-financial statement or consolidated non-financial statement information on the nature and extent to which the activities of the company are associated with economic activities that are considered environmentally sustainable according to the Taxonomy.

The Taxonomy sets out a set of harmonised criteria for determining whether an activity is sustainable, taking into account existing market practices and initiatives and advice of a group of technical experts. This lays the groundwork for the development of a **set of standards and labels** for sustainable financial products.

Financial market participants should therefore report:

- How and to what extent their investments are aligned with the Taxonomy.
- How their investments contribute to the EU's environmental objectives.
- Proportion of their investments aligned with the Taxonomy.

To be eligible for the EU Taxonomy, an economic activity must contribute significantly to at least one of the following 6 environmental objectives, among other factors:

1. Climate change mitigation.
2. Adaptation to climate change.
3. Water protection.
4. Circular economy.
5. Prevention of pollution.
6. Biodiversity and ecosystems.

In December 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 was published, complementing Regulation (EU) 2020/852 of the European Parliament and of the Council and setting out the technical selection criteria for determining under which conditions an economic activity is considered to make a significant contribution to climate change mitigation or adaptation, and for determining whether that economic activity does not cause significant damage to any of the other environmental objectives.

Delegated Regulation (EU) 2021/2178 supplements Article 8 of the Taxonomy Regulation to specify the key performance indicators applicable to financial undertakings (i.e. credit

institutions, asset managers, investment firms and insurance and reinsurance undertakings) and non-financial undertakings and to further specify the methodology for complying with these disclosures.

Although the implementation of the Taxonomy is gradual (the year 2024 is estimated as the effective date of the obligation to report on key performance indicators for financial entities), Línea Directa Aseguradora includes the information on the following indicator in this non-financial report for the year 2021:

Share and amount of gross premiums written of non-life and reinsurance business from activities identified as environmentally sustainable according to the Taxonomy.

KPIs related to underwriting activities have been calculated as the share of non-life gross premiums written corresponding to underwriting activities that comply with the taxonomy as defined in the Delegated Climate Act taxonomy in relation to Non-Life gross premiums written.

	Motor, general liability insurance Civil Motor	Motor, Other Warranties	Fire, Other damages to assets	Assistance	Expenses Medical	TOTAL
Eligible gross written premiums	341,746	406,354	131,243	1,397	26,449	907.189
Total gross written premiums	341,746	406,354	131,243	1,397	26,449	907.189
Combined	100%	100%	100%	100%	100%	100%

It was calculated taking into account the applicable information disclosure requirements as at 31 December 2021, in particular Commission Delegated Regulation (EU) 2021/2139 **establishing the technical selection criteria for determining the conditions under which an economic activity is considered to make a significant contribution to climate change mitigation or adaptation** and for determining, whether that economic activity does not cause significant harm to any of the other environmental objectives, by specifying the content and presentation of the information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU in relation to environmentally sustainable economic activities and the methodology for fulfilling the disclosure obligation. In particular, Article 6 and Annexes IX and XI on the information to be disclosed and the templates in Annex X.

The proportion in total assets of exposures to eligible and non-eligible economic activities according to the Taxonomy.

	Value (EUR)	KPI_1 Eligible	KPI_2 Non-eligible	KPI_3 Debt and agendas	KPI_4 Derivatives	KPI_5 No NACE code	Exempt
Total assets Línea Directa Group	1,368,478,477.54	10.52%	16.98%	29.98%	-0.69%	0.00%	22.57%

The calculation has been made with the market value of the positions on the balance sheet for each of the categories and on the total assets of Línea Directa Group.

All positions held by the Company in the portfolio, except for the holding in TIREA, have been assigned a NACE code.

Eligible/Non-eligible. The percentage of the portfolio in non-eligible economic activities is mostly due to investment in financials, both bonds and equities of banks and insurers, with a minority of positions in autos, pharma, healthcare, consumer, commodities, etc.

Listed and unlisted funds and investment companies. The following have been considered exempt. As at 31 December the Company has a NACE code assigned as a financial product and is therefore exempt.

Property: by the end of 2021, the Company has ISO 14.001 (environment) and ISO (50.001) energy efficiency certifications for the TC1, TC2 and TC4 buildings, while in the TC3 building progress is being made to have some type of sustainability qualification, such as photovoltaic installations, as soon as possible.

SOCIAL AND PERSONNEL ISSUES

INTRODUCTION

The Línea Directa Group debuted on the stock exchange in the year 2021, after 26 years of business operations, becoming one of the three listed insurance companies in the country. This historic milestone for the company shaped the main lines of the People Division's strategy that year.

Línea Directa's achievement of the status of listed company is the result of a long road travelled by a company that has been committed for years to introducing the latest technologies, innovation, agility and flexibility in each and every one of its processes, including those related to human resources management. **Digitalisation** has played a decisive role throughout the Company, especially in the processes related to people management, with a focus on simplification, personalisation, transparency and simplicity as fundamental pillars of **employees' experience** in their normal working day.

In turn, **attracting and retaining the best talent**, has been and continues to be one of Línea Directa's main objectives in terms of employees, which remains focused on the external selection and internal development of highly qualified and dedicated professionals to meet the challenges of the business. The Company has its own model for attracting talent based on a well-defined value proposition.

Equally important has been the **introduction of a new professional roles model**, according to international methodologies for which specialised external advice has been provided. An up-to-date and flexible model that aligns the company's professionals with

the corporate strategy and undoubtedly helps to achieve the ambitious current goals and the new future challenges. This new model identifies the different professional functions that exist or may be required in the future for the company. It provides flexibility in the organisational structure, as one of its management advantages is that it is independent of the hierarchical structure. It also allows the creation of career plans and the possibility to compare the different professional functions in other companies.

This year the Group has further **transformed its learning model**, choosing innovative forms of learning and putting the employee in the driver's seat so that he or she can be the master of his or her own learning and professional development. To do this, it has relied on different digital platforms and has built online training itineraries in which employees can learn where and when they want, accompanied by Microsoft 365 collaborative tools.

In addition, during the year, the company has continued to work in an environment in which the main priority was again **the health and safety of its employees**. Although preventive measures against Covid-19 have borne fruit and allowed some return to a normal state of affairs in 2021, precautionary measures have continued to be taken due to the ongoing health crisis. In response to the various outbreaks, the Group has maintained additional measures to protect its employees, such as work rotations at home and in the office, as well as special protective measures for those most vulnerable to the virus. The technological and data analytic implementations carried out in the company, such as the Cv19 Management Dashboard, have been a great help in decision-making for the care of employees.

In this context, Línea Directa Aseguradora is considering new forms of work organisation and its flexibility system for a post-pandemic environment.

GLOBAL STAFF DATA

The headcount of the Línea Directa Aseguradora Group at 31 December 2021 was 2,576 employees (permanent and temporary) and was distributed as follows:

Seniority	2020			2021		
	Men	Women	Total	Men	Women	Total
1. <=5	568	618	1,186	557	599	1,156
2. 6-15	369	528	897	325	452	777
3. 16-25	156	319	475	207	417	624
4. >25	2	1	3	7	12	19
Total general	1,095	1,466	2,561	1,096	1,480	2,576

Age	2020			2021		
	Men	Women	Total	Men	Women	Total
1. <30	110	144	254	104	131	235
2. >=30 and <50	852	1,061	1,913	826	1,054	1,880
3. >=50	133	261	394	166	295	461
Total general	1,095	1,466	2,561	1,096	1,480	2,576

Professional Group	2020			2021		
	Men	Women	Total	Men	Women	Total
1. Directors	36	36	72	35	35	70
2. Expert professionals	181	167	348	189	176	365
3. Professionals	359	407	766	283	422	705
4. Staff	519	856	1,375	589	847	1,436
Total general	1,095	1,466	2,561	1,096	1,480	2,576

Type of contract	2020			2021		
	Men	Women	Total	Men	Women	Total
Permanent	1,031	1,386	2,417	1,050	1,444	2,494
Temporary	64	80	144	46	36	82
Total general	1,095	1,466	2,561	1,096	1,480	2,576

Type of Working Day	2020			2021		
	Men	Women	Total	Men	Women	Total
Full-time	703	620	1,323	709	631	1,340
Part-time	392	846	1,238	387	849	1,236
Total general	1,095	1,466	2,561	1,096	1,480	2,576

Seniority	2020			2021		
	Full-time	Part-time	Total	Full-time	Part-time	Total
1. <=5	371	815	1,186	362	794	1,156
2. 6-15	566	331	897	469	308	777
3. 16-25	383	92	475	491	133	624
4. >25	3	0	3	18	1	19
Total general	1,323	1,238	2,561	1,340	1,236	2,576

Type of contract	2020			2021		
	Full-time	Part-time	Total	Full-time	Part-time	Total
Permanent	1,301	1,116	2,417	1,320	1,174	2,494
Temporary	22	122	144	20	62	82
Total general	1,323	1,238	2,561	1,340	1,236	2,576

Age	2020			2021		
	Full-time	Part-time	Total	Full-time	Part-time	Total
1. <30	55	199	254	59	176	235
2. >=30 and <50	1,010	903	1,913	972	908	1,880
3. >=50	258	136	394	309	152	461
Total general	1,323	1,238	2,561	1,340	1,236	2,576

Seniority	2020			2021		
	Permanent	Temporary	Total	Permanent	Temporary	Total
1. <=5	1,042	144	1,186	1,074	82	1,156
2. 6-15	897	0	897	777	0	777
3. 16-25	475	0	475	624	0	624
4. >25	3	0	3	19	0	19
Total general	2,417	144	2,561	2,494	82	2,576

Professional Group	2020			2021		
	Full-time	Part-time	Total	Full-time	Part-time	Total
1. Directors	71	1	72	70	0	70
2. Expert professionals	317	31	348	333	32	365
3. Professionals	654	112	766	599	106	705
4. Staff	281	1,094	1,375	338	1,098	1,436
Total general	1,323	1,238	2,561	1,340	1,236	2,576

Age	2020			2021		
	Permanent	Temporary	Total	Permanent	Temporary	Total
1. <30	211	43	254	213	22	235
2. >=30 and <50	1,823	90	1,913	1,830	50	1,880
3. >=50	383	11	394	451	10	461
Total general	2,417	144	2,561	2,494	82	2,576

Professional Group	2020			2021		
	Permanent	Temporary	Total	Permanent	Temporary	Total
1. Directors	72	0	72	70	0	70
2. Expert professionals	348	0	348	365	0	365
3. Professionals	752	14	766	701	4	705
4. Staff	1,245	130	1,375	1,358	78	1,436
Total general	2,417	144	2,561	2,494	82	2,576

ALIGNMENT WITH THE COMPANY'S BUSINESS STRATEGY

The People area is aligned with the Company's strategic objectives and plays a part in achieving them. In 2021, its strategy has been focused on the Group's **cultural transformation**, looking for new ways of learning, communicating and working. Hence, the focus on promoting digital culture, agility, flexibility, efficiency, talent, branding and employee experience.

The company has a **flat and flexible organisational structure**, with workspaces that facilitate the use of the latest technologies and agile methodologies, as well as a values-based leadership style where transparency, recognition of achievements, commitment and the development of talent are key.

The company's #DNALíneaDirecta encapsulates its ethos as a means of attracting talent: **"We are agile, we are different and we care about people"**.

The Chief Executive Officer of the organisation sets the **annual strategic business objectives**, which are communicated to all employees through the Performance Management System.

Subsequently, each area manager sets the goals for his or her area of responsibility in accordance with the strategic corporate goals, and all of these goals are assigned to the individual employees.

The mission of the People Area is, in short, is to develop the necessary plans to have the best team of people prepared to achieve the strategic objectives and who act with the highest level of integrity, commitment and responsibility. Línea Directa is made up of more than **2,500 professionals from 28 different countries**. According to the "Implicate" survey, which examined employee satisfaction, motivation and commitment to determine their perception of the company, 85% of them are committed to the company in order to meet the challenges that lie ahead.

Línea Directa's culture is based on two key pillars: a form of leadership that is open and honest, and strongly communicative, with its own style, which is adept at balancing serious and profound messages with more casual ones informed by a strong sense of humour.

In this context, the briefings with the CEO, in which the CEO discusses the most important current topics of the company (business results, goals and priorities for the coming months) in a live online format for all employees, are crucial. Meetings where employees also have the opportunity to ask questions of the management on issues relevant to the company. The presentation of results, the IPO, the launch of Vivaz Safe&Go or the progress of the company's digital transformation plan were some of the moments reported internally by Línea Directa.

HEALTH AND SAFETY

The health crisis triggered by the pandemic remained a major global problem in 2021. With the lifting of the restrictions imposed to protect the health of citizens, things have returned to normal to a certain extent, and this is also true in the business world. During this period, which has seen several waves of COVID-19, the company has not let its guard down with regard to the health and safety of employees and has maintained the appropriate preventive measures to ensure the safety and health of employees at all times.

During the year, the Línea Directa Group continued many of the actions it had taken in 2020. Not only were the regulations of the health authorities scrupulously complied with, but the health and safety of employees was also ensured (they were able to work in a safe environment). Thanks to an extraordinary coordination effort between areas and departments, with the People Area of Línea Directa Aseguradora at the centre, the company kept employees informed and advised at all times. **On any given day, any employee could contact a specialised team to answer questions about the management of the pandemic or any COVID-19-related issue for themselves or their family members.** The company has also maintained direct, close and regular contact with all employees who were affected by the disease during the year, either themselves or a family member. In addition, the following measures were taken:

- **Distance between workplaces** to ensure interpersonal distance.
- **Signage** of all spaces and the distances and average capacity to be maintained.

- Provision of **surgical and FFP2 masks and hydroalcoholic gel for staff.**
- **Daily cleaning** of all areas with disinfectants.
- **Special signage and organisation of areas** with the highest concentration of people, such as the staff canteen, with tables distributed by area to isolate groups.
- Conduct **serological tests for all new employees joining** the company.
- Follow-up and control of positives and their evolution through a scorecard.
- Creating new spaces in the Línea Directa campus area, such as large, equipped outdoor areas and setting up the buildings' terraces for staff use during breaks.

In addition, a special group, the so-called "protected group", was also maintained this year, consisting of employees who are at particular risk of contracting the virus due to pre-existing conditions and who are permanently employed remotely. People who had to temporarily belong to this group due to illness, work-life balance or personal problems could also join it, which is not only a measure of caution but also of flexibility in special situations.

Since the beginning of the pandemic, the company has exercised extreme caution in all decisions and actions it takes to ensure people's health and safety. In this regard, the use of **digital human resources tools** continued for certain measures, such as **capacity control**. In addition, all desks in the company's buildings

are encrypted and each employee must indicate in an application where they are in the office in one week or another, so that action can be taken very quickly in the event of an infection. Technological investments in equipment at IT to ensure a dual working environment (office/home) continued. This has ensured the safety of all staff in case of events such as the Filomena extreme weather event in January 2021.

Vaccination campaigns available to workers were urgently maintained and further publicised during this period, especially the flu campaign, as it is important to distinguish common symptoms from COVID-19 infection.

Due to the good vaccination results in Spain and the development of the pandemic, the company has changed the rotation of sealed staff groups from fortnightly to weekly, always maintaining the 'protected group' and strict adherence to all preventive measures. This change in working hours at home or in the office, always on the premise of health, also enabled the reinforcement of the concept of the office as a safe place and the gradual restoration of everyone's confidence in a cautious return to normality.

WELLNESS MODEL

Companies must be prepared to satisfy the requirements of their employees in these challenging times. During this time, health and care systems have been prioritised. Línea Directa has **signed up to the Luxembourg Declaration** promoted by the European Network for Workplace Health Promotion since 2017. By doing so, the company commits to accepting and implementing the fundamental objectives of workplace health promotion and aligning its strategies with the principles of this declaration.

The **main objective of the Línea Directa Group's human resources management is therefore the safety and health of its employees**, but also attention to a broader concept that has been gaining importance for some time: their well-being. Beyond health and safety measures, the company aims to offer its employees a more comprehensive programme that focuses on different aspects of their well-being (physical, emotional, financial, etc.). Thanks to the strength of the company's Healthy Company Programme, a step has been taken in 2021 towards a **more holistic wellness programme**, one that takes into account all aspects on which employees may need information, action or training, in order to then start their own good practises on an individual basis.

For this reason, the Línea Directa Group has launched the **"Wellness to be Well"** programme as part of its wellness and health axis for employees. Thanks to the technological resources that Línea Directa has in addition to its own health insurance (Vivaz), it has been possible to develop a different and personalised strategy for the programme that results in a high level of participation by workers in each of the proposed actions.

The programme includes actions in the areas of physical, emotional and financial wellbeing, among others, **and involves awareness-raising activities and dynamic groups** composed of employees selected as being exemplary in each of the areas (**"Wellness Champions"**), who help to spread the various actions in a very dynamic way.

During 2021, Línea Directa has held specific sessions with employees on the following topics, among others:

- Motivation session to start some kind of physical activity and its benefits.
- Healthy eating session and its impact on health and disease prevention.
- Sessions with leading medical professionals to raise awareness of healthy lifestyle habits that prevent diseases such as bowel and skin cancer.
- Specific session on breast cancer.
- Session on smoking prevention.
- Awareness campaign on the importance of rest and respect for minimum hours of sleep.
- Campaign on chronological age vs. biological age.

