



# ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

## ISSUER IDENTIFICATION DETAILS

**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:** C/ Isaac Newton, 7, Tres Cantos, Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES**

**A. OWNERSHIP STRUCTURE**

**A.1** Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

Yes [ ]      No [ **X** ]

Date of the last modification of the share capital	Share capital	Number of shares	Number of voting rights (not including additional loyalty-attributed votes)	Number of additional voting rights corresponding to shares with a loyalty vote	Total number of voting rights, including additional loyalty-attributed votes
09.04.2021	43,536,673.60	1,088,416,840	1,088,416,840	N/A	N/A

Indicate whether there are different classes of shares with different associated rights:

Yes [ ]      No [ **X** ]

**A.2** List the company's significant direct and indirect shareholders at year end, including directors with a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares (including votes for loyalty)		% of voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
CARTIVAL, S.A.	19.15	0.00	0.00	0.00	19.15
BANKINTER, S.A.	17.41	0.00	0.00	0.00	17.41
FERNANDO MASAVEU HERRERO	0.07	4.60	0.00	0.00	4.67
LAZARD ASSET MANAGEMENT LLC	0.00	3.19	0.00	0.00	3.19
FIDELITY INTERNATIONAL LIMITED	0.00	2.04	0.00	0.00	2.04



**línea directa**

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares (including votes for loyalty)	% of voting rights through financial instruments
FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	4.60%	0.00
FIDELITY INTERNATIONAL LIMITED	FIL Investments International	2.04%	0.00

<b>Observations</b>
<p>Fernando Masaveu exercises control over the María Cristina Masaveu Peterson Foundation, of which he is Chairman of the Board of Trustees, as well as over Flicka Forestal, S.L., of which he is Joint Administrator and majority shareholder. Corporación Masaveu, S.A. is 41.38% held by the María Cristina Masaveu Peterson Foundation, 10.73% by Flicka Forestal, S.L. and 0.03% directly by Fernando Masaveu, therefore, Fernando Masaveu controls Corporación Masaveu, S.A. Additionally, a part of the indirectly reported voting rights (not exceeding 3%) are attributable, in addition to those already mentioned above, to: the María Cristina Masaveu Peterson Foundation and Flicka Forestal, the San Ignacio de Loyola Foundation and Peña María, S.L. (where Fernando Masaveu is Chairman and Director, respectively, and exercises control over them), and finally, part of the indirect position declared corresponds to Fernando Masaveu's descendants. The difference between the shareholding shown in this report and the one appearing in the registers of significant shareholdings of the CNMV is due to acquisitions that Corporación Masaveu, S.A. made after the notification dated 4 May 2021 and which have been duly notified to the CNMV through the NOD form.</p> <p>According to the notification published in the CNMV on 12 May 2021, the shares held by Lazard Asset Management in Línea Directa Aseguradora, S.A. are held indirectly. However, this notification does not state the entity through which Lazard Asset Management, LLC holds the shares of the company.</p>

Indicate the most significant changes in the shareholding structure during the year:

<b>Most significant movements</b>
<p>Bankinter, S.A. and Cartival, S.A. reported on 4 May 2021 having exceeded the 15% threshold with effect from 29 April 2021, the date on which the company's shares were admitted to trading.</p> <p>Fernando Masaveu Herrero reported on 4 May 2021 that he had exceeded the 3% threshold with effect from 29 April 2021.</p> <p>LAZARD ASSET MANAGEMENT reported on 6 May 2021 having exceeded the 3% threshold with effect from 29 April 2021.</p>



**linea directa**

FIDELITY INTERNATIONAL LIMITED reported on 12 May 2021 having exceeded the 2% threshold with effect from 11 May 2021.

**A.3** Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	% of voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ALFONSO BOTÍN-SANZ DE SAUTUOLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MIGUEL ÁNGEL MERINO GONZÁLEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOHN DE ZULUETA GREENEBAUM	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Total percentage of voting rights held by the Board of Directors</b>	4.69
---	------

<b>Observations</b>
Given that the form of this report only allows for two decimal places in the above table, it should be clarified that the exact percentages of direct voting rights for each of the three directors listed in the table are 0.002%, 0.005% and 0.009% respectively.

<b>Total percentage of voting rights held by the Board of Directors</b>	19.15
---	-------

<b>Observations</b>
CARTIVAL, S.A., with 19.15% of the total voting rights, is represented on the Board of Directors by the proprietary director Alfonso Botín-Sanz de Sautuola.

**A.4** If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:



Name or company name of related party	Nature of relationship	Brief description
Bankinter, S.A. and Cartival, S.A.	Corporate	Cartival, S.A. holds the position of Vice-chairman of the Board of Directors of Bankinter, S.A.
Bankinter, S.A. and Fernando Masaveu Herrero	Corporate	Fernando Masaveu Herrero holds the position of Director on the Board of Directors of Bankinter, S.A.

**A.5** If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
No data		

**A.6** Unless insignificant for both parties, describe the relationships that exist between significant shareholders, shareholders represented on the Board and directors or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Alfonso Botín-Sanz de Sautuola y Naveda	CARTIVAL, S.A.	CARTIVAL, S.A.	Alfonso Botín is Chief Executive Officer of CARTIVAL, S.A.
Alfonso Botín-Sanz de Sautuola y Naveda	BANKINTER, S.A.	BANKINTER, S.A.	Alfonso Botín is an individual representative of Cartival, S.A. as a member of the Board of Directors of Bankinter, S.A.



**linea directa**

Fernando Masaveu Herrero	CORPORACIÓN MASAVEU, S.A.	CORPORACIÓN MASAVEU, S.A.	Fernando Masaveu is Chairman of Corporación Masaveu, S.A.
Fernando Masaveu Herrero	BANKINTER, S.A.	BANKINTER, S.A.	Fernando Masaveu is member of the Board of Directors of Bankinter, S.A.

<b>Observations</b>
Alfonso Botín-Sanz de Sautuola and Fernando Masaveu also hold positions as directors in companies belonging to the CARTIVAL, S.A. and CORPORACIÓN MASAVEU, S.A. groups, respectively.

**A.7** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes  No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes  No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

N/A

**A.8** Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes  No

**A.9** Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
795,643		0.0731%

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
N/A	N/A

Explain any significant changes during the year:

Explain significant changes
<p>There have been no significant changes.</p> <p>It should be noted that on 12 May 2021, the Board of Directors resolved to approve a programme for the repurchase of treasury shares under the provisions of Regulation (EU) No. 596/2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052, making use of the authorisation granted by the General Shareholders' Meeting of the company on 18 March 2021. In execution of the Programme, which ended on 19 October 2021, the company acquired a total of 274,695 treasury shares representing 0.025% of the company's share capital. The approval of the programme, the following acquisitions and their termination were duly communicated to the CNMV.</p>

**A.10** Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

<p>The General Shareholders' Meeting held on 18 March 2021 to authorise the derivative acquisition of treasury shares by the company and its subsidiaries under the provisions of the Spanish Corporate Enterprises Act, complying with the requirements established in the legislation in force at all times and under the following conditions:</p> <ul style="list-style-type: none"><li>a) Acquisitions may be made directly by the company or indirectly through its subsidiaries and must be formalised by sale, swap or any other legal business valid in law.</li><li>b) The face value of the shares to be acquired, in addition, where appropriate, to those already held directly or indirectly, shall not exceed the maximum percentage legally permitted at any given time.</li><li>c) The acquisition price per share will be at least the face value and at most the share price on the date of acquisition increased by 10%.</li><li>d) This authorisation is granted for a period of five years from the date of this General Shareholders' Meeting.</li></ul> <p>For the purposes of the provisions of the last subparagraph of paragraph a) of Article 146.1 of the Spanish Corporate Enterprises Act, the General Shareholders' Meeting agreed that the shares acquired by the company or its subsidiaries by virtue of this authorisation may be used entirely or partially for delivery to the company's or its subsidiaries' employees or directors, either directly or as a result of the exercise of share option held by them.</p> <p>It was also agreed to give the Board of Directors explicit powers of substitution, and in the broadest terms, to exercise the authorisation that is the subject of this resolution and to implement the rest of the provisions contained therein.</p> <p>Lastly, it was resolved to annul the authorisation granted by the General Shareholders' Meeting on 28 September 2020.</p>
--



**A.11** Estimated float:

<b>Estimated float:</b>	53.45%
-------------------------	--------

**A.12** Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes  No

Due to the sector in which the company operates, the restrictions of insurance regulations (Law 20/2015 of 14 July 2015 on the regulation, supervision and solvency of insurance and reinsurance companies and its implementing regulations) are applicable, subjecting the direct or indirect acquisition of shares or insurance companies to administrative requirements based on certain thresholds.

**A.13.** Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

No

Yes

**A.14** Indicate whether the company has issued shares that are not traded on a regulated EU market.

No

Yes

## **B. GENERAL SHAREHOLDERS' MEETING**

**B.1** Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

Yes  No

**B.2** Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes  No





**B.3** Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

The amendment of the bylaws is governed by the provisions of the Spanish Corporate Enterprises Act ("LSC"), the Bylaws and the company's General Shareholders' Meeting Regulations, which reproduce the legal regime.

Thus, Article 18.1 of the bylaws establishes that *"the General Meeting shall be validly constituted with the minimum quorum required by law or these bylaws, taking into account the matters appearing on the agenda"*. Therefore, in accordance with the provisions of Article 194 of the LSC, in order to amend the bylaws, at first call, shareholders holding at least 50% of the subscribed capital with voting rights must be present in person or by proxy. At second call, the attendance of 25% of the share capital shall be sufficient.

Article 18.3 of the bylaws states that *"the General Shareholders' Meeting shall adopt resolutions with the majorities of votes required by law or by these bylaws"*. Thus, in accordance with the provisions of Article 201.2 of the LSC, for the adoption of the resolutions referred to in Article 194 (including amendments to the bylaws), if the share capital present or represented exceeds 50%, it will be sufficient that the resolution be adopted by an absolute majority. However, the favourable vote of two-thirds of the share capital present or represented at the meeting shall be required when, at second call, shareholders representing 25% or more of the subscribed capital with voting rights do not reach 50%.

Lastly, in accordance with the provisions of Article 26.4 of the company's General Shareholders' Meeting Regulations, when several items are included under a single item on the agenda, they shall be voted on separately. In particular, in the case of amendments to the bylaws, each article or group of articles that are substantially independent shall be voted on separately. By way of exception, proposed resolutions that are structured as a unit and are indivisible, such as those relating to the approval of a consolidated text of bylaws, shall be the subject of a single vote.

**B.4** Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

The first General Shareholders' Meeting of Línea Directa Aseguradora as a listed company will take place in 2022.

**B.5** Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

Yes [ ] No [ X]



**B.6** Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes [ **X** ]      No [   ]

<b>Number of shares required to attend General Meetings</b>	1,000
<b>Number of shares required for voting remotely</b>	1,000

<b>Observations</b>
<p>Article 16.1 of the bylaws (and Article 12 of the General Shareholders' Meeting Regulations) establishes that holders of at least 1,000 shares may attend the General Meetings in person and/or virtually, provided that such shares are registered in their name in the corresponding book-entry register five days before the date on which the General Meeting is to be held, and provided they can prove these facts by means of the appropriate attendance, proxy and voting card or certificate issued by one of the entities participating in the body that manages said register or directly by the company or in any other manner permitted by law.</p> <p>Section 2 of the same article indicates that shareholders holding a smaller number of shares may delegate their proxy to a shareholder entitled to attend, or may join together with other shareholders in the same situation until they have the necessary number of shares, in which case the shareholders that have joined together must appoint one of their number as proxy. The grouping shall be carried out specifically for each General Shareholders' Meeting and recorded in writing.</p>

**B.7** Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

Yes [   ] No [ **X** ]

**B.8** Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

<p>The company's website is <a href="https://www.lineadirectaaseguradora.com/">https://www.lineadirectaaseguradora.com/</a>. To access information on corporate governance and other information on General Meetings, click on "Corporate Governance / Remuneration" on the homepage.</p>
---



## C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1 Board of Directors

**C.1.1** Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors set by the general meeting</b>	7

<b>Observations</b>
Article 23.3 of the bylaws stipulates that the Board of Directors shall be composed of a minimum of five and a maximum of fifteen directors. The General Shareholders' Meeting is responsible for setting the specific number of directors, within the limits indicated above. The establishment of the number of directors at seven was approved by the General Meeting held on 18 March 2021.

