



**linea directa**

## **REPORT BY THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE ON ITS FUNCTIONING IN 2021**

Through this report, the Línea Directa Aseguradora Appointments, Remuneration and Corporate Governance 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 (hereinafter, "**Línea Directa Aseguradora**" or the "**Company**"), the Company had an appointments and remuneration committee, with similar functions to those of the current committee in line with the EIOPA recommendations and Solvency II regulations.

With a view to the launch of the Company's trading on the Spanish stock market, the 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 delegation of powers related to the supervision of corporate governance and the monitoring of the Company's sustainability strategy and practices is worth particular mention, as described in the corresponding section of this Report.

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 Appointments, Remuneration and Corporate Governance Committee** came into force.

## 2. Regulation

In addition to the provisions of the Law, the Appointments, Remuneration and Corporate Governance Committee's internal regulation is included in the Articles of Association (Article 30) and the Regulations of the Board of Directors (Article 34).

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](http://www.lineadirectaaseguradora.com)

## 3. Composition

Article 34 of the Regulation of the Company's Board of Directors establishes that the Appointments, Remuneration and Corporate Governance 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 knowledge, skills and experience to carry out their function. The same article establishes that the majority of the members of the Committee must be independent directors.

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.



As of 31 December 2021, the composition of the Company's Appointments, Remuneration and Corporate Governance Committee was as follows:

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

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

Pursuant to the Board Regulations, in 2021 all members of the Appointments, Remuneration and Corporate Governance Committee were external (non-executive) and a majority of them were independent.

The professional profiles of the current members of the Committee are available on the corporate website [www.lineadirectaaseguradora.com](http://www.lineadirectaaseguradora.com).

Their appointments as members of the Company's Appointments, Remuneration and Corporate Governance Committee, as well as the position of Chairman, entered into force on 15 April 2021, following the registration of the prospectus by the CNMV.

#### **4. Functions**

Article 34.3 of the Regulations of the Board of Directors attributes the following functions to the Appointments, Remuneration and Corporate Governance Committee:

- i** Propose the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
- ii** Submit proposals to the Board of Directors on the appointment of independent directors by co-optation or the resolution of the General Shareholders' Meeting, as well as proposals for the re-election or separation of these directors by the General Shareholders' Meeting.
- iii** Ensure 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 they are included among the potential candidates to be members of that body.
- iv** Propose the appointment, re-election and removal of the Chairmen and members of the Board Committees.
- v** Assess the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors. To this effect, it will define the duties and abilities required by candidates to fill each vacancy and assess the



time and dedication needed for them to carry out their roles effectively, verifying that non-executive directors have sufficient time available for the proper performance of their duties.

**vi** Assess 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 inform the Board accordingly.

**vii** Establish a target for representation of the under-represented gender on the Board of Directors and draw up guidelines on how to reach that target.

**viii** Analyse on an annual basis the existence and updating of succession plans for the Chairman, and where applicable, the Vice-Chairman and the Chief Executive Officer, and to submit the outcome of that assessment to the Board of Directors so that the succession occurs in a planned and orderly manner.

**ix** Report on proposals for the appointment of the Company's other directors by co-optation or the resolution of the General Shareholders' Meeting, as well as those for the re-election or separation of these directors by the General Shareholders' Meeting.

**x** In accordance with the provisions of the General Shareholders' Meeting Regulations, report, where appropriate and through its Chairman, to the General Shareholders' Meeting, on the Committees' activities during the financial year, as well as on questions which shareholders may have raised, prior to it being held, on matters within the Committees' scope.

**xi** Report on the appointment and removal of directors or directors of subsidiaries or investees acting on behalf of or proposed by the Company.

**xii** Propose 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 make this advisable

**xiii** Report to the Board of Directors on the candidates for appointment as Patrons of the LINEA DIRECTA FOUNDATION, which the Company is responsible for.

**xiv** Propose 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, on an advisory basis.

**xv** Propose 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.

**xvi** Propose 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.

**xvii** The remuneration of identified staff who, while not members of senior management, carry out professional activities that could have a material impact on the Company's risk taking.

**xviii** Monitor the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.

**xix** Report on the approval and substantial amendment of the Company's general system of executive remuneration and the basic conditions of their contracts. It is also part of its functions to oversee the remuneration system of the executives in charge of the internal audit function, and the risk management and internal control, regulatory compliance verification and actuarial functions.

