



ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

IDENTIFICATION DATA OF THE ISSUER

YEAR END-DATE 31/12/2021

TAX ID (CIF): A-80871031

Company name:

LÍNEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS

Registered office:

Tres Cantos (Madrid), Calle Isaac Newton, 7.

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current policy of director remuneration applicable to the current year. To the extent that it is relevant, certain information may be included by reference to the remuneration policy approved by the general shareholders's meeting, provided that the incorporation is clear, specific and concrete.

The specific determinations for the current financial year must be described, both of the remuneration of the directors for their status as such and for the performance of executive functions, which would have been carried out by the board in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the general meeting.

In any case, at least the following aspects must be reported:

- a) Description of the procedures and bodies of the company involved in the determination, approval and application of the remuneration policy and its conditions.
- b) Indicate and, where appropriate, explain whether comparable companies have been taken into account in establishing the company's remuneration policy.
- c) Information on whether any external advisor has participated and, where appropriate, their identity.
- d) Procedures contemplated in the current director remuneration policy to apply temporary exceptions to the policy, conditions in which these exceptions can be used and components that may be subject to exception according to the policy.

Directors' Remuneration Policy in force for the current financial year

At its meeting held on 17 February 2022, the Board of Directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros (hereinafter, "**Línea Directa**", the "**Company**" or the "**Entity**") has proposed to submit the approval of a new directors' remuneration policy to the next General Shareholders' Meeting, which in case of approval, would be the current policy for the current year, from the date of approval by the General Shareholders' Meeting, and the following three years (2023, 2024 and 2025), (hereinafter, the "**Policy**" or the "**Remuneration Policy**"). Therefore, until the general shareholders' meeting is held, the remuneration policy for Company directors approved on 18 March 2021 will remain in force.

The Remuneration Policy that is submitted for approval at the 2022 General Shareholders' Meeting, the text of which is published on the corporate website www.lineadirectaaseguradora.com, together with the rest of the documentation available for the General Meeting, is fully in accordance with the previous remuneration policy approved on 18 March 2021 (in force since 15 April 2021 when the CNMV registered the Company's IPO prospectus). This Policy regulates the following aspects:

- i. General principles on which the Policy is based.



- ii. Process of determining, reviewing and applying the Remuneration Policy.
- iii. Remuneration system for directors in their capacity as such.
- iv. Remuneration system of the CEO for her executive functions.
- v. Main terms and conditions of the contract of the executive director.
- vi. Relationship of the Policy with the remuneration conditions of employees.
- vii. Contribution of the Policy to the strategy, interests and long-term sustainability.
- viii. Temporary exceptions.
- ix. Validity.

In particular, as will be detailed in section A.2 of this report, the Policy for the current financial year is proposed for approval by the next General Meeting in accordance with the Transitional Provision of Law 5/2021 amending the Spanish Corporate Enterprises Act. The main adjustments are as follows:

- Complete adaptation of the wording to the current Corporate Enterprises Act, after the amendments introduced by Law 5/2021.
- Deletion of references to the 2019-2021 Long-Term Incentive Plan due to being completed.
- Setting the remuneration conditions of the new executive director and CEO, Ms. Patricia Ayuela de Rueda, as of her appointment on 17 February 2022, in accordance with the provisions of her contract.
- Correction of minor errors.

In its session held on 15 February 2022, the Appointments, Remuneration and Corporate Governance Committee (hereinafter, the "CNRGC") issued a report favourable to said approval, with the details of the amendments, which has been published on the corporate website along with the documents related to the agenda of the next General Meeting.

If approved by the General Shareholders' Meeting, the new policy will enter into force on the date on which it is approved by the General Shareholders' Meeting of 2022 until 31 December 2025, annulling the directors' remuneration policy that is currently in force.

Description of the procedures and bodies of the company involved in the determination, approval and application of the remuneration policy and its conditions.

With regard to the procedures and bodies of the company involved in the determination, approval and application of the remuneration policy and its conditions, in accordance with the provisions of the Rules and Regulations of the Board of Directors, the Board is empowered to adopt decisions regarding the remuneration of directors, within the statutory framework and, where applicable, the remuneration policy approved by the General Meeting.

On the basis of the maximum annual amount fixed and approved by the General Meeting for the remuneration of directors in their condition as such, the Board of Directors is responsible for setting the individual remuneration, frequency and method of payment of each director, at the proposal of and following a report by the CNRGC. To do this, it shall take into account the positions held by



each director in the Board of Directors itself, their membership of and attendance at the various Committee meetings and any other objective circumstances deemed appropriate.

The Board of Directors is also responsible for determining the individual remuneration of each director for the performance of the executive functions assigned to them, in accordance with the provisions of their contract and remuneration policy, at the proposal of and following a report by the CNRGC, as well as the approval of their contracts with the Company.

Furthermore, the CNRGC is responsible for monitoring the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.

Information on whether any external advisor has participated and, where appropriate, their identity.

The renowned firm, J&A Garrigues, participated in determining the directors' remuneration policy as an independent external advisor.

Indicate and, where appropriate, explain whether comparable companies have been taken into account in establishing the company's remuneration policy.

As for comparable companies, the data published by the regulator in its annual reports on the average remuneration of the directors of listed companies have been taken into account, taking into account in particular the data of the other two insurance companies listed on the Spanish market, as well as the average remuneration of directors of companies that are comparable by market capitalisation.

Procedures contemplated in the current director remuneration policy to apply temporary exceptions to the policy, conditions in which these exceptions can be used and components that may be subject to exception according to the policy.

The Línea Directa Board of Directors, following a proposal from the CNRGC, may approve the application of temporary exceptions to the Remuneration Policy which will, in any event, be limited to exceptional situations in which the lack of implementation of the Policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability.

Only the remuneration components set out in paragraph 4 of the Remuneration Policy shall be without exception, avoiding the allocation of guaranteed extraordinary remuneration.

In any event, the Company shall take into account the principles of paragraph 1 of the Policy and shall adequately inform in the corresponding Annual Report on Directors' Remuneration of the exceptional situation which has led the Board of Directors to approve the application of the temporary exception, as well as the component(s) subject to that exception.

- A.1.2** Relative importance of variable remuneration concepts with respect to fixed remuneration (remuneration mix) and what criteria and objectives have been taken into account in their determination and to ensure an adequate balance between the fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system in order to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, including, where appropriate, a reference to the measures envisaged to ensure that the remuneration policy takes into account the long-term results of the company, the measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the institution, and measures envisaged to avoid conflicts of interest.



Likewise, indicate whether the company has established any period of accrual or consolidation of certain variable remuneration concepts, in cash, shares or other financial instruments, a period of deferral in the payment of amounts or delivery of financial instruments already accrued and consolidated, or if any clause has been agreed to reduce the deferred remuneration not yet consolidated or that obliges the director to return the remuneration received, where such remuneration has been based on information whose inaccuracy has since been manifestly demonstrated.

Appropriate balance between fixed and variable components of remuneration

In accordance with the Director's Remuneration Policy, the remuneration accrued by the members of the Board of Directors in their role as such (for their supervisory functions and collective decision) shall consist of a fixed annual amount and allowances for attending each session of the Board of Directors and its committees. Therefore, directors in their capacity as such do not receive variable remuneration.

In addition to the remuneration referred to in the previous paragraph, the executive director shall be entitled to receive an annual remuneration for the exercise of her executive powers and in the context of the commercial administrative contract that associates her with the Entity, which has a fixed and a variable part depending on the fulfilment of previously established objectives, aligned with prudent risk management and adjusted to the long-term interests of the Entity. The executive director also has the right to participate in the long-term variable remuneration systems that the Company decides to implement at all times.

Therefore, the references to the remuneration mix in this report are made in relation to the remuneration of the executive director, whose remuneration system is composed of fixed and variable elements. The particular details of the short- and long-term incentive schemes in force in the current financial year are described in the following sections of this Report.

