



REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE ON ITS OPERATION IN 2021

Through this report, the Línea Directa Aseguradora Audit and Compliance Committee is providing a summary of the composition, operation and main actions of the Committee during 2021, pursuant to the following

Contents:

- 1. Origin**
- 2. Regulation**
- 3. Composition**
- 4. Functions**
- 5. Operation: Meetings and main actions in 2021**
- 6. Conclusions of the annual assessment**
- 7. Drafting and publication of this report**



1. Origin

Prior to the listing of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ('**Línea Directa Aseguradora**' or the '**Company**'), the Company already had an audit, internal control and regulatory compliance committee, with the composition and functions required for this type of body for entities of public interest.

With a view to the launch of the Company's trading on the Spanish stock market, Línea Directa Aseguradora Board of Directors took the necessary measures, in March 2021, to also incorporate into the composition and functions of that committee the regulations applicable to the Company in its capacity as a listed company and good corporate governance practices, adapting the Company's internal regulations.

The CNMV registered the prospectus for admission to trading of Línea Directa Aseguradora equities on 15 April 2021, on which date the new composition and regulation of the Company's **current Audit and Compliance Committee** came into force.

2. Regulation

In addition to the provisions of the Law, the Audit and Compliance Committee's internal regulation is included in the Articles of Association (Article 30) and the Regulations of the Board of Directors (Article 33).

The Articles of Association and the Regulations of the Board of Directors are registered in the Mercantile Registry of Madrid and are publicly accessible on the CNMV website and through the Company's website www.lineadirectaaseguradora.com

3. Composition

Article 33 of the Regulation of the Company's Board of Directors establishes that the Audit and Compliance Committee will consist of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors, who have the necessary dedication, capacity and experience to carry out their function. The same article establishes that the majority of the members of the Committee must be independent directors.

It also states that the members of the Audit and Compliance Committee as a whole, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

As regards its chairman, pursuant to the Regulation, the Board of Directors will appoint the Chairman of the Committee from among the independent directors who make it up. The Chairman of the Committee 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.

As of December 31, 2021, the composition of the Company's Audit and Compliance Committee is as follows:

Member	Position	Legal Category
Ana María Plaza Arregui	Chairwoman	Independent External
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary External
Elena Otero-Novas Miranda	Member	Independent External

Non-director Secretary of the Committee: Pablo González-Schwitters Grimaldo

In accordance with the Board Regulations, all members of the Audit and Compliance Committee for 2021 are external (non-executive), the majority of them independent, and have been appointed in view of their recognised personal and professional prestige and their experience and knowledge for the exercise of their functions.

The professional profiles of the current members of the Committee are available on the corporate website www.lineadirectaaseguradora.com.

In relation to the Chairwoman of the Audit and Compliance Committee, it is worth mentioning Ana María Plaza Arregui's profound knowledge and extensive professional experience in auditing, accounting and finance, as well as in the identification and control of financial and non-financial risk, and in regulatory compliance. She is currently also chairwoman of the audit committee for other companies, such as Renault Spain and Corporación Financiera Alba.

Her appointment as the Chairwoman of the Company's Audit and Compliance Committee took effect on 18 March 2021.

4. Functions

Article 33.5 of the Regulations of the Board of Directors attributes the following functions to the Audit and Compliance Committee:

- i** To report to the General Shareholders' Meeting, through its Chairperson, on the state of control of the Company and the Committee's activities during the financial year, and on any matters raised by shareholders at the meeting that fall under the Committee's jurisdiction.
- ii** 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 terms of contract, 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.

iii In relation to the external auditor:

- a) Examine, in the event of the resignation of the external auditor, the circumstances which may have led to it.
- b) Ensure the independence of the external auditor, and that the remuneration for their work does not compromise their quality nor independence.
- c) Supervise the Company's communicating to the CNMV the change of auditor and accompanying this with a statement about any existence of disagreements with the outgoing auditor and, if they are, of the content of the same.
- d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them of the work carried out and on the Company's latest accounting and risk situation.
- e) Monitor compliance with the audit contract, ensuring that the opinion on the financial statements and the main contents of the audit report are drafted clearly and accurately.
- f) 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.
- g) Establish and maintain appropriate relations with the external auditor to receive information on any issues that may pose a threat to their independence.
- h) Issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms.

iv Propose to the Board of Directors the approval of the Audit and Compliance Committee's annual report.

v 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.

vi Report to the Board of Directors, in advance, on all the matters provided for in the law, the bylaws and in these Regulations and, in particular, on: (i) The financial information that the Company must periodically make public, (ii) The creation or acquisition of shares in special purpose entities or domiciled in countries or territories that are considered tax havens and, (iii) Transactions with related parties.

vii Analyse the structural and corporate changes planned by the Company and then report to the Board based on the analysis of their economic conditions and accounting impact and, in general, where applicable, on the proposed swap ratio.