In the area of **physical wellbeing**, the programme works specifically with Vivaz, the health insurance brand of Línea Directa Aseguradora, to promote healthy habits among employees in three areas: physical activity, rest and food. Thanks to the Vivaz Activity app, various challenges were launched in 2021 to do with physical activity through which all employees were encouraged to take part to improve their wellness. A commitment to the use of new technologies in the delivery of physical activity. The challenges have high impact through close communication and combine collective engagement with individual recognition through wellness. In view of the good response to the campaign, **solidarity campaigns** were launched for employees and customers, thanks to which hundreds of food

parcels were distributed to families in need through the Solidarity Bank.

Other activities that have been taking place at Línea Directa for some time include: Runners Club, sports tournaments, discounts at gyms, healthy menus, healthy and gluten-free products in all vending machines, healthy Christmas hampers, rest rooms, health awareness campaigns, vaccination campaigns and special medical check-ups or discounts for physiotherapy, to name a few. The gradual return to normality will enable the company to implement new measures in the next financial year and further develop the current ones.

Línea Directa's employee wellness offer is accompanied by a strong communication plan linked to the actions, including communications about relevant milestones to motivate employees to take up the challenge of improving their health. They aim to involve and motivate employees, but also to spread **the idea of self-care**. For example, the company celebrated **World Health Day** on 7 April with various campaigns and calls for participation via internal social media.

The current situation has made the importance of **emotional wellbeing, even more evident. Therefore, last year Línea Directa launched the** "Victor Kueppers Mondays" initiative to continue the actions already carried out in this area. A series of sessions in which a well-known and inspirational speaker shared keys to improving attitude and life motivation with staff on a weekly basis. In addition, the programme offers emotional workshops for staff conducted by experts on interesting topics related to the management of emotions, such as the workshop **"Resilience in Times of Uncertainty"**, conducted in cooperation with the Spanish Institute for Resilience, among others.

The programme also offers a range of different digital and exclusive content on emotional balance, available on the company's internal training platform (@prende).

Unfortunately, 2021 was another year marked by the pandemic and some of our employees' families were affected by these events. Thanks to the close cooperation with the San Camilo Foundation, they were able to receive support through its bereavement assistance and support programme.

Finally, it is worth highlighting the implementation of the psychosocial risk assessment of the entire workforce in order to determine the general condition of the employees and to be able to take the necessary measures to ensure their emotional well-being as much as possible.

To promote the financial well-being of its employees, Línea Directa, in collaboration with Bankinter, organises personalised training and financial information for the company's employees as part of its Wellness Programme. In regular webinars, employees can learn about a variety of financial products, especially savings products, mortgages, mutual funds and pension plans, with the help of financial experts. The company's employees can also use a digital training space ("School of Finance") with a wide range of training content on relevant aspects of finance.

Línea Directa applies a wellness model that has the ambition, in line with our corporate purpose, to bring health insurance closer to people, in order to be self-sufficient. For this reason, the Vivaz health insurance brand offers employees and their families different types of health insurance at a reasonable price, in order to contribute to improving the quality of life of our employees,

together with the measures of the Línea Directa health and wellness programme.

Línea Directa also wants to extend its goal of well-being to society, and in this respect actions such as the following stand out. On the one hand, through Vivaz Seguros, which is aware of the importance of good nutrition in the prevention of diseases, the Company launched the Vivaz Manifesto, aimed at customers, employees and society in general. A document written by a leading physician in the field of dietetics, nutrition and biology, setting out the principles of good nutrition, advice on how to achieve it and proactive commitments to help society achieve it. On the other hand, the company's wellness and health model was extended to the value chain through a series of exclusive "healthy breakfasts" with our employees. A space to think, reflect and work on the challenges of health for people in organisations.

EMPLOYEE RELATIONS

In terms of employee relations models, 2021 was a year of change due to Covid-19: early restrictions and a first return to normalcy gave way to the consolidation of hybrid working arrangements.

The Línea Directa Group has introduced a rotation model that combines face-to-face and teleworking in two isolated groups, as well as another group where there are employees with special circumstances. This system protects the health and safety of the employees, but also results in one half of the company having virtually no contact with the other half. As a result, the People division of Línea Directa's work has also been to build points of

cohesiveness, using new technologies to combine the connection between people on site and remotely.

Be365 change management project

To facilitate and establish a collaborative working model that favours collaboration, mobility and efficiency, in 2021 the company made progress in implementing the Be365 programme, which teaches usage methods to make the most of the opportunities offered by the new collaborative technological tools used in the company. During the introductory phase of this new technology, weekly training sessions on best practises in the use of these collaborative tools were organised for middle management. Each session was accompanied by a decalogue in infographic format, which was then distributed to all staff.

In order to make the process of introducing good practises fun and accessible to users at all levels, a mascot, "TAS", was developed, which served as an incentive to reinforce the actions taken in a very entertaining and fun way.

Finally, a survey was launched to check the level of user training, which was followed up with a challenge to improve their skills.

A group of staff, called "change ambassadors", continued their work in each area to make the change and the introduction of the new communication and collaboration systems accessible to all. Thus, at the end of 2021, work began on the proper use of the collaboration tools to make the most of them and avoid the digital fatigue that teleworking causes.

New employee portal

The new employee portal Línea Directa was launched in December 2020 and further developed in 2021. This new site, which informs employees of all the company's news, has also enabled the creation of new internal social networks such as Lineagram, which have articulated contact between employees from different groups around shared hobbies. Furthermore, the new portal has enabled better management of events, as well as the creation of questionnaires and surveys to gather staff feedback on planned activities.

The Company's new Intranet dedicates a special section to content called "Línea Directa has you in mind". Behind this concept are several sections where employees can find all the practical information they need to answer their questions about training, development, benefits, benefits, etc. In addition, all these sections are linked to the management software HR, PeopleSoft, for greater user-friendliness.

All this was accompanied by various actions to invite staff to participate and involve them at important moments. A good example of this was the internal communication and competition on the occasion of the IPO, which tested employees' knowledge of the stock market, and the gradual transmission of information about what this historic event means for Línea Directa.

Respect for people

But the most direct and personal channel for relations with the company's employees is undoubtedly the People care team. Línea Directa also has a digital channel through which any employee can ask their doubts or questions on any subject. All requests are resolved almost immediately by specialised staff from the human resources department. This team attends first-

hand to the needs of Línea Directa employees, providing useful information and special attention with particular sensitivity. The specialists that make up this team were also crucial in the management of the pandemic, as they were responsible for direct contact with the affected staff and for dealing with all issues and incidents related to COVID-19. In 2021, more than 1,150 consultations have been attended.

TALENT MANAGEMENT

The Línea Directa Aseguradora Group's talent strategy aims to attract, retain and develop the talent of its employees so that they contribute to the success of the company. **Talent Communities**, which bring together individuals with similar skills and duties and offer training programmes to help them improve their talents and broaden their knowledge, are particularly important. The aim is to project and manage the organisation's internal talent so that they can successfully perform their functions, achieve their goals and develop professionally to meet new challenges, add value and contribute to the company's success.

In the **leadership programmes**, we work with our leaders on their ability to inspire and lead the digital transformation of their teams, the new paradigms of corporate leadership and Management 3.0. The company has developed its **own leadership style**: rational, with knowledge and skills adapted to the times we live in; emotional, who know how to manage their own emotions and reach people through feelings and emotions and with values: Responsibility, Courage, Confidence and Humility.

Gender	2020			2021		
	Evaluated	People at closing	%	Evaluated	People at closing	%
Male	1,053	1,095	96.2%	1,075	1,096	98.1%
Female	1,453	1,466	99.1%	1,469	1,480	99.3%
Total general	2,506	2,561	97.9%	2,544	2,576	98.8%

Age	2020			2021		
	Evaluated	People at closing	%	Evaluated	People at closing	%
1. Under 30	242	254	95.3%	228	235	97.0%
2. Between 30 and 50	1,877	1,913	98.1%	1,869	1,880	99.4%
3. Greater or equal	387	394	98.2%	447	461	97.0%
Total general	2,506	2,561	97.9%	2,544	2,576	98.8%

Professional Group	2020			2021		
	Evaluated	People at closing	%	Evaluated	People at closing	%
1. Managers	71	72	98.6%	55	235	78.6%
2. Expert professionals	341	348	98.0%	362	1,880	99.2%
3. Professionals	761	766	99.3%	697	461	98.9%
4. Staff	1,333	1,375	96.9%	1,430	1,436	99.6%
Total general	2,506	2,561	97.9%	2,544	2,576	98.8%

Línea Directa's internal talent management is based on the following aspects:

1. Comprehensive talent management, which includes the main fields of action on which the company's talent management is based.

1.1. **Roles Model:** The new needs of the company have led to a new classification of functions that runs throughout the organisation, organised by roles and grouped into families, regardless of the organisational structure. This classification allows professionals to identify the knowledge and skills required to successfully perform certain jobs and to determine career development paths.

1.2. **Performance Management System:** the performance of all the company's professionals has been assessed with the main objective of supporting them in their development, measuring their contribution to the company's strategy, identifying their strengths and areas for improvement, and providing positive and quality feedback. 98,8% of the workforce has been assessed.

1.3. **Succession Plan:** In 2021, a succession plan was created to analyse the suitability of the participants for the defined success profile and to develop new paths for career advancement to ensure the continuity of the company.

1.4. **Identifying Potential:** for another year, managers have identified the people in their teams who are ready to take on new roles. This identification of potential allows us to promote in-house talent development.

2. Leadership Model, our leadership model aims to develop leaders who drive the company's strategy by creating high levels of engagement in their teams and an excellent working environment. In 2019, a programme was launched to identify the

strengths and development areas of the 280 team leaders in the business.

The company has a values-based leadership style, which is based on four key pillars that all leaders must represent and pass on, and which are embodied in certain behaviours:

- *Responsibility:* guiding teams by setting clear objectives and goals, managing teams in such a way that they can develop their potential, etc.
- *Courage:* take on new challenges, be clear, provide positive feedback, etc.
- *Trust:* following through on promises, believing in people, offering opportunities and delegating, etc.
- *Humility:* recognising mistakes, acknowledging we do not know everything and learning from others, etc.

Given the unique experience of the 2021 pandemic, it was critical to enhance leadership skills at a distance to compensate for the loss of proximity and to manage uncertainty, as well as technological skills with collaborative tools (be 365).

As part of our leadership model, the company has identified three **Talent Communities: Darwin, Crece and Smile** with which we work with different programmes that allow us to develop a coherent, uniform and highly aligned leadership style within the organisation:

2.1. **Darwin Programme:** training and development program aimed at the group's 55 middle managers who report

directly to the Management Committee. A transformational leadership program has been launched in 2021: "Leaders for Change". The company also promotes innovation and creativity in this group as a factor which sets us apart in order to maintain and improve its position as a benchmark company in the insurance sector.

2.2. Crece Programme: training and development programme aimed at the 145 middle management coordinators of the company to improve their leadership skills and technical knowledge. This year they participated in two programmes accompanied by renowned companies:

- *online MBA*, where they have acquired knowledge in business management and have worked on a 360° vision of the company.
- *Management 3.0*, which focuses on the need to adapt the model of team leadership to the new environment which, after COVID-19, requires skills to lead teams in hybrid environments where special importance is attached to management of trust, the autonomy required of teams and cultivating of commitment, among other variables.

2.3. Smile Programme designed for those leaders who supervise designed for those leaders who oversee teams in sales, customer service and processing, ensuring compliance with quality standards, requirements and cost control to achieve business objectives while maintaining high levels of motivation in their teams.

- *Digileads*, a programme designed with the aim of creating a model for remote leadership in which the skills necessary to work in this new environment have been addressed. A total of 127 leaders of the supervisors group took part in it.

3. Learning and training.

The learning model within the company adapts to the changing needs of today, where it is necessary for every professional to keep up to date and keep abreast of the latest advances in their field of knowledge in order to adapt to the new demands of the environment and customers.

The Línea Directa Group is aware of the **importance of training and learning** to help employees improve and to accelerate the Company's transformation process. It is therefore working to equip them with the knowledge, skills, tools and technologies to do so.

This new way of learning puts people at the centre and makes them participants in their own development. To this end, the Group has digital platforms that allow employees to choose the training they need at a given time, depending on their skills and needs, and the means to achieve it. The self-learning programme, cybersecurity awareness, 100% online training itineraries or talent communities are some examples of its learning ecosystem.

The learning model is divided into five schools: Technical School, Commercial and Service Delivery School, Regulatory and Control Standards School, Digital School and Language School.

3.1. Technical School: designed for 417 back office technicians of the company, with the aim of professionalising the company's technical teams and providing them with the most advanced knowledge, trends and tools. This School is made up of the PI community, the Agile community and the Self-learning Programme.

3.1.1. PI community: the constant transformation in the digital world puts the spotlight on the need to attract, retain and develop talent in the fields of STEM (Science, Technology, Engineering, and Mathematics).

This is the reason for the creation of our PI community, which is made up of all analysts from the group's companies and whose main objectives are to promote shared learning, resource efficiency and the improvement of analytical skills.

This group, made up of 140 people, is identified in the Company's roles model. To this end, a reference map of the knowledge and tools that these individuals need to master in the world of data and new technologies was drawn up, and an assessment was carried out

to identify strengths and areas for development Based on this assessment and adapting to the reality of each year, specific training and development programmes were set up, as well as a community

to share learning, best practises and new challenges.

3.1.2. Agile community, which has the "Awake your inner Agile" programme. The company is promoting a new agile culture for project management, supported by process and technology teams. The aim is to increase agility in the

implementation of new projects and improve services to clients with a homogeneous and common methodology.

In this programme, these groups of professionals learn and apply the agile principles, methods and tools. The aim is to introduce a significant change in the working methodology that allows a global view of the progress of the projects by all stakeholders in a collaborative environment.

The creation of the Agile Community and all the trainings have professionalised the company's process and technology teams, strengthened their sense of belonging and made them grow in their role.

3.1.3. Self-Learning Programme. To support the cultural change and digital transformation that the company is undergoing, training programmes have been offered to the company's technical staff on a digital platform that covers their training and development concerns. The aim is for each individual to take responsibility for their professional development by having access to all the resources on the platform, which covers a range of topics such as: personal development, digital transformation, communication, resilience, personal branding, creativity, idea development, technological trends, etc.

3.2. Commercial and Service School: meeting the requirements and obligations arising from the publication of Royal Decree 287/2021 of 20 April on **the formation and transmission of statistical accounting information for insurance and reinsurance distributors** and the Decision of the General Directorate of Insurance and Pension Funds of 3 June 2021, which establishes the basic principles **of training courses and programmes for insurance and reinsurance distributors**, has led

to the adaptation of our School and the inclusion of the necessary content to meet the new legal obligations. Therefore, the Línea Directa Group has prepared 100% of the relevant staff (1,200 managers entrusted with this work) with the necessary qualifications and knowledge and skills through continuous training. All these courses are offered in digital format, which has made training more flexible and encouraged self-study.

At the same time, training programmes in digital format have been developed to deepen the general knowledge of the insurance and finance sector for the entire group of clerks in the company.

3.3. Regulatory and Control Standards School, on the occasion of the IPO, the Company has reinforced its knowledge of standards and regulations in the Risk, Compliance, Audit, Data Quality, Data Protection and Actuarial Function teams. In addition, regulatory and related risk awareness programmes were conducted for the entire Group.

In this context of digital transformation and the introduction of digital tools, the company-sponsored **cybersecurity awareness campaign** aimed at all employees is particularly important. Challenges were launched via a digital platform enlivened with animated and real-life stories, and prizes were awarded to those who could solve them most successfully. The programme was also accompanied by expert sessions for management, leadership groups and technicians to strengthen their role in cybersecurity.

3.4. Digital School. To improve digital behaviours and skills, a series of training sessions were made available to all staff to teach

proper use of Microsoft 365 tools and share best practises with experts: Pills, Guides, Monographs, Genius Bars, etc.

Transformation workshops were also promoted in the different areas to get the most out of the collaborative tools.

Complementing the above, weekly training sessions were organised with professionals from across the organisation to share best practises for using Microsoft 365, which were summarised in infographics and rolled out across the organisation.

3.5. Language School: the Company has a programme to promote language training, financing part of which 87 employees have joined in 2021.