One of the principles underlying the Directors' Remuneration Policy is the appropriate ratio between the fixed and variable components, expressly establishing that, in order to avoid excessive risk-taking, variable remuneration in relation to fixed remuneration will not, as a general rule, acquire a significant proportion without there being a guaranteed variable remuneration. On that basis, in order to ensure an appropriate balance between the fixed and variable components of the remuneration of the executive director, the director's remuneration policy has been based on the remuneration system in general, which establishes a system whereby the fixed remuneration is sufficient and adequate to remunerate the functions performed without depending excessively on the variable components, since the latter are based on a completely flexible incentive policy, which includes the possibility of not paying any variable component. Along this line, the directors' remuneration policy establishes that an appropriate balance between fixed and variable remuneration shall be deemed to exist when the variable component does not exceed 100% of the fixed component of the total remuneration, or that provided for by the Supervisor at any given time. In this regard, Línea Directa will make its best efforts to maintain an adequate balance between the fixed and variable components of the total remuneration of the executive director.

Based on the foregoing, the relative importance of the executive director's variable remuneration means that, combined with annual variable remuneration and long-term variable remuneration, and depending on the personal performance of the executive director and the degree of fulfilment of the objectives set for accrual, there is a balance between the fixed and variable components of the remuneration, without this leading to a high dependency on the variable remuneration.



Thus, the target annual variable remuneration of the executive director in the short term represents approximately 29% of the total annual remuneration (sum of the Fixed Remuneration and Target Annual Variable Remuneration).

When including the amount of the annualised Extraordinary Variable Remuneration Plan, the Target Annual Variable Remuneration would represent approximately 27% and the Annualised Extraordinary Variable Remuneration Plan 7% of the total annual Remuneration (sum of the Fixed Remuneration, the Target Annual Variable Remuneration and the Annualised Extraordinary Variable Remuneration Plan).

Actions taken to reduce exposure to excessive risks and adjust it to the long-term interests of the Company

With regard to the actions taken to reduce exposure to excessive risks and to align it with the long-term interests of the company, the Policy's principles include the promotion of adequate and effective risk management so that it will not encourage a level of risk-taking that exceeds the limits of risk tolerance of the Entity, including sustainability risks, and their alignment with the medium and long-term interests of the company. In this regard, as will be detailed below, the parameters that serve to set the variable remuneration of the executive director are linked to the profitability, the improvement of management and the financial, commercial and quality results of Línea Directa; they are predetermined, and they are quantifiable and measurable. They constitute essential tools for measuring the Company's value indicators, and will never suppose or will be generators of situations that give rise to an increase in the risk profile of the Entity. Therefore, they are fully aligned with the sustained growth of the Company and its interests in the medium and long term. Likewise, it has been foreseen that if the minimum objectives set are not achieved, this variable remuneration will not accrue, which fully binds it to the interests of the company.

In this way, as indicated in the Remuneration Policy, its ultimate objective is to contribute to the development of the mission, vision and values of Línea Directa, constituting a tool that contributes to the achievement of the objectives of its business strategy.

Measures provided to avoid conflicts of interest.

Regarding the measures provided to avoid conflicts of interest, the Remuneration Policy establishes that the director must notify the Board of Directors, through its Chairman or the Secretary, about any direct or indirect situation of conflict of interest in which they find themselves. Article 17 of the Rules and Regulations of the Board of Directors defines a conflict of interest as being situations when the interest of the Company or the companies in its Group and the personal interest of the director directly or indirectly clash.

Measures in relation to categories of personnel whose professional activities have a material impact on the institution's risk profile

To the extent that Línea Directa is an insurance company subject to the applicable regulations on remuneration for insurance and reinsurance entities, the Entity has defined those categories of personnel whose professional activities have a material impact on the Company's risk profile (the "**Identified Collective**"), with all the directors in their capacity as such, and the executive director, being among those identified professionals.

For these purposes, the remuneration of directors in their capacity as such only consists of elements of a fixed nature, without having variable components.



In relation to the executive director, to the extent that her remuneration is composed, among others, of variable components, the Company applies different adjustments to it.

In relation to accrual periods, the annual variable remuneration only accrues after the effective verification of the level of compliance with the previously established objectives. With respect to the extraordinary variable remuneration plan in shares, which grants the possibility of progressively receiving a certain number of Línea Directa shares over the three years following the date of the Company's admission to trading, its accrual schedule, as well as the rest of its characteristics, is detailed in section A.1.6 of this Report.

As for deferral periods, in accordance with the Policy and regulations applicable to insurance companies, at least 40% of the variable remuneration will be paid on a deferred basis for a period of not less than 3 years. During the deferral period, deferred remuneration shall be received proportionately.

Finally, variable remuneration shall only be paid or consolidated if it is sustainable in accordance with the Línea Directa situation as a whole and if justified according to the results of the Entity. In this regard, the Directors' Remuneration Policy provides for the malus and clawback clauses.

Malus clauses: Deferred variable remuneration pending payment may be reduced by up to 100% if, during the consolidation period, one of the following circumstances occurs:

- A reformulation of annual accounts that does not result from a regulatory change and provided that, in accordance with said reformulation, the variable remuneration to be paid is less than that initially accrued, or no remuneration had been paid in accordance with the Línea Directa variable remuneration system. For these purposes, it will be understood that this circumstance has occurred when the external auditor of the Company introduces caveats in its report that reduce the results taken into consideration to determine the amount of the variable remuneration to be paid.
- Where a competent authority requires or recommends that the Entity restrict its dividend distribution policy.
- If the executive director has significantly contributed to obtaining poor financial results for the Entity or the business unit of which she is a part.
- The level of solvency or liquidity, or both, is or is expected to be below the limit set out in the Solvency II regulations.
- The executive director has caused serious harm to the Entity, with guilt or negligence being involved.
- The executive director has been sanctioned for a serious and intentional breach of any of the internal Línea Directa rules that may apply to her.
- When regulatory sanctions or judicial convictions occur, as well as non-compliance with the Entity's internal codes of conduct.

Clawback clauses: The variable remuneration already paid to the executive director (whether deferred or not) will be fully or partially clawed back by Línea Directa if, during the two years immediately after payment, it becomes apparent that the payment was fully or partially made on the basis of information whose falsehood or serious inaccuracy has been demonstrated a posteriori, or risks or other circumstances not foreseen or assumed by the Entity arise during the



conditional period that have a negative material effect on the P&L accounts of any of the years in which it is applicable and, in any event, when, during that two-year period, any of the situations described in the cases of malus clauses take place that, had it occurred, would have resulted in the application of said malus clause.

A.1.3 Amount and nature of the fixed components that the directors, in their capacity as such, as expected to accrue during the year.

In accordance with the Directors' Remuneration Policy, the remuneration accrued by the members of the Board of Directors for their supervisory functions and collective decision shall consist of a fixed annual amount and allowances for attending each session of the Board of Directors and its committees.

Within the maximum amount decided at any time by the General Shareholders' Meeting, the Board of Directors, at the proposal of the CNRGC, will issue a report to determine the amount corresponding to each of the directors, the frequency and the method of payment of their remuneration, in accordance with this Remuneration Policy, and may even determine that only some of them will receive remuneration.

In accordance with the Policy, the amounts provided for therein may be updated by the Board of Directors, provided that the total remuneration for the exercise of its supervisory and collective decision functions expressed in this section does not exceed the annual maximum limit provided for. According to the resolution of the Board of Directors, the maximum annual remuneration of all directors in their capacity as such shall not exceed 1,500,000 euros.

Within the above limits and conditions, the concepts of remuneration recognised to directors in their capacity for this year are as follows:

- Annual fixed amount:
 - o executive director: 90,000 euros.
 - o Chairman: 120,000 euros.
 - o Board member: 60,000 euros.
- Attendance allowances, to be paid for attending each meeting of the Board or its Committees:
 - o Board of Directors: 3,000 euros per meeting for the Chairman of the Board, 2,250 euros for the executive director and 1,500 euros per meeting for members.
 - o Committees: 2,000 euros per meeting for the Committee Chairman and 1,000 euros per meeting for members.