**C.1.2** Complete the following table on Board members:

<b>Name or company name of director</b>	<b>Category of director</b>	<b>Position on the board</b>	<b>Date first appointed</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	Proprietary	Chairman	22.05.1998	15.04.2021	Resolution of the General Shareholders' Meeting
MIGUEL ÁNGEL MERINO GONZÁLEZ	Executive	Chief Executive Officer	16.01.2014	15.04.2021	Resolution of the General Shareholders' Meeting
JOHN DE ZULUETA GREENEBAUM	Independent	Director	14.01.2015	18.03.2021	Resolution of the General Shareholders' Meeting
FERNANDO MASAVEU HERRERO	Proprietary	Director	15.04.2021	15.04.2021	Resolution of the General Shareholders' Meeting
ANA MARÍA PLAZA ARREGUI	Independent	Director	18.03.2021	18.03.2021	Resolution of the General Shareholders' Meeting
ELENA OTERO-NOVAS MIRANDA	Independent	Director	15.04.2021	15.04.2021	Resolution of the General Shareholders' Meeting
RITA ESTÉVEZ LUAÑA	Independent	Director	15.04.2021	15.04.2021	Resolution of the General Shareholders' Meeting



<b>Total number of directors</b>	7
----------------------------------	---

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
No data					

**Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting**

This document includes information from the time of the company's initial public offering (IPO). A new composition of the Board was appointed in March and April 2021 on the occasion of the company's IPO, as already reported in the prospectus, and no resignations have taken place since then.

**C.1.3** Complete the following tables on the members of the Board and their categories:

### EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile
MIGUEL ÁNGEL MERINO GONZÁLEZ	Chief Executive Officer	<p>Miguel Ángel Merino studied Law at the Complutense University of Madrid. He has a degree in Insurance, with a specialisation in Reinsurance and has completed the Master's Degree in Insurance from the Institute of Cooperative Research Among Insurance Entities (ICEA).</p> <p>He has developed most of his professional career in Línea Directa Aseguradora, a company he joined in 1995 as Claims Director, participating in the creation and start-up of the company. In 2007 he took responsibility over Línea Directa Asistencia; during this time the optimisation of its processes and its commitment to excellence and quality in service became renowned.</p> <p>Miguel Angel Merino was appointed General Manager of Línea Directa Aseguradora in 2010, and then as CEO, a position he has held since 2014. During his years as the top executive of Línea Directa Aseguradora he has promoted a strategy based on innovation, quality and commitment to people, which has allowed the company to increase its client portfolio and profits, remaining a leader in direct insurance sales.</p>



**linea directa**

		Miguel Angel Merino González brings extensive experience and a deep knowledge of the insurance sector to the Board of Directors.
--	--	--

<b>Total number of executive directors</b>	1
<b>Percentage of Board (%)</b>	14.29

### **EXTERNAL PROPRIETARY DIRECTORS**

<b>Name or company name of director</b>	<b>Name or company name of the significant shareholder represented by the director or that nominated the director</b>	<b>Profile</b>
ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	Alfonso Botín-Sanz de Sautuola graduated Magna Cum Laude with a degree in Economics and Classical Civilization from Boston University. He has extensive experience in the financial and banking field. He worked at Salomon Brothers in corporate finance and M&A until 1995. Since 1995 he has managed several areas of Bankinter within the Business Banking Division and was placed in charge of creating the Venture Capital Division. He has been a director of Línea Directa since 1998 and Chairman since 2005. He currently acts as an individual representative of Cartival, S.A. as Director of Bankinter S.A.
FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	Fernando Masaveu Herrero holds a degree in Law from the University of Navarra. He has extensive executive and board experience in various sectors, such as energy, finance, industry, cement and real estate, in companies such as Corporación Masaveu, S.A., Cementos Tudela Veguin, S.A., Masaveu Internacional, S.L., Oppidum Capital, S.L. and Masaveu Real Estate US Delaware LLC (Masaveu Group). He is Chairman of the María Cristina Masaveu Peterson Foundation and of



**linea directa**

		<p>the San Ignacio de Loyola Foundation, as well as Trustee and member of the Delegate Committee and the Assets Committee of the Princess of Asturias Foundation.</p> <p>Currently, he is also Director of Bankinter S.A.</p>
--	--	---

<b>Total number of proprietary directors</b>	2
<b>Percentage of Board (%)</b>	28.57

### **EXTERNAL INDEPENDENT DIRECTORS**

Name or company name of director	Profile
JOHN DE ZULUETA GREENEBAUM	<p>John de Zulueta Greenebaum holds a degree in Contemporary History from Stanford University (California) and an MBA with honours from Columbia University in New York.</p> <p>His long professional career includes time as a consultant at The Boston Consulting Group in San Francisco, as well as his time as Chairman and CEO of PepsiCo in Barcelona, Chairman of Cadbury Schweppes Spain, Vice-chairman of Schweppes in Southern Europe and CEO of Schweppes S.A. Additionally, he was Chairman of Círculo de Empresarios (Business Circle) from 2018 to 2020.</p> <p>He was also Director of Bankinter S.A. from 2001 to 2015, and is currently Vice-chairman of the Board of Trustees of the Bankinter Foundation and a Trustee of the same Foundation and of the NTT DATA and Caser Foundations.</p> <p>As for his experience in the insurance sector, for 14 years, he was CEO of the Sanitas Group (Bupa Group) in Spain, a group he chaired from 2005 to 2009, and between 2010 and 2012 he chaired USP Hospitales. He is currently a Founding Partner of Point Lobos, a healthcare consultancy.</p>
ANA MARÍA PLAZA ARREGUI	<p>Ana María Plaza Arregui holds a degree in Economic and Business Sciences (Company branch) from the University of Córdoba. She has also studied Geography and History at the University of Cordoba and the UNED. She has completed the Program for Management Development at the IESE, Global Leadership and Public Policy for the 21st Century at HARVARD Kennedy School, the Digital Business Senior Management Program at The Valley Digital Business School, and ESADE's Training Programme for Directors and Corporate Governance.</p>



**linea directa**

	<p>She is currently an Independent Director of Renault Group Spain and has been Chairman of the Audit Committee since March 2020, Independent Director of Corporación Financiera Alba and Chairman of the Audit Committee since June 2019, National Vice-chairman, Director and Chairman of the Audit Committee of the Spanish Association Against Cancer since November 2019. She also sits on the Advisory Board of the Bankinter Innovation Foundation, the ESADE Corporate Governance Centre and Andalucía Management.</p> <p>Previously she has been Managing Director of IMMUNE Coding Institute, Managing Director of CEOE (Spanish Confederation of Business Organisations), Independent Director of Isolux, Chief Financial Officer of Microsoft Ibérica, Chief Financial Officer and Head of Investor Relations at Telvent, and an auditor in Internal Audit and Consolidation at Abengoa and an auditor at PwC. She has also been a member of the Board of Trustees at Loyola Andalucía University since 2012 and of its Standing Committee from 2016 until July 2021.</p>
<p>ELENA OTERO-NOVAS MIRANDA</p>	<p>Elena Otero-Novas Miranda earned a degree in Law from the Complutense University of Madrid in 1991, joined the State Lawyers Corps in 1993 (for which she was selected in open competition), and has done the Corporate Finance Programme and Women on Boards of Directors Programme both run by the IESE Business School of Navarre.</p> <p>She is currently Secretary of the Board and Director of Legal, Regulatory Affairs and Corporate Security of Vodafone Spain and its subsidiaries, Non-executive Chair of the Spanish Court of Arbitration, part of the Spanish Chamber of Commerce and State Lawyer on leave.</p> <p>She has been General Secretary of the Board and General Director of Legal Advisory of Sacyr and State Lawyer with consultative and contentious functions in various destinations, such as the Supreme Court and the Audiencia Nacional (National Court).</p>
<p>RITA ESTÉVEZ LUAÑA</p>	<p>Rita Estévez Luaña holds a degree in Economics and Business and a degree in Law from the Comillas Pontifical University ICADE and has completed the Advanced Management Program (AMP) at the IESE Business School and ESADE's Training Programme for Directors and Corporate Governance.</p> <p>She is currently CEO and Chairman of Experian for Spain and Portugal, Chairman of the Board of Experian Credit Bureau and Chairman of the Association of Spanish Companies Against Fraud.</p>



**linea directa**

	With more than 25 years of experience as a senior executive in multinational organisations, she also has experience in the insurance sector as Managing Director of GE Financial Services in Spain for more than six years, as well as extensive board experience. She has been a proprietary director in subsidiaries of Deutsche Bank and, for three years, Independent Director of Telefónica Consumer Finance, chairing the Audit and Risk Committee and serving as a member of the Board of Mutua de Propietarios.
--	---

<b>Total number of independent directors</b>	4
<b>Percentage of Board (%)</b>	57.14

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
N/A	N/A	N/A

### **OTHER EXTERNAL DIRECTORS**

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

N/A

**Indicate any changes that have occurred during the period in each director's category:**

Name or company name of director	Date of change	Previous category	Current category
ALFONSO BOTÍN-SANZ DE SAUTUOLA	15.04.2021	Executive	Proprietary

<b>Observations</b>
Alfonso Botín-Sanz de Sautuola was Executive Director of the company until its IPO, when he became an External Proprietary Director, effective from the date of registration of the prospectus by the CNMV (15 April 2021).





**C.1.4** Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	2021	2020	2019	2018	2021	2020	2019	2018
<b>Executive</b>		N/A	N/A	N/A	0.00	N/A	N/A	N/A
<b>Proprietary</b>		N/A	N/A	N/A	0.00	N/A	N/A	N/A
<b>Independent</b>	3	N/A	N/A	N/A	42.86	N/A	N/A	N/A
<b>Other External</b>		N/A	N/A	N/A	0.00	N/A	N/A	N/A
<b>Total:</b>	3	N/A	N/A	N/A	42.86	N/A	N/A	N/A

<b>Observations</b>
Data are included from the time of the company's IPO.

**C.1.5** Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

Yes  No  Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

<b>Description of policies, objectives, measures and how they have been applied, and results achieved</b>
<p>The selection and succession policy for the members of the Board of Directors of Línea Directa Aseguradora, approved on 18 March 2021, states that one of its main objectives 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.</p> <p>Thus, in accordance with this policy, the ideal structure of the Board of Directors includes a healthy diversity of opinions, perspectives, skills, experiences and backgrounds. In particular, the Board will be gender diverse, establishing a representation target for the less-represented gender, in addition to other types of diversity, subject to the essential principle of merit and suitability.</p> <p>In addition, the general principles of the selection policy include seeking diversity of gender and experience to improve decision-making and bring a diversity of opinions</p>

to debates on matters within their competence, all according to the latest good governance recommendations for listed companies.

In application of this policy, in March 2021, the General Shareholders' Meeting, at the proposal of and following a favourable report from the Appointment and Remuneration Committee, appointed three new independent female directors, representing 43% of the members of the company's Board.

**C.1.6** Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures
<p>In April 2021, the Appointment and Remuneration Committee proposed to the Board of Directors the approval of the policy for the selection and succession of Board members, with the explicit objective of promoting 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.</p> <p>Thus, the appointment of the three independent female directors indicated above was based on the proposal of the Appointment and Remuneration Committee, which previously conducted a monitoring of the candidate selection process, with the collaboration of an independent external advisor, and drew up the respective reports analysing the skills and knowledge of the candidates for directors.</p> <p>This measure proves that the approved selection policy is effective, as its implementation makes it possible to achieve a balanced presence of women and men on the company's Board of Directors.</p>

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
N/A



**C.1.7** Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

At its meeting on 18 January 2022, the Appointment, Remuneration and Corporate Governance Committee ("CNRGC") verified compliance with the director selection policy for 2021. At this session, the current composition of the Board was analysed on the basis of (i) the principles underlying the policy, (ii) the policy's requirements for the selection of candidates and (iii) the policy's procedures for selection and appointment. The CNRGC reached the following conclusions:

- i. In 2021, the procedure expressly described in the Policy for the selection of new Board members has been followed, based on the creation of a competency matrix, with the collaboration of an external consultant. The CNRGC and the Board have carried out the functions entrusted to them for this purpose.
- ii. The composition of the Board of Directors in terms of the legal category of directors (executive, proprietary and independent) is appropriate, in accordance with the applicable regulations and best practices of good governance.
- iii. There exists an appropriate balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors. The suitability of the various Board members and of the Board of Directors as a whole has been confirmed, in accordance with the applicable regulations and good governance recommendations.
- iv. The Board members have sufficient time available for the proper performance of their duties.
- v. The compliance with the principles, procedures and requirements of the Policy was therefore verified in 2021.