TRAINING	2020	2021	Change
No. of training actions	340	430	26%
Investment in training per person	213.0	228.4	7%
Investment in training per person trained	216.0	234.5	9%
People trained	2,470.0	2,512.0	2%
Training hours	37,972	58,761	55%
% staff trained	98.5%	97.4%	-1%

Hours of training by category	2020			2021		
	Men	Women	Total	Men	Women	Total
1. Directors	55.2	33.2	44.3	49.95	38.7	44.34
2. Expert professionals	36.2	34.1	35.2	47.12	40.3	43.81
3. Professionals	12.3	12.5	12.5	21.70	22.7	22.32
4. Staff	10.4	9.9	10.1	15.48	17.6	16.75

Total general	17.2	14.1	15.4	23.47	22.3	22.78
	2020			2021		
Average training hours by category	Men	Women	Total	Men	Women	Total
1. Directors	1,986.7	1,160.8	3,147.5	1,744.23	1,355.6	3,099.79
2. Expert professionals	6,623.7	5,995.3	12,619.0	8,689.43	7,089.1	15,778.55
3. Professionals	3,413.7	5,220.6	8,634.3	6,039.17	9,529.6	15,568.74
4. Staff	5,301.9	8,269.3	13,571.2	9,294.36	15,019.4	24,313.73
Total general	17,326.0	20,646.0	37,972.0	25,767.20	32,993.6	58,760.82

TALENT ATTRACTION

Línea Directa aligns its talent attraction strategy with the company's strategic goals to equip the organisation with the best professionals it needs to meet its ambitious current goals and the challenges of the future. To this end, the people team participates in defining the business strategy, understands the market situation in which the company operates and, on this basis, identifies the talent the company needs to overcome challenges and achieve its goals.

The company is part of the MERCO Reputation Monitor and is **one of the 50 Spanish companies with the best reputation in the MERCO Talent Monitor**, which evaluates, among other things, the ability to attract and retain talent, human resources policies, working environment and commitment to professional development. And it is determined to build an **attractive employer brand every day** that projects the essence of the

company to the market through **#DNA Línea Directa**: "Agile, different, we care about people".

As **part of the keys to attracting talent**, the company has implemented a number of measures in its relationship with candidates, such as digitalising the selection process and introducing advanced selection and analytics tools that generate personalised and innovative experiences.

To reach a larger number of people, Línea Directa has a strong presence on social networks and dedicated job search portals, creates unique areas such as the Employment Channel and also works closely with external consultants.

A **commitment to agile, simple, fluid and highly personalised communication** between the specialists of the Talent Attraction team and the candidate, as well as the use of different communication channels (digital and telephone, including WhatsApp) are undoubtedly the guarantees of a unique experience and have become key elements of Línea Directa's Talent Attraction model.

The company's objectives and the major challenges of the insurance sector require the commitment and continuous development of talent. Given the innovative nature of the business and its strong commercial component, **highly skilled professionals are needed to commit to the project**.

The **candidate's journey**, which starts with the personalised and digital recruitment process and continues with the onboarding programme, which includes personalised mentoring and a tailored training plan to make the candidate feel part of the company from day one.

Recruitment Policy

Línea Directa has a **Recruitment Policy** based on the principles of equal opportunities, non-discrimination, skills and merit. The professionals of the company's Talent Attraction Team carry out recruitment procedures that take into account, among other things, the required knowledge and training, previous experience useful for the position to be filled, the values and the suitability of the candidates for the ideal skills profile for the job.

Key part of this Policy, and the strategy that develops it, are:

- Ensure a process based on the principles of equality and non-discrimination of any kind.
- Ensure that the Company has the best professionals, who are ready and committed to the business project and to people.
- Make each person's arrival at the company a real experience that allows them to integrate and enjoy the culture of the company, thanks to a mixed process (digital and face-to-face) of onboarding that starts before the candidate joins the organisation and accompanies them during their first six months there.
- Keeping on the lookout to search for professionals, internal and external, who are ready to face the new challenges that come with digital transformation processes every year.

- Continue to provide the business units with highly qualified sales staff as well as professionals with high standards in their customer relationships.
- Ensure that the selection processes in 2021 meet all quality standards given their mixed nature (distance learning/on-site).

In 2021, the company completed the implementation of a **virtual recruitment** process on which it had already been working. This linked all HR management processes related to talent acquisition and selection, leveraging the best of remote and face-to-face management together with an onboarding process specifically designed for this new reality.

The search for talent

The company is committed to its internal talent with a transparent and simple internal vacancy process for all candidates. During 2021, 41 vacancies have been filled from in-house candidates. In terms of attracting new talent, in 2021 55 people were recruited in strategic areas such as technology, digital transformation, engineering, finance, risk analysis, regulatory compliance, human resources and marketing. The commercial and customer service teams are also being continuously strengthened.

The company is also present on the main **job portals**, although its recruitment efforts are mainly focused on segmented and specialised talent search through different channels and directly.

Finally, in 2021, the company is present with its professional offers on the **job boards of the main Spanish business schools**, and on

the employment portal of UNESPA, the insurance industry association.

Young Talent

This project, which is strategic for the company, is an important source of talent recruitment aimed at all types of students, but with a focus on the STEM profile. It allows young people to have a first contact with the business world, to get to know the daily work in a company and to work with people with different profiles. The project includes different actions:

- **Grants programme:** agreements with universities and business schools to provide internships for students in the company.
- **Presence at trade fairs and participation in universities** with presentations by our managers on topics of interest to students.
- **The Big Ideas Hackathon:** This year, the company has launched the fourth edition of this test, which is aimed at university students or graduates (mainly with the STEM profile) who have innovative and disruptive ideas to tackle the challenges of the digitalisation of the insurance sector.

New this year is a **coaching programme** to accompany young people as they try to gain a foothold and build a profession in the job market.

GROUP ADDITIONS

Gender	2020			2021		
	Additions	Period-end headcount	Recruitment rate	Additions	Period-end headcount	Recruitment rate
Men	114	1,095	10.4%	140	1,096	12.8%
New recruitment	110		10.05%	133		12.14%
Rehiring	4		0.37%	7		0.64%
Women	158	1,466	10.8%	158	1,480	10.7%
New recruitment	148		10.10%	139		9.39%
Rehiring	10		0.68%	19		1.28%
Total general	272	2,561	10.62%	298	2,576	11.57%

Age bracket	2020			2021		
	Additions	Period-end headcount	Recruitment rate	Additions	Period-end headcount	Recruitment rate
1. <30	85	254	33.5%	109	235	46.4%
New recruitment	83		32.68%	105		44.68%
Rehiring	2		0.79%	4		1.70%
2. >=30 and <50	165	1,913	8.6%	171	1,880	9.1%
New recruitment	154		8.05%	152		8.09%
Rehiring	11		0.58%	19		1.01%
3. >=50	22	394	5.6%	18	461	3.9%
New recruitment	21		5.33%	15		3.25%
Rehiring	1		0.25%	3		0.65%
Total general	272	2,561	10.6%	298	2,576	11.6%

Professional Group	2020			2021		
	Additions	Period-end headcount	Recruitment rate	Additions	Period-end headcount	Recruitment rate
1. Directors	1	72	1.4%	1	70	1.4%
New recruitment	1		1.4%	1		1.4%

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



	2020								
	Additions			Period-end headcount			Recruitment rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Professional Group									
1. Directors	0	1	1	36	36	72	0.0%	2.8%	1.4%
2. Expert professionals	14	12	26	181	167	348	7.7%	7.2%	7.5%
3. Professionals	12	6	18	359	407	766	3.3%	1.5%	2.3%
4. Staff	84	129	213	519	856	1,375	16.2%	15.1%	15.5%
Total general	110	148	258	1,095	1,466	2,561	10.0%	10.1%	10.1%
Rehiring	0					0	0.0%		0.0%
2. Expert professionals	26		348			7.5%	29		365
New recruitment	26					7.5%	28		7.7%
Rehiring	0					0.0%	1		0.3%
3. Professionals	20		766			2.6%	39		705
New recruitment	18					2.3%	32		4.5%
Rehiring	2					0.3%	7		1.0%
4. Staff	225		1,375			16.4%	229		1,436
New recruitment	213					15.5%	211		14.7%
Rehiring	12					0.9%	18		1.3%
Total general	272		2,561			10.6%	298		2,576

NEW HIRES

Type of contract in new hire	2020			2021		
	Men	Women	Total	Men	Women	Total
Accumulation of tasks	82	129	211	82	119	201
Permanent	27	17	44	49	20	69

Internships/for specified work	1	2	3	1		1
Temporary replacement			0	1		1
Total general	110	148	258	133	139	272

New hires by type of working day	2020			2021		
	Men	Women	Total	Men	Women	Total
Full-time	36	21	57	55	18	73
Part-time	74	127	201	78	121	199
Total general	110	148	258	133	139	272

Professional Group	2021								
	Additions			Period-end headcount			Recruitment rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
1. Directors	1		1	35	35	70	2.9%	0.0%	1.4%
2. Expert professionals	19	9	28	176	189	365	10.8%	4.8%	7.7%
3. Professionals	25	7	32	422	283	705	5.9%	2.5%	4.5%
4. Staff	88	123	211	847	589	1,436	10.4%	20.9%	14.7%
Total general	133	139	272	1,480	1,096	2,576	9.0%	12.7%	10.6%

Age bracket	Departures	Period-end headcount	Turnover rate	Departures	Period-end headcount	Turnover rate
1. <30	43	254	16.9%	64	235	27.2%
Dismissal	27		10.6%	28		11.9%
Voluntary and others	16		6.3%	36		15.3%
2. >=30 and <50	111	1,913	5.8%	171	1,880	9.1%
Dismissal	50		2.6%	92		4.9%
Voluntary and others	61		3.2%	79		4.2%
3. >=50	10	394	2.5%	23	461	5.0%
Dismissal	1		0.3%	12		2.6%
Voluntary and others	9		2.3%	11		2.4%
Total general	164	2,561	6.4%	258	2,576	10.0%

*Voluntary and others: They include voluntary redundancies, retirements and temporary contract terminations.

GROUP DEPARTURES

Gender	2020			2021		
	Departures	Period-end headcount	Turnover rate	Departures	Period-end headcount	Turnover rate
Men	90	1,095	8.2%	132	1,096	12.0%
Dismissal	44		4.0%	70		6.4%
Voluntary and others	46		4.2%	62		5.7%
Women	74	1,466	5.0%	126	1,480	8.5%
Dismissal	34		2.3%	62		4.2%
Voluntary and others	40		2.7%	64		4.3%
Total general	164	2,561	6.4%	258	2,576	10.0%

*Voluntary and others: They include voluntary redundancies, retirements and temporary contract terminations.

Professional Group	2020			2021		
	Departures	Period-end headcount	Turnover rate	Departures	Period-end headcount	Turnover rate
1. Directors	1	72	1.4%	1	70	1.4%
Dismissal	0		0.0%	0		0.0%
Voluntary and others	1		1.4%	1		1.4%
2. Expert professionals	12	348	3.4%	22	365	6.0%
Dismissal	9		2.6%	5		1.4%
Voluntary and others	3		0.9%	17		4.7%
3. Professionals	20	766	2.6%	34	705	4.8%
Dismissal	2		0.3%	15		2.1%
Voluntary and others	18		2.3%	19		2.7%
4. Staff	131	1,375	9.5%	201	1,436	14.0%
Dismissal	97		7.1%	112		7.8%
Voluntary and others	34		2.5%	89		6.2%
Total general	161,644	2,5612	6.4%	258	2,576	10.0%

*Voluntary and others: They include voluntary redundancies, retirements and temporary contract terminations.

Dismissals 2020									
Professional Group	Departures			Period-end headcount			Turnover rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
1. Directors	0	0	0	36	36	72	0.0%	0.0%	0.0%
2. Expert professionals	0	0	0	181	167	348	0.0%	0.0%	0.0%
3. Professionals	1		1	359	407	766	0.3%	0.0%	0.1%
4. Staff	43	34	77	519	856	1,375	8.3%	4.0%	5.6%
Total general	44	34	78	1,095	1,466	2,561	4.0%	2.3%	3.0%

Dismissals 2021									
Professional Group	Departures			Period-end headcount			Turnover rate		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
1. Directors	0	0	0	35	35	70	0.0%	0.0%	0.0%
2. Expert professionals	2	3	5	176	189	365	1.1%	1.6%	1.4%
3. Professionals	13	2	15	422	283	705	3.1%	0.7%	2.1%
4. Staff	55	57	112	847	589	1,436	6.5%	9.7%	7.8%
Total general	70	62	132	1,480	1,096	2,576	4.7%	5.7%	5.1%

SOCIAL AND PERSONNEL ISSUES

Average 2021

Seniority	2020			2021		
	Men	Women	Total	Men	Women	Total
1. <=5	560.4	587.9	1,148.3	565.8	619.1	1,184.9
2. 6-15	385.1	537.7	922.8	345.0	486.3	831.3
3. 16-25	139.0	296.7	435.7	181.0	368.7	549.7

3. >25	1.2	0.2	1.3	6.2	7.3	13.5
Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3

Age	2020			2021		
	Men	Women	Total	Men	Women	Total
1. <30	129.4	142.9	272.3	109.6	143.1	252.7
2. >=30 and <50	833.0	1,043.5	1,876.5	841.3	1,058.3	1,899.5
3. >=50	123.3	236.0	359.3	147.2	280.0	427.2
Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3

Professional Group	2020			2021		
	Men	Women	Total	Men	Women	Total
1. Directors	35.3	35.8	71.0	34.9	35.0	69.9
2. Expert professionals	194.9	193.3	388.4	184.4	175.8	360.2
3. Professionals	340.3	337.8	678.0	278.3	419.4	697.7
4. Staff	515.3	855.4	1,370.7	600.4	851.2	1,451.6
Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3

Type of contract	2020			2021		
	Men	Women	Total	Men	Women	Total
1. Permanent	1,019.8	1,352.3	2,372.1	1,039.6	1,417.2	2,456.8
2. Temporary	70.1	70.1	136.0	58.4	64.2	122.6
Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3

Type of Working Day	2020			2021		
	Men	Women	Total	Men	Women	Total
1. Full-time	700.8	610.9	1,311.7	703.6	626.5	1,330.1
2. Part-time	384.9	811.5	1,196.4	394.4	854.8	1,3249.3

Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3
	2020			2021		
Seniority	Full-time	Part-time	Total	Full-time	Part-time	Total
1. <=5	367.8	780.5	1,148.3	367.9	817.0	1,184.9
2. 6-15	588.9	333.8	922.8	512.0	319.3	831.3
3. 16-25	353.6	82.1	435.7	436.8	112.9	549.7
3. >25	1.3	0.0	1.3	13.4	0.1	13.5
Total general	1,085.7	1,422.4	2,508.1	1,098.0	1,481.3	2,579.3

Average 2021

	2020			2021		
Age	Full-time	Part-time	Total	Full-time	Part-time	Total
1. <30	63.7	208.7	272.3	56.3	196.3	252.7
2. >=30 and <50	1,009.3	867.2	1,876.5	990.6	908.9	1,899.5
3. >=50	238.7	120.6	359.3	283.2	144.0	427.2
Total general	1,311.7	1,196.4	2,508.1	1,330.1	1,249.3	2,579.3

	2020			2021		
Professional Group	Full-time	Part-time	Total	Full-time	Part-time	Total
1. Directors	70.9	1.0	71.0	69.9	0.0	69.9
2. Expert professionals	347.3	41.2	388.4	327.8	32.4	360.2
3. Professionals	591.8	86.3	678.0	591.5	106.2	697.7
4. Staff	301.8	1,068.9	1,370.7	340.9	1,110.7	1,415.6
Total general	1,311.7	1,196.4	2,508.1	1,330.1	1,249.3	2,579.3

	2020			2021		
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Type of contract	Full-time	Part-time	Total	Full-time	Part-time	Total
1. Permanent	1,294.2	1,077.9	2,372.1	1,312.3	1,144.4	2,456.8
2. Temporary	17.5	118.5	136.0	17.8	104.8	122.6
Total general	1,311.7	1,196.4	2,508.1	1,330.1	1,249.3	2,579.3

	2020			2021		
Seniority	Permanent	Temporary	Total	Permanent	Temporary	Total
1. <=5	1,012.3	136.0	1,148.3	1,062.3	122.6	1,184.9
2. 6-15	922.8	0.0	922.8	831.3	0.0	831.3
3. 16-25	435.7	0.0	435.7	549.7	0.0	549.7
3. >25	1.3	0.0	1.3	13.5	0.0	13.5
Total general	2,372.1	136.0	2,508.1	2,456.8	122.6	2,579.3

	2020			2021		
Age	Permanent	Temporary	Total	Permanent	Temporary	Total
1. <30	224.4	47.9	272.3	211.2	41.5	252.7
2. >=30 and <50	1,800.8	75.8	1,876.5	1,825.5	74.0	1,899.5
3. >=50	346.9	12.3	359.3	420.1	7.1	427.2
Total general	2,372.1	136.0	2,508.1	2,456.8	122.6	2,579.3

	2020			2021		
Professional Group	Permanent	Temporary	Total	Permanent	Temporary	Total
1. Directors	71.0	0.0	71.0	69.9	0.0	69.9
2. Expert professionals	387.1	2.7	388.4	360.0	0.2	360.2

3. Professionals	667.9	10.1	678.0	695.4	2.3	697.7
4. Staff	1,246.1	123.2	1,370.7	1,331.4	120.2	1,451.6
Total general	2,372.1	136.0	2,508.1	2,456.8	122.6	2,579.3

INTERNAL ROTATION	2020	2021
Vacancies	49	41
Candidates	756	579

In addition, meetings are organised with all the company's trainees to share their experiences and inform them about new developments in the company.