- viii** Serve 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.
- ix** Supervise the application of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.
- x** Inform 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.
- xi** Be familiar with reports on the Company issued by supervisory bodies.
- xii** 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, and oversee the Company's policy in relation to issue prospectuses and other forms of public information.
- xiii** Ensure that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.
- xiv** Oversee and promote compliance with the Company's Internal Code of Conduct in Securities Markets.
- xv** Supervise and promote compliance with the Company's Code of Ethics and Supplier Code of Conduct. It will also be aware of the reports and proposals submitted to it by these units and areas.
- xvi** Supervise the performance of the functions assigned to the Company's Regulatory Compliance Unit and the areas responsible for the protection of personal data and the internal codes of conduct of the Company, as well as supervising the operation and promoting the confidential reporting procedure by employees and other persons related to the company - such as directors, shareholders, suppliers, contractors or subcontractors - of potentially significant irregularities - including financial, accounting and other matters - related to the company they that they become aware of in the Company or its Group. Such a mechanism shall ensure confidentiality and, in any event, provide for situations in which reports may be made anonymously, respecting the rights of both the whistle-blower and the accused party.
- xvii** Receive information on disciplinary measures that may affect the Company's directors, as a result of employment misconduct or breaches of



internal codes of conduct, convey the relevant policies and instructions to the Company's competent bodies and in those cases which, in the Committee's judgment, are of particular importance, take the final decision.

xviii Guarantee the independence, autonomy and universality of the internal audit function, and propose its budgets. Propose the selection, appointment and removal of the head of the internal audit service, ensuring that his activity is mainly focused on material risks (including reputational risk) and receive periodic information about his activities verifying that senior management takes into account the conclusions and recommendations of his reports.

xix Supervise the activities of the Company's internal audit and, where appropriate, its subsidiaries, approve 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.

xx Supervise the development by the Company and, where appropriate, its subsidiaries, of the following functions: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) actuarial.

xxi Discuss with the external auditors any significant gaps that may have been detected in the risk management and internal control system during the course of the audit.

xxii Review the Company's general risk map and submit the corresponding proposals to the Board.

xxiii Oversee and guarantee that the internal audit and compliance functions have sufficient means and resources.

xxiv Report on the related party transactions of directors and significant shareholders, with the power, where appropriate, to authorise them in the terms set out in these Regulations.

xxv Approve or amend internal policies that relate to the functions and competences of the Audit and Compliance Committee and which in turn shall contain their functions or competences.

xxvi Be informed of the irregularities, breaches or material risks detected in the course of the control activities of the specific areas within its scope in the Company.

xxvii Review any other matter within its remit that may be given to it by the Board of Directors, the Chairman, the Vice-Chairman or the CEO.

xxviii Any other functions attributed to it by the Regulations or by the Board of Directors.

5. Operation: Meetings and main actions in 2021

As provided for in Article 33.6 of the Board's Regulations, the Audit and Compliance Committee will meet periodically according to needs and at least four times a year.

Since 18 March 2021, the date on which the Board of Directors agreed to appoint the current composition of the Audit and Compliance Committee with a view to the Company's listing, the Committee has met 10 times, with an attendance ratio of 99%.

The individualised attendance data is as follows:

Director	Attendance at meetings
Ana María Plaza Arregui	10/10
Alfonso Botín-Sanz de Sautuola y Naveda	9/10 Note: Mr Botín's failure to attend one of the meetings was due to complying with his duty not to participate in the Committee's report regarding a related transaction
Elena Otero-Novas Miranda	10/10

The most significant actions carried out by the Audit and Compliance Committee in 2021 were as follows:

(i) In relation to the external auditor

During 2021, the external auditors have been summoned and have attended the meetings of the Committee where they have been required to report on issues such as the review of the solvency and financial condition report (SFCR), the recommendations on internal control and risks, the review of the interim statements and the main conclusions of the audit of the annual accounts, both individual and consolidated.

Regarding the individual and consolidated annual accounts for the year ended 2021, at the Committee meeting of 15 February and the Board of Directors meeting of 17 February 2022, the external auditors presented an unqualified opinion.

Regarding the independence of the auditor, the Audit and Compliance Committee, at its meeting of 15 February 2022, issued a report expressing a favourable opinion on the independence of external auditors, pronouncing, among other aspects, on the provision of services in addition to audit services, concluding that there are no threats to the independence of the external auditor that have required the application of safeguard measures or that could be a cause for incompatibility. In addition, all the work has been previously authorised by the Committee.

At the same meeting on 15 February, the Committee proposed the re-election of PwC as auditors of the annual and consolidated accounts for the 2022 financial year, which will be submitted to the General Shareholders' Meeting.

The Committee has also agreed to approve the Policy for the Selection and Hiring of the Auditor and the Policy for the Contracting of Non-Audit Services by the External Auditor.