**C.1.8** If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

N/A

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes  No



## línea directa

**C.1.9** Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or re-purchasing shares, to directors or board committees:

Name or company name of director or committee	Brief description
MIGUEL ÁNGEL MERINO GONZÁLEZ	All powers except those that cannot be delegated

**C.1.10** Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
Miguel Ángel Merino González	Línea Directa Asistencia, S.L.U.	Joint administrator	Yes
Miguel Ángel Merino González	Centro Avanzado de Reparaciones CAR, S.L.U.	Joint administrator	Yes
Miguel Ángel Merino González	LDActivos, S.L.U.	Joint administrator	Yes
Miguel Ángel Merino González	LDA Reparaciones, S.L.U.	Joint administrator	Yes
Miguel Ángel Merino González	Motoclub, LDA, S.L.U.	Joint administrator	Yes

Observations
Miguel Ángel Merino exercises the executive functions in the aforementioned subsidiaries on a joint basis.

**C.1.11** List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
Alfonso Botín-Sanz de Sautuola	Bankinter, S.A.	Individual representative of Cartival, S.A. as a member of the Board of Directors of Bankinter, S.A.
	Cartival, S.A.	Chief Executive Officer
	Companies of the Cartival Group	Director
	Point Lobos, S.L.	Director



**línea directa**

John de Zulueta	Point Lobos Investments	Director
	Bankinter Foundation	Vice-chairman of the Board of Trustees
	NTT DATA Foundation	Trustee
	Caser Foundation	Trustee
Ana María Plaza	Corporación Financiera Alba, S.A.	Independent Director and Chairman of the Audit Committee
	Renault España, S.A.	Independent Director and Chairman of the Audit Committee
	Spanish Association Against Cancer	National Vice-chairman, Director and Chairman of the Audit Committee
Rita Estévez	Experian Bureau de Crédito, S.A.	Chairman, Spain and Portugal
	Association of Spanish Companies Against Fraud	Chairman
Fernando Masaveu	Corporación Masaveu, S.A.	Chairman
	Companies of the Corporación Masaveu Group	Chairman
	Bankinter, S.A.	Director and member of the Executive Committee and the Remuneration Committee
	María Cristina Masaveu Peterson Foundation	Chairman
	Flicka Forestal, S.L. and controlled companies	Chairman
	Egeo SGPS and Egeo International SGPS	Director
	American Cement Advisors Inc.	Director
	EDP, S.A.	Member of the General and Supervisory Board and the Corporate Governance and Sustainability Committee
	EDP España, S.A.	Director
	San Ignacio de Loyola Foundation	Chairman
	Princess of Asturias Foundation	Trustee and member of the Delegate Committee and the Assets Committee
	Vodafone España, S.A.U.	Secretary of the Board and Director of Legal,



**línea directa**

Elena Otero-Novas		Regulatory Affairs and Corporate Security
	Vodafone ONO S.A.U.	Secretary of the Board
	Vodafone Holdings S.L.U.	Secretary of the Board
	Vodafone Servicios S.L.U.	Secretary of the Board
	Vodafone Energía S.L.U.	Secretary of the Board
	Vodafone España Foundation	Trustee
	Spanish Court of Arbitration	Non-executive Chairman

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
Elena Otero-Novas	Arbitrator in an arbitration proceeding before CIMA in a dispute entirely unrelated to the insurance field

**C.1.12** Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes [  ] No [  ]

Explanation of the rules and identification of the document where this is regulated
Article 14 of the Board Regulations, which regulates the general obligations of directors, establishes in paragraph 3 that the maximum number of boards of other listed companies on which directors of the company may sit shall not exceed one for executive directors and five for non-executive directors. For this purpose, all the boards of companies that form part of the same Group shall be counted as a single board.

**C.1.13** Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	1,106
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	-
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	1,899
Pension rights accumulated by former directors (thousands of euros)	-



**C.1.14** Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
PATRICIA AYUELA DE RUEDA	HEAD OF MOTOR AND DIGITAL TRANSFORMATION
OLGA MORENO SANGUINO	HEAD OF HOME INSURANCE
DAVID PEREZ RENOVALES	HEAD OF HEALTH
JOSE ANTONIO EGIDO SANCHO	HEAD OF SERVICES AND BENEFITS
JOSE MARIA MATE RUBIO	CHIEF TECHNICAL OFFICER
MARIA ANA SANCHEZ GALAN	HEAD OF TECHNOLOGY
ANTONIO VALOR GARCIA	HEAD OF MARKETING
MARIA DEL MAR GARRE DEL OLMO	HEAD OF PEOPLE, COMMUNICATIONS AND SUSTAINABILITY
CARLOS JAVIER RODRIGUEZ UGARTE	CHIEF FINANCIAL OFFICER
PABLO GONZALEZ-SCHWITTERS GRIMALDO	HEAD OF GENERAL SECRETARY'S OFFICE
JOSE LUIS DIAZ FERNANDEZ	HEAD OF INTERNAL AUDIT
FRANCISCO VALENCIA ALONSO	HEAD OF COMMUNICATIONS AND SUSTAINABILITY (UNTIL 02.01.2021)
JULIO AGULLO IRANZO	HEAD OF LÍNEA DIRECTA ASISTENCIA

Number of women in senior management	4
Percentage of total senior management	33.33%

Total remuneration of senior management (thousands of euros)	3,029
--	-------

Observations
Francisco Valencia left the company on 02.01.2021. For this reason, Francisco Valencia has not been taken into account in the computation of the percentage of women in senior management in 2021.

**C.1.15** Indicate whether the Board regulations were amended during the year:

Yes [  ] No [  ]

Description of amendment(s)
<p>On 18 March 2021, the company's Board of Directors approved its regulations adapted to the rules of listed companies and good governance practices.</p> <p>On 20 July 2021 the Board of Directors approved an amendment to the Board Regulations in the following articles:</p> <ul style="list-style-type: none"> <li>- Article 3, in order to assign to the CNRGC the power to propose and report on the amendment of the Board Regulations, as this is a power related to the corporate governance of the company.</li> </ul>



- Article 23, in order to bring the Regulations into line with the new mercantile law for approval and publication of related party transactions.

A report detailing the amendment has been made available to shareholders at the time of the General Meeting.

**C.1.16** Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

Pursuant to Article 23.5 of the Bylaws, the members of the Board of Directors shall be appointed by the General Shareholders' Meeting or, in the event of an early vacancy, by the Board of Directors itself by co-option. If a vacancy arises following the time the General Meeting is called and before it is held, the Board of Directors may appoint a director until the next General Meeting.

Article 8.2 of the Regulations states that the Board of Directors, in exercising its powers to make proposals to the General Shareholders' Meeting and co-optation to fill vacancies, shall ensure that in the composition of the body, external directors constitute a large majority of the Board of Directors and that the number of executive directors is the minimum necessary, taking into account the complexity of the Group and the percentage holding of executive directors in the company's capital. Paragraph 3 states that the Board of Directors shall ensure that the number of independent directors represents at least half of the total number of directors.

Article 9.2 of the Board Regulations establishes that proposals for the appointment or re-election of directors must be preceded by the corresponding proposal (in the case of independent directors) or report (in the case of other directors) of the CNRGC. When the Board of Directors departs from the recommendations of the CNRGC, it shall state its reasons for doing so and shall record these reasons in the minutes. Paragraph 3 of this Article states that the proposal shall in all cases be accompanied by a supporting report from the Board of Directors which assesses the abilities, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders' Meeting or of the meeting of the Board of Directors.

Article 9.5 of the Board Regulations states that the Board of Directors shall ensure that the selection procedures of its members promote gender diversity, experience and knowledge, and are free from implicit biases that may involve any kind of discrimination and, in particular, that they facilitate the selection of the least represented gender on the Board. Accordingly, the Board approved at its meeting on 18 March 2021 a Director Selection Policy in line with these commitments.

This Policy also establishes that the selection process must take into account, where appropriate, the skill matrix prepared by the company, and that the company may rely on the collaboration of external advisors for the prior analysis of the company's needs,





**linea directa**

the search for or evaluation of candidates for directors or the assessment of their performance. The Appointments and Remuneration Committee will be responsible for hiring the external expert's services, who must not provide the company with any other significant services that could undermine its independence.

Article 10 of the Board Regulations sets out the requirements for appointment, stating that Directors shall be persons of commercial and professional good repute, competence, experience and solvency and shall meet the requirements laid down in the current legislation applicable to companies in general and insurers in particular, as well as any other that may apply. Additionally, persons who directly or through a related person are in a situation of conflict of interest may not be appointed as directors, and candidates must possess adequate knowledge and experience to perform their duties.

Article 12 of the Board Regulations establishes that Directors shall leave office, unless they are re-elected, when the term for which they were appointed has ended or when the General Shareholders' Meeting or the Board of Directors decides to do so in accordance with the powers legally or statutorily granted to them. With regard to the term of office of directors, Article 26.1 of the bylaws sets forth that directors shall hold office for a term of four years, and may be re-elected one or more times for periods of the same maximum duration.

Pursuant to Article 12, paragraph 2 of the Regulations, the Board of Directors shall only propose the removal of an independent director before the end of the statutory period for which they were originally appointed, when following a report by the Appointments, Remuneration and Corporate Governance Committee, it considers there is just cause to do so. In such cases, just cause shall be considered to exist when the director takes on new roles or responsibilities that prevent them from dedicating the necessary time to the performance of the duties of their office, they fail to carry out the duties inherent to their office or they unexpectedly become involved in any of the circumstances provided for in the following paragraph of this article. Such removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions which involve a significant change in the company's shareholding structure.

Paragraph 3 of the same article regulates the cases in which the directors shall inform and, where appropriate, place their office at the disposal of the Board of Directors and formalise, if deemed appropriate. These cases are explained in detail in Section C.1.19 below.

Lastly, paragraph 4 states that, in any of the cases indicated, the Board of Directors may propose the removal of the director after having previously asked the director to resign from office. The Board of Directors' resolutions in relation to the existence, or otherwise, of any of the grounds for removal of the director, as provided for in the preceding paragraphs of this article, and the acceptance of the director's resignation shall be adopted on a proposal from the Appointments, Remuneration and Corporate Governance Committee, except in cases of urgency or necessity.



**C.1.17** Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)
<p>The Board of Directors conducted its annual evaluation and that of its Committees at its meeting on 18 January 2022.</p> <p>The result of the evaluation has not led to any relevant changes in the internal organisation of the company. Notwithstanding the above, as a sign of the Board's strong commitment to the progressive incorporation of best market practices, the Board formulated an internal action plan which includes measures such as drawing up in the short term a training and refresher programme for directors in accordance with the provisions of the Code of Good Governance, and continuing to strengthen the interaction of senior management with the Board and its Committees.</p>

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
<p>Article 34.3 of the Board Regulations attributes to the CNRGC the function of periodically, and at least once a year, assessing the suitability of the various members of the Board of Directors and of the Board as a whole, and reporting to the Board of Directors.</p> <p>Article 35.6 of these Regulations also states that the Board shall carry out the annual self-assessment of its operation and the individual performance of its members and Committees and propose, on the basis of its outcome, an action plan to correct the gaps identified.</p> <p>Article 25.5 of the Board Regulations assigns the Chairman of the Board of Directors, together with the Chairman of the CNRGC, to organise and coordinate the periodic evaluation of the Board of Directors, its Committees, its members and the Chief Executive of the company.</p> <p>The process of evaluating the composition and functioning of the Board of Línea Directa and its Committees for the year 2021 has been carried out on the basis of a questionnaire previously completed individually and anonymously by each member of the Board. The structure of this questionnaire has taken into account the areas covered in Recommendation 36 of the Code of Good Governance:</p> <ul style="list-style-type: none"><li>a) The quality and efficiency of the Board of Directors' work.</li><li>b) The workings and composition of its committees.</li><li>c) Diversity in the composition and skills of the Board of Directors.</li></ul>



- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

The various committees have consolidated the results of their evaluation, under the coordination and review of their respective chairmen, and have submitted their reports to the Board. With regard to the evaluation of the Board, the results of the questionnaires have been consolidated by the CNRGC and also submitted to the Board of Directors in plenary session, under the coordination of the Chairman of the Board, in order to determine the conclusions of the evaluation and, where appropriate, the corresponding action plans.