“7 Reasons for Línea Directa” employer branding campaign

The Línea Directa Group is held **in high esteem by its own employees**, as shown by the results of the employee satisfaction, motivation and commitment survey, "Implicate", which provided very meaningful data in June, such as the fact that 93% of the workforce has confidence in the future and success of the company and that 87% are proud to work for the company. This is also shown by Merco Talento's results, where the company is ranked 49th among the 100 companies with the best ability to attract and retain talent.

Línea Directa Aseguradora has used this recognition to position the company as a good place to work from a talent recruitment perspective, launching an external social media communication campaign called **“7 Reasons Línea Directa”** to promote the employer brand and publicise the company's strengths through the employees themselves.

The aim of the campaign is to highlight the seven reasons why the group's employees enjoy working for the company:

- Because it cares about the **well-being and health** of its employees by conducting various activities, such as seminars with specialists, participation in charity runs or the runners' club to motivate employees to engage in regular physical activity.
- Due to its commitment to **attracting talent** through digital and face-to-face onboarding processes and the Young Talent Programme, which aims to introduce university students to the world of business and contribute to their employability.
- Because of the culture of **diversity, inclusion and equality** as values included in all actions taken and in the company's policies and plans.
- Because of the **training and professional development** opportunities the company offers through a powerful internal mobility plan and a highly personalised talent retention strategy in the talent type Communities.
- -Because of the wide range of compensation and benefits included in the **compensation** plan, such as employee leasing, 50% insurance or the Reflex digital flexible compensation programme.
- Because it cares about **Sustainability** and implements measures such as installing solar panels in the buildings or charging stations for employees in the office car park.

- Because it has a flexibility plan to help employees optimally adapt their working day to their private and family life.

benefits of certain products. 32% of the Group's employees use this flexibility tool.

CORPORATE BENEFITS AND ADVANTAGES OF BEING AN EMPLOYEE OF LÍNEA DIRECTA

Línea Directa offers its employees an attractive package of corporate benefits and advantages that strengthen employee loyalty and invite them to get to know the company's products in depth, the most important of which are highlighted below:

Life and accident insurance.

- **Favourable conditions when taking out Línea Directa health insurance** for employees and family members.
- **Favourable conditions when taking out policies for employees in all business areas** of the company.
- **Flexible remuneration programme** through which workers can subscribe to various services and products of personal and family benefit, such as health insurance (in companies in the sector or in Línea Directa's own health brand, Vivaz), payment for childcare, public transport or daily meals. And all of this free of charge for the worker, with the associated tax benefits and easy management through a single app. In this way, the worker improves his or her compensation in two ways: through the negotiating power of the insurer to optimise the prices of the goods and services included in the system, and through the tax

In addition to the subsidies that the company provides for the individual further training of its employees, employees can also finance their further training through the flexible remuneration system.

- **Advances and loans.** Línea Directa offers its staff the possibility to apply for advances and loans for special cases that go beyond the applicable legal provisions. The examination of the cases is carried out by the Personal Care Team.
- **Advantages and discounts on financial products.** The company offers its employees benefits and discounts on financial products and advice under a cooperation agreement. In addition, all employees who have an account with our cooperation partner enjoy an annual distribution of the benefits associated with their accounts.
- **Support for language and specialised training.** Línea Directa employees have access to language scholarships that allow them to study or raise their level in various specialised language academies. Likewise, employees pursuing formal specialised studies related to the company's activities or a possible future job are entitled to financial support to finance their specialised academic training.
- **Advantages portal** which any employee can access from their personal device and where they can obtain

important discounts and benefits in leisure, culture, cuisine, fashion, travel, etc.

- **Línea Directa Renting** with which the company has been managing a programme since 2018 that offers employees the opportunity to use top brands' vehicles in the form of a lease at a discount on the market price and including Línea Directa's comprehensive insurance.
- **Legal advice:** all Línea Directa employees have this service free of charge, thanks to an agreement between the insurer and one of the main providers of legal advice.
- **Christmas hamper,** to choose between three types of hamper depending on the products it contains. The hampers also represent a contribution by the Company to a foundation that supports the employability of people with disabilities.

The Benefits and Advantages plan is complemented by a number of other measures (as a Family-conscious company), with the total package containing **more than 130 benefits, actions and measures** which Línea Directa employees can enjoy. All of these benefits and advantages are audited as part of Lloyd's Register's annual assessment process. Línea Directa, as a Family-conscious company (FCC), must pass this process to maintain the certification.

TOTAL REMUNERATION

Through the Línea Directa employee portal, employees have access to **all elements of their remuneration package**, not only their fixed and variable remuneration, but also the various **social**

benefits and advantages that the company provides to improve employees' quality of life and improve their work-life balance.

Social benefits

Línea Directa offers its employees **life and accident insurance** with an insured capital that can significantly exceed the traditional Insurance Agreement commitment, in most cases reaching three times the fixed salary.

Defined contribution insurance

With regard to pension obligations for retirement and with the main objective of generating future savings for employees, Línea Directa has a specific defined contribution insurance scheme with annual contributions for each employee.

This new scheme covers **death and disability of any kind, in addition to the normal pension case for employees who have been with the company for at least three years, and allows vesting of acquired collective insurance rights.**

AVERAGE REMUNERATION

Averages by Age	2020		2021	
	Male	Female	Male	Female
1. <30	25,274	24,792	26,855	26,517
2. >=30 and <50	36,339	33,848	37,539	34,628
3. >=50	66,555	43,815	62,786	42,184
Total general	38,917	34,722	39,933	35,292

Professional group averages	2020		2021	
	Male	Female	Male	Female
1. Directors	173,088	137,926	168,139	114,905
2. Expert professionals	56,176	54,160	57,833	55,712
3. Professionals	35,908	36,248	39,574	36,785
4. Staff	25,700	25,737	27,138	27,041
Total general	38,917	34,722	39,933	35,292

Average remuneration is calculated on the basis of fixed and variable remuneration on a full-time basis, to which remuneration in kind is added.

PAY GAP

To calculate the adjusted gap, workers are grouped into clusters consisting of individuals performing similar functions, where similar functions are those with a similar job level. The gap is calculated for each cluster and the total gap is weighted by the number of persons in each cluster. The calculation is done month by month to ensure that each person is compared with peers each month. The calculation formula is as follows:

$$\text{Adjusted pay gap} = \sum_{n=1}^N \frac{\text{Gap in each cluster} \times \text{Number of employees in the cluster}}{\text{Total number of employees}}$$

The gap in each cluster is calculated as follows:

$$\text{Pay Gap} = \frac{\text{Average male salary} - \text{average female salary}}{\text{Average male salary}}$$

	2020	2021
Pay gap calculated by type of position.	0.2%	2.6%
Pay gap calculated by average of categories.	-0.3%	4.4%
Ratio of the percentage increase in the fixed compensation of the highest paid individual to the percentage increase in the median fixed compensation of all employees except the highest paid individual.	1.4	1.0
Ratio of the fixed compensation of the highest paid individual to the median compensation of the rest of the workforce.	16.6	16.42
Ratio of salary of standard initial category vs. minimum local salary.	1.15	1.18

Professional Group	2020		2021	
	Number of People	Weighted Gap	Number of People	Weighted Gap
1. Directors	69	-4.23%	69	6.75%
2. Expert professionals	351	2.93%	360	4.15%
3. Professionals	777	0.14%	697	6.15%
4. Staff	1,346	-0.21%	1,449	0.38%

DIGITAL DISCONNECTION POLICIES

As a socially and family-conscious company, the Group strives to **organise the working time of its employees** in such a way that they can reconcile their private, family and professional lives. The company believes that the new forms of work offered by new technologies must be at the service of people, providing them with the necessary autonomy and flexibility **to strike the right balance between work and private life. In this regard, Línea Directa has an Internal Digital Disconnection Policy created with the aim of strengthening this commitment.**

This Policy explicitly recognises the right of employees not to respond to business communications outside of their working

day, except in cases of justified urgency, and recommends that team leaders avoid this type of communication.

During 2021, not only as a result of the pandemic but as another milestone in the company's digitalisation project, digital tools were made available to all employees to enable them to work together, whether in person or remotely. In this situation, special care was taken to ensure that the employees' right to digital disconnection was still guaranteed. To this end, **regular training and awareness-raising activities have been carried out** aimed, on the one hand, at optimising the organisation of work (attention to staff agendas and schedules, planning and full information on the necessity or advisability of attending meetings and recommendations on limiting their duration) and, on the other hand, at **raising awareness on the appropriate use of technological tools in order to avoid the risk of computer fatigue**. For this purpose, for example, the new technological systems in place contain warnings about the inadvisability of sending communications after hours.

Línea Directa, through the Fundación Más Familia, participates in various forums and working groups dealing with aspects related to digital disconnection from the point of view of flexibility, work-life balance, talent, etc.

WORK/LIFE BALANCE

Both Línea Directa Aseguradora and Línea Directa Asistencia are certified by the Fundación Más Familia as **family-conscious companies with a proactive B+ level**.

The Más Familia Foundation awards the EFR ("Family-conscious company") certification to Spanish companies that are strongly

committed to work-life balance through their own work-life balance management model, which the certified companies must develop internally. The EFR model is audited by Lloyd's Register in the case of Línea Directa.

After the last audit, passed in October 2021, "the company's communication plan to transparently inform employees about the listing and maintain its commitment to employment stability" was highlighted as a particularly positive aspect.

All Línea Directa employees have access via the employee portal to the catalogue of measures, 130 in total, with which the company promotes work-life balance.

They are all based on the following principles:

1. Quality in employment
2. Spatial and temporal flexibility
3. Employee family support
4. Professional development
5. Equal opportunity
6. Leadership and management styles

The employee portal also has special sections where you can find information on work-life balance issues, and in any case, all company employees can contact Línea Directa's customer service.

Línea Directa is **strongly committed to work-life balance** and has **its own or extraordinary leave**, which is not provided for by law. It helps employees and their immediate families during times of particular importance in their lives, facilitating work-life balance and time availability. Among other things, the company offers its employees blocks of time to care for and accompany family members in a situation of **dependency**. There is also the possibility of providing time to accompany family members affected by **oncological diseases** to chemotherapy and radiotherapy sessions, as well as special leave to accompany family members to certain diagnostic tests.

	2020			2021		
	Men	Women	Total	Men	Women	Total
Employees entitled to parental leave during the year (children born during the year).	48	47	95	34	44	78
Employees who have taken parental leave during the year (includes those who began their leave the year before).	57	54	111	40	61	101
% of staff returning to work after leave.	97.8%	97.0%	97.4%	96.9%	89.6%	92.5%

In the chapter on **maternity and paternity leave**, Línea Directa allows for the sharing of breastfeeding leave and putting aside days to care for children in the first year.

All employees, without exception, benefit from a **flexible holiday system** with an increased number of days compared to the standard, so that individual days or whole blocks can be taken at any time of the year.

On the other hand, an "à la carte" shift schedule has been developed for those employees with customer contact who

have to adapt their working hours to the customers' schedules, so that each employee can choose the shift that best suits his or her needs at a given time.

Línea Directa is also a pioneer in implementing a **teleworking model** that has been in place for more than a decade and is still in place, as well as a flexible working programme for all employees in corporate positions, as they all have company-provided mobile phones and laptops. Currently, the company maintains a rotational and remote working system for the entire workforce as a preventive measure against COVID-19. When the pandemic ends it will roll out new flexibility models that are appropriate to the new circumstances and consistent with the company's business model and human resource management.

DIALOGUE WITH EMPLOYEES

For Línea Directa Group, people are at the forefront of all decisions. Its corporate values determine the way it treats its employees and makes its decisions. Línea Directa is a company that promotes respect for people, a spirit of improvement, enthusiasm, a focus on results and clarity.

People are the company's most important asset, and their commitment and participation are crucial to meeting the proposed challenges. It is the people who, with their dedication and talent, ensure that Línea Directa continues to stand out for its ability to innovate and achieve results far above the market average year after year.

The relationship with employees is above all human and close. This closeness and transparency in the professional relationship creates an atmosphere of trust, which is an essential prerequisite

for all employees to feel cared for and heard. A good example of this commitment is the result of the latest culture and commitment survey, "IMPLÍCATE", in which **85% of employees say they feel engaged** with the Company.

This culture and engagement survey, Implicate, is the most important measure of the state of the workforce and is conducted with the aim of determining the climate, motivation and commitment of employees. It is carried out every two years and in alternate years different "pulses" of opinion are conducted, which allow us to keep information up to date.

Once the results have been analysed and conclusions drawn from the survey, action plans and improvement measures are defined. It is important to mention that both the CEO and the management team are involved in the analysis of the conclusions and are committed to the action plans, whether they are company plans addressed to the whole workforce or others specific to each area. In addition, employees from different positions are involved in the design of action plans and improvement measures. The CEO personally communicates the survey results to the entire workforce.

These are some of the key findings of Implicate 2021's survey regarding employees' perceptions of the company's **climate and aspects of its culture**: 85% of employees are committed to the company and 93% believe that the company is prepared to face the challenges ahead. In addition, 92% of employees believe the company promotes gender equality and 93% say there is fair treatment regardless of age, sexual orientation, faith, nationality or other personal circumstances.

In the subsidiary, the results of the climate survey were equally good: 80% are committed to the company, 89% have confidence in the future and success of the company and 82% are proud to work in the group's subsidiary.

Also, as a Family-conscious Company ("EFR") certified by the Más Familia Foundation, every three years the company conducts a survey called "**The Voice of the Employee**", which specifically asks about employee satisfaction with work-life balance measures. In the last survey, 97% of respondents said they thought Línea Directa was a good place to work. All groups of measures were rated 7.5 out of 10 points or higher.

In the employee relations model, **connection and clarity are key**. Senior management is accessible to staff and quarterly kick off results meetings are organised where the CEO and management present the quarter's results and key ongoing projects to the entire staff. Breakfast meetings with the CEO and the Director of People, Communications and Sustainability are held regularly, but have been suspended due to the pandemic. In addition, different groups from the call centre, Customer Service, Sales, Corporate Fleet Management, Home Insurance and health care alternate their work location, on a rotating basis, and work for a quarter in what we call a mini call centre or in areas close to the senior management. This is not only another example of Línea Directa's culture, but also of the **monitoring and closeness that the Senior Management wants to maintain with the company**. This group also has the opportunity to meet at least twice - when they arrive and if they leave- with the CEO and the Head of People, Communications and Sustainability to exchange views on the development of the business and the company.

Similarly, both the Chief Executive Officer and the Head of People, Communications and Sustainability meet in particular with all employees who have reached a milestone in their professional development, such as one year after promotion, a relevant career change, one year after promotion or even the departure of an employee from the company. During these interviews, both parties have the opportunity to learn first-hand about the employee's development, on the one hand, and to ask questions or share impressions about the development of the company or the specific area to which they belong, on the other. These conversations are highly valued by staff and create a great deal of trust and sense of connection. Due to the pandemic, many of these conversations were suspended, but with normalisation, they are gradually being resumed to continue to provide staff with various opportunities to interact with management and review their professional development.

New technologies and collaborative tools have also made it possible for all information to reach more and more people and for senior management to answer questions from employees in a transparent manner at kick-off meetings.

The company has various direct and unmediated communication channels for employees through which information flows in all directions, thanks to the universally accessible employee channel and the management of the People Care Team.

Línea Directa is recognised as Top Employer Spain. This international seal is awarded to companies that can demonstrate that they have best practises in human resource management after a demanding audit. In 2021, in its detailed analysis by group of measures, the certifier Top Employers rated

the group of audited measures related to Línea Directa's People, Business and Leadership Strategy at 96.29% out of 100%, based on its standards. **The company's overall score** after the audit of its human resource management policies and practises was **90.29% out of 100%, which is within the standards.**

The company has various **internal communication channels**:

- **The 'En Línea' Employee Portal**, an employee portal that can be accessed by the entire workforce and contains information of interest in a closer, more transparent and digital form. Here employees can find news, corporate social applications, personal information and management tools.
- **The 'LiDiA' Chatbot**, a virtual assistant anchored in the navigation bar of the corporate intranet and programmed to answer employees' most important questions in conversation.
- **A monthly newsletter** summarising the company's key milestones during the month, with content of particular interest on sustainability, health and wellness, and innovation.
- **Mailings and communications** with campaigns directed to all staff (or segmented, depending on communication needs) via email.
- **A network of screens** installed in the transit areas of all work centres. These screens reinforce corporate messages, campaigns published in other formats and welcome new employees.

- **Corporate chat**, which is universally accessible and enables instant communication as well as virtual meetings, joint project work or the exchange and simultaneous work on work files.
- The Company is also a pioneer in its use of **WhatsApp**. The company has started to use bot technology for customer transactions and it is also a regular communication channel with its employees, as all management teams have company mobile phones for professional use.
- **Línea Directa Yearbook**. Every year, the company publishes a yearbook which features the most important milestones of the year. The communicative significance of this yearbook lies in the fact that it always features employees of the company and every year, there is a recurring motif that serves as a unifying thread.
- The pandemic has reduced the number of face-to-face events for the most part, but in 2021 Línea Directa held some face-to-face meetings and actions that promote communication and meetings with staff. These actions are a regular channel for communication with staff in a normal situation, as you can see in the chapter on the staff relations model.