A.1.4 Amount and nature of the fixed components that will be accrued during the year by the executive directors' for the performance of senior management functions.

As of the date of this Report, the sole executive director of the Company is Ms. Patricia Ayuela de Rueda, CEO of the Company since her appointment by co-option by the Board of Directors on 17 February 2022. In this regard, Mr Miguel Ángel Merino González held the position of CEO until that date, when the termination of the mercantile relationship of administration occurred by mutual agreement and he ceased to be CEO and member of the administrative body of Línea Directa.

In accordance with market studies and analyses drawn up by external third parties and the average increases in the remuneration of the Línea Directa senior management, at the proposal of the CNRGC, the Board of Directors shall agree to update the fixed remuneration to establish compensation appropriate to the functions of the executive director, in such a way as to be competitive in the market and aligned with compensation for similar entities to Línea Directa.

In accordance with the provisions of the Remuneration Policy and her commercial contract, the annual gross Fixed Remuneration of the new executive director, for her executive functions, amounts to 300,000 euros, to be paid in twelve monthly payments.

According to the Policy, this amount shall be understood to refer to the period of the full calendar year, so, if the executive director leaves the company on a date other than the end of the calendar year, he shall receive the amounts actually accrued, proportional to the time worked in the aforementioned year.

In terms of fixed remuneration, in 2022 Mr Miguel Ángel Merino González received 50,734 euros, which corresponds to the proportional part of the fixed remuneration provided for in his contract and in the Remuneration Policy in force until the holding of the 2022 General Shareholders' Meeting, from 1 January 2022 to 17 February 2022.

A.1.5 Amount and nature of any component of remuneration in kind that will be accrued in the year including, but not limited to, insurance premiums paid in favour of the director.

According to the provisions of the Directors' Remuneration Policy, the executive director shall have the right to and be given access to the corporate benefits arranged for the Entity's management team, as well as those included in the Collective Bargaining Agreement applicable to all Línea Directa employees or those that, in the future, may be in the collective rules or in specific collective agreements at company level, such as health insurance, life insurance or the right to a vehicle, including vehicle expenses.

In this regard, the new CEO will accrue the following remuneration in kind, (the social security systems detailed in section A.1.7 are not included here):

1. Life Insurance with the contribution of one premium.
2. Health Insurance: The company assumes the premium of a reimbursement medical insurance for the CEO and her family unit.
3. Renting vehicle plus the expenses derived from its use.

Finally, the Company maintains a liability insurance policy that covers contractual contingencies that the executive director may incur as a result of the activities included under her duties.

Mr. Miguel Ángel Merino González, whose remuneration in kind is detailed in section B of this report, received 12,849 euros in 2022, which corresponds to the proportional part of the remuneration in kind and social benefits provided for in his contract and in the Remuneration Policy in force until the holding of the 2022 General Shareholders' Meeting, from 1 January 2022 to 17 February 2022.

- A.1.6** Amount and nature of the variable components, differentiating between those established in the short and long term. Financial and non-financial parameters, including social, environmental and climate change parameters, selected to determine the variable remuneration in the current financial year, an explanation of the extent to which such parameters relate to the performance of both the director and the entity and its risk profile, and the methodology, time required and techniques envisaged to be able to determine, at the end of the financial year, the effective degree of compliance with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in terms of the time required and methods to verify that the performance conditions or any other type to which the accrual and the consolidation of each component of the variable remuneration were linked have been effectively met.

Indicate the range in monetary terms of the different variable components depending on the degree of compliance with the objectives and parameters established, and if there is any maximum monetary amount in absolute terms.

As noted above, directors in their capacity as such do not receive remuneration based on variable components.

The executive director, on the other hand, is a beneficiary of remuneration plans linked to variable components in accordance with the provisions of the Remuneration Policy and her commercial contract.

In particular, according to the Policy, 50% will be paid in cash and 50% in shares, depending on the fulfilment of predetermined objectives, linked to how much strategic objectives established at any time by the Entity are achieved.

In any case, the 50% of the Annual Variable Remuneration paid in shares will be paid if it is approved by the Línea Directa Annual General Meeting, under the terms laid down in Article 219 of the Spanish Corporate Enterprises Act.

The shares will be delivered once the aforementioned approval has been given by the Annual General Meeting.

The system is based on the premise of a direct relationship between the Company's results and the amount of variable remuneration, considering the degree to which objectives are met.

This annual variable remuneration will represent 40% of the executive director's fixed remuneration (assuming that 100% of the objectives are fulfilled).

In order to achieve the best results for the Company, the achievement of variable remuneration will be linked to a financial and business objective, with a weight of 70%, and non-financial objectives, with a weight of 30%.



Each of the objectives will have a minimum threshold of compliance, below which the right to receive the variable remuneration will not apply. In addition, each of these objectives may be surpassed by up to 140%.

In particular, the metrics set by the CNRGC and the Board for the 2022 annual variable remuneration of the executive director are as follows:

- Consolidated PBT of the Group, with a weight of 40%
- Premium Issued, with a weight of 30%
- Compliance with the Sustainability Plan, with a weight of 15%
- NPS – *Net Promoter Score* (Quality Indicator), weighing 15%

This variable remuneration will be paid if the objectives set by the Company for the period in question are fulfilled. In any case, the fulfilment of the objectives will depend on different indicators, always being linked to the improvement of the management, profitability and growth of the Entity, and will never assume or create situations that result in an increase in the Entity's risk profile.

As for the long-term remuneration, the 2019-2021 Long-Term Incentive Plan (the "**2019-2021 LTI**") will be liquidated in 2022, whose accrual period began on 1 January 2019 and ended on 31 December 2021 (the details of this plan can be consulted in section B.7 of this report). However, after the evaluation of compliance with the objectives carried out by the CNRGC, it was concluded that the final objective has not been reached, based on the turnover in Net Written Premiums of Cancellations in 2021. Consequently, in 2022 there will be no collection of this incentive.

In addition, the executive director participates in the Extraordinary Variable Remuneration Plan in shares (the "**Plan**"), approved by the General Meeting on 18 March 2021, which was granted to her under her capacity as Company manager on the date of admission to trading of Línea Directa's shares on the Stock Exchange, expressly agreeing to the full maintenance of these rights in her new capacity as CEO.

The Plan is based on the delivery of a certain number of Línea Directa shares on the dates and under the conditions indicated below, linked to the Company acquiring the status of listed entity on 29 April 2021, which in turn links to the delivery to the successive anniversaries of said event during a 3-year period.

The main purpose of the Plan is to recognise the effort made by the management team during the Company's IPO, to retain the Company's managerial talent and to motivate the beneficiaries during the admission to trading of Línea Directa's shares, as well as to commit the first levels of management to the interests of the shareholders.

Beneficiaries of the Plan are the members of the Company's management team at the date of admission to the Company's listing, including the Company's CEO. There will be no right to collect the Plan if employment or the commercial relationship is terminated during the term of the Plan, without prejudice to the maintenance of the shares already received, unless it must be returned under the clawback clause.

The total number of Línea Directa Aseguradora shares to be delivered to the CEO is 61,350 shares. This figure results from dividing 100,000 euros by the weighted average price of the shares of



Línea Directa Aseguradora by the thirty (30) business days after the date of admission to trading of said shares. This weighted average share price was €1.63/share.

The expected accrual and delivery dates are as follows:

- The right to receive 33 percent of the shares will be enforceable on the date of the first anniversary of the admission to trading of the shares of Línea Directa (29 April 2022). The shares will be delivered within five business days of the aforementioned date.
- The right to receive 33 percent of the shares will be enforceable on the date of the second anniversary of the admission to trading of the shares of Línea Directa (29 April 2023). The shares will be delivered within five business days of the aforementioned date.
- The right to receive 34 percent of the shares will be enforceable on the date of the third anniversary of the admission to trading of the shares of Línea Directa (29 April 2024). The shares will be delivered within five business days of the aforementioned date.

This long-term variable remuneration in shares is also subject to the malus and clawback clauses, as well as the CEO's obligation to maintain the shares, who may not transfer ownership until a period of at least three years has elapsed.