**C.1.18** Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

In 2021 the evaluation has not been assisted by an external consultant.

**C.1.19** Indicate the cases in which directors are obliged to resign.

In accordance with Article 12.3 of the Board Regulations, directors shall inform and, where appropriate, place their office at the disposal of the Board of Directors and formalise, if deemed appropriate, the corresponding resignation in the following cases:

- i When they stop performing the executive role to which their appointment as a director is connected or when the reasons for their appointment as a director no longer exist. In particular, in the case of proprietary directors, where the shareholder or shareholders who proposed, requested or determined their appointment, sell or transfer all or part of their shareholding and as a result are no longer classified as a significant shareholder or their stake is not sufficient enough to justify the appointment.
- ii When they are affected by circumstances of prohibition, incompatibility or legal cause for leaving office, including conflict of competence or interest, in accordance with Article 10 of these Regulations.
- iii Where the director is responsible for acts or omissions contrary to the diligence and effectiveness with which they are expected to carry out perform their role or when they are in serious dereliction of their duties as directors, such as the duty of secrecy and confidentiality and others governed by these Regulations.
- iv If their remaining on the Board of Directors may put the interest of the company at risk, directly or through their affiliates.
- v Where the director causes, for any other reason, whether related or not to their activities in the company itself, serious harm or damage to the interests of the



**linea directa**

company, its credit and reputation or the functioning of the Board of Directors or, in general, loses the trust of the Board of Directors for reasons of just cause.

In particular, the director shall inform the Board of Directors of any criminal cases in which they are investigated and the progress of any criminal trials.

vi Where any other grounds for removal of the director occur, in accordance with the recommendations on good corporate governance in force in Spain which the company and the Board of Directors are committed to and follow.

**C.1.20** Are qualified majorities other than those established by law required for any particular kind of decision?:

Yes [  ] No [  ]

If so, describe the differences.

**Description of differences**

In accordance with Article 3.4 of the Board Regulations, amendment of these Regulations shall require a resolution adopted by a two-thirds majority of the directors present or represented at the meeting.

**C.1.21** Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes [  ] No [  ]

**C.1.22** Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

Yes [  ] No [  ]

**C.1.23** Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes [  ] No [  ]

**Additional requirements and/or maximum number of years of office**

The Selection Policy for the members of the Board of Directors indicates that, in addition to the common requirements for any candidate, independent directors must meet personal and professional criteria to reasonably ensure that they can perform their duties without being influenced by their relationship with the company or its group, its significant shareholders or its directors, according to current legislation and the Board of Directors Regulations.

Independent directors must also have additional qualities that increase the diversity of the Board of Directors, both in terms of structure and the expertise and experience



of the directors, to help enrich the debate and bring specialist knowledge to the different Board committees.

**C.1.24** Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

Article 29.3 of the Bylaws indicates that directors may, in their absence, be represented at meetings of the Board of Directors by another director by written proxy, which shall, as far as possible, contain instructions on how to vote. Invariably, non-executive directors may only delegate their representation to another non-executive director.

According to Article 36.1 of the Board Regulations, the directors shall make every effort to attend the meetings of the Board of Directors and, where they are unable to do so personally, shall ensure that any proxy they may grant is in favour of another director in the same category and includes appropriate instructions.

**C.1.25** Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	13
Number of board meetings held without the chairman's presence	1

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0 (there is no lead director)
--------------------	-------------------------------

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit and Compliance committee	10
Number of meetings held by Appointments, Remuneration and Corporate Governance committee	5



**linea directa**

**C.1.26** Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings at which at least 80% of the directors were present in person	13
Attendance in person as a % of total votes during the year	98.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	13
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	98.00

Observations
2% of non-attendance is justified at a board meeting, in compliance with the duties of directors, and in particular the duty to abstain.

**C.1.27** Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes [] No [  ]

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
CARLOS JAVIER RODRIGUEZ UGARTE	CHIEF FINANCIAL OFFICER (CFO)

**C.1.28** Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

Article 33.5(xiii) of the Board Regulations assigns the Audit and Compliance Committee ("CAC") the responsibility of ensuring that the annual accounts that the Board of Directors submits to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In those cases where the external auditor has issued their report with a qualified opinion, the Chair of the Audit and Compliance Committee shall clearly explain in the General Shareholders' Meeting the Committee's view on the content and scope of this qualification, and make a summary of it available to shareholders at the time of publication of the call to the General Shareholders' Meeting, together with the Board's other proposals and reports.

The same article, under subparagraph (xii), assigns to the CAC the function of ensuring reliability and transparency of the company's internal and external information on earnings and activities and, in particular, verify the integrity and consistency of the company's financial statements, including the annual accounts, notes to the financial



**linea directa**

statements and management report, prior to its approval or proposal by the Board of Directors and its publication.

**C.1.29** Is the secretary of the Board also a director?

Yes [ ] No [ **X** ]

Name or company name of the secretary	Representative
Pablo González-Schwitters Grimaldo	

**C.1.30** Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Article 33.5(ii) gives the CAC the responsibility to propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, re-election or replacement of the external auditors, as well as their contractual conditions, the scope of their professional mandate, the supervision of activities other than the auditing of accounts and the guarantee of the external auditor's independence.

In this regard, subparagraph (iii) of the same article sets out the following functions of the CAC in relation to the independence of the external auditor:

- Ensure the independence of the external auditor, and that the remuneration for their work does not compromise their quality nor independence.
- Ensure that the company and the external auditor comply with existing rules on the provision of services other than audit work, limits on the concentration of the auditor's business and, in general, all other rules on the external auditor's independence.
- Establish and maintain appropriate relations with the external auditor to receive information on issues that may pose a threat to its independence, for examination by the Committee, as well as any other information related to the auditing procedure, and, where appropriate, the authorisation of services other than those prohibited, as provided for by law, as well as those other communications provided for in the audit legislation and audit rules. In any case, the Audit and Compliance Committee shall receive annually the external auditor's declaration of independence with regard to the company or entities directly or indirectly related to it, as well as detailed and individualized information on additional services provided of any kind and the corresponding fees received from these entities by the external auditor, or by persons or entities affiliated to them in accordance with current regulations.



- Issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report shall, in any event, comment on the provision of the additional services referred to in the previous section.

**C.1.31** Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes [ ] No [ **X** ]

**C.1.32** Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes [ ] No [ **X** ]

**C.1.33** Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes [ ] No [ **X** ]

**C.1.34** Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	22.00	33.00

Observations
The data are given for the last uninterrupted financial years, notwithstanding the fact that they are prior to the company's IPO.





**C.1.35** Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes  No

Details of the procedure
<p>Article 13.4 of the Board Regulations states that unless the Board meeting is extraordinary and called for reasons of urgency, the directors shall receive, in sufficient time before the meeting, the information necessary for the discussion and adoption of resolutions on the items to be dealt with. The Chairman of the Board, with the assistance of the Secretary, shall ensure compliance with this right of the directors.</p> <p>In this regard, article 35 of the Board Regulations provides that notice of meetings shall be given at least five calendar days in advance, together with the agenda for the meeting and any information deemed necessary.</p> <p>Article 13.5 states that unless the Board meeting is extraordinary and called for reasons of urgency, directors have the right to be informed of any aspect of the company and to obtain the additional information they judge to be necessary on matters within the competence of the Board of Directors, provided that the performance of their duties so requires. Consequently, directors may access the minutes, reports and presentations of the various Board Committees that may be held, with the power to request the clarifications they deem necessary and to contact the company's directors to request any information related to the competencies of the Board of Directors.</p> <p>Additionally, paragraph 3 of Article 13 of the Regulations states that, in addition to the meetings of the Board of Directors and its Committees, some or all of the directors may attend other meetings, at the initiative of the Chairman, in order to prepare the Board or Committee meetings or to obtain more in-depth knowledge and analysis of certain of the company's businesses, areas or projects.</p> <p>In paragraph 8 of the same article, it is established that the Chairman of the Board of Directors and all external directors may request the hiring at the company's expense of legal, accounting, financial or other expert advisors to assist them in the exercise of their duties. The request must necessarily concern matters of some importance and complexity which are deemed necessary.</p>

**C.1.36** Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes  No



## linea directa

### Explain the rules

Article 12.3 of the Board Regulations states that the directors shall inform and, where appropriate, place their office at the disposal of the Board of Directors and formalise, if deemed appropriate, the corresponding resignation in the following cases:

- When they are affected by circumstances of prohibition, incompatibility or legal cause for leaving office, including conflict of competence or interest, in accordance with Article 10 of these Regulations.
- Where the director is responsible for acts or omissions contrary to the diligence and effectiveness with which they are expected to carry out perform their role or when they are in serious dereliction of their duties as directors, such as the duty of secrecy and confidentiality and others governed by these Regulations.
- If their remaining on the Board of Directors may put the interest of the company at risk, directly or through their affiliates.
- Where the director causes, for any other reason, whether related or not to their activities in the company itself, serious harm or damage to the interests of the company, its credit and reputation or the functioning of the Board of Directors or, in general, loses the trust of the Board of Directors for reasons of just cause. In particular, the director shall inform the Board of Directors of any criminal cases in which they are investigated and the progress of any criminal trials.
- Where any other grounds for removal of the director occur, in accordance with the recommendations on good corporate governance in force in Spain which the company and the Board of Directors are committed to and follow.

**C.1.37** Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes [ ] No [ **X** ]

**C.1.38** Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The company has not entered into any significant agreements that would come into force, be amended or terminate in the event of a change of control of the company following a takeover bid.

**C.1.39** Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.



<b>Number of beneficiaries</b>	1
<b>Type of beneficiary</b>	<b>Description of the agreement</b>
Chief Executive Officer (executive)	<p>In the event of termination by the mere will of Línea Directa, through termination of the position of CEO, the CEO will be entitled to receive compensation equivalent to that established in labour legislation for the case of unfair dismissal of an employee of Línea Directa.</p> <p>At the will of the CEO, they will be entitled to receive the same amount when the resignation is based on certain causes (substantial changes or serious breaches of contractual obligations by Línea Directa) and in case of mutual agreement.</p> <p>The compensation to be paid by the company in these cases shall be net of deductions and income.</p> <p>The Chief Executive Officer maintains the employment relationship entered into with Línea Directa on 25 October 2010 in abeyance (which contains a recognition of seniority for all purposes since 13 February 1995) and since 1978 for non-compensation remuneration purposes.</p>

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	<b>Board of Directors</b>	<b>General shareholders' meeting</b>
<b>Body authorising the clauses</b>	X	

	<b>YES</b>	<b>NO</b>
<b>Are these clauses notified to the General Shareholders' Meeting?</b>	X	



**línea directa**

## **C.2 Committees of the Board of Directors**

**C.2.1** Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

### **AUDIT AND COMPLIANCE COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Current</b>
Ana María Plaza Arregui	Chairwoman	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
Elena Otero-Novas Miranda	Member	Independent

<b>% of executive directors</b>	<b>0.00</b>
<b>% of proprietary directors</b>	<b>33.33</b>
<b>% of independent directors</b>	<b>66.67</b>
<b>% of other external directors</b>	<b>0.00</b>

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The functions of the Audit Committee are regulated in Article 33.5 of the Board Regulations, including the following:

- In relation to external auditors, the Audit Committee performs the functions provided for in the applicable regulations.
- In accordance with the provisions of the Code of Good Governance, the Audit Committee is responsible for knowing, supervising and assessing the process of preparation and the integrity of financial and non-financial information, along with the systems for the control and management of the company's financial and non-financial risks and, where appropriate, the Group - including operational, technological, legal, social, environmental, political and reputational or corruption, reviewing compliance with regulatory requirements - the suitable scope of the consolidation perimeter and the correct application of accounting standards.
- Reporting to the Board of Directors, in advance, on all the matters provided for in the law, the bylaws and in these Regulations.
- Analysing the structural and corporate modifications that the company plans to carry out, and for reporting these modifications to the Board.
- Serving as a channel of communication between the Board of Directors and the external and internal auditors, in accordance with the provisions of the law.
- Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information



linea directa

and communication with shareholders and investors, proxy advisors and other stakeholders.