UNION REPRESENTATION

All employees of the Línea Directa Group are subject to the collective bargaining agreement that applies in each workplace of the companies that make it up:

In Línea Directa Aseguradora: the Insurance and Reinsurance Collective Bargaining Agreement.

In Línea Directa Asistencia: the Offices and Bureaux Collective Bargaining Agreement, the Engineering and Technical Studies Collective Bargaining Agreement and the Metalworkers' Collective Bargaining Agreement in Alicante, Malaga, Seville, Barcelona, Madrid and Valencia.

In CAR Barcelona: the Barcelona Metalworkers' Collective Bargaining Agreement.

At CAR Madrid: the Madrid Metalworkers' Collective Bargaining Agreement.

In Línea Directa Reparaciones: the Madrid Construction Collective Bargaining Agreement.

The Group has several **union sections** exercising their rights in accordance with the Organic Law on Freedom of Association.

In accordance with current legislation, the company has also initiated a negotiation process with the most representative trade unions to establish a new equality plan for the Group's companies.

Information and consultations with employees (opinion surveys, EFR postbox, psychosocial risk assessment, etc.) are of utmost importance for the company to know how employees perceive their working conditions and to be able to implement appropriate action plans if necessary.

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENT

2020

2021

Employees Covered by Collective Bargaining Agreement	100%	100%
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	2020	2021
Collective Bargaining Agreements	10	10
International Secondment Letter	-	-
Persons Assigned to Agreement	100%	100%

HEALTH AND SAFETY COMMITTEES

Línea Directa Aseguradora is equipped with the necessary resources to support and advise the company in the adoption of the relevant preventive measures.

Línea Directa Aseguradora takes charge, with its own resources, of the preventive specialities of Occupational Safety, Occupational Hygiene and Ergonomics and Applied Psychosociology provided for in the specific regulations on the prevention of occupational risks, through a senior technician who holds the post of Head of Occupational Risk Prevention at Línea Directa. **The preventive speciality of Health Surveillance is arranged with an External Prevention Service.** The in-house prevention service assumes responsibility for maintaining appropriate coordination with the external prevention service and with the external specialist advisors who may be commissioned to implement specific prevention measures.

Accident rate	2020			2021		
	Men	Women	Total	Men	Women	Total
Accident rate	0.010	0.005	0.007	0.004	0.000	0.003

Occupational accidents	2020			2021		
	Men	Women	Total	Men	Women	Total
Frequency rate	4.480	0.420	2.166	5.009	0.372	2.349
Severity rate	0.080	0.010	0.040	0.132	0.014	0.064
Number of deaths from disease	-	-	-	-	-	-
Types of occupational diseases	-	-	-	-	-	-

Accident rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) *100
 Frequency rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) *1,000,000
 Severity rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) *1,000

Absenteeism ratio including Occupational Accidents	2020	2021
	Men	3,6%
Women	5,3%	7,0%
Absenteeism Ratio	4,6%	5,7%

Days absent	2020		2021	
	No. of days absent	No. of hours absent	No. of days absent	No. of hours absent
Common illness	24,926	148,674	35,006	208,094
Men	8,488	52,849	10,394	63,207
Women	16,438	95,825	24,612	144,887
Total accidents with sick leave	740	4,456	372	2,463

Men	323	2,076	295	1,986
Women	417	2,380	77	477
Total	25,666	153,130	35,378	210,557
Business days	563,355		616,025	

	2020		2021	
	No. of days absent	No. of hours absent	No. of days absent	No. of hours absent
Maternity	3,285	19,112	3,868	23,259
Men	-	-	73	501
Women	3,285	19,112	3,795	22,758
Paternity	2,291	14,324	2,217	13,711
Men	2,230	2,076	2,217	13,711
Women	61	342		
Total	5,576	33,436	6,085	36,970

EQUALITY PLAN AND MEASURES TO PROMOTE EQUAL OPPORTUNITIES

Línea Directa has an **Equality Plan and an Equality, Inclusion and Non-Discrimination Policy**, both of which are in force. Both documents have been approved by the company's management Senior Management and Board of Directors respectively. They set out the guidelines and commitments that apply to the company's daily work in this area. The main commitments included in the Equality Plan are as follows:

- **Equal access to employment, recruitment and termination.**
- **Promotion and professional development based on individual merit and achievements.**
- **Remuneration policies in accordance with the above principles.**
- **Training** as a specific tool for the development of the objectives pursued by this plan and, at the same time, as an essential element of the company's activity per se. Co-responsibility and reconciliation of work, private and family life for Línea Directa employees.
- **Communications and advertising** as a channel for transmitting values, participation and mutual commitment.
- **Prevention of occupational risks**, taking into account the gender perspective, especially in relation to psychosocial risks, including harassment.

Línea Directa's gender equality plan is an **expression of its commitment to equal treatment and equal opportunities for men and women** as an essential part of its social and business focus. The company also has a technical equality team made up of professionals who specialise in this area. The team conducts a thorough analysis of the status of equality, non-discrimination and inclusion in the company every year and prepares a report that is submitted to the People Department for review and approval.

The company is currently in the process of drafting the **new equality plan** to bring it in line with the new legal requirements. To

this end, a negotiation process is being carried out with the most representative trade unions in our sector.

At the same time, Línea Directa has an **Equality, Inclusion and Non-Discrimination Policy** approved by the company's Board of Directors, which recognises as a strategic principle the development of labour relations based on equal opportunities and non-discrimination between women and men within the company, respect and fair professional promotion in an environment favourable to diversity, and the development and implementation of measures to improve the work-life balance of employees, in accordance with current legislation.

The principles and lines of action of the Equality, Inclusion and Non-discrimination Policy are as follows:

- **Promote equal opportunities** based on the commitment of senior management by creating models to attract and retain talent in the company regardless of gender.
- **Ensure transparency and dissemination of this policy** and related documents to raise awareness of gender equality at all levels.
- **Promote a culture of flexibility** that favours a balance between work, private and family life, while guaranteeing quality employment regardless of the gender of employees.

Línea Directa has a **Harassment Prevention Protocol**, publicly available to all employees, which sets out the principles of action in this area to prevent any type of harassment, as well as the procedure for reporting, handling and resolving these situations.

This Protocol goes beyond the legal requirements and accelerates the established deadlines in the event that a case arises in the company.

The company, which is a member of the UNESPA insurance sector association, follows the **Good Practise Guide on Gender Equality** published by this body and is committed to promoting the measures that are less implemented in the sector in order to achieve a high level of compliance with them.

These are some of the main measures taken to promote equality:

- Mandatory chapters on equality, diversity and inclusion in training and leadership programmes.
- Specific and confidential whistleblowing channel to which any employee can turn in the event of a breach of the principles that distinguish the company as a family-conscious company. The company has a **confidential whistleblowing channel** in case of violations of our Code of Ethics.
- Package of particular actions and time off to adapt and reconcile family situations with work commitments.

In 2021, several key groups at Línea Directa received specific training on equality, diversity and inclusion.

Gender violence

The company's chain of command receives annual training in the detection and prevention of gender-based violence, in collaboration with a specialised foundation. In this context, Línea

Directa has a specialised person for the initial and early support of people who suffer from it and need help within the company. There are also two annual awareness-raising campaigns with various activities for the entire workforce, coinciding with 25 November (International Day for the Elimination of Violence against Women) and 8 March, International Women's Day. In addition, senior management participates in a mentoring programme for women victims of gender-based violence called "*Leadership for a job*", which promotes integration for women victims of gender-based violence or exclusion, to help create new professional opportunities. For years, Línea Directa has been involved in a "Empowerment School" through the company's volunteer group, where women who have been victims of gender-based violence are trained in how to prepare and conduct job interviews to help them find a foothold in the job market and better prepare for a job interview.

As part of its commitment to equality, non-discrimination and inclusion, the company is a signatory to the following codes of conduct, networks of companies, sectors and foundations that promote all the principles set out herein:

- **United Nations Global Compact**, an initiative of the United Nations Organisation that encourages companies to align their strategies and operations with 10 universal principles, including on human rights and labour standards.
- **Women's Empowerment Principles (WEPs)**, an initiative launched by **UN Women and the Global Compact** to promote **gender equality in companies**, the workplace and the communities in which they operate, following seven principles: Building high-level corporate leadership for gender equality; treating men and women fairly;

ensuring the health, safety and welfare of all female and male workers; promoting women's education, training and career development; implementing business development practises that empower women; promoting gender equality through community and advocacy initiatives; measuring and publishing reports on progress towards gender equality.

- **Top Employers**, an international seal that recognises the company as one of the best employers in the country. The certifier analyses human resource management practises, including those related to equality and diversity.
- **European Diversity Charter**, an award given by the European Commission by which the company subscribes to the promotion of 10 principles for diversity in companies and organisations. These principles include raising awareness of equal opportunities, building a diverse workforce and promoting work-life balance.
- Award given to companies for a "**Society free from gender-based violence**" ("**Sociedad Libre de Violencia de Género**"), promoted by the Ministry of Gender Equality.
- **The UNESPA Good Practise Guide on Gender Equality and Non-Discrimination**, which provides a catalogue of actions and measures that are considered good practises in the field of gender equality in the sector and serves as a guide for the implementation of new measures and actions.
- **Fundación Más Familia (Efr)**: Línea Directa is audited annually by the Foundation through Lloyd's Register, which analyses equality plans and policies, related measures,

actions and specific protocols, with particular attention to the Harassment Prevention Protocol and the indicators and reports of the Technical Equality Team.

- **EWI Sector Network.** The company has been a member of this network of companies in the insurance sector since its inception. Its aim is to promote the presence of women in the management bodies of companies in the sector.
- **Eje&Con Code** of good practise on female talent in organisations.
- **MásHumano**, a network of companies committed to implementing flexible working models based on co-responsibility, productivity and humanity as principles of sustainability.

DIVERSITY MANAGEMENT POLICIES

Línea Directa Group has a Diversity and Inclusion Policy, approved by the Board of Directors, which sets out the principles through which the company contributes to the achievement of its diversity and inclusion objectives. The following principles are outlined in the Diversity and Inclusion Policy:

- Ensure a **culture of respect for people and diversity-friendly behaviour among employees or anyone providing services to the company.**
- Ensure **fair selection, recruitment, training, promotion, remuneration and severance processes** for employees. In short, these processes should be based exclusively on

merit, skill, performance or professional experience, without any kind of discrimination.

- Promoting the inclusion of the most vulnerable groups, facilitating their proper integration into the Company and ensuring a respectful working environment.
- Promote a culture of diversity and inclusion, supported **by programmes, actions and action protocols** that facilitate the integration of all employees, with a focus on the integration of people with different abilities or victims of gender-based violence.

These principles guide the company in managing diversity and serve to promote the achievement of the objectives set. In parallel, the **Diversity Policy** also establishes the company's main commitments in terms of generational diversity, functional diversity, cultural diversity and gender and sexual orientation diversity.

Línea Directa is a member **of the European Diversity Charter** promoted by the European Commission, through which private institutions and organisations contribute to creating a more diverse and respectful environment and society, in line with the European anti-discrimination directives. Accession to this Charter implies acceptance of the following principles:

- To respect the fundamental principles of equality.
- To promote behaviour that respects the right to inclusion of all people, regardless of their different profiles in the work environment and in society.

- To recognise the benefits of including cultural, demographic and social diversity in the organisation and implement concrete measures to promote a working environment free from prejudice in employment, training and promotion.
- To promote anti-discrimination programmes for disadvantaged groups.

In order to comply with the provisions of the Diversity Policy approved by the Board of Directors and the principles set out in the European Diversity Charter, in particular with regard to talent attraction and recruitment procedures, the company has a recruitment policy and procedure to ensure that all processes:

- Respect **equal opportunities** and promote non-discrimination on the basis of race, colour, gender, marital status, world view, political opinion, nationality, religion or any other personal, physical or social condition.
- Include all professionals who match the required profile and ensure that selection is based on objective criteria in terms of knowledge, skills, attitudes and values and that all applicants are treated equally throughout the process.
- Help **young people to get** their first job through grant schemes and other arrangements.
- Promote **the recruitment of people with disabilities** who are affected by or at risk of social exclusion, thus favouring socially acceptable employment.

- To provide candidates with a competitive job offer based on a remuneration proposal commensurate with their experience, a challenging environment **that respects equal opportunities and an appropriate work-life balance.**

During 2021, the company has trained key groups in HR management as well as technical experts from the back office on diversity and non-discrimination through various training programmes. This training is primarily aimed at professionals responsible for teams. As we are aware of the importance of cultural diversity (nationalities, cultures, beliefs, etc.) among staff, on certain days (Saturdays) we have made an adjustment to the schedule or created the possibility of choosing a different Christmas basket with products that take into account all religious beliefs.

Diversity of generations

The Línea Directa Group is a heterogeneous entity where the different generations find opportunities for development, spaces for joint work and cross-cutting projects where the knowledge and expertise of some, together with the drive of others, lead to great ideas emerging from diversity.

The average age in the Company is 40, and it has employees in all age groups.

Aware of the challenges facing European society in terms of the population pyramid, which also have an impact on the business world, the company, together with the Más Familia Foundation, is leading a teamwork of companies in which it is evaluating its own actions and measures to create the ideal spaces in which **older talents** can develop and do their level best. The now

consolidated group represents more than 70,000 workers from all over Spain and from companies in different sectors. Currently, after the evaluation phase and the current state of affairs, the working group is in a position to enter the phase of proposing and addressing measures that can be implemented in the companies and fundamentally serve to **promote older talent in the company and in society**.

Similarly, the company is committed to **young talent** through a programme of scholarships and internships in coordination with the main public and private educational institutions in the country. This programme is not only a first work experience for young people, but also an important training experience that allows them to interact with and learn from different talents and generations. The programme also enriches the older talent of the company, as the work that comes out of heterogeneous age groups is much richer and more complete.

All provisions of this chapter should be understood in the **context of their references in the various policies approved by the company's Board of Directors**, such as the policies on equality, diversity and inclusion, sustainability, social contribution and human rights, all of which are publicly available on the company's website.

DISABILITY

As part of the commitment to diversity and inclusion promoted as part of the corporate culture, one of the main pillars is the inclusion of employees with a disability card and the promotion of their recruitment and socially acceptable employment.

With this goal in mind, Línea Directa Aseguradora's **Sin Límites programme** was launched in 2009 to promote diversity inclusion in the workplace in four areas: **attracting talent with different skills** through selection processes, **internal diversity, development and/or participation in social inclusion and projects and contributing to employability** through specialised employment centres (CEE). The programme has a specialised person from the company - **the guide or tutor**- who ensures the standardisation of processes and that the employee has a suitable working environment from the moment they join the company, with a personalised onboarding process tailored to their needs. The guide approaches the employee who is to receive the disability card, advises him or her and offers assistance with the procedures, guaranteeing confidentiality.

Internally, people with disabilities receive financial support of 1,500 euros. The programme also includes the Tú Sumas Plan, which, through a specialised foundation, offers advice and support to all employees who have a family member with a disability.

The company collaborates with other foundations and associations in social and professional inclusion projects, involving a whole network of volunteers who contribute their knowledge, experience and time by designing and/or leading employment workshops. For example, the company helps young people with disabilities at the Aprocor Foundation to carry out work placements related to the training they receive at the foundation. Línea Directa also works with foundations or associations whose users are people with functional diversity or intellectual disabilities. They carry out various inclusive leisure activities or participate in activities included in their learning and training programmes, such as charity markets where the products

offered for sale are made by users of the affiliated specialised centres.

The Línea Directa Group has been contributing to the employment of people with disabilities for more than 10 years, through the recruitment of specialised employment centres.

Línea Directa has joined the Randstad Foundation's "Companies for Equality, Diversity and Inclusion" initiative as a sponsoring company, seeking to promote the principles of this group of companies in society and spread good practises in this area.

During 2021, the Direct Line Group has had an average of 40 employees with some kind of disability, representing 1.55% of the workforce.

The figure reported is the annual average rather than the number of people at year-end as it is more representative. The average is calculated weighting by the number of days that each person in the collective is in the group and divided by 365 days.

ACCESSIBILITY

All Línea Directa Group work centres are accessible. In addition, the company is working on internal and external communications campaigns and awareness-raising around disability and has improved the digital accessibility of its corporate websites.

Disabled employees	2020	2021
Average for year	39.5	40.0
Average Group employees	2,508.08	2,579.33
Average disabled employees	1.57%	1.55%

	2021		
	Men	Women	Total
Average disabled employees	18.2	21.7	40.0
Average headcount	1,098.0	1,481.3	2,579.3
Percentage employees	1.66%	1.47%	1.55%

RESPECT FOR HUMAN RIGHTS

HUMAN RIGHTS POLICY

The Línea Directa Group Human Rights Policy, adopted in 2020 and applicable to all subsidiaries, aims to guide the protection and respect of human rights and prevent them from being violated. It reflects the Group's commitment to the general and specific international standards of the sector, as well as to the United Nations Global Compact, the United Nations Principles for Responsible Investment and Sustainable Insurance.