Mr Miguel Ángel Merino González, former CEO, will receive 97,928 euros gross for the variable remuneration accrued in 2021. 60% will be paid in 2022, leaving the remaining 40% deferred, being paid in three equal parts in 2023, 2024 and 2025. This variable remuneration will be subject to the malus and clawback clauses provided for in the Remuneration Policy.

Likewise, Mr Miguel Ángel Merino, as a beneficiary of the Extraordinary Plan in shares, will receive 20,245 shares on 29 April 2022, and will maintain his right to receive the rest of the shares pending delivery of the Plan.

- A.1.7** Main features of long-term savings systems Among other information, the contingencies covered by the system will be indicated, whether it is contribution or defined benefit, the annual contribution that has to be made to the defined contribution systems, the benefit to which the beneficiaries are entitled in the case of defined benefit systems, the conditions of consolidation of the economic rights in favour of the directors and their compatibility with any type of payment or compensation due to termination or early termination, or derived from the termination of the contractual relationship, in the terms provided, between the company and the director.

It must indicate whether the accrual or consolidation of any of the long-term savings plans is linked to the achievement of certain objectives or parameters related to the short- and long-term performance of the director.

According to the Policy, the executive director maintains the rights recognised to her in a collective life insurance policy of the collective unit linked modality, underwritten by Línea Directa, which implements the entity's pension commitments. The rights derived from said insurance in favour of the executive director are not consolidated, with this consolidation being dependent on certain circumstances, including if she voluntarily leaves the company, unless expressly agreed otherwise, or a breach of the directors' non-competition and no-hire agreement.



It is a defined contribution system to which the Company contributes 30% of the executive director's fixed remuneration every year.

If the executive director continues to provide her services at the ordinary retirement age, the accumulated funds would be reduced by 1% on a monthly basis for each additional year of service, unless explicitly agreed otherwise.

In addition to total retirement, this System covers the contingencies of death for any cause, and situations of Total, Absolute or Great Permanent Disability, for any cause.

The cases of loss of rights over this System, unless expressly agreed and written otherwise are:

- In case of termination at the director's own will or by unilateral will of the company for justified reasons, she will not have any right derived from this pension system, and the designation of beneficiary provided for in the policy that covers the system will be null and void.
- In case of not complying with the agreements of non-competition and non-hiring of directors, she will not have any right derived from this pension system, and the designation of beneficiary provided for in the policy that covers the system will be null and void.

In these cases, Línea Directa may withdraw the total accumulated amount or balance by exercising the right to redemption, affecting the total accumulated fund that includes both the contribution made in the previous System, as well as the following contributions of the new System.

Except in the cases indicated, the irrevocable ownership of the economic rights will be recognised, and they will be maintained until any of the insured contingencies occur. The executive director shall not be entitled to make an early withdrawal of the funds accumulated up to that point.

In relation to Mr. Merino, former CEO, details of the main characteristics of the applicable long-term savings systems can be found in section B.

- A.1.8** Any type of payment or compensation for termination or early termination or derived from the termination of the contractual relationship in the terms provided between the company and the director, be it the termination at the will of the company or the director, as well as any type of agreements, such as exclusivity, post-contractual non-concurrence and permanence or loyalty that entitle the director to any type of payment.

In relation to the new CEO, the corresponding agreements included in the Policy and in her contract are detailed in the following section A.1.9.

Mr. Miguel Ángel Merino González held the position of CEO until 17 February 2022, the date on which the termination of the commercial relationship of administration occurred by mutual agreement and he ceased to be CEO and member of the administrative body of Línea Directa. As compensation for the termination of the contractual relationship by mutual agreement, Línea Directa will pay a total gross amount of 675,699 euros. 60% will be paid in 2022, leaving the remaining 40% deferred, being paid in three equal parts in 2023, 2024 and 2025. This compensation does not exceed that which would correspond as a result of the termination of the contractual relationship as CEO by unilateral decision of the Company provided for in the contract.

Additionally, Mr. Miguel Ángel Merino González will receive 50% of his annual fixed remuneration on the date of termination of his relationship as a post-contractual non-competition and non-hiring of directors agreement, once the period of 18 months of non-competition and non-hiring of directors has elapsed.



Finally, he will receive 37,572.32 euros gross as a settlement of assets and rights derived from his provision of services.

- A.1.9** Indicate the conditions that must be respected by the contracts of those who exercise senior management functions as executive directors. Among others, the duration, the limits to the amounts of compensation, the clauses of permanence, the terms of notice, and the payment as a substitute of the aforementioned period of notice will be reported, as well as any other clauses related to contracting premiums, indemnities or caps for early termination or termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreements of non-concurrence, exclusivity, permanence or loyalty and non-post-contractual competition, unless they have been explained in the previous section.

As already indicated in this report, as of this year, the only executive director of the Company is the CEO, Ms. Patricia Ayuela de Rueda.

According to the provisions of the Policy, the executive director's contract may be terminated by mutual agreement between the parties, at the request of the director or unilateral will of the Company.

The termination of the Executive Director's contract by unilateral will of the Company and in certain cases by the will of the Executive Director will entitle the director to receive compensation calculated in accordance with the rules provided for in the Workers' Statute. For these purposes, for the calculation of this compensation, the seniority of the Executive Director from 11 March 2003 until the date of termination as Executive Director, and the remuneration provided for in section 4.1 and 4.4 of the Policy that the Executive Director was receiving on the date of termination of the employment relationship will be taken into account.

In any case, payments for termination of the contract may not exceed an amount equivalent to two years of the total annual remuneration of the Executive Director at the time of termination of the contract, and will not be paid until the Company has been able to verify that the Executive Director has complied with the criteria or conditions established for its payment. All this, without prejudice to the compensation to which the Executive Director is entitled for the termination of the employment relationship that is kept in abeyance.

Payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the Executive Director and the Company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of the non-competition agreement.

Likewise, a post-contractual non-competition agreement is foreseen that, once the contract has been terminated and for a period of 18 months after its termination for any reason, the Executive Director undertakes not to carry out work activities or provide professional services on her own or for others that concur with those of the Entity or entities of her Group, and (ii) not to actively promote herself or third parties or persons from hiring any director of the Entity or of other companies or entities of the Group. As compensation for those obligations, the Executive Director shall receive compensation equivalent to 50% of the total of the last annual fixed remuneration agreed for the current year, which shall be paid after the 18-month period has elapsed.

Additionally, the main contractual conditions foreseen for the executive director are the following:

- Duration: validity of the appointment as Executive Director with executive functions of Línea Directa.
- Obligation of confidentiality: a rigorous duty of confidentiality is established during the term of the relationship and also upon termination.
- Exclusivity: the Executive Director undertakes not to enter into other employment, commercial or civil contracts or contracts of any other nature with other persons, companies, bodies or entities herself or for related persons, regardless of whether or not they are family members, nor through legal persons or entities or organisms, nor to provide labour, commercial or civil services or of any other nature for any natural person, legal person or entity if they are engaged in activities that involve competition or competence with any of the activities to which Línea Directa or any other company of the Group is dedicated, unless prior and express written permission of the Board of Directors of the Company is given, which it will grant (or not) with total discretion, being in any case subject to the provisions of the Rules and Regulations of the Board of Directors.
- Holding period of shares: if part of the Executive Director's variable remuneration is paid in shares, the Executive Director may not transfer ownership until at least three years have elapsed.

This will not apply if, at the time of the transfer, the Executive Director has a net economic exposure to the variation in the share price for a market value equivalent to at least twice his annual fixed remuneration through the ownership of shares, options or other financial instruments.

This shall not apply to shares that the Executive Director needs to dispose of to meet the costs related to its acquisition or, after favourable appreciation of the CNRGC, to cover the costs of any unforeseen extraordinary situations.

- A.1.10** The nature and estimated amount of any other additional remuneration that will be accrued by the directors in the current year in consideration for services rendered other than those inherent to their position.

Additional remuneration for directors is not expected to be accrued in 2022 for services rendered other than those inherent to their position.