- Informing the Board of Directors prior to the adoption of the relevant decisions establishing companies, companies, associations, foundations and any other type of legal persons (including special purpose entities), as well as any other transactions or operations of a similar nature that, because of their complexity, could undermine the transparency of the company.
- Knowing the reports issued by supervisory bodies on the company, in particular the Spanish Directorate-General for Insurance and Pension Funds and the CNMV, as a result of inspections and to oversee compliance with actions and measures resulting from inspection reports.
- Ensuring the reliability and transparency of the company's internal and external information on earnings and activities and, in particular, verifying the integrity and consistency of the company's financial statements, including the annual accounts, notes to the financial statements and management report, prior to their approval or proposal by the Board of Directors and its publication, and overseeing the company's policy in relation to issuing prospectuses and other forms of public information.
- Ensuring that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.
- Overseeing and promoting compliance with the company's Internal Code of Conduct in Securities Markets.
- Supervising and promoting compliance with the company's Code of Ethics and Supplier Code of Conduct. It shall also be aware of the reports and proposals submitted to it by these units and areas.
- Supervising the development of the functions attributed to the company's Regulatory Compliance Unit and to the areas responsible for personal data protection and the company's Internal Codes of Conduct.
- Overseeing the operation of the confidential whistleblowing procedure by employees and other persons connected with the company, such as directors, shareholders, suppliers, contractors or subcontractors, of potentially significant irregularities.
- Guaranteeing the independence, autonomy and universality of the internal audit function, and proposing its budgets. Proposing the selection, appointment and removal of the head of the internal audit service, ensuring that its activity is mainly focused on material risks (including reputational risk) and receiving periodic information about its activities verifying that senior management takes into account the conclusions and recommendations of the internal audit service reports.
- Supervising the activities of the company's internal audit service and, where appropriate, its subsidiaries, approving its annual work plan and annual activities report, along with the approval or amendment of the policy of the internal audit function, which shall include its functions and competences.
- Supervising the company's and, where appropriate, its subsidiaries' performance of the following functions: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) actuarial.



**linea directa**

- Reviewing the company's general risk map and submitting the corresponding proposals to the Board.
- Approving or amending internal policies relevant to the functions and powers of the Committee.

With regard to the rules of organisation and functioning, in accordance with Article 33 of the Regulations, the CAC shall be composed of a minimum of three and a maximum of five non-executive directors appointed by the Board, who have the dedication, capacity and experience necessary to carry out their role. The members of the CAC as a whole, in particular its Chairman, shall be appointed in consideration of their knowledge and experience in accounting, audit and risk management issues, both financial and non-financial.

The majority of its members must be independent directors and at least one of them will be appointed taking into account their knowledge and experience in accounting, auditing or both.

The Board shall appoint the Chairman of the CAC from among the independent directors forming part of it and shall appoint its Secretary, who need not be a director or a member of the Committee. The Chairman of the CAC will hold that office for a maximum period of four years, at the end of which, they must allow a year to elapse before they can be re-elected. However, this does not affect their ability to continue or be re-elected as a Committee member.

The CAC may request members of the management team or staff of the company or its group to attend the parts of the Committee's meetings for which their cooperation is required. It may also seek the advice of external professionals, for which purpose the provisions of Article 13 of the Regulations shall apply.

The Chairman of the CAC shall report to the Board on the matters dealt with and the decisions adopted by the CAC, and the minutes of the Committee shall be made available to the Board members. It may also require the auditors to attend its meetings.

The CAC shall meet on a regular basis as required, and at least four times a year. Details of the most relevant actions carried out during the year by the Committee can be found in its annual operating report, published on the corporate website together with the rest of the documentation for the General Shareholders' Meeting.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

<b>Names of directors with experience</b>	Ana María Plaza Arregui
<b>Date of appointment of the chairperson</b>	18.03.2021

## **APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Current</b>
John de Zulueta Greenebaum	Chairman	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
Rita Estévez Luaña	Member	Independent

<b>% of executive directors</b>	<b>0.00</b>
<b>% of proprietary directors</b>	<b>33.33</b>
<b>% of independent directors</b>	<b>66.67</b>
<b>% of other external directors</b>	<b>0.00</b>

Explain the functions assigned to this committee, including where applicable, those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The functions of the Appointments, Remuneration and Corporate Governance Committee are regulated in Article 34.3 of the Board Regulations, including the following:

- Proposing the appointment, confirmation, re-election and removal of independent directors and reporting on the remaining directors.
- Ensuring that when vacancies occur, selection procedures are free from implicit biases that may act as an obstacle to the selection of candidates belonging to the less represented gender on the Board of Directors, ensuring that women are included among the potential candidates to be members of that body.
- Proposing the appointment, re-election and removal of the Chairmen and members of the Board Committees.
- Assessing the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors.
- Assessing on a regular basis, and at least once a year, the suitability of the Board of Directors as a whole and of its individual members, and reporting to the Board accordingly.
- Analysing, on an annual basis, the existence and updating of succession plans for the Chairman and the Chief Executive Officer, and, where applicable, to submit the outcome of this evaluation to the Board of Directors so that the succession occurs in a planned and orderly manner.



- In accordance with the provisions of the Board Regulations, reporting, where appropriate and through its Chairman, to the General Shareholders' Meeting on the Committee's activities during the year.
- Reporting on the appointment and removal of directors or executives of subsidiaries or investees acting on behalf of or proposed by the company.
- Proposing to the Board of Directors, on the basis of the specific needs of the new directors, the setting up of an induction programme which provides knowledge considered to be sufficient on the company, its operation and its corporate governance rules. In addition, it will also ensure that training programmes to update the existing directors' knowledge are also established, when circumstances so recommend.
- Reporting to the Board of Directors on the candidates for appointment as Trustees of the Línea Directa Foundation, which the company is responsible for.
- Proposing to the Board, for its approval, the directors' remuneration policy and their individual remuneration, as well as the corresponding annual report on directors' remuneration, which the Board shall put to the vote of the General Shareholders' Meeting, in an advisory capacity.
- Proposing to the Board the individual remuneration of the executive directors and, where appropriate, the external directors, for the performance of duties other than those in their capacity as a director, and other terms and conditions of their contracts.
- Proposing the remuneration policy of senior management, including general managers or those who perform their senior management duties with direct report to the Board, Executive Committees or CEOs, as well as individual remuneration and other basic terms and conditions of their contracts.
- The remuneration of identified staff who, while not members of senior management, carry out professional activities that could have a significant impact on the company's risk taking.
- Monitoring the degree of implementation of remuneration policy in general during the year, and ensuring its enforcement.
- Supervising and reviewing the company's compliance system.
- Overseeing the corporate governance of the company.
- Monitoring the company's sustainability strategy and practices, assessing its degree of compliance and reviewing its sustainability policies, ensuring that they are aimed at value creation.

With regard to the rules of organisation and functioning, in accordance with article 34 of the Board Regulations:

The Committee shall be composed of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors, ensuring that they have the necessary knowledge, skills and experience to perform their duties. The majority of the members of the Committee shall be independent directors.



The Board of Directors shall appoint the Chairman of the Committee from among the independent directors who are part of the Committee. The Committee shall appoint its Secretary, without the need for them to be a director or a member of the Committee. In the absence of a specific appointment, the Secretary to the Board of Directors shall be the Secretary to the Committee.

The Committee shall meet each time the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and whenever it is appropriate for the proper development of its functions. In any case, it will meet once a year to prepare information on the directors' remuneration that the Board of Directors has to approve and include in its annual public documentation.

Details of the most relevant actions carried out during the year by the Committee can be found in its annual operating report, published on the corporate website together with the rest of the documentation for the General Shareholders' Meeting.

**C.2.2** Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
<b>Audit and Compliance committee</b>	2	66.00	N/A		N/A		N/A	
<b>Nominations, Remunerations and Corporate Governance committee</b>	1	33.00	N/A		N/A		N/A	

**Observations**

Data is provided since the year of the company's IPO.

**C.2.3** Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The composition, organisation and responsibilities of the Board Committees are regulated in detail in Articles 33 and 34 of the Regulations of the Board of Directors.



The Regulations of the Board of Directors are available for consultation on the corporate website [www.lineadirectaaseguradora.com](http://www.lineadirectaaseguradora.com)

Section C.1.15 of this report details the two amendments made to the Board Regulations during the year ended.

Each committee has voluntarily prepared an annual report, which can be downloaded from the corporate website, together with the other documentation available for the purposes of the next General Shareholders' Meeting.

## **D. RELATED PARTY AND INTRAGROUP TRANSACTIONS**

**D.1** Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected director or shareholders. Detail the internal information and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

The Board of Directors should approve transactions that the company or companies in its group carry out with directors, or with shareholders who hold, whether individually or together with others, a significant shareholding, including shareholders represented on the Board of Directors of the company or of any other companies forming part of the same group, or with persons related to them. The directors concerned or representing or related to the shareholders concerned shall refrain from participating in the debate and abstain from voting on the resolution in question.

The Regulations of the Board of Directors of Línea Directa Aseguradora, in Article 23, Related party transactions (approved on 20 July 2021), determines that the Board of Directors formally reserves the right to approve any transaction that the company or companies in its group carry out with directors, with shareholders holding 10% or more of the voting rights, with shareholders represented on the Board of Directors of the company or of other companies in the Group, or with persons related to them, including any other persons who should be considered related parties in accordance with International Accounting Standards.

Approval must necessarily be granted by the General Shareholders' Meeting when it concerns a related party transaction whose amount or value is equal to or exceeds ten per cent (10%) of the corporate assets according to the company's most recent annual balance sheet.

The approval of a related party transaction by the General Shareholding's Meeting or the Board of Directors must be the subject of a prior report by the Audit and Compliance Committee.

The Board of Directors of the company approved on 20 July 2021 a Related Party Transactions Policy to detail the rules to be followed in transactions that the company, or any of the companies belonging to the Línea Directa Aseguradora Group, carry out with related parties (the "Policy").

On 20 July 2021, within the framework of this Policy, the Board unanimously agreed to delegate to the Chief Executive Officer the power to approve transactions that comply with the limits set out in Article 529 duovicies, paragraph 4, and Article 231 bis, paragraph 3, of the Spanish Corporate



## linea directa

Enterprises Act. The approval of these related party transactions in a delegated manner shall not require a prior report from the Audit and Compliance Committee, although the fairness and transparency of such transactions approved in a delegated manner shall be verified at least once a year.

For the proper implementation of the Policy, internal mechanisms have been established to allow coordination between the departments involved and the establishment of clear and objective criteria for the assessment of operations. These mechanisms are developed in an internal procedure that has been brought to the attention of the areas involved.

**D.2** Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Nombre o denominación social del accionista o de cualquiera de sus sociedades dependientes	% Participación	Naturaleza de la operación	Tipo de la operación y otra información necesaria para su evaluación	Importe 2021	Órgano que la ha aprobado	Identificación del accionista significativo o consejero que se hubiera abstenido
Bankinter, S.A	17,42%	Contractual	Póliza Seguros	381.277,22	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Póliza Seguros	884.249,88	Consejo de administración	Botín/ Masaveu
Bankinter S.A., Sucursal en Portugal	17,42%	Contractual	Póliza Seguros	66.772,56	Consejo de administración	Botín/ Masaveu
Bankinter, S.A	17,42%	Contractual	Contrato Bancaseguros	-6.017.140,05	Consejo de administración	Botín/ Masaveu
EVO, S.A	17,42%	Contractual	Contrato Bancaseguros	-6.766,17	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Contrato Bancaseguros	-15.126,06	Consejo de administración	Botín/ Masaveu
Bankinter S.A.	17,42%	Contractual	Póliza Seguros	-256.214,95	Consejo de administración	Botín/ Masaveu
Bankinter S.A., Sucursal en Portugal	17,42%	Contractual	Póliza Seguros	-20.158,66	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Póliza Seguros	-317.771,47	Consejo de administración	Botín/ Masaveu
Bankinter, S.A	17,42%	Contractual	Contrato gastos prestación servicios	-883.831,14	Consejo de administración	Botín/ Masaveu
Bankinter, S.A	17,42%	Contractual	Contrato gastos prestación servicios	-390.968,35	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Contrato ingresos prestación servicios	230.777,53	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Contrato ingresos prestación servicios	385.353,00	Consejo de administración	Botín/ Masaveu
Bankinter Consumer Finance, S.L.U.	17,42%	Contractual	Contrato ingresos prestación servicios	956.590,00	Consejo de administración	Botín/ Masaveu
Bankinter, S.A	17,42%	Contractual	Contrato financiero	676.381,16	Consejo de administración	Botín/ Masaveu



**D.3** Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

N/A

**D.4** Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

N/A

**D.5** Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

There have been no other significant transactions in terms of amount or subject matter

**D.6** Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other associated parties.

The director shall notify the Board of Directors, through its Chairman or Secretary, of any situation of conflict of interest, direct or indirect, in which they find themselves. All directors and executives must make a statement on possible situations of conflict of interest in which they find themselves, prior to their appointment. This statement should be updated periodically, or at the time the conflict of interest situation arises.