This policy describes Línea Directa's commitments in its own activities as an employer and responsible business partner, but also as an insurer and in the way it implements the protection of human rights at the core of its activities.

In this respect, the Group is committed to protecting the human rights of its employees, in particular the principles of fair and favourable working conditions and non-discrimination.

The company is also firmly committed to complying with the provisions of the ILO core conventions on human rights. In terms of the supply chain, the company relies mainly on domestic suppliers, which allows us to better understand their human rights practises while supporting local development.

OTHER POLICIES AND PROCEDURES

The Línea Directa Aseguradora Group currently has the following policies and procedures in addition to mandatory circulars and guidelines:

- **Supplier procurement policy:** Sets out the basic principles of action to govern the relationship between Línea Directa Aseguradora Group employees and the suppliers with whom it does business.
- **Purchasing Policy and Manual:** defines the procedure to be followed in the purchases made and in each of the procurement stages to be approved by the Purchasing Department. Specifies that all procurement procedures must be approved by this department and the area making the request with the following requirements:
 - Technical and economic analysis of bids submitted by suppliers;
 - Confidential treatment of the tenders received;
 - Direct award of contracts in accordance with a defined and justified procedure;
 - Requirement of at least three bids from different suppliers for all awards.
- **Internal procedure for requesting and signing contracts:** part of the purchasing policy and/or manual, it regulates the activity of the Purchasing department and supplier management and the contracting of services to third parties through the Terms and Conditions of Contract and the Línea Directa Aseguradora Group Purchasing Portal.
- Code of Professional Ethics for the Group's employees, available to all employees via the intranet.

- Supplier Code of Conduct for all new commercial contracts and renewals, which is also included in the Purchasing area's tender documents and is available to suppliers via the purchasing portal.

The Code of Ethics of Línea Directa serves as the foundation for all other policies, which must therefore be consistent with it.

In it, the company undertakes to respect and protect human rights and public freedoms recognised in the Universal Declaration of Human Rights and in the main international agreements on the subject, and to ensure that the principles contained in these agreements are taken into account in all its policies.

In addition, the annual training plans include awareness-raising activities on the Code of Ethics and compliance, which also include human rights aspects.

United Nations Global Compact

The company is a signatory to the Spanish network of the United Nations Global Compact, which brings together Spanish companies that have signed up to the Global Compact. This is a commitment by companies and organisations to align their strategies and activities with ten universal principles on human rights, labour standards, the environment and anti-corruption.

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should ensure that they are not complicit in human rights abuses.

Work

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Fight against corruption and bribery

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Diversity Charter

The Línea Directa Group is a member of the Diversity Charter, a project funded by the European Commission through the Diversity Foundation under the European Union's anti-discrimination directives.

The personnel of the security companies working in Línea Directa establishments must be accredited to practise this profession, which guarantees the training, requirements, quality and formulas for contracting this type of professional and service. Required courses include deontology and fundamental rights.

FIGHT AGAINST CORRUPTION AND BRIBERY

FIGHT AGAINST MONEY LAUNDERING

The Línea Directa Group has identified and integrated the crime of money laundering in the criminal risk matrix.

The Línea Directa Group is not a mandatory subject in relation to the prevention of money laundering and terrorist financing, as established in Article 2 of Law 10/2010 of 29 April, as it operates in the non-life insurance business, so it is not appropriate to elaborate on the aspects presented in this non-financial report.

Notwithstanding the above, the Línea Directa Group has identified and integrated the crime of money laundering into the criminal risk matrix and associated with it a number of controls that help mitigate this risk and are monitored by Regulatory Compliance. Among others, the prohibition of cash payments, the due diligence of suppliers as part of the approval process, the

analysis of deviations and the approval of financial statements, and in the case of a donation, the prior verification of the suitability of the recipient of the funds are worth highlighting.

FIGHT AGAINST CORRUPTION AND BRIBERY

The Línea Directa Group's crime prevention model.

The Línea Directa Group's crime prevention model is based on the following internal bodies and functions:

The Board of Directors is the body responsible for promoting a culture of prevention based on the principle of "zero tolerance" both towards behaviour contrary to the Code of Ethics and towards breaches of external and internal regulations and criminal acts. It is given responsibility for the adoption and implementation by the Línea Directa Group of an effective monitoring and control model to prevent all such incidents.

The Audit and Compliance Committee is the highest body responsible for overseeing and monitoring the criminal compliance policy.

The Compliance function (Regulatory Compliance Department): team with initiative and control responsible for ensuring the correct application of and compliance with the Criminal Compliance Policy and for ensuring that it is adapted at all times to the needs and circumstances of the Línea Directa Group companies.

Regulatory Compliance Committee: It is composed of the heads of the main areas related to the technical and cross-cutting functions of the development of the compliance environment,

i.e. Corporate Security, Tax Advisory, Data Protection Office and Human Resources. It supports the Regulatory Compliance Department to ensure the proper fulfilment of its tasks in the area of criminal risk prevention.

People Management Department: Is responsible for the internal training of employees and the application of the disciplinary system in the event of violations of the Criminal Compliance Policy, the provisions of the Code of Ethics and the Group's internal regulations.

Without prejudice to the firm will of the Línea Directa Group's governing bodies to strengthen the ethical culture already present in the Group and to ensure that the Regulatory Compliance Department can effectively carry out its duties of monitoring and complying with the Criminal Compliance Policy, all Línea Directa Group companies and, in particular, all persons belonging to the various internal departments must base their actions and decisions on the highest ethical standards and on respect for and compliance with the internal regulations applicable to them.

The internal control and crime prevention system of the Línea Directa Group is built on fundamental internal rules. Specifically, the following stand out:

- Group Code of Ethics.
- Supplier Code of Conduct.
- Ethical Channel Procedure.

- Regulatory Compliance Policy and its Management System.
- Criminal Compliance Policy.
- General Data Protection Policy.
- General Security Policy.
- Risk Management Policy.
- Internal Audit Control.
- Internal Audit Policy.
- Internal Fraud Procedure.
- Equality Plan.
- Environmental and energy efficiency policy.
- Equality Policy.
- Human Rights Policy.

Anti-corruption and bribery prevention measures

The Línea Directa Group is committed to complying with all the rules on preventing and combating corruption, as set out in the Code of Ethics and the **Anti-Corruption Policy**. This commitment applies not only to all employees, managers and members of the governing body, but also to all suppliers and stakeholders with whom the company has contact.

Regarding the prevention of bribery and corruption, the company adopted the Anti-Corruption Policy in 2021. With this policy, the Línea Directa Group has sought to emphasise its principle of zero tolerance towards any form of corruption and to establish a framework for action that helps prevent and detect corrupt practises in the company's activities. One of the most important measures in this regard is the Company's Gifts and Favours Procedure, which sets out the entire process for receiving and recording all gifts received. Anything that does not meet the requirements set out in this procedure is raffled off among all employees at a charity market at the end of the year.

The company has not registered any significant allegations of corruption and bribery.

SOCIETY

INTRODUCTION

Línea Directa Aseguradora is a responsible company that is involved in the communities in which it operates and is committed to the progress of society.

Primarily through the Línea Directa Foundation, the company provides protection, awareness and its contribution to society in relation to road safety, a key activity in its social sustainability strategy. Línea Directa is also keen to look after the well-being and health (physical, emotional and financial) of its employees, knowing that this leads to a good working relationship. It promotes its social commitment by supporting activities carried out through corporate volunteering in collaboration with various foundations, associations and NGOs.

In 2021, the Línea Directa Group has contributed 849,942.46 euros to foundations and non-profit entities mainly destined to the Línea Directa Foundation and volunteering.

The Línea Directa Group is part of ICEA and UNESPA, insurance sector entities. The total amount of contributions from these organisations was 114,712.11 euros in 2021.

COMMITMENT TO THE SDGS

The company pays special attention to the SDGs because of its direct impact as an insurer, as a company that creates jobs and as a social actor, as well as through its own initiatives, especially in the social field, through the work of the Línea Directa Foundation, a proactive contribution. In this way, the Línea Directa Aseguradora Group has identified the Sustainable Development Goals to which it can make a greater contribution and has included in its strategy targets that contribute mainly to eight of the 17 SDGs: **SDG 3, Health and well-being; SDG 5, Gender equality; SDG 8, Decent work and economic growth; SDG 9, Industry, innovation and infrastructure; SDG 10, Reducing inequalities; SDG 13, Climate action; SDG 16, Peace, justice and strong institutions; and SDG 17, Partnerships for the goals.**

HEALTH AND PREVENTION

Línea Directa is actively committed to the health and well-being of its employees, clients and society in general. Of particular note is the work to reduce deaths and injuries from road accidents carried out by the Línea Directa Foundation. In addition, Línea Directa Aseguradora disseminates information to make people aware of possible risks in the home in order to protect them.

Internally, the company promotes healthy habits among its employees, and on the other hand, it works to prevent health risks through its health department, Vivaz and voluntary actions.

GROWTH AND DEVELOPMENT

The company is firmly committed to creating quality jobs and developing internal talent. It also carries out various actions in support of entrepreneurship to help communities to thrive through the Línea Directa Foundation.

Línea Directa is also a leader in the digitalisation of the insurance sector, facilitating society's transition to digital transformation, offering channels and products to promote digitalisation and participating in technological innovation clusters.

SOCIAL INEQUALITIES

Línea Directa Aseguradora has had a proactive diversity and inclusion policy for many years, ensuring non-discrimination against women and their equal participation. The company has a human rights policy and a diversity and equality policy and regularly updates its equality plan. It also carries out various social actions on International Women's Day and Day Against Gender-Based Violence.

In relation to SDG 10, the company is also strongly committed to the social and economic inclusion of all people, especially people with disabilities, mainly through corporate volunteering in cooperation with various NGOs. Finally, the company pays special attention to the promotion of talent.

SOCIAL CONSCIENCE

The Línea Directa Group contributes to this goal by striving for integrity and the application of compliance throughout the company, both internally and externally. Thus, it is committed to implementing all relevant regulations and disseminating them in its collaboration with external organisations and institutions.

On the other hand, through the Línea Directa Foundation, it regularly studies and analyses aspects of driving behaviour, contributing to the dissemination and awareness of the importance of safe driving. The Foundation also has an active platform for reporting the most dangerous points on Spanish roads.

Every two years, Línea Directa Aseguradora produces the Fraud Barometer to prevent, detect and prosecute these bad practises with significant consequences for customers and society in general.

PARTNERSHIPS

Línea Directa believes that partnerships and collaboration with other companies are key to the development and success of the company. That is why many of the actions we carry out are carried out hand in hand with solid partners, both from the Foundation and from its subsidiaries, including voluntary activities. In this context, the company presents the Collaborators Award every year to recognise the best suppliers for their work for the company.

CLIMATE

The Environment section describes the measures Línea Directa is taking to combat climate change and promote renewable energy. The company is implementing various measures in this area, such as calculating its carbon footprint, voluntary environmental actions and reducing emissions, and plans to offset them from 2021 onwards. The company has an ISO 14001 certified environmental management system and the 50001 certificate for energy efficiency.

SUSTAINABLE INVESTMENT PRACTISES

Sustainable financing, i.e. those that take into account environmental, social and good governance (ESG) criteria, is a key element in promoting an economy that is committed to the climate and sustainable development.

Sustainable financing, i.e. those that take into account environmental, social and good governance (ESG) criteria, is a key element in promoting an economy that is committed to the climate and sustainable development. The Línea Directa Group, mainly as an insurance group but also as an investment manager, works not only to offer products and services that promote sustainable development, but also to participate in a responsible financial system. In this context, investors, analysts and rating agencies increasingly include environmental, social and good governance aspects in their assessments.

In this context, the Investment Department of the Finance Division has been working in 2021 on the search for and analysis of various portfolio tools that will enable it, from next year, to carry out comprehensive monitoring of the environmental, social and

corporate governance dimensions of the Group's investments. By assessing these points, it is possible to identify the general exposure to ESG risks, both in operations and in products and services, and to take specific actions to mitigate these risks.

Furthermore, the company has an investment policy with ESG criteria in which it actively promotes the integration of these criteria in investment decisions and avoids participating as an investor in organisations, projects or products that promote or could cause serious violations in these areas.

SUSTAINABLE PRODUCTS

Sustainable growth allows us to address current needs without compromising the ability of future generations to meet their needs, ensuring a balance between economic growth, social welfare and the environment.

For years, the Línea Directa Group has been committed to sustainability, which is reflected in its three-year sustainability plan. The current plan, now in its fourth year, includes 71 specific actions in 15 action areas for the period 2020-2022, is integrated into the corporate strategy and incorporates the Sustainable Development Goals (SDGs).

The Group's sustainability policy is based on concern for the business, the organisation and society. From a business perspective, the Group has developed and launched various products and services in line with the objective of making its operations and products responsible towards society and the environment, for which it regularly conducts economic analyses, especially in its three basic business areas: motor, home and health.

Póliza Respira (Breathe Policy)

Five years ago, as part of its commitment to a new model of urban mobility that is more environmentally friendly and helps reduce CO2 emissions, the company developed a special insurance policy for electric cars called Póliza Respira. It is a product designed to encourage motorists to buy these vehicles, which do not produce direct emissions. It is an all-risks policy at a reduced price, as a lump sum for the first year (200 euros), with an excess of 300 euros, which adapts to the needs of these vehicles by including coverage for the theft of the charging cable. The company's goal is to become the leader in this segment of the Spanish insurance market.

At the end of 2021, Línea Directa Aseguradora had 2,142 Respira policy customers.

Llámalo X

During the year, the company continued to offer its innovative “Llámalo X” product, the first fully comprehensive insurance with excess that includes a vehicle and the cost of maintenance and taxes for a fixed monthly price, turning the traditional model of linking insurance and car financing upside down. On this occasion, in a clear commitment to sustainability, it has included the Toyota C- HR Advance, a hybrid vehicle that is in great demand in the market for its design, efficiency and equipment. In the two editions of the Llámalo X policy, **more than 400 insurance policies were offered with a hybrid vehicle.**

Vivaz Safe&Go

In recent years, new forms of mobility have emerged that have changed the way people get around the city and paved the way for Personal Mobility Vehicles (PMVs). Electric scooters, electric bikes or Segways allow for more agility and economy as well as more respect for the environment. Vivaz, the health insurance brand of Línea Directa Aseguradora, launched “Safe&Go”, in September, a new product **that covers the person and their mobility and can be taken out according** to the revolutionary concept of “on/off insurance” or pay-as-you-go: By seconds or trips or for a whole year. Vivaz Safe & Go offers insurance cover that is unique in its category, as it not only covers damage caused to third parties, but also physical damage suffered by the user himself, and even legal defence. In addition, in the event of an accident, the insurance app pinpoints the location, which can shorten the response times of the emergency services and get you help quickly.

ConducTOP

Out of concern for road safety and to promote safe driving, the company this year launched **ConducTOP**, an app that rewards the most responsible customers behind the wheel. The app takes into account the smoothness of cornering and braking as well as acceleration, appropriate speed on any road and concentration. Depending on how they drive, customers accumulate rebates that can be exchanged for five-euro or car wash vouchers at Cepsa petrol stations and stores, Cepsa being one of the company's partners.

Alliance with Naturgy

The commercial alliance sealed in 2021 between Línea Directa Aseguradora and Naturgy includes sustainable proposals. In fact,

Línea Directa Aseguradora customers who sign this agreement will receive a fixed discount of 300 euros if they choose a photovoltaic system from Naturgy.

Cooperation with Special Employment Centres

In 2021, **Línea Directa Asistencia's** professional drivers were available to the company's customers to pick up their vehicles or transfer them to where they were indicated, with the aim of providing a safe, fast and reliable service that includes the **transfer of cars to MOT centres** and the **personalised delivery of new or used cars, among many other options**. In order to offer this service through Línea Directa Asistencia, the company has entered into an agreement with Special Employment Centres (CEE), which enables it to employ disabled workers and thus help them to get a foothold in the job market.

ECO-labelled replacement vehicles The Advanced Repair Centres

(CAR), Línea Directa Aseguradora's own state-of-the-art workshops with comprehensive customer service, offer a range of Eco-labelled replacement vehicles, among other services. Specifically, the CAR Barcelona repair shop has 60 Renault Capturs and CAR Madrid has 80. All are LPG (Liquefied Petroleum Gas) vehicles, a propulsion system with almost zero CO2 emissions.

Research aimed towards increasing prevention and awareness

Whether through Línea Directa Aseguradora or the Línea Directa Foundation, the company puts its knowledge and experience at the service of society by carrying out studies and research,

seeking to raise awareness and prevention in specific areas, especially health and road safety.

In January, Línea Directa presented the study **"Zombie vehicles": Uninsured cars in Spain. Problem and accident rate (2010-2019)**, which analyses the phenomenon of uninsured vehicles in the last decade. The report points out that 7.7% of the Spanish vehicle fleet is uninsured, a percentage that has increased by 16% in the last year and can have serious consequences.