(ii) Economic and financial information

During 2021, the Audit Committee reviewed and, where appropriate, submitted to the Board for approval, after referral to the regulator and the market, the quarterly financial reports, the half-yearly consolidated financial statements with the interim consolidated management report, the individual and consolidated Annual Accounts with the annual management report, the dividend distribution proposal or the Solvency and Financial Condition Report.

(iii) In relation to internal audit

The Audit and Compliance Committee has supervised the actions carried out by the Internal Audit Department and, in particular:

- It has regularly monitored the degree of progress of the annual Internal Audit Plan 2021, analysing the status of ongoing audits and the progress of the proposed recommendations.
- It has reviewed the annual Internal Audit report for the year 2021, which includes the main actions carried out by Internal Audit, the audits performed, compliance with the Internal Audit Plan and monitoring of the proposed recommendations.
- It has approved the annual Internal Audit plan for 2022, which describes in detail the actions it plans to implement during the year, as well as its resources and budget.

Likewise, in accordance with the International Professional Practices Framework for Internal Audit and Solvency II, at the March and April 2021 meetings, the Committee reviewed and submitted for approval by the Board a new Internal Audit Policy and a Code of Ethics for the Internal Audit function.

(iv) Internal control and risk management

The Committee has supervised and monitored:

- The Risk Management and Internal Control report (quarterly and annual)
- Information on the IFRS, pursuant to the new Accounting Policies Manual and the financial reporting procedure approved by the Company.
- The reporting on the state of reserves and solvency.
- Risk Maps. In this regard, it should be noted that the Committee has also identified ESG (environmental, social and corporate governance) risks.

In addition, during 2021, the Own Risk and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (SFCR), the Regular Supervisory Report

(RSR) and the Quantitative Reporting Templates (QRTs) have been submitted to the Committee for review prior to their approval by the Board and their communication to the regulator.

(v) Regulatory Compliance

The Audit and Compliance Committee has supervised the actions reports submitted by the Company's Regulatory Compliance function every quarter, and monitored the Annual Compliance Plan. It has periodically reported on issues such as regulatory developments applicable to the Company or related to its areas of activity, the regulatory risk map, compliance with requirements for the outsourcing of services, the status of ongoing litigation or the regulator's information requirements.

Throughout 2021, the Committee has reviewed and submitted highly significant policies to the Board for approval, such as the Dividend Policy, the Investment Policy, the Internal Audit Policy, the Anti-Corruption Policy or the Internal Rules of Conduct in the Securities Markets.

(vi) Code of Ethics and Whistleblowing Channel

During 2021, the Audit and Compliance Committee has regularly monitored the level of compliance with the Group's Code of Ethics and the operation of the ethical channel. In the year ended, the Committee has, in fact, set up a new ethical channel on the basis of the Code of Ethics and the approved procedure for the operation of that channel.

(vii) The Actuarial Function

The Committee has supervised the management of the Actuarial Function, reviewed the action monitoring reports submitted by that function quarterly and annually and approved the methodology presented for calculating technical provisions.

(viii) Related-party Transactions

The Committee has reviewed and submitted a Related-party Transactions Policy, adapted to the new regulation on the subject in the Capital Companies Law, to the Board for approval. On the basis of this Policy, the Committee has issued fair and reasonableness reports for related-party transactions where these required pursuant to applicable regulations.

(ix) Other

Adherence to the Code of Good Tax Practices

In 2021, the Company has agreed to approve the Company's adherence to the Code of Good Tax Practices, approved by the Large Companies Forum according to the wording proposed by the State Tax Administration Agency (AEAT).



Reporting to the Board

The Committee has promptly informed the Board of Directors, through its Chairwoman, of the main matters addressed and has submitted the matters within its responsibility for approval.

6. Conclusions of the annual assessment

The Audit and Compliance Committee's self-assessment process was carried out during the months of December and January 2021-2022 and was based on the completion, by all its members, of a questionnaire that covered the general areas set out in Recommendation 36 of the Code of Good Governance. Specifically, the following matters have been analysed:

- i. Composition, size and structure.
- ii. Organisation and documentation of meetings.
- iii. Dynamics of meetings and internal climate.
- iv. Implementation of the Committee's functions.
- v. The Committee Chairwoman's performance.
- vi. Additional comments.

In general terms, the assessment of the Committee's operation has been very positive, highlighting its main strengths as its composition, the frequency and level of attendance at its meetings, the interaction of its members with members of the Management Committee, the content of the minutes and the good atmosphere at the meetings for working and discussion, as well as its Chairwoman's magnificent performance.

7. Drafting and publication of this report

The Audit and Compliance Committee drafts this report at its meeting of 15 February 2022 and submits it for the approval of the Board of Directors, which agrees to publish it on the corporate website in advance of the Ordinary General Shareholders Meeting, pursuant to Recommendation 6 of the Code of Good Governance.