The Board of Directors should approve transactions that the company or companies in its group carry out with directors, or with shareholders who hold, whether individually or together with others, a significant shareholding, including shareholders represented on the Board of Directors of the company or of any other companies forming part of the same group, or with persons related to them. The directors concerned or representing or related to the shareholders concerned shall refrain from participating in the debate and abstain from voting on the resolution in question.



**linea directa**

There is a Policy and an internal procedure that regulate the rules to be followed in the transactions that the company, or any of the companies in the Línea Directa Aseguradora Group, carry out with related parties (see section D1).

**D.7** Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes

No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

**E.1** Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

In order to ensure that the most relevant risks are duly identified, measured, managed and controlled, the General Risk Policy establishes the principles for action in risk management, which include the following:

- **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.
- **Integral management.** The 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.
- **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.

The principles set out in the General Risk Policy apply to all employees, managers and directors of all companies that comprise the Línea Directa Aseguradora Group, This policy is available on the corporate website in the Corporate Governance section.

Taking into account the nature and unique features of their own business, the subsidiaries must adopt the Group's General Risk Policy and implement the necessary control systems to ensure it is complied with.



**E.2** Identify the bodies within the company responsible for preparing and executing the financial and non-financial risk management and control system, including tax risk.

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

The 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 serve as a framework for the specific policies for each risk to which the company is subject, and regularly monitors the internal control and risk management systems.

**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.

**Management Team:** 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.

**E.3** Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant and may affect the achievement of business objectives.

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. Línea Directa Aseguradora, in its General Risk Policy, has identified the following as the most significant risks:

- Non-life underwriting risk
- Health underwriting risk
- Market and concentration risk
- Financial, credit and counterparty risks, including contingent liabilities and other off-balance sheet risks
- Operational risks



- Technological and cybersecurity risks
- Legal risk (regulatory and compliance)
- Tax risks
- Environmental, social and governance (ESG) risks
- Reputational risk

**E.4** Indicate whether the entity has risk tolerance levels, including for tax risk.

The Board of Directors has ultimate responsibility for defining and setting the risk appetite. It is also responsible for setting limits for identified risks, including tax risks, and making sure they are properly monitored and managed. It is also responsible for updating the organisation's risk appetite framework every year and monitoring the effective risk profile, and ensuring the two are properly aligned. If any risk exceeds the established limits, action must be taken to restore it to the proper level, provided that the risk is manageable and the cost of the mitigation measures is justified taking into account the potential impact of the risk actually occurring in the organisation.

Every year, the Board of Directors or the Audit and Compliance Committee shall set the risk tolerance limits. They will also approve changes in key risk indicator (KRI) thresholds, which are reviewed annually.

**E.5.** Indicate which risks, including tax risks, have materialised during the year.

The insurers' premium income at the end of June stood at 31.558 billion euros. Comparison with the first half of the previous year is complicated by the COVID-19 situation. Based on data for the first half of 2019, the insurance industry's turnover today is 6.4% lower than 24 months ago. In particular, motor insurance has not yet recovered from the coronavirus outbreak. Turnover is at the same level as it was in June 2020. However, the 5.667 billion euros in revenue currently generated is 3.4% less than turnover at the end of the first half of 2019.

Línea Directa Aseguradora has not been unaffected by this situation and up to September obtained a net profit of 86.3 million, 13.4% less than the same date in 2020, when mobility was limited.

In addition, the current global microchip shortage crisis has had a particular impact on the automotive sector, causing a drop in Spanish vehicle production greater than that of the pandemic and mandatory lockdowns in 2020, also affecting car insurance. These factors, together with difficulties in the supply of raw materials, delivery times





in the logistics chain and low demand in the main markets, are also strong determining factors in 2021.

The decline in manufacturing is leading to lower sales of new vehicles, with an 11% drop in registrations up to September, where Línea Directa Aseguradora has traditionally had a significant presence. This has affected not only insurance sales, but also the product mix, with a lower percentage of comprehensive coverage, and consequently average premiums. Thus, the sale of used cars has become the "perfect substitute" for the registration of new vehicles. The problem is that this phenomenon will further age the already ageing Spanish vehicle fleet. Second-hand cars have more breakdowns, so they require more assistance, suffer more accidents, double the mortality rate and are insured to third parties, with a lower margin for insurers.

The claims incurred for the year was higher in 2021 in all lines of business in which the company operates. In the motor vehicle segment, the frequency of car accidents has increased, as has the severity of accidents, taking into account that traffic has returned to pre-pandemic levels. In the home insurance segment, weather events, including storm Filomena, had an impact of 3.5 million euros net of reinsurance. Lastly, in the health segment, the activity of treatments that had been postponed due to COVID-19 resumed.

Taking all these factors into account, the net claims incurred for the group stood at 65.9%, up 4.1% compared to 2020 and down 1.9% compared to 2019, which is the year with which the company considers the comparison to be most appropriate.

Finally, it should be noted that the uncertainty arising from the COVID-19 health crisis and the consequences of the pandemic are impacting both the economy and the valuation of financial markets. 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 fluctuations). The trend in interest rates, at low levels resulting from central banks' monetary policies, is affecting the profitability of financial investments.

**E.6.** Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise:

Línea Directa Aseguradora has internal control processes and an effective risk management system that complies with applicable regulations, is in line with best practises in the sector and is structured around the three lines of defence.

The second line function is carried out by the Regulatory Compliance, Risk Management and Actuarial Function departments, in accordance with the provisions of the Law on the organisation, supervision and solvency of insurance and reinsurance



companies. These functions are independent of each other, with a specific scope and purpose, all of which is set out in their own Policies, ensuring homogeneous application in all areas and subsidiaries of the Group. These Policies define the roles and duties of these departments as well as their commitments and principles of action.

All of them report their actions and results to the Audit and Compliance Committee on a regular basis, preparing annual reports or whenever circumstances so require due to specific and unforeseen situations. They also have the power to immediately report significant and relevant changes in a risk, such that there is a possibility of economic losses exceeding the defined tolerance thresholds, of incurring high penalties as a result of legal or regulatory non-compliance, considerable reputational damage and jeopardising the continuity of service provision.

The Regulatory Compliance Department is in charge of ensuring the appropriate treatment of current regulations in all areas of the organisation, guaranteeing compliance and creating a common, aligned and homogeneous strategy. It also advises the Board of Directors 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 (internal policies) or sectoral or ethical standards.

The Risk Management function focuses on the management of operational risk, understood as the risk of loss arising from inadequate or dysfunctional internal processes, personnel, systems or external events. Risk Management are therefore responsible for ensuring that operational risk management is carried out in a comprehensive manner as the effects and causes are cross-cutting and interrelated. The Línea Directa Group also has a system of Internal Control Over Financial Reporting (ICFR), with the main objective of improving the efficiency and security of the processes of preparing the organisation's economic and financial information, proactively adopting the best practices in this area.

The importance of the Tax Function, exercised by the Tax Department, should be highlighted as an expert function that centralises advice on tax regulations and the safeguarding of tax risks in all the organisation's operations. However, these tax risks are integrated, depending on their regulatory or operational nature, into the corresponding functions described above.

Línea Directa also has an Actuarial Function whose activity guarantees the correct management of underwriting risks, reinsurance and calculation of technical provisions.

As a third line of defence, we must highlight the work of Internal Audit that depends functionally on the Audit and Compliance Committee, and is responsible for coordinating and supporting the process of identification, analysis and evaluation, and



for carrying out the periodic control of risks. This Department reports to the Audit Committee and the Board of Directors.

The Board of Directors is ultimately responsible for establishing and defining the risk appetite and ensuring that identified risks are limited and properly monitored and managed. It is also responsible for updating the company's risk appetite framework annually, monitoring the effective risk profile and ensuring consistency between the two. On an annual basis and following a report from the Audit and Compliance Committee, the Board of Directors sets the risk tolerance thresholds and approves changes to the KRI thresholds.

At the operational level, and considering the constant increase in cybercrime, the company has a Security Master Plan aimed at reinforcing the response and recovery systems and protocols, as well as a Business Continuity system developed by the Corporate Security Department whose objective is to facilitate an effective response to possible materialisations of high-impact incidents, minimising the damage caused.



## **F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

### **F.1. The entity's control environment**

**F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.**

(i) The Board of Directors is responsible for approving the financial information which, as a listed company, the company must periodically publish.

The Board of Directors shall take the necessary measures to ensure that periodic financial information and any other information required to be made available to the markets is prepared in accordance with the same professional principles, standards and practices with which the financial statements are drawn up and that it has the same degree of reliability. For this purpose, such information will be reviewed by the Audit and Compliance Committee.

The Audit and Compliance Committee is responsible for knowing, supervising and evaluating the preparation process and the integrity of financial and non-financial information, as well as the financial and non-financial risk control and management systems relating to the company and, where appropriate, the group.

The Committee shall report, in advance, to the Board of Directors on all matters provided for by law, the bylaws and the Regulations of the Board and, in particular, on the financial information that the company must periodically publish.

(ii) The system of Internal Control over Financial Reporting (ICFR) in Línea Directa Aseguradora is designed under the supervision of the Group's Chief Executive, and its effective implementation is the responsibility of the Financial Management to which the Internal Control over Financial Information area reports.

Among its functions are the implementation, updating and monitoring of tasks and processes in relation to the fulfilment of the objectives of the Internal Control System and specifically of internal control over financial reporting.

(iii) The Regulations of the Board of Directors specify that the basic functions of the **Audit and Compliance Committee (CAC)** include the following:

*Knowing, supervising and assessing the process of preparation and the integrity of financial and non-financial information, along with the systems for the control and management of the company's financial and non-financial risks and, where appropriate, the Group - including operational, technological, legal, social, environmental, political and reputational or corruption, reviewing compliance with regulatory requirements - the*



*suitable scope of the consolidation perimeter and the correct application of accounting standards.*

*Ensuring the reliability and transparency of the company's internal and external information on earnings and activities and, in particular, verifying the integrity and consistency of the company's financial statements, including the annual accounts, notes to the financial statements and management report, prior to its approval or proposal by the Board of Directors and its publication.*

*Ensuring that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.*

In accordance with these functions, the CAC is monitoring the ICFR within the framework of internal control and the preparation and presentation of financial information.

The Audit and Compliance Committee is supported by both the Auditor and the Internal Audit area, which verify the efficiency of the control scheme over the quality of the financial information in order to detect possible deviations that could eventually lead to material errors in this information.

**F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:**

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.**

(i) The Board of Directors' policy is to delegate the day-to-day management of the company to the executive bodies and the management team, and to concentrate its activity on the general supervisory function. In relation to the design and review of the organisational structure, the People Department is responsible for determining the basic structure of the organisation, determining the different levels of authority and the consequent levels of responsibility, in accordance with the roles model reported to the Board of Directors, which organises the functions in order to adapt the company's organisational structure to the current situation and market trends.

(ii) In order to comply with the objectives and responsibilities for the maintenance and supervision of the financial information control process, specific functions have been defined that affect those responsible for each process related to financial information, the objectives of which are to ensure compliance with the controls implemented, analyse their operation and report any changes or incidents that may occur.

These functions include, from the lowest to the highest level of responsibility, the technicians and persons responsible for each process defined in the control environment and the heads of each business unit directly related to the processes related to the system of Internal Control over Financial Reporting.



The Internal Control over Financial Reporting area, within the Group's Finance Department, is in charge of receiving the information from the different process managers, and is also responsible for ensuring the correct functioning of the internal control system.

Both hierarchical and functional lines of responsibility are duly communicated to all Group employees through internal communication channels. The Roles Model has been communicated to the entire organisation and is available to all employees.