- A.1.11** Other remuneration concepts such as those derived, where appropriate, from the company granting advances, credits and guarantees and other remuneration to the director.

The company is not planning on granting advances, credits and guarantees and other remuneration to the director in 2022.

- A.1.12** The nature and estimated amount of any other additional remuneration provided for and not included in the preceding paragraphs, whether paid by the entity or another entity of the group, which shall be accrued by the directors in the current financial year.

No additional remuneration not included in the previous sections is expected to be accrued in 2022.

A.2 Explain any relevant changes to the remuneration policy applicable in the current financial year resulting from:

- a) A new policy or policy modification already approved by the Board.
- b) Relevant changes in the specific determinations of the remuneration policy in force established by the board for the current year with respect to those applied in the previous year.
- c) Proposals that the Board of Directors would have agreed to present to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

As mentioned at the beginning of this Report, on 17 February 2022 and following a favourable report from the CNRGC, the Board of Directors proposed submitting a new Directors' Remuneration Policy to the General Meeting that replaces the one approved on 18 March 2021 as a result of the company's IPO.

Without prejudice to the fact that the Policy follows a continuist line with the previous one, and complies with the applicable insurance and corporate regulations, the Company has considered it convenient to make certain modifications and clarifications to it due to the progressive adaptation of Línea Directa Aseguradora to the best practices of listed companies and based on the recommendations of EIOPA and the recent modification of the Spanish Corporate Enterprises Act.

Lastly, as a result of the relationship with the former Línea Directa Executive Director being terminated on 17 February 2022, the remuneration terms and conditions for a new Executive Director have been established starting from her appointment date in 2022, as well as the main terms and conditions of his contract, in accordance with the provisions thereof.

Both the report of the CNRGC and the text of the proposed modification have been available on the corporate website since the call of the General Meeting.

The main changes proposed are as follows:

- Principles of the Remuneration Policy: Two nuances have been added consisting of (i) the inclusion of sustainability risks within prudent and effective risk management and, (ii) in the principle of equality and diversity, a mention of equal pay for each position of equal value.
- The new remuneration regime of the new Executive Director has been included, consisting of the following concepts: (i) fixed remuneration, (ii) social benefits, (iii) social security systems, and (iv) variable remuneration.
- 30% of non-financial objectives have been included in the annual variable remuneration of the Executive Director.
- The conditions of the contract of the new Executive Director have been included. In particular, (i) the term, (ii) the confidentiality obligation, (iii) exclusivity, (iv) the causes of termination and compensation, (v) the directors' non-competition and no-hire agreement, and (vi) permanent holding of shares.



linea directa

The Remuneration Policy for Directors will be in force, should it be approved by the Annual General Meeting, from the date that it is approved until 31 December 2025, notwithstanding any adaptations or updates made, where appropriate, by the Board of Directors in accordance with its provisions, and the amendments that may be approved by the Línea Directa Annual General Meeting at any time.

- A.3** Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

The direct link from the corporate website to the document containing the current Remuneration Policy is as follows:

<https://www.lineadirectaaseguradora.com/documents/652707/692730/politica+de+remuneraciones+consejeros.pdf/0b3d8fed-39df-b3a2-2de1-b7ec30ee2824?t=1619536144504>

English:

https://www.lineadirectaaseguradora.com/documents/652707/655975/lda_pol%c3%adtica+de+remuneraciones+consejeros+180321+en.pdf/d4be0adf-0b47-b023-da4c-a40414d5fa5c?t=1635936442591

- A.4** Taking into account the information provided in section B.4, explain how the vote of shareholders at the general meeting to which the annual remuneration report for the previous year was put to the vote, in an advisory capacity, was taken into account.

Given that the Company's IPO took place in 2021, the first advisory vote on the annual shareholder remuneration report will take place in 2022.

B OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE CLOSED FINANCIAL YEAR

- B.1.1** Explain the process that was followed to implement the remuneration policy and to determine the individual remuneration reflected in section C of the present report. This information shall include the role played by the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and role of the external advisers whose services have been used in the process of applying the remuneration policy in the closed financial year.

The process that has been followed to determine the individual remuneration reflected in section C corresponds to the functions assigned in the Bylaws, the Rules and Regulations of the Board of Directors and the Remuneration Policy to the different corporate bodies in terms of remuneration.

In particular, at its meetings held on 13 January, 7 February and 15 February 2022, the CNRGC informed and proposed the following to the Board for approval, or where appropriate for submission to the General Meeting:

- (i) The specific determination of the components of the fixed remuneration accrued in 2021 by the directors, in accordance with the amounts provided for in the Policy, and its update for 2022, also in accordance with the provisions of the Policy.

- (ii) The examination of the level of compliance with the parameters on which the accrual of the annual variable remuneration of the executive director is based, and the specific determination of said remuneration for 2021.
- (iii) The examination of the level of compliance with the parameters on which the accrual of the long-term variable remuneration of the executive director (2019-2021 LTI) is based, and the specific determination of said remuneration for 2021.
- (iv) The determination of the financial and non-financial parameters to which the variable remuneration of the executive director that accrues, where appropriate, in 2022 will be linked.
- (v) The modification of the Directors' Remuneration Policy.

The Board of Directors reviewed and approved the reports and proposals of the CNRGC at its meeting held on 17 February 2022, proposing the corresponding resolutions in the call for the General Meeting.

Taking into account that the variable remuneration to be received by the executive director is linked, to a large extent, to the ordinary financial results of the Company, the Committee had the collaboration of the Company's Human Resources Division and Financial Division, which provided the qualitative and quantitative elements needed for the Committee to assess compliance with the parameters and develop the rest of its functions in this matter.

The Company had the collaboration of the external firm J&A Garrigues, which advised the Company in the application of the remuneration policy for the closed financial year.

- B.1.2** Explain any deviation from the procedure established for the application of the remuneration policy that occurred during the year.

There were no deviations from the procedure established for the implementation of the remuneration policy.

- B.1.3** Indicate whether any temporary exceptions to the remuneration policy have been applied and, if applied, explain the exceptional circumstances that led to the application of these exceptions, the specific components of the remuneration policy concerned and the reasons why the institution considers that those exceptions were necessary to serve the long-term interests and sustainability of the company as a whole or to ensure their viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director in the year.

No temporary exceptions have been applied to the Remuneration Policy.

- B.2** Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing the exposure to excessive risks and aligning it with the long-term objectives, values and interests of the company, including a reference to the measures that have been taken to ensure that the remuneration accrued has taken into account



the long-term results of the company and reached an appropriate balance between the fixed and variable components of remuneration, what measures have been taken in relation to those categories of personnel whose professional activities have a material impact on the entity's risk profile, and what measures have been taken to avoid conflicts of interest, if any.

The actions taken by the Company in relation to the remuneration system are those that have been detailed so far in section A.1.2 of this Report, highlighting the strict application of the regulations that the Company has endowed internally in relation to the remuneration of directors since its IPO in 2021.

In particular, with regard to measures that contribute to reducing exposure to excessive risks and to adjusting the remuneration system of directors to the long-term values and interests of the Company, it should be noted that:

- Directors receive a fixed remuneration in their capacity as such, which is determined in the Remuneration Policy, and therefore approved by the shareholders. This fixed remuneration is considered appropriate for the remuneration of the director's own functions, taking into account, among other things, the responsibilities they perform in the interest of the company, the size of the Company, the characteristics of the insurance sector to which it belongs and the practice of comparable companies and the market.
- The executive director also receives a fixed remuneration for her executive functions that is also determined in the Remuneration Policy, and is consequently approved by the shareholders. This remuneration has also been set taking into account the functions that the executive director is called upon to perform for the benefit of corporate interests and also considering comparable companies in terms of size, sector and activity.
- As for the variable remuneration of the executive director, as has already been mentioned, the parameters set are linked to the profitability, the improvement of management and the financial, commercial and quality results of Línea Directa; they are predetermined, and they are quantifiable and measurable. They constitute fundamental tools for measuring the Company's value indicators, taking into account its solvency and positioning, and therefore, are fully aligned with the sustained growth of the Company and its interests in the medium and long term.