The Línea Directa Foundation has published three relevant studies on road safety during 2021. The first, **"COVID and Road Safety. Influence of the pandemic on future mobility and accidents"**, focused on very worrying aspects of road behaviour during the pandemic, such as 39% more speeding than before Covid-19, or the fact that 36% of road fatalities in those months were not wearing seat belts.

The second, **"Drugs and driving: a deadly cocktail. Consumption of drugs by Spanish drivers (2010-2019)"**, which found that 11% of drivers admit to using more dangerous drugs to drive than before and that in the last three years, the number of drivers who died and who were positive for these substances increased by 40%, as well as other data.

Finally, it published the study **"The big change. Young drivers: anatomy of a new generation behind the wheel"** which analyses road accidents among Spanish drivers aged 18 to 29 between 2010 and 2019. Despite being the group with the worst image among Spanish drivers (58%), **young Spaniards aged 18 to 29 are the age group with the lowest fatality rate among drivers (0.5%)**, an indicator that has fallen by 41% in the last decade.

Línea Directa Aseguradora's health insurance brand, Vivaz, has published the study "**Chronological age vs. real age: How old do Spaniards think they are?**". The aim was to measure the health status and perceived age of Spaniards, compare it with their chronological age, assess the impact of lifestyle habits and the perception of well-being at different ages. One of the conclusions is that 6 out of 10 Spaniards feel younger than their chronological age.

Lastly, the Home division of Línea Directa Aseguradora published the report "**Impact of atmospheric phenomena on home insurance from a social point of view**". One of the main conclusions is that 27% of Spanish households have been affected by a weather event in the last 10 years, which corresponds to almost seven million households.

Vivaz Manifesto, for a healthy diet

Vivaz, the health insurance brand of Línea Directa Aseguradora, published the Vivaz Manifesto this year to raise society's awareness of the importance of good eating habits as a cornerstone of a healthy life (alongside the other two pillars it has been working on since its inception: physical activity and sleep). This is a document written by **Juan Revenga**, a nutritionist and biologist, member of the Spanish Academy of Nutrition and Dietetics, which sets out the principles of good nutrition, basic advice on how to achieve it and proactive commitments to help society achieve this goal.

The company also encourages its policyholders to follow healthy habits, such as walking at least 10,000 steps a day and sleeping at least 7 hours a day, monitored with the help of a fitband or

smartphone and rewards them for following these habits with discounts of up to 200 euros when renewing their policies.

Vivaz Actividad

Vivaz has an app, Vivaz Activity, for both customers and non-customers, that helps users maintain healthy habits. By the end of the year, 48,730 users had registered on this app, 21,120 of whom are active users. The app allows them to enjoy various benefits as well as discounts on health policies if they are customers of the company.

15-point campaign

In 2021, Línea Directa Aseguradora revived its campaign for drivers who have 15 points on their licence, offering them significant discounts. At the end of the year, the company launched a new commercial, this time featuring a deaf person who speaks sign language.

SOCIAL ENGAGEMENT: LÍNEA DIRECTA FOUNDATION AND CORPORATE VOLUNTEERING

Social action is part of the Línea Directa Group's commitment to the local communities in which it operates, either through direct action or through collaboration with organisations working to develop social and environmental projects. The two levers on which the company's activity is based are the Línea Directa Foundation and the social initiatives developed through volunteering or directly by the company itself with the associations with which it collaborates or in which it participates.

Línea Directa Foundation

The Línea Directa Foundation was created in 2014 to encourage responsible driving behaviours in Spanish society, assuming the mantle previously held by Línea Directa Aseguradora. Founded in 2014 under the slogan “Here and Now”, the organisation has four lines of action: Research, Awareness-raising, Social Action and Training, through which it promotes and develops powerful initiatives in favor of Road Safety.

Without agents and intermediaries, Línea Directa Aseguradora has always kept direct contact with the terrible reality of road accidents; a social problem that forever shapes the lives of thousands of people in our country every year.

That is why, in 2014, the company wanted to go a step further and created and financed the Línea Directa Foundation, whose aim is to bring all the company's knowledge and commitment to the fight against fatal car accidents. Founded in 2014 under the slogan “Here and Now”, the organisation has four lines of action: Research, Awareness-raising, Social Action and Training, within the framework of which numerous initiatives are taken year after year with the aim of putting an end to road accidents.

To this end, every year it carries out meaningful studies analysing the most important aspects of road accidents, which receive a wide media response; it organises the Road Safety Journalism Prize, which has already become one of the most important competitions in Spanish journalism; it supports entrepreneurship in the field of road safety through the Entrepreneurship Prize and carries out numerous actions in the field of training and cooperation with other foundations and institutions.

Thanks to this important work, the Ministry of the Interior awarded the Línea Directa Foundation the Silver Cross of the Order of Merit of the Guardia Civil in 2021.

Board of Trustees of the Foundation

Chairman

Alfonso Botín-Sanz de Sautuola
Chairman of Línea Directa Aseguradora

Vice-chairman

Miguel Ángel Merino
CEO of Línea Directa Aseguradora

Trustees

Pedro Guerrero
Chairman of Bankinter

María Seguí
General Director of Traffic (2012-2016)

Pere Macias i Arau
Former Chairman of the Road Safety and Mobility Committee

Pierre-Yves Sachet
Head of Business and Sales and Strategy and Growth of CEPESA

Matías Prats
Journalist

Juan José Matarí

Chairman of the Road Safety and Sustainable Mobility Commission of the Congress of Deputies (current term).

Managing Director

Mar Garre

Head of People, Communication and Sustainability at Línea Directa Aseguradora

General Secretary

Pablo González-Schwitters

General Secretary of Línea Directa Aseguradora

Research

Through research, the Línea Directa Foundation analyses the most important aspects of road accidents with the aim of promoting social awareness of road safety. It accomplishes this by tackling subjects of significant interest and relevance, allowing it to solidify its position as a legitimate leader in this sector.

The Línea Directa Foundation provides essential research and publications on the most critical issues related to road accidents as part of its "Research" line of work, always before making them public. It does this by working with renowned foundations, institutions and universities across the country to advance knowledge in the field.

In 2021, the Línea Directa Foundation conducted three studies that were widely reported in the media. They reached more than 700 news items and a total audience of almost 359 million people:

- "COVID and Road Safety. Influence of the pandemic on future mobility and accident rates"
- "Drugs and driving: a deadly cocktail. Consumption of drugs by Spanish drivers (2010-2019)."
- "The big change: Young drivers: anatomy of a new generation behind the wheel (2010-2019)."

"COVID and Road Safety. Influence of the pandemic on future mobility and accident rates"

The study, carried out in collaboration with the Institute of Transport and Road Safety of the University of Valencia (INTRAS), aimed to contextualise the 2020 accident figures, considered the best in history, in a very specific environment: the lockdown and mobility restrictions this year.

The conclusions were surprising: taking into account the journeys made this year, 128 fewer people would have died in road accidents in 2020. In addition, two other points of concern were uncovered: During the lockdown, 39% more people were speeding than before and 36% of traffic fatalities were not wearing seat belts.

"Drugs and driving: a deadly cocktail. Consumption of drugs by Spanish drivers (2010-2019)."

This report, co-authored by the Spanish Road Safety Foundation (FESVIAL), concludes that psychotropic drugs were involved in almost 50,000 casualty accidents between 2010 and 2019.

Furthermore, 12% of drivers and 18% of pedestrians killed in road accidents last year tested positive for these types of drugs.

This is alarming considering that 11% of drivers admit to taking more psychotropic drugs due to the pandemic.

“The big change: Young drivers: anatomy of a new generation behind the wheel (2010-2019).”

The study, sponsored by the Línea Directa Foundation and the Centro Zaragoza, has shown that contrary to the general opinion of society, which still considers young people to be the most reckless group on the roads, a radical change has occurred among 18-29 year old drivers. Although they cause proportionally more accidents than other drivers, the number of road deaths among the youngest drivers has fallen by 41% in the last ten years. This makes them the age group with the fewest road deaths in relation to their own accident victims.

Awareness-raising

As part of its Awareness-raising action line, the Foundation organises the Road Safety Journalism Award to encourage the media to write about and disseminate the importance of responsible driving habits. The award recognises the best reports and articles on road safety published in the press, digital media,

radio and television. The competition has become one of the most prestigious awards in our country.

In 2021, the Línea Directa Foundation organized the **XVIII edition of the Road Safety Journalism Award**, which was presented at the Teatros del Canal in Madrid after the restrictions imposed due to the COVID-19 pandemic were lifted. The competition awards the best reports and articles in the categories of **Written Press and Online Media, Radio and Television**, with a net prize of 10,000 euros each.

The number of entries was **1,600**, 20% less than in 2020, as the pandemic was very present in the media last year, which meant that road safety was given less space in the news. The winners were **Francisco Iván Gómez**, of the Diario de Almería, **Luis Henares** of Onda Aranjuez and **Blanca Vives**, of Telecinco, who were recognised by the jury for the quality of their work, its relevance as a tool to raise awareness in society and for the innovative approach of their reports.

The **Solidarity Award** was also presented, which recognises organisations, institutions and foundations that work for road safety, with a net prize of €10,000. In this edition, the winner was **Pastoral de la Carretera**, a service of the Catholic Church to society to encourage motorists, pedestrians and travellers to be responsible at the wheel when using public roads and vehicles.

The **Honorary Award for Road Safety Journalism** was also given to the journalist Jesús Soria for his great work in spreading road safety throughout his professional career, especially at the helm of the magazine **“Tráfico y Seguridad vial”** of the General Directorate of Transport, which he directed from 1995 to 2017.

The **jury of the XVIII edition** was **chaired by Pere Navarro**, Director General of Transport, and formed by 9 other personalities from the worlds of administration, journalism and business. The members of the jury were:

- **Pere Navarro**, Director General of Transport. Chairman of the Jury.
- **María del Pilar González de Frutos**, Chairwoman of UNESPA (Spanish Association of Insurance and Reinsurance Companies).
- **Pere Macias i Arau**, Chairman of the Commission for Road Safety of the Chamber of Deputies during the 2011-2015 legislature.
- **Pedro Guerrero Guerrero**, Chairman of Bankinter.
- **Carlos Franganillo**, Journalist and presenter of the 2nd edition of the Telediario de La 1 (TVE).
- **Leticia Iglesias**, Journalist and presenter of Informativos Telecinco.
- **Àngels Barceló**, Journalist and presenter of the programme "Hoy por Hoy" on Cadena SER.

- **Esther Vaquero**, Journalist and presenter of "Noticias 2" (ANTENA 3).
- **Jon Ariztimuño**, Journalist and Director of News at Telemadrid.
- **Efrén Hernández**, Journalist for La Sexta and winner of the 17th Línea Directa Foundation Award for Road Safety Journalism in the television category.

Social action

The Línea Directa Foundation carries out various initiatives under its Social Action strand. In 2021, it organised the 7th edition of the Entrepreneurship and Road Safety Award and published a solidarity calendar in favour of FEDACE, the Spanish Federation for Cerebral Injury, with the selfless collaboration of 12 Olympic and Paralympic medallists from Tokyo 2020.

For the past 7 years, the Línea Directa Foundation has organised the Entrepreneurs and Road Safety Award, a pioneering project to accelerate start-ups in the field of road accident prevention. The prize is worth 20,000 euros with no transfers or co-investments, as well as mentoring, training and access to investment rounds. The jury consists of nine experts from the business community, the entrepreneurial ecosystem and the public administration. The jury assesses the quality of the project, its economic viability, its innovative character and its potential to improve road safety.

In 2021, 52 projects were submitted by companies, from which 5 finalists were selected: Alive and Safe, Asimob, Evix, LiveLink and SIPE Baby Rescuer. The five start-ups presented their proposals in an elevator pitch format, where they presented their projects in five minutes to the competition jury. The final winner of the competition was the

Barcelona-based company Evix. This start-up has developed a cervical airbag system integrated into bicycle helmets that is also suitable for other road users. The system is activated immediately after an accident and the airbag inflates to prevent the cyclist from moving and suffering a cervical or spinal injury.

Charity calendar in favour of FEDACE

As part of its social action strategy, the Línea Directa Foundation also launched a solidarity calendar in 2021 in favour of the Spanish Federation of Brain Injuries (FEDACE). This project has selflessly involved 12 Olympic and Paralympic medallists from Tokyo 2020 and 12 volunteers with brain injuries from FEDACE.

The Línea Directa Foundation donated all the proceeds from the sale of the calendar to FEDACE, in addition to a direct contribution of 3,000 euros, always with the aim of combating brain injuries, especially those caused by road accidents.

Training

The Línea Directa Foundation develops various training initiatives in the field of road safety, always with the aim of informing and raising awareness among drivers about the need for responsible driving.

Education is one of the basic lines of action of the Línea Directa Foundation. It thus promotes various actions aimed at highlighting road safety education as one of the most useful and effective tools in the fight against road fatalities.

In 2021, the Línea Directa Foundation committed to collaborate in the **VII Congress on Road Safety and Disability, organised by ASPAYM, the Second Vice-Presidency of the Government and the Ministry of Social Rights and Agenda 2030**, which, finally, will be held in the first months of 2022.

The Foundation is co-sponsoring the event and will participate in a round table where the Minister of Interior, Fernando Grande-Marlaska, is expected to speak.

Last year, the Foundation also launched an educational pill on social media about **personal mobility vehicles (PMVs)** in the form of a game to inform users of this new means of transport about the regulations and key points to consider when using them.

Finally, the Línea Directa Foundation has been working throughout 2021 on the design, concept and architecture of the organisation's blog, which is due to launch in 2022 and through which it will inform society about the most important aspects of road safety.

Corporate volunteering

The Línea Directa Group offers its employees the opportunity to join its volunteer network, which aims to promote social and environmental commitment and carry out actions with a great impact on the environment. Corporate volunteering was launched in 2009 and currently has 152 volunteers.

Corporate volunteering focuses on actions for children, young people and adults at risk of social exclusion, people with disabilities and women in situations of gender violence that add value to communities, strengthen organisational culture internally and enable the development of new competencies, skills and sensitivities among participating volunteers and in their professional environment.

The group uses a tool to document, quantify and categorise social initiatives according to the type of activity carried out and the resources provided, in order to measure the contributions and impact of social action on society.

Due to the situation caused by Covid-19, all volunteer activities conducted in 2020 and most activities in 2021 were conducted virtually. Aware of the importance of resuming volunteering on the ground to help the most disadvantaged groups, the company was able to carry out some actions on the ground at the end of the year with the necessary security.

INCLUSION VOLUNTEERING

(employment workshops)

Integra Foundation – Empowerment School

No. of volunteers: 16
No. of beneficiaries: 192
Volunteer hours: 2

During the year, volunteers from Línea Directa Aseguradora conducted 12 employment workshops and job preparation days as part of the Integra Foundation's Escuela de Fortalecimiento job placement programme, focusing on these moments of truth in the job search:

- "Coping with the job interview".
- "Practising the job interview".
- "Group dynamics".
- "The interview: mistakes and successes".

In these workshops, examples and role plays were used to analyse and deal with the different situations that can arise during a job interview, both individually and in a group.

The beneficiaries of the Integra Foundation are people with disabilities, groups at risk of exclusion and women in situations of gender-based violence.

This year, 2021, the Integra Línea Directa Foundation has given an important recognition with the "Volunteering Award", rewarding the work that the network of volunteers at the Empowerment School has been doing for more than a decade.

Norte Joven Association

No. of volunteers: 19
No. of beneficiaries: 14
Volunteer hours: 14 volunteers dedicated 1 hour 5 dedicated 2 hours

Línea Directa Group works with this association by carrying out corporate volunteering actions to help young people between 16 and 25 years old who are at risk of exclusion or vulnerability prepare for working life and integration into society. In May, company volunteers held a job preparation day with two workshops, one to simulate personal job interviews and a group dynamics workshop. These workshops are part of the training programme these young people receive at the association. Based on the feedback and assessments from the interviews, the supervisors of these young people work with them individually on the aspects that will help them achieve full social and professional inclusion.

Más Humano Foundation:

No. of volunteers: 11

No. of beneficiaries: 4 social entities

Volunteer hours: 8 hours plus 4 hours of training/information

Línea Directa Aseguradora works with the Más Humano Foundation, supporting its mission to culturally transform society and the economy by putting people first. Through the Indivisibles programme, volunteers receive mentoring training to learn how to share their knowledge in different areas (digital marketing, social networks, etc.) with organisations that need it and to help them grow.

Integra Foundation / International Women's Day

No. of volunteers: 20

No. of beneficiaries: 11

Volunteer hours: 8 volunteers dedicated 1 hour 12 dedicated 2 hours

On the occasion of International Women's Day on 8 March, the Línea Directa group organised a day for a group of women affected by gender-based violence, during which three different activities were carried out:

- Hiring workshop, in which the interview was conducted using role plays and in which each volunteer interviewed each candidate for about 15 minutes.
- Group dynamics with feedback from the volunteers.
- Simulation of a call from a sales manager to a client, where the volunteers explained their daily work so that the women could approach their routine.