The organisation chart is available to the entire organisation on the Group's corporate intranet.

(iii) There is an Accounting Policy Manual for the Línea Directa Group that establishes the lines of responsibility and authority in relation to the processes for preparing financial information.

- **Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.**

The Línea Directa Aseguradora Ethical Code was adopted by the Board of Directors on 27 January 2011 and updated in October 2018 and March 2021. 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.

The purpose of this Code of Ethics is to establish the general guidelines that should govern the conduct of employees of Línea Directa Aseguradora S.A. and its subsidiaries, in their discharging of their duties and in their business and professional relationships, in accordance with the law and observing ethical principles. The ethical values contained in this document are the basic principles which underpin the commitments made by Línea Directa Aseguradora to their shareholders, partners, customers, suppliers, employees and communities. Línea Directa Aseguradora will ensure that this Code of Ethics is properly observed by distributing it, through the specific training of its employees and through its monitoring and compliance system.

The Code is available on the company's intranet and on the Group's corporate website, and can be consulted by anyone who wishes to do so.

All employees receive training on the Code of Ethics when they join the Group. It is an online training that requires the completion of a self-assessment test that allows a record of the trainees to be kept to ensure knowledge and understanding of the course content.



The course discusses guidelines for conduct on different subjects, including:

- Conflict of interest
- Anti-bribery and corruption measures
- Transparency of information
- Reserved and confidential information
- Commitment to the law

In particular, and in relation to financial information, paragraph 9. (Transparency of information) indicates that Línea Directa considers transparency of information to be a basic principle that should govern its actions. In particular, it will ensure that the information disclosed to shareholders, customers, stakeholders, regulatory bodies and public administrations is truthful, complete and adequately reflects the company's situation. In addition, paragraph 16 (Commitment to legality) establishes that employees shall act with honesty and integrity in all their contact or transactions with authorities and employees of governments and administrations, ensuring that all information and certifications they submit, as well as statements they make, are truthful, clear and complete.

The Linea Directa Group has an ethics manager to ensure knowledge, application and compliance with the Code, who carries out the following functions with the collaboration of the Compliance area:

- Investigating complaints about the application of the Code submitted to it.
- Drawing up action plans for the resolution of complaints and submitting them for approval by the Board of Directors.
- Proposing and coordinating ongoing training for employees on matters related to the Code of Ethics and maintaining the Ethics Channel.

In addition, the Ethics Channel Procedure provides for the possibility of reporting not only breaches of the Code, but also breaches of regulations and any financial irregularities.

The Chief Compliance Officer has the responsibility to act immediately in the event of Compliance risks, informing both the Governing Body and the Audit and Compliance Committee and proposing the appropriate action plans so that these can be implemented quickly in order to prevent their materialisation or reduce their consequences.



- **Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential.**

To promote the application of the Code of Ethics and Conduct, an Ethics Channel is available on the corporate website and on the intranet through which queries, complaints or suggestions can be made to the Ethics Manager.

This channel is adapted to Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons reporting breaches of EU law.

This channel should be used for:

- Asking any questions on the interpretation of the Code's ethical values, principles and standards of conduct.
- Reporting any breaches of the Code, legislation, including criminal and anti-bribery legislation, internal regulations and commitments made by the organisation.
- Reporting any possible irregularities or non-compliance related to financial, accounting or commercial malpractice.

The Ethics Channel may also be used to communicate incidents or queries to other bodies linked to the supervision of legal obligations and commitments undertaken by the organisation.

Thus, anyone can report possible risks of non-compliance with both the Code of Ethics and any regulatory non-compliance, which will be treated with absolute confidentiality.

There must be enough in the way of data in the complaints received to be able to carry out an analysis of the alleged facts.

The Ethics Channel is administered by the Ethics Manager with the support of the Compliance area, whose operation is regulated in the Group's Code of Ethics management procedure. Complaints in which aspects that could have criminal relevance are identified will be dealt with by the Compliance Committee and reported to the Board of Directors.

- **Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.**

The company provides the financial area personnel of the various Group entities involved in the preparation and review of financial information with the possibility of receiving ongoing training and refresher courses to enable them to perform their duties effectively. This training can be provided both internally and through external courses and seminars.





The training plans for financial accounting personnel are approved by the Group's Finance Department and the various departments involved in the preparation of financial information. These training plans are supervised and managed by the People Department.

In 2021, 35 courses related to Financial Reporting have been conducted in the Group. A total of 687 hours have been taught and 138 people have participated.

## **F.2 Assessment of risks in financial reporting**

### **F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:**

- **Whether the process exists and is documented.**

The risk identification process for financial information is outlined and established in Línea Directa Group's Accounting Policy Manual.

One of the objectives of this manual is to identify and determine the relevant financial information and the processes required for its preparation, which should be subject to the internal control system, under a defined materiality criterion and taking into account all reported and published financial information.

The design of the system of Internal Control over Financial Information (ICFR) in the Línea Directa Group will therefore take into account materiality and qualitative criteria, focusing on the areas and processes with the greatest risk of fraud and error in estimates. These criteria are used to determine the business processes relevant to the Group's financial reporting.

The identification of risks follows a "top-down" process, first identifying the group companies considered relevant, then the headings and sub-headings of the financial information and, finally, identifying the business processes that have an impact on those risks.

All processes and sub-processes are defined and detailed with flowcharts and descriptions of the controls in place to mitigate the risks associated with these processes, as well as the frequency with which they are performed.

All business processes identified as relevant are assigned a responsible area that will be in charge of documenting the process, identifying the risks of the process and assessing the existing controls. These areas responsible for controls will thus perform their role as the first level of control within ICFR.

The Internal Control over Financial Reporting function shall request evidence of the execution of such controls and, under the supervision of the Group Finance Department, shall perform its function as a second level of control.

The Group's Internal Audit will be responsible for monitoring the functioning and effectiveness of the ICFR as part of its role as the third level of control.



- **Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.**

Both the procedures for identifying financial reporting risks and the controls designed for the relevant processes and activities take into account the full range of financial reporting objectives.

The process definition document identifies the following as internal control objectives for financial reporting, whose fulfilment makes it possible to mitigate the risks identified and reasonably ensure the reliability of the financial information:

- **Existence and occurrence of financial transactions:** the transactions, incidents and other events reflected in the financial information actually exist and have been recorded at the appropriate time. Evidence of application of controls.
- **Presentation, breakdown and comparability:** transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards. Controls are correctly broken down, classified and described in the flow chart.
- **Integrity:** the information reflects all transactions, facts and other events to which the entity is a party.
- **Evaluation:** transactions, facts and other events are recorded and measured in accordance with applicable standards.
- **Audit cut-off:** Transactions and events have been recorded in the correct period.
- **Rights and obligations:** the financial information reflects, as at the relevant date, the rights and obligations through corresponding assets and liabilities, in accordance with the applicable regulations.

Supervision of this risk identification process is continuous, especially in processes that are more relevant due to their materiality. The Internal Control over Financial Reporting area is responsible for reviewing and updating them. At least once a year it shall be reviewed to ensure that there have been no significant changes in the risks of the financial information being monitored.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.**

Línea Directa Group's Financial Information function is part of the Financial Department, which is responsible for determining the Group's scope of consolidation.

The accounting and tax consolidation perimeters are defined and identified in accordance with current regulations and are reviewed and updated if there are changes



in shareholdings or whenever any of the Group entities incorporates or acquires an entity outside this perimeter or is dissolved or liquidated.

The financial statements of subsidiaries will be fully consolidated. Accordingly, all balances and transactions between consolidated companies have been eliminated in the consolidation process.

The main accounting policies, including those relating to the identification of the Group's scope of consolidation, are described in detail in the annual report.

Relevant information on holdings in subsidiaries, jointly controlled entities and associates, as well as changes in the scope of consolidation, are included in Note 5 of the consolidated annual accounts. This note also includes information on the most significant acquisitions and disposals that have taken place during the year

- **Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

Within the financial reporting environment, in addition to the operational, financial and legal risks inherent to the economic sector in which the company and Group entities operate, technological and information recording risks are of particular relevance. Reputational and market risks are also included to the extent that they may affect the financial statements.

In this process, each risk factor is linked to the heading of the financial statement that would be impacted should the potential risk materialise. The main headings are: Assets and liabilities relating to insurance contracts, premiums, provisions, financial performance, acquisition expenses, administrative expenses and claims expenses.

All of the above risks are monitored through the Group's Internal Control over Financial Reporting unit.

- **The governing body within the company that supervises the process:**

In the Línea Directa Group, the Board of Directors is the body responsible for the financial information and for the existence of an adequate and effective internal control system to supervise it. The Board of Directors delegates to the Audit and Compliance Committee (CAC) the function of periodically supervising the ICFR with the support of the Internal Audit area.

### **F.3 Control activities**

**F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing**



**procedures and the specific review of significant judgements, estimates, valuations and projections.**

As mentioned above, in Línea Directa Group, the Board of Directors is the body responsible for the financial information and for the existence of an adequate and effective internal control system to supervise it, which aims to provide the Group with reasonable assurance as to the reliability of the financial information generated and published in the markets.

As established in Article 4 of the Regulations of the Board of Directors, the powers exercised directly by the Board include *the determination of risk control and management policy, including tax risks, and the supervision of internal information and control systems. To this end, approving the risk control and management policy, along with regularly monitoring internal information and control systems, including the risks associated with the marketing of products and transparency with customers, and compliance with professional ethics and securities market conduct standards.*

The **Board of Directors** delegates the function of reviewing financial information to the Audit and Compliance Committee (CAC).

One of the basic responsibilities of the CAC in this regard is to report, in advance, to the Board of Directors on all matters provided for in the law, the bylaws and these Regulations and, in particular, on:

- The financial information that the company must make public on a regular basis,
- The creation or acquisition of interests in special-purpose entities or entities domiciled in countries or territories that are considered tax havens and,
- Related party transactions.

In this way, the Audit Committee must ensure the reliability and transparency of the company's internal and external information on earnings and activities and, in particular, verify the integrity and consistency of the company's financial statements, including the annual accounts, notes to the financial statements and management report, prior to its approval or proposal by the Board of Directors and its publication.

Internal Control over Financial Reporting (ICFR) at Línea Directa Group focuses on ensuring the proper recording, valuation, presentation and breakdown of transactions that have relative importance and therefore may affect the financial reporting.

The Group has documented all the processes which, due to their relevance or type, may have an impact on financial information, as well as the procedures and controls related to them.

The accounting of Línea Directa Aseguradora and almost all its subsidiaries is highly mechanised and is generated automatically from the business applications. For this reason, the ICFR gives special attention to manual processes and closing processes focused on reconciling the accounting with the various business applications.



During the accounting closure process, the different Group entities report, through the assigned persons in charge, the financial information that the Group's Financial area consolidates to prepare the reports. In the consolidation process, controls are in place to detect errors that could materially affect the financial statements.

In addition, during this accounting closure process, controls are carried out with the aim of detecting material errors that could affect the financial information, such as reconciliations of current accounts, control of pending items, analysis of and trends in balances, comparisons with estimates and budget, control of high value entries, analysis of balances between group companies, etc.

The closing of the accounts is analysed and reviewed by the Group's Finance Department.

**F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.**

Línea Directa's information systems related to the processes of preparing financial information, either directly or indirectly, guarantee the correct preparation and publication of financial information. To this end, the company has policies and procedures in place to ensure the security and reliability of this information.

**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 critical nature 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.

The management of access to applications and information systems is clearly established and standardised. The company has specific internal procedures that determine the management of access to applications according to a system of profiles adapted to the functions carried out by each role.

Specifically, SAP ERP accesses are defined by workstations and are assigned according to the functions to be performed. Thus, within the financial area, there are several different access profiles depending on the job and the company in the group in question.

The entity has a mandatory **Password Policy** for creating secure passwords for the systems. There are specific controls over the validation of passwords for SAP, which is the Group's ERP accounting system.

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 Línea Directa Aseguradora 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.

With regard to technology, the Disaster Recovery Plan is worth highlighting, both at a general level for all systems and in terms of the SAP accounting program. 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.

**F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.**

The Group shows particular concern for the operations carried out by third parties in order to ensure, both from the point of view of business continuity and from the regulatory point of view, that in key processes which could be outsourced, there is the maximum guarantee of control and compliance with the requirements of insurance regulations in the event of outsourcing essential functions.