In this way, the ultimate objective of the measures adopted in remuneration matters is to contribute to the development of the mission, vision and values of Línea Directa, with the Policy constituting a tool that contributes to the achievement of the objectives of its business strategy. At the same time, it has been expressly determined in the Policy that the parameters set will never suppose or will be generators of situations that give rise to an increase in the risk profile of the Entity.

- Meanwhile, in accordance with the provisions of the Rules and Regulations of the Board of Directors, the CNRGC assumes the function of assessing, informing and proposing for the approval of the Board the remuneration of the categories of personnel who develop professional activities that may have a relevant impact on the assumption of risks by the Company, that is, the Identified Collective, with the directors in their capacity as such, and the Executive Director, being identified among said professionals.
- In relation to the executive director, to the extent that her remuneration is composed, among others, of variable components, the Company applies different adjustments to it. Thus, in addition to the adequate setting of the objectives and parameters that determine



the remuneration, other elements have been introduced in the remuneration system that prevent excessive risk-taking, such as the deferral of 40% of the variable remuneration accrued for 3 years, as well as the inclusion of malus and clawback clauses.

- Likewise, one of the principles of the Policy assumes the adequate proportion between the fixed and variable components, so that the variable remuneration in relation to the fixed remuneration will not acquire, as a general rule, a significant proportion, to avoid the excessive assumption of risks. Under no circumstances shall a guaranteed variable remuneration be deemed to exist. It is expressly provided that an appropriate balance between fixed and variable remuneration shall be deemed to exist when the variable component does not exceed 100% of the fixed component of the total remuneration, or that provided for by the Supervisor at any given time.

Likewise, the Remuneration Policy has provided that in those situations in which the interest of the Company or the companies integrated in its Group and the personal interest of the director collide, directly or indirectly, the director must notify the Board of Directors through its Chairman or the Secretary. The cases of conflicts of interest are set out in more detail in section A.1.2. of this Report.

B.3 Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the sustainable and long-term performance of the company.

Also report on the relationship between the remuneration obtained by the directors and the results or other performance measures, in the short and long term, of the entity, explaining, where appropriate, how variations in the performance of the company have been able to influence the variation in the remuneration of the directors, including those accrued whose payment had been deferred, and how they contribute to the company's short- and long-term outcomes.

The remuneration accrued strictly complies with the provisions of the current remuneration policy.

As explained throughout this report, the amounts shown in section C are the result of the amounts approved by the Board and established in the Policy, as well as the parameters and objectives determined in accordance with the provisions of the Policy. Likewise, in no case have the maximum thresholds set by the General Shareholders' Meeting been exceeded.

As also stated above, the objectives set for the accrual of the variable remuneration of the executive director are fully linked to the results and performance of the Company, and therefore to its sustained growth in the interest of shareholders and other stakeholders.

In this regard, the following factors allow us to verify how the accrued remuneration of the directors is linked to the results and performance of the Company, and therefore to its sustained growth in the interest of shareholders and other stakeholders:

- The annual variable remuneration is linked, among other objectives, to profit before taxes, with minimum compliance thresholds below which the incentive is not paid.



- The long-term variable remuneration of the 2019-2021 Incentive Plan which was linked to the final objective based on the turnover in Net Written Premiums of Cancellations in 2021 has not accrued as a result of said objective not having been reached.
- The variable remuneration of the Executive Director is not paid until the objectives are approved by the CNRGC and the Board of Directors and in any case after the formulation of the Financial Statements.
- There is an Extraordinary Variable Remuneration Plan in shares that links the Executive Director with the interests of the shareholders, when the payment is made in Línea Directa shares. The Executive Director must hold these shares for a certain period of time.
- Adjustments are applied to the variable remuneration of the Executive Director, including the deferral for a period of three years and the possible application of malus and clawback clauses under certain assumptions linked, among others, to the Company's results.

B.4 Report of the result of the advisory vote of the general meeting to the annual report on remuneration of the previous year, indicating the number of abstentions and negative, blank and in favour votes that were cast:

Observations
Given that the Company's IPO took place in 2021, the first advisory vote on the annual shareholder remuneration report will take place in 2022.

B.5 Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined, their relative proportion for each director and how they have varied compared to the previous year:

In accordance with the Directors' Remuneration Policy, the remuneration accrued by the members of the Board of Directors for their supervisory functions and collective decision consist of a fixed annual amount and allowances for attending each session of the Board of Directors and its committees.

Within the maximum amount decided by the General Shareholders' Meeting, on 18 March 2021, the Board of Directors at the proposal of the CNRGC, determined the amount that corresponds to each of the directors, the frequency and the form of payment of their remuneration, in accordance with the Remuneration Policy.

The remuneration concepts accrued by the directors in their capacity as such in the year ended 2021 were as follows:

- Annual fixed amount:
 - o Executive Director: 90,000 euros.
 - o Chairman: 120,000 euros.
 - o Board member: 60,000 euros.



- Attendance allowances, to be paid for attending each meeting of the Board or its Committees:

- o Board of Directors: 3,000 euros per meeting for the Chairman of the Board, 2,250 euros for the Executive Director and 1,500 euros per meeting for members.

- o Committees: 2,000 euros per meeting for the Committee Chairman and 1,000 euros per meeting for members.

In no case has the maximum amount of the annual remuneration of all the directors in their capacity as such, set at 1,500,000 euros by the General Meeting, been exceeded.

- B.6** Explain how the accrued and consolidated salaries for each of the executive directors for the performance of management functions have been determined during the closed year, and how they have varied compared to the previous year.

From the time of the IPO of the Company and until 17 February 2022, the only executive director and CEO of the Company was Mr. Miguel Ángel Merino González.

In accordance with the provisions of the Remuneration Policy and his commercial contract, the annual gross Fixed Remuneration of the executive director, for his executive functions, amounts to 388,602 euros, to be paid in twelve monthly payments.

This amount is 1.6% higher than his fixed salary for 2020.

- B.7** Explain the nature and main characteristics of the variable components of the remuneration systems accrued and consolidated in the closed year.

In particular:

- a) Identify each of the remuneration plans that have determined the different variable remuneration accrued by each of the directors during the closed year, including information on their scope, their date of approval, date of implementation, conditions in their case of consolidation, periods of accrual and validity, criteria that have been used to evaluate performance and how this has impacted on setting the variable amount accrued, as well as the measurement criteria that have been used and the time necessary to be in a position to adequately measure all the stipulated conditions and criteria, explaining in detail the criteria and factors that have been applied in terms of the time required and methods used to verify that the performance conditions or conditions of any other type to which the accrual and consolidation of each component of the variable remuneration was linked have been effectively met.
- b) In the case of stock option plans or other financial instruments, the general characteristics of each plan shall include information on the conditions both for acquiring unconditional ownership (consolidation) and for exercising such options or financial instruments, including the price and term of exercise.

- c) Each of the directors, and their category (executive directors, proprietary external directors, independent external directors or other external directors), who are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.
- d) Where appropriate, mention the established periods of accrual, consolidation or deferral of the payment of consolidated amounts that have been applied and/or the retention/non-disposal periods of shares or other financial instruments, if any.