ENVIRONMENTAL VOLUNTEERING

Reforestation

No. of volunteers: 22

No. of beneficiaries: 13

Volunteer hours: 4 hours

Last October, Línea Directa Aseguradora organised an environmental volunteering action with local impact together

with the Ami-3 organisation. 10 staff and their families joined people with intellectual disabilities for a day of contact with nature and fun. The activity promoted sustainable management and contributed to halting the loss of biodiversity in an area designated by Tres Cantos City Council (Madrid) for the reforestation of a natural area.

Donation of CPUs and monitors:

No. of volunteers: 3 technicians and 1 volunteer
No. of beneficiaries: 30 students of Norte Joven 50 users of Aprocor
Volunteer hours: 3 hours. 1 volunteers 1 hour

During the pandemic, Línea Directa Aseguradora upgraded its computer equipment to allow staff to work more conveniently from home. In an effort to reduce the digital divide among the most disadvantaged groups, promote recycling and extend the useful life of unused computers, computers in better condition were refurbished and donated. In this way, 80 CPUs and 15 monitors were donated to the Norte Joven Association, which works with young people who are socially excluded and at risk and who, because of their situation, have not had the opportunity to participate in classes remotely, and to the Aprocor Foundation, which works with young people with functional diversity or mental disabilities.

This type of action is also carried out by other companies in the group. Línea Directa Asistencia donated 30 CPUs, 30 keyboards and 30 mice to the Altius Foundation, which helps vulnerable people enter the world of work.

Working day at the A la Par Foundation

No. of volunteers: 50
No. of beneficiaries: 12
Volunteer hours: 4 hours

In September, the Group's People, Communications and Sustainability Department organised a workday with a voluntary environmental activity with the A la Par Foundation and people with intellectual disabilities, who taught the company's employees how to manage and maintain their vegetable garden.

Aprocor Foundation. Volunteers for a day (children of employees):

No. of volunteers: 12
No. of beneficiaries: 16
Volunteer hours: 4 hours

In June, Línea Directa Aseguradora ran a volunteer activity for children of staff aged between 16 and 20, who carried out activities with young people from Aprocor to learn about the work of this foundation and how to interact with young people with functional diversity. The young people from Aprocor Foundation showed their experience and knowledge in different activities to raise awareness of diversity and intellectual disability among the staff, to remove barriers and discover a world of opportunities for all.

GIVE AND GAIN

The Corporate Volunteering and Solidarity Action Week, Give and Gain, organised by Forética, aims to recognise and give visibility to the social initiatives and projects carried out by companies through volunteering. It is a benchmark initiative for corporate volunteering at international level. During this edition, Línea Directa Aseguradora has proposed and promoted several activities:

- A la Par Foundation: Workshops with the A la Par Foundation as part of the Línea Directa Christmas Market. Users of the A la Par Foundation, young people with functional diversity, showed the volunteers how to carry out different activities. In addition, the products made in the workshops were offered for sale at the street market and all the proceeds were donated to the foundation.
- Hogar El Olivo: the network of volunteers organised to give clothes and toys for Christmas to the young people in this home run by the Autonomous Community of Madrid.
- Solidarity Bank: This is a food bank that serves more than 300 families in the Madrid region. Línea Directa works with them to run food collections. This year, in keeping with the season, an action was launched to deliver the donated food as well as 60 solidarity baskets donated by the staff. Date: 10 to 20 December.

WELLNESS AND HEALTH

Madrid on the march against Cancer

Participants: 92
Donation: 2.000€

The Línea Directa Group has participated in the Run Against Cancer organised by the Spanish Association for Cancer Control (AECC) for four years. This year, the company bought 135 race bibs to encourage employees to participate and thus contribute to the purpose of the run, cancer research.

Due to the pandemic, two types of runs were offered: an online run counting steps and an in-person run at different locations, mainly on the Paseo de la Castellana in Madrid.

Carrera Hay Salida ("There is a Way Out Race")

Participants: 55
Donation: 2.000 €

As a member of the group "Companies for a Society without Gender Violence", Línea Directa Group, co-sponsored "Hay Salida" (There is a Way Out), the solidarity run against gender violence organised by the Ministry of Equality in June. Each year, specific projects such as comprehensive support for victims and vulnerable groups, social awareness, training and prevention of victimisation are carried out. Encouraging staff participation creates greater awareness of the problem faced by these women, which helps to improve their lives and those of their children.

DONATIONS

Donation to the victims of La Palma:

Between September and October, Línea Directa Aseguradora offered its employees the opportunity to make a donation to the

victims of the volcano on La Palma with every purchase they made in the company's cafeterias. Once the donations were received, Línea Directa Aseguradora doubled the amount received and donated all the proceeds to the Food Bank.

Línea Directa Asistencia also promoted some internal actions to support the people affected by the Cumbre Vieja volcano, working together with the Red Cross.

Instituto Nacional de Resiliencia - Humanae Foundation

Línea Directa Group has donated four scholarships for doctors to attend a special course run by the Spanish Resilience Institute for the personal and professional development of these professionals in the face of pandemic fatigue. Under the motto "They did it for you, do it for them", the aim is to raise society's awareness of the help that is also needed by these professionals who have been on the front line since the beginning of the pandemic and who need to take care of themselves in order to continue taking care of others.

In turn, Línea Directa staff received the workshop "Resilience in times of uncertainty".

Tops for a new life

This year, Línea Directa Asistencia contributed to the SEUR Foundation's project, which helped finance medical and orthopaedic treatments for hundreds of children by recycling plastic bottle tops. Specifically, the 60 tops collected by Línea Directa Aseguradora enabled the purchase of an exoskeleton for Sara, which will help her with her rehabilitation.

Solidarity Market 2021 in favour of San Camilo

All the gifts received by the Group's employees at Christmas 2020 from suppliers and other companies were donated to a charity market in 2021 organised by 14 volunteers who supported the San Camilo professionals who attended the market. The proceeds went to this senior residence, which is home to more than 150 elderly people and those in need of care. During the pandemic, their need for care and protection for the elderly has multiplied. The proceeds were used to purchase products to protect against COVID-19.

Línea Directa Asistencia also held a charity market, in this case with Ami-3, for which they donated all the proceeds.

Donation of trampolines

The company donated 12 trampolines purchased for in-house motivation and teambuilding activities to various associations (Fundación Aprocor, Ami3, Hogar el Olivo and Fundación Juan XXIII).

Christmas market

In December, the company held its first Christmas market, which included themed workshops for staff and typical Christmas stalls. All proceeds from the sale of products and participation in games and competitions were donated to the A la Par Foundation.

PARTNERSHIPS

Randstad Foundation

Aprocor Foundation

Integra Foundation

A la Par Foundation

Solidarity Bank

San Camilo Centre for the Humanisation of Health Care

Norte Joven Association

AMI3 Association

Fesbal

Instituto Nacional de Resiliencia/ Humanae Foundation

AECC

Hay salida ("There is a way out") (Ministry of Equality)

MasHumano Foundation

CORPORATE VOLUNTEERING

2021

Volunteers

152

Volunteers participating in 2021 actions

362

Number of actions

25

SUBCONTRACTING AND SUPPLIERS

The engagement of new suppliers is subject to an approval process adapted to the needs of each functional/business area and overseen by the Group Purchasing area. Before submitting the request to the Purchasing Department and starting the Request for Quotation (RFQ), the requester must follow the procedures recommended by the Data Protection Office, as well as those contained in the Company's Purchasing Policy.

The Supplier Code of Conduct was approved by the Board of Directors in November 2012. The purpose of this code is to ensure that all suppliers and subcontractors comply with the requirements of the United Nations Global Compact, promote sustainable development, ensure human rights, comply with labour regulations and promote environmental protection, among other things. In short, it aims to ensure that suppliers share and respect the ethical values that guide the conduct of the Group and its employees.

A total of 95% of these suppliers are local, as the company is interested in sustainable supply chain management that respects the environment and society.

The principles described in this Code of Conduct are an important part of the selection and evaluation of suppliers, and their non-compliance may also lead to termination of the contract.

In 2021, the Procurement Department has started work on an approval process that incorporates non-financial criteria — environmental, social and governance — into the supplier evaluation and approval process, with the exception of service networks. Línea Directa's Purchasing Policy and associated manual establish procedures for due diligence in the selection and contracting of suppliers. In addition, any outsourcing of functions or critical operational activities is carried out in accordance with the requirements set out in the Outsourcing Policy. Annual reports are prepared on suppliers providing these services in critical business areas. In 2021, no supplier audits have been carried out by the Purchasing department.

SERVICE QUALITY

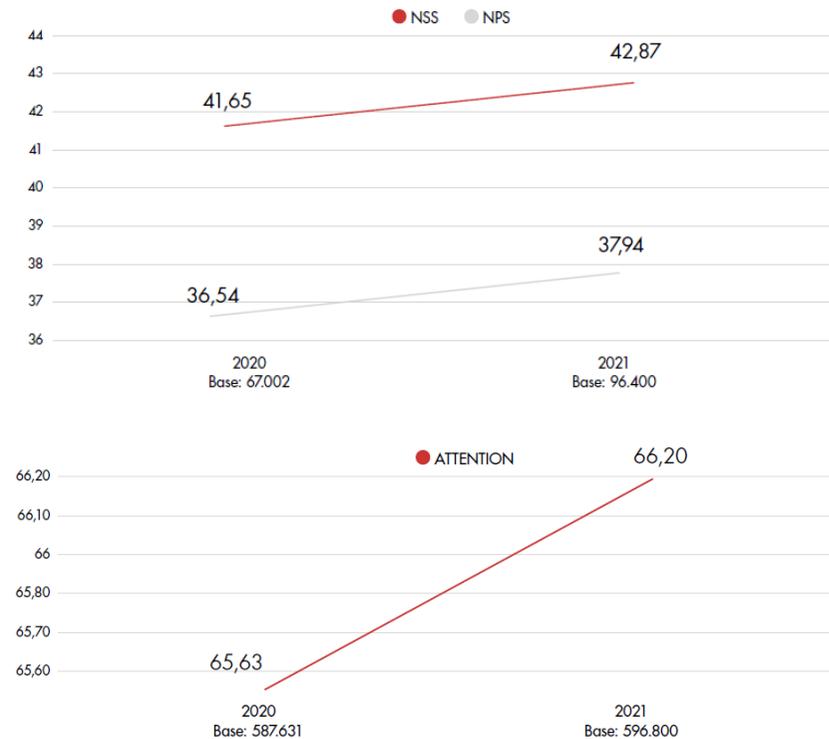
For Línea Directa, the quality of the products and services offered to clients is a priority and a strategic objective.

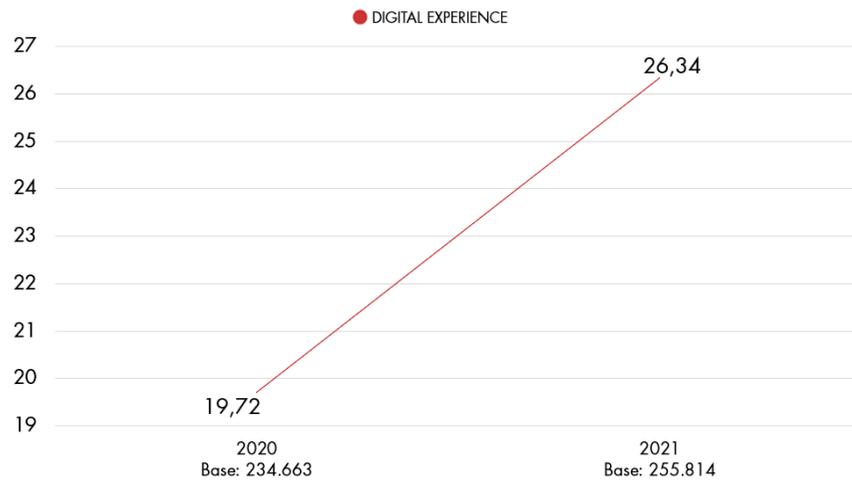
In recent years, the company has expanded, improved and exhausted the processes and tools it uses to monitor the satisfaction level of its portfolio, such as new developments to collect and measure customer experience in real time, always with the aim of identifying their needs and possible areas for improvement. The Línea Directa Group modified the Strategic Quality Plan in 2020, known as Plan Forte, introducing a measurement system by key processes and with the NPS indicator (Net Promoter Score, aggregated net recommendation index). In 2021, the company's global NPS was 37.94%.

In addition to NPS and customer satisfaction with the various processes, the Group has established other quality indicators as fundamental to its day-to-day operations. The first is satisfaction with the customer service provided by the telephone agents (customer service percentage): customers rate their satisfaction with the agents' attention and with the service received on many of the calls received by the company every day. Month after month, the professionalism and the attention and treatment of the agents is the aspect that is most appreciated by them.

On the other hand, given the importance that digital service has acquired in recent years, the company has also set targets for customer satisfaction with the digital experience in the various services offered through the web and mobile applications (26.34% in digital experience).

Each survey, whether it is a process, a call or a digital management, assesses satisfaction with the service received (the NSS in 2021 is 42.87%).





The survey channel strategy is based on customer choice, i.e. if the customer calls, the surveys are conducted by phone, and if the customer conducts the survey digitally, the survey is conducted through the digital channel.

In 2021, it was possible to measure customer satisfaction with the above indicators at each of the identified moments of truth: from the sale to the renewal or cancellation, to the services offered in the handling of vehicle and household claims or in the provision of the breakdown service.

In the case of Vivaz, a mainly digital brand, we have started measuring all digital processes, service satisfaction and also NPS.

These measurements are complemented by text analytics technologies that allow us to categorise customer comments by reason and gain immediate insight into their concerns.

When it comes to quality, measurements are important but not sufficient. Therefore, the company has established procedures for quality management:

As part of its commitment to quality, Línea Directa Aseguradora has a quality management procedure called "Close the loop", which contains all the information about the satisfaction level of each customer. This system generates various alerts on policyholder expectations based on their ratings and comments, allowing departments to gain flexibility and reduce response times.

In addition, all company operators have access to information about the quality surveys, their ratings and comments in the business applications, which is a very useful tool to improve the customer experience.

On the other hand, the company organises meetings every three months between the different business units and the quality department, where the directors and middle management share their impressions on the results of the surveys, discuss the recommendations and reflect on the action plans to be developed in the short, medium and long term.

Since satisfaction has a strong influence on policyholder loyalty, the challenge for the company is to use information on individual customer satisfaction to improve cancellation models, make pricing decisions and implement new quality measures.

CUSTOMER SERVICE DEPARTMENT

A Customer Care Service (CCS) is available to Línea Directa Aseguradora Group customers and users to raise any complaints

or grievances regarding the operations and services arising from their relationship with the company.

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The CCS acts independently and is separate from the company's commercial services. In addition, Línea Directa has a Customer Ombudsman who is responsible for handling and resolving complaints that have not been accepted by the CCS, to try and find a satisfactory resolution for the customer. The Customer Ombudsman promotes transparency and customer protection rules and the application of best practises. The decisions of the Customer Ombudsman are binding on the company.

Customers can address their complaints and claims in writing to the CCS through the various communication channels provided by the company: Complaints Box on the website, e-mail or post. The Customer Care Service guarantees appropriate customer service, resolution and communication. The activities of the Customer Care Service and the Ombudsman for Customers of Línea Directa are carried out in accordance with the provisions of OM ECO 734/2004 of 11 March.

Activity Report of the Customer Service Department

In 2021, the Customer Service Department handled 6,207 cases, of which 374 were complaints and 5,833 were applications. This represents a decrease of 19.5% compared to 2020.

COMPLAINTS AND CLAIMS

YEAR	COMPLAINTS	CLAIMS	TOTAL
2020	665 8.62%	7,052 91.38%	7,717
2021	374 6.03%	5,833 93.97%	6,207

YEAR	APPLY	DO NOT APPLY	TOTAL
2020	2,386 30.92%	5,331 69.08%	7,717
2021	2,190 35.28%	4,017 64.74%	6,207

For the registration and control of complaints and claims, the CCS has a special computer tool to monitor and analyse complaints and control customer response times. We have further improved the applications used to increase the efficiency of the department's administration.

Periodically, the information and its analysis is shared with the business units to take action to reduce complaints and claims.

AREA	PERCENTAGE	COMPLAINTS AND CLAIMS
Accident Management	68.52%	4,253
Policy Management	19.96%	1,239

The English version is a translation of the original in Spanish made by Línea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail



Quote and Close	3.27%	297
Additional Services	4.78%	203
Roadside Assistance	2.66%	165
Other	0.81%	50

*Data extracted as of 01/01/2022 on claims terminated in 2021 regardless of their date of entry.

Work has been done to significantly improve resolution times in the CCS, with the average resolution time in 2021 being 8 days.

Activity Report of the Customer Ombudsman

In 2021, 801 complaints were resolved through the Customer Ombudsman, of which 455 were in favour of Línea Directa.

TOTAL COMPLAINTS RESOLVED OMBUDSMAN		
801		
FAVOURABLE	UNFAVOURABLE	OTHER
335	455	11
ESTIMATED	UNCONTESTED	
34	301	

*Data provided by the Customer Ombudsman in its 2021 Report.