All services outsourced to third parties arise through specific contracts, with direct supervision of the suppliers being carried out by the contracting units or areas.

Suppliers are selected on the basis of objective criteria, which take into account factors such as quality, price, infrastructure and market reputation, as well as belonging to the group of collaborators of any of the Group's entities, and their track record in the quality of the service provided to these entities.

The Group also has a Code of Conduct for suppliers, which aims to inform its suppliers of the general principles for the exercise of their work and professional activity in their



different areas of operation. The Group ensures suppliers' continued application of these principles and includes this Code as an Annex to supplier contracts.

#### **F.4 Information and communication**

**F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

The Financial area, together with the Audit area, is responsible for ensuring the quality, transparency and timeliness of the individual financial information of Línea Directa Aseguradora and the consolidated financial information of Línea Directa Group, guaranteeing that the appropriate accounting methods are used.

Thus, the Financial Reporting and Accounting area, which reports to the Finance Department, includes the functions of keeping the applicable accounting policies and regulations affecting the Group's financial information up to date, supervising the application of these policies and, where appropriate, coordinating the implementation of internal changes affecting the flow of financial information in relation to accounting policies, and resolving queries and conflicts arising from the interpretation of accounting regulations.

The company has a **Manual of Accounting Policies and Financial Reporting Procedures** which contains the accounting principles and policies to be applied in the Group, as well as the procedures related to control of financial reporting. This manual is reviewed and updated annually by the areas of Financial Reporting and Internal Control of Financial Reporting.

The content of this manual was submitted to the Board of Directors, which oversees compliance with said manual.

**F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.**

The business operations of both the parent company and almost all the subsidiaries of Línea Directa Group are integrated and highly mechanised, and the recording of operations automatically generates their accounting. The entire group uses SAP ERP as its accounting application, so the formats for preparing financial information are homogeneous.

Automatic accounting is parameterised and defined by the Financial Information and Accounting area, which reports to the Group's Finance Department, in order to ensure compliance with the applicable regulations in force at any given time and the Group's accounting policies.



All subsidiaries that form part of the Group's perimeter report their financial statements on a monthly basis to the parent company's Finance Department in accordance with the Group's accounting plan.

The process of consolidating the Group's financial statements is also highly mechanised and is based on the use of the SAP Group Reporting tool, which is used to standardise and harmonise accounting information and consolidate the consolidated group perimeter.

A number of preventive or detective controls have been put in place in the accounting closure and consolidation processes to ensure the reliability of the accounting data published.

The Group's Internal Control over the Financial Reporting area is responsible for the preparation of ICFR information, the periodic review of controls and evidence, and the issuance of quarterly reports.

## **F.5 Supervision of the functioning of the system**

**F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.**

The Línea Directa Group has a Corporate Internal Audit area that depends functionally on the Board of Directors of Línea Directa through the Audit and Compliance Committee and, in particular, on its Chairman.

The Audit and Compliance Committee supervises the financial information reflected in section F.3.1. above, and also approves the Internal Audit Plan and monitors it on a quarterly basis.

Internal Audit is designed to assess the effectiveness of risk management and control processes, internal control, regulatory compliance and corporate governance, adding value and alerting on the need to modify them if necessary, and proposing suggestions for improvement of the organisation's operations. One of the main functions, therefore, is to provide value to the areas of the organisation with control functions for the improvement and consolidation of the internal control system, procedures applied and control activities, without prejudice to the independence and autonomy of the Internal Audit function.

In this regard, Internal Audit of the Línea Directa Group includes in its Audit Plan the review of the Group's ICFR. In accordance with the approved Audit Plan for 2021, an audit of Línea Directa's ICFR processes was carried out in the third quarter of the year,





**línea directa**

including the processes of: investments, intangible assets, rents, receivables, dividends, industry taxes and surcharges and pre-closing estimates. A Limited Governance Review of the System of Internal Control over Financial Reporting has also been carried out.

The final report was issued on 18 October 2021, concluding that, although Línea Directa Aseguradora is in its first year of implementing the ICFR, a significant effort is being made in its design and implementation, having included more than 100 additional controls. The processes reviewed within the scope are described and evidence has been obtained of the execution and custodianship of the controls included, although it is noted that these processes need to be supplemented with additional controls in addition to ICFR to cover all the financial reporting objectives described. The resolution of these improvements is pending completion.

The result of the review has been reported to the Audit Committee. Observations arising from the audit follow a rigorous follow-up process. A report on the follow-up and status of the observations issued as a result of the internal and external audit reports is made available to the members of the Audit and Compliance Committee on a monthly basis.

**F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.**

The Audit and Compliance Committee of the company has among its competences to know, supervise and assess the process of preparation and the integrity of financial and non-financial information, along with the systems for the control and management of the company's financial and non-financial risks and, where appropriate, the Group - including operational, technological, legal, social, environmental, political and reputational or corruption, reviewing compliance with regulatory requirements - the suitable scope of the consolidation perimeter and the correct application of accounting standards.

In accordance with the provisions of the Board Regulations, it also serves as a communication channel between the Board of Directors and external/internal auditors, to assess the results of audit reports and compliance with the comments and conclusions made, as well as to discuss with the auditors any significant gaps detected in the internal control system during the course of the audit. In this respect, communications with the auditors shall be made for each review carried out, at the end of each review, and always prior to the Board of Directors' formulation of the financial statements.



## **F.6 Other relevant information**

There is no other relevant information regarding ICFR that has not been included in this report.

## **F.7. External auditor's report**

**F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.**

The auditing firm PricewaterhouseCoopers Auditores, S.L., as auditor of the Group's annual accounts, annually reviews the content of the information sent to the market in the control model of the financial reporting system established and described above. Attached hereto is the Auditor's Report on the Information relating to the system of Internal Control over Financial Reporting (ICFR) of the Línea Directa Group for 2021.



## **G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies [  ] Explain [  ]

- 2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**
  - a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
  - b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

- 3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the Chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:**
  - a) Changes that have occurred since the last General Shareholders' Meeting.**
  - b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.**



**linea directa**

Complies  Complains partially  Explain

**Observations:**

The first Ordinary General Meeting as a listed company will be in 2022, and in accordance with the provisions of the General Meeting Regulations, the above recommendation will be complied with at the meeting.

- 4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.**

**And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.**

Complies  Complains partially  Explain

- 5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.**

**And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.**

Complies  Complains partially  Explain

- 6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:**

**a) Report on the auditor's independence.**



- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [ X ] Complains partially [ ] Explain [ ]

- 7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings. And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.**

Complies [ X ] Complains partially [ ] Explain [ ]

**Observations:**

The first Ordinary General Meeting as a listed company will be in 2022, and will be broadcast live in accordance with the provisions of this recommendation.

- 8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the Chairman of the Audit Committee should clearly explain to the General Meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.**

Complies [ X ] Complains partially [ ] Explain [ ]

- 9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

**And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.**

Complies [ X ] Complains partially [ ] Explain [ ]

- 10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:**



linea directa

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

- 11.** That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

- 12.** That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [  ] Complies partially [  ] Explain [  ]

- 13.** That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [  ] Explain [  ]



**14.** That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [ X ] Complains partially [ ] Explain [ ]

**15.** That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ X ] Complains partially [ ] Explain [ ]

**16.** That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [ ] Explain [ X ]



**linea directa**

The percentage of proprietary directors out of the total number of non-executive directors exceeds the proportion between the share capital of the company represented by such directors and the rest of the share capital, as the company understands that it is important for two significant shareholders to participate in the Board of Directors.

- 17. That the number of independent directors should represent at least half of the total number of directors.**

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies  Explain

- 18. That companies should publish the following information on its directors on their website, and keep it up to date:**

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies  Complains partially  Explain

- 19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.**

Complies  Complains partially  Explain  Not applicable





linea directa

- 20.** That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

- 21.** That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [  ] Explain [  ]

- 22.** That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that the director be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must



disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies  Complains partially  Explain

- 23.** That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if the secretary is not a director.

Complies  Complies partially  Explain  Not applicable

- 24.** That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies  Complies partially  Explain  Not applicable

- 25.** That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties. And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies  Complains partially  Explain



- 26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.**

Complies  Complains partially  Explain

- 27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.**

Complies  Complains partially  Explain

- 28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.**

Complies  Complains partially  Explain  Not applicable

- 29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies  Complains partially  Explain

- 30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.**

Complies  Explain  Not applicable

- 31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

**When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.**

Complies  Complains partially  Explain



- 32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies [ X ] Complains partially [ ] Explain [ ]

- 33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.**

Complies [ X ] Complains partially [ ] Explain [ ]

- 34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.**

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [ X ]

- 35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.**

Complies [ X ] Explain [ ]

- 36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.



- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies  Complains partially  Explain

- 37.** That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies  Complains partially  Explain  Not applicable

- 38.** That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies  Complains partially  Explain  Not applicable

- 39.** That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies  Complains partially  Explain

- 40.** That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies  Complains partially  Explain



linea directa

- 41.** That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [ X ] Complies partially [ ] Explain [ ] Not applicable [ ]

- 42.** That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

**1. With regard to information systems and internal control:**

- a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

**2. With regard to the external auditor:**



- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies  Complains partially  Explain

- 43.** That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies  Complains partially  Explain

- 44.** That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies  Complains partially  Explain  Not applicable

- 45.** That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among



the financial or economic risks contingent liabilities and other off-balance sheet risks.

- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [ X ] Complains partially [ ] Explain [ ]

**46.** That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [ X ] Complains partially [ ] Explain [ ]

**47.** That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [ X ] Complains partially [ ] Explain [ ]





**48. That large-cap companies have separate nomination and remuneration committees.**

Complies [  ] Explain [  ] Not applicable [ X ]

**49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors. And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.**

Complies [ X ] Complains partially [  ] Explain [  ]

**50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [ X ] Complains partially [  ] Explain [  ]

**51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.**

Complies [ X ] Complains partially [  ] Explain [  ]



**52.** That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies  Complies partially  Explain  Not applicable

**53.** That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies  Complies partially  Explain

**54.** The minimum functions referred to in the foregoing recommendation are the following:



linea directa

- a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.**
- e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

Complies [ X ] Complains partially [ ] Explain [ ]

**55. That environmental and social sustainability policies identify and include at least the following:**

- a) **The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.**
- b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
- d) **Channels of communication, participation and dialogue with stakeholders.**
- e) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies [ X ] Complains partially [ ] Explain [ ]



**Observation:** The framework for action and the company's commitments in this area are set out in the Sustainability Policy and the other internal regulations approved for this purpose.

- 56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.**

Complies  Explain

- 57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.**

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies  Complains partially  Explain

- 58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.**

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.



- c) **Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.**

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

**Explanation:** At year-end 2021 there are no non-financial criteria in the variable components of remuneration. The company has just become a listed company but has a strong commitment to the progressive incorporation of best practices in this area.

- 59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.**

**That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.**

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

- 60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.**

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

**Explanation:** The company intends to include reference to this recommendation in the Remuneration Policy for Board members to be proposed to the 2022 General Meeting.

- 61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.**

Complies [  ] Complies partially [  ] Explain [  ] Not applicable [  ]

**Explanation:** At year-end, only the extraordinary variable remuneration linked to the IPO provides for payment in shares, but this is not a significant



percentage of the total variable remuneration. The company has just become a listed company but has a strong commitment to the progressive incorporation of best practices in this matter.

- 62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies  Complies partially  Explain  Not applicable

- 63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies  Complies partially  Explain  Not applicable

- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

For the purposes of this recommendation, 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 director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies  Complies partially  Explain  Not applicable



**Explanation:** The recommendation is complied with for all directors except for the Executive Director, as his contract provides for a termination indemnity equivalent to that provided for in labour legislation, as a consequence of his relationship with the company prior to his status as a director.

## **H. FURTHER INFORMATION OF INTEREST**

The company may also indicate whether it has voluntarily adhered to other international, sectoral or other codes of ethical principles or best practices. Where appropriate, the code concerned and the date of accession shall be identified. In particular, it shall mention whether it has adhered to the Code of Good Tax Practices of 20 July 2010.

Línea Directa Aseguradora formally adhered to the Code of Good Tax Practices on 29 June 2021.

-----  
This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on **17 February 2022**.

Indicate whether any directors voted against or abstained from voting on the approval of this report: **No**