Explain the short-term variable components of remuneration systems
<p>As noted above, directors in their capacity as such do not receive remuneration based on variable components.</p> <p>The executive director, on the other hand, is a beneficiary of remuneration plans linked to variable components in accordance with the provisions of the 2021 Remuneration Policy and his commercial contract. In this regard, the target Annual Variable Remuneration that the previous CEO could receive is 36% of his annual fixed remuneration (assuming a scenario of 100% compliance with the objectives).</p> <p>This Annual Variable Remuneration is paid in cash and is linked to the degree of achievement of the strategic objectives pre-established by the Company.</p> <p>In particular, to achieve the best results for the Company, the achievement of variable remuneration will be linked to a business objective (i.e. net issued premiums of the 2021 insurance activity) with a weight of 40% and a financial objective (i.e. 2021 Profit Before Tax) with a weight of 60%.</p> <p>In both objectives, there will be the possibility of overcompliance which would consequently result in the resulting incentive increasing by 10%.</p> <p>In 2021, the level of global compliance with both objectives was 70%, resulting in an amount of 98 thousand euros.</p> <p>This amount accrued after the CNRGC verified compliance with the objectives and applicable conditions, which have been detailed in this Report, and its subsequent approval by the Board of Directors.</p> <p>Without prejudice to this, as explained above, the payment of 40% of the total variable remuneration accrued will be deferred over a period of 3 years in three equal payments. Likewise, the variable remuneration accrued is subject to the malus and clawback clauses, also described above.</p>

Explain the long-term variable components of remuneration systems
<p>As explained above, the Executive Director is the beneficiary of a Long-Term Incentive Plan that covers the 2019-2021 period, approved by the Board of Directors on 10 May 2019 and payable in 2022 if the pre-established objectives are met. This Plan has the following main characteristics for the CEO:</p> <ul style="list-style-type: none"> - The target amount (100% of the incentive) consists of 2 times the fixed remuneration of December 2018.

- The maximum amount (150% of the incentive) consists of 3 times the fixed salary of December 2018.
- Two strategic objectives are established for the 2019-2021 period, with a weight of 50% each:
 - (i) Group Combined Ratio: Achieve the Combined Ratio objective every year according to a scale of achievement from 0% to 100%.
 - (ii) Group growth in Premiums above the industry average: That the growth, compared to the previous year, in Net Written Premiums of Cancellations of the Group is higher than the average of the growth of Written Premiums of the top 20 Non-Life entities of the sector. This goal has no scale of achievement, so it is either met 100% or 0%.

The amount that may be generated from the fulfilment of the above objectives will not be consolidated, nor will it be entitled to collection, in the event that a "final objective" based on the invoicing in Net Written Premiums of Cancellations in 2021 is not reached. A scale of achievement of 0% (€ 966 million) to 150 % (€ 1.016 billion) is defined, which corrects the amount accumulated in the three years, according to compliance with the annual objectives. Consequently, in the event that a minimum turnover of €966 million is not exceeded, the incentive will not be paid.

The 2019-2021 LTI will be liquidated after the objectives have been measured and checked, and once verified by the CNRGC and subsequently by the Board of Directors, in February 2022.

As mentioned above, the CNRGC's assessment of compliance resulted in the final objective not being achieved. Therefore, no amount derived from this 2019-2021 LTI will be paid.

As for the Extraordinary Variable Remuneration Plan in shares of which the executive director is a beneficiary, we refer to the terms detailed in section A.1.6 of this report, with the first accrual date not having taken place in 2021.

- B.8** Indicate whether malus or clawback clauses have been applied to certain variable components when the payment of unconsolidated amounts has been deferred in the first case or, in the second case, consolidated and paid, taking into account data whose inaccuracy has been manifestly demonstrated. Describe the amounts reduced or refunded by the application of the malus or clawback clauses, why they have been executed and the years to which they correspond.

In the closed year, no refund of amounts were reduced or returned since none of the circumstances provided for in the malus and clawback clauses occurred.

- B.9** Explain the main characteristics of long-term savings schemes whose equivalent annual amount or cost is shown in the tables in Section C, including retirement and any other survivor's benefit, which are financed, in whole or in part, by the company, whether endowed internally or externally, indicating the type of plan, whether it is a contribution or a defined benefit, the contingencies it covers, the conditions of consolidation of the economic rights in favour of the



directors and their compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.

According to the Policy approved in 2021, the executive director maintains the rights recognised to him in a collective life insurance policy of the collective unit linked modality, underwritten by Línea Directa, which implements the entity's pension commitments.

It is a defined contribution system. According to the Policy, in 2021 the annual contribution is 40% of the fixed remuneration of the executive director. For these purposes, the gross salary of 1 January of the current year will be taken into account after the annual salary review process.

This Social Security System aims to improve retirement benefits, in any of its modalities (ordinary or early) provided that it is total retirement.

From the moment the legal retirement age is reached, even when retirement is not taken, successive contributions to this System will no longer be made. If the CEO continues to provide his services at the ordinary retirement age, the accumulated funds would be reduced by 1% on a monthly basis for each additional year of service.

In addition to total retirement, this System covers the contingencies of death for any cause, and situations of Total, Absolute or Great Permanent Disability, for any cause.

The rights derived from the aforementioned insurance in favour of the Executive Director are not consolidated since there are certain circumstances identified as cases of loss of rights over this System, unless expressly agreed and written otherwise:

- In case of termination of the CEO, as well as voluntary withdrawal.
- In case of not complying with the agreements of non-competition and non-hiring of directors, she will not have any right derived from this pension system, and the designation of beneficiary provided for in the policy that covers the system will be null and void.

Except in the cases indicated, the executive director's irrevocable ownership of economic rights, and they will be maintained until any of the insured contingencies occur. The executive director shall not be entitled to withdraw the funds accumulated up to that point in advance.

The executive director has also received an amount equivalent to 2% of his fixed remuneration, with the commitment to allocate this amount to a pension fund. This amount for 2021 (8 thousand euros) is aggregated to the elements included in the chart of section C.1.iv.

- B.10** Explain, where appropriate, the indemnities or any other type of payment derived from early termination, be it termination at the will of the company or the director, or the termination of the contract, in the terms provided therein, accrued and/or received by the directors during the closed year.

No compensation resulting from any early termination was accrued or received during the closed year.

- B.11** Indicate whether there have been significant changes in the contracts of those who exercise senior management functions as executive directors and, where appropriate, explain them. Also, explain the main conditions of the new contracts signed with executive directors during the year, unless they have been explained in section A.1.

On 25 April 2021, the CEO signed an addendum to his contract of 17 January 2014 to introduce the following provisions, which have been detailed throughout this Report:

- The deferral clause of 40% of the variable remuneration for a period of 3 years;
- The malus and clawback clauses described at the beginning of this report; and
- The holding clause of the shares that the CEO receives as variable remuneration, for a period of 3 years, in accordance with the detail provided for in section A.1.9. of this Report

- B.12** Please explain any additional remuneration accrued by the directors as consideration for the services rendered other than those inherent in their position.

No additional remuneration has been accrued by the directors.

- B.13** Explain any remuneration resulting from the granting of advances, credits and guarantees, indicating the interest rate, its essential characteristics and the amounts that may be repaid, as well as the obligations assumed on their behalf by way of guarantee.

No advances, credits or guarantees have been granted.

- B.14** Detail the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the different salary components.

In the year ended, the Executive Director accrued the following remuneration in kind (the social security systems described in section B.9 are not included):

1. Two Life Insurance Policies: An insurance with the contribution of a premium of 8,424 euros in 2021 and an additional life insurance, associated with the Unit Link policy, with a premium of 1,652 euros in 2021 (for 2022, these amounts will be updated as provided for in the policy, but a significant variation is not foreseen).

2. Health Insurance: The company assumes the premium of a reimbursement medical insurance for the Executive Director and her family unit. The amount of the premium was 2,949 euros in 2021.

3. Renting vehicle: for an annual amount of 9,684 euros in 2021, and 1,421 euros for annual use expenses in 2021.

Finally, the Company maintains a liability insurance policy that covers contractual contingencies that the CEO may incur as a result of the activities included under his duties.



- B.15** Explain the remuneration accrued by the director by virtue of payments made by the listed company to a third entity in which the director provides services, when such payments are intended to remunerate the latter's services in the company.

The indicated assumption did not occur

- B.16** Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than the above, whatever its nature or the group entity that pays it, including all benefits in any of their forms, such as when it is considered a related transaction or, especially, when it significantly affects the faithful image of the total remuneration accrued by the director, explaining the amount granted or outstanding, the nature of the consideration received and the reasons why it would have been considered, if any, that it does not constitute remuneration to the director for their status as such or in consideration for the performance of their executive functions, and whether or not it has been considered appropriate to be included among the amounts accrued in the "other items" section of section C.

The indicated assumption did not occur

C DETAILS OF THE INDIVIDUAL REMUNERATION CORRESPONDING TO EACH OF THE DIRECTORS

Name	Type	Accrual period year 2021
ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	Chairman	From 01/01/2021 to 31/12/2021
MIGUEL ÁNGEL MERINO GONZÁLEZ	Executive director	From 01/01/2021 to 31/12/2021
ANA MARÍA PLAZA ARREGUI	Independent director	From 18/03/2021 to 31/12/2021
ELENA OTERO-NOVAS MIRANDA	Independent director	From 15/04/2021 to 31/12/2021
RITA ESTÉVEZ LUAÑA	Independent director	From 15/04/2021 to 31/12/2021
JOHN DE ZULUETA GREENEBAUM	Independent director	From 01/01/2021 to 31/12/2021
FERNANDO MASAVEU HERRERO	Proprietary director	From 15/04/2021 to 31/12/2021

C.1 Complete the following tables regarding the individualised remuneration of each of the directors (including the remuneration for the exercise of executive functions) accrued during the year.

a) Remuneration of the company covered by this report:

i) Remuneration accrued in cash (in thousands of €)

Name	Fixed remuneration	Per diems/allowances	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other	Total 2021	Total 2020
ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	85	24	11	59	15				194	0
MIGUEL ÁNGEL MERINO GONZÁLEZ	64	20	0	389	59				532	0
ANA MARIA PLAZA ARREGUI	47	15	20						82	0
ELENA OTERO-NOVAS MIRANDA	43	12	8						63	0
RITA ESTÉVEZ LUAÑA	43	13	4						60	0
JOHN DE ZULUETA GREENEBAUM	43	24	20						87	0
FERNANDO MASAVEU HERRERO	43	12	0						55	0
TOTAL	368	120	63	448	74	0	0	0	1073	0



Observations

It is considered necessary to make the following clarifications:

- In accordance with the instructions of the CNMV in relation to this report, companies that started trading during the year will only provide information from the moment of their admission to trading. In this regard, the date of approval by the CNMV of the prospectus of Línea Directa Aseguradora is 15/04/2021, the date on which the Remuneration Policy of the members of the Board applicable to the listed company in the closed year came into force. Notwithstanding the foregoing, for the purposes of greater transparency, coherence and integrity of the information, the table provides annual information for 2021. In this way, with respect to the members of the current Board who were already members prior to the IPO (that is, Alfonso Botín-Sanz de Sautuola, Miguel Ángel Merino and John de Zulueta) the amounts received from 01/01/2021 to 15/04/2021 are also included).
- Short-term Variable Remuneration of Alfonso Botín-Sanz de Sautuola: The amount of 15 thousand euros included as variable remuneration for Alfonso Botín-Sanz de Sautuola corresponds to the annual variable accrued in 2021 for the fulfilment of the objectives foreseen for the period prior to the IPO of the Company (1 January to 14 April 2021), in which Mr Botín-Sanz was an executive director. The level of compliance evaluated by the CNRGC was 70%. As of 15 April 2021, Mr Botín-Sanz de Sautuola is no longer an executive and does not earn variable remuneration.
- Short-term Variable Remuneration of Miguel Ángel Merino: In relation to the variable remuneration objectives set for 2021, the level of achievement was 70%, giving rise to a total amount of 98 thousand euros. However, 40% of this amount is subject to a deferral for a period of 3 years. As such, 58,756 euros was accrued in 2021 (to be paid in 2022) and the rest divided equally in the following 3 years.
- There is a "0" in the 2020 column because the Company began trading on the stock market in 2021.

ii) Table of movements of share-based remuneration systems and gross profit of consolidated shares or financial instruments

Name	Name of the Plan	Financial instruments at the beginning of financial year 2021		Financial instruments granted in year 2021		Financial instruments consolidated in the financial year				Instruments matured and not exercised	Financial instruments at the end of financial year 2021	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent / consolidated shares	Price of the consolidated shares	Gross Profit of consolidated shares or financial instruments (thousands of euros)		No. instruments	No. equivalent shares
MIGUEL ÁNGEL MERINO GONZÁLEZ	2021-2023 Extraordinary Variable Remuneration Plan in shares	61,350	61,350								61,350	61,350
Observations												
<p>61,350 is the maximum number of shares to be delivered to Mr Merino under the Extraordinary Variable Remuneration Plan in shares throughout the 3 years of validity of said Plan.</p> <p>As explained in section A.1.6 of this Report, the accrual dates coincide with the anniversaries of the Company's IPO for the period of 3 years indicated, so at the end of 2021 no amounts have been accrued within the framework of the Plan.</p>												

iii) Long-term savings systems

	Remuneration for consolidation of rights to savings systems
MIGUEL ÁNGEL MERINO GONZÁLEZ	0

	Contribution by the company for the year (thousands of euros)				Amount of funds accumulated (thousands of euros)			
	Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights		2021		2020	
	2021	2020	2021	2020	Systems with consolidated economic rights	Systems with non-consolidated economic rights	Systems with consolidated economic rights	Systems with non-consolidated economic rights
	MIGUEL ÁNGEL MERINO GONZÁLEZ			155			1,899	

Observations
As explained in section B.9, there are cases of loss of rights, which is why they are not consolidated.



iv) Details of other concepts (thousands of euros)

Name	Item	Remuneration amount (in thousands of euros)
	Life insurance	11
MIGUEL	Health insurance	3
ÁNGEL	Renting vehicle	10
MERINO	Fuel	1
GONZÁLEZ	Contribution to pension plan	8
	TOTAL	33

b) Remuneration to the directors of the listed company for their membership of the administrative bodies of its subsidiaries:

NOT APPLICABLE

c) **Summary of remuneration (in thousands of euros):**

The sums corresponding to all the remuneration concepts included in this report that have been accrued by the director, in thousands of euros, must be included in the summary.

Name	Remuneration accrued in the Company					Remuneration accrued in group companies					Total year t company + group
	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other concepts	Total year 2021 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other concepts	Total year 2021 group	
ALFONSO BOTÍN-SANZ DE SAUTUOLA	194	0	0	0	194						194
MIGUEL ÁNGEL MERINO GONZÁLEZ	532	0	0	33	565						565
ANA MARIA PLAZA ARREGUI	82	0	0	0	82						82
ELENA OTERO-NOVAS MIRANDA	63	0	0	0	63						63
RITA ESTÉVEZ LUAÑA	60	0	0	0	60						60
JOHN DE ZULUETA GREENEBAUM	87	0	0	0	87						87
FERNANDO MASAVEU HERRERO	55	0	0	0	55						55
TOTAL	1073	0	0	33	1106						1106

C.2 Indicate the change in the last 5 years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have been directors during the year, of the consolidated results of the company and of the average remuneration on an equivalent full-time basis of the employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation								
	2021	% variation 2021/2020	2020	% variation 2020/2019	2019	% variation 2019/2018	2018	% variation 2018/2017	2017
Executive directors									
MIGUEL ÁNGEL MERINO GONZÁLEZ	565								
External Directors									
ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	194								
ANA MARIA PLAZA ARREGUI	82								
ELENA OTERO-NOVAS MIRANDA	63								
RITA ESTÉVEZ LUAÑA	60								
JOHN DE ZULUETA GREENEBAUM	87								
FERNANDO MASAVEU HERRERO	55								
Consolidated results of the company	145,180								
Average employee remuneration	43								



Observations
Information is provided for 2021 since it is the year in which the Company went public. Data are provided in thousand euros.

D FURTHER INFORMATION OF INTEREST

If there is any relevant aspect regarding the remuneration of directors that could not be included in the rest of the sections of this report, but that needs to be included in order to collect more complete and reasoned information on the structure and remuneration practices of the company in relation to its directors, briefly describe them.

This annual remuneration report was approved by the company's board of directors at its meeting on 17 February 2022.

Indicate whether any directors voted against or abstained in connection with the approval of this Report.

Yes

No