**xx** Review the remuneration programmes on a regular basis, evaluating their adaptiveness and performance and ensuring that directors' remuneration conforms to standards of moderation and corresponds to the Company's earnings.

**xxi** Ensure the transparency of remuneration and the inclusion in the notes to the financial statements and in all other annual reports that contain information on the remuneration of directors and senior managers, and, for such purposes, submit all applicable information to the Board.

**xxii** Report on incentive plans for executives or employees linked to the performance of the Company's share price or other variable indices and on the remuneration systems of the entity's management team based on group personal pension schemes or deferred remuneration systems where appropriate.

**xxiii** Supervise and review the Company's compliance system.

**xxiv** Ensure that potential conflicts of interest do not jeopardise the independence of any external advice provided to the Committee.

**xxv** Report on the Company's main corporate governance projects and regulations, prior to their approval by the Board of Directors.

**xxvi** Propose to the Board of Directors the approval of the Company's annual corporate governance report in the sections of its competence.

**xxvii** Oversee the Company's corporate governance with the aim of supervising compliance with the rules adopted by the Company and to guarantee the balance of power, the proper functioning of the Company's governing and management bodies, the independence of directors and the adaptation of the system to new rules and recommendations and to national and international best practices, ensuring that the corporate culture is aligned with the Company's mission and values.

**xxviii** Supervise and ensure that the conditions that ensure the effective independence of independent directors are maintained in substantive aspects



such as the attitude, capacity for discussion and effective participation of independent directors.

**xxix** Ensure that the climate of the Board of Directors and the relationships between directors encourage debate and the freedom of expression of all Board members, and that the Board meetings discuss and resolve matters by giving them the weight and depth they require.

**xxx** Ensure that the annual meetings schedule of the Board of Directors and its Committees includes the most important issues for the Company.

**xxxi** Propose to the Board of Directors any practices that it considers contribute to the development of the Company's Corporate Governance and advise the Chairman of the Board of Directors on this matter.

**xxxii** Monitor the Company's sustainability strategy and practices, assess its degree of compliance and review its sustainability policies, ensuring that they are aimed at value creation.

**xxxiii** Oversee that the Company's social and environmental practices are in line with the policies set.

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

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

## 5. Operation: Meetings and main actions in 2021

Pursuant to the provisions of Article 34.6 of the Board Regulations, the Appointments, Remuneration and Corporate Governance 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.

Since 18 March 2021, the date on which the Board of Directors agreed to appoint the current composition of the Appointments, Remuneration and Corporate Governance Committee with a view to the Company's listing, the Committee has met 5 times, with an attendance ratio of 100%.

The individualised attendance data is as follows:

Director	Attendance at meetings
John de Zulueta Greenebaum	5/5
Alfonso Botín-Sanz de Sautuola y Naveda	5/5
Rita Estévez Luaña	5/5



The most significant actions carried out by the Appointments, Remuneration and Corporate Governance Committee in 2021 were as follows:

**(i) Director appointment and Selection policy**

At the meeting held in March 2021, the Company's Appointments and Remuneration Committee assessed the knowledge, skills and specific functions, experience and merits, as well as skills and honourability, of the candidates for the position of director at the listed Company, with assistance from an independent advisor.

Based on this assessment, the Committee submitted the proposal for the appointment of three independent directors to the Board of Directors and reported favourably on the appointment of two proprietary directors and one executive director.

The Committee also reported favourably on the approval by the Board of directors of the **Selection and Succession Policy for the members of the Board of Directors**. The aim of this Policy is to ensure that the composition of the administrative body ensures a healthy diversity of opinions, perspectives, skills, experiences and backgrounds, having analysed the needs of the Company.

In line with the Policy, 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.

At its meeting in April 2021, the Company's Appointments, Remuneration and Corporate Governance Committee, following the listing of the Company, ratified all the resolutions adopted by the Committee at the aforementioned meeting in March.

**(ii) Remuneration of directors**

At its meeting in March 2021, the Company's Appointments and Remuneration Committee reported favourably on the **Directors' Remuneration Policy** applicable to the members of the Board since its listing, for its proposal to the Board of Directors and approval by the General Shareholders' Meeting. This Policy includes, in addition to other factors, the principles and components of remuneration for executive and external directors, as well as the maximum amount of remuneration that the Company can pay to all its directors in their capacity as such.

This Remuneration Policy already included many of the factors introduced into the Corporate Enterprises Act by Law 5/2021.

Furthermore, the Committee agreed to report favourably to the Board of Directors on the proposal to establish an **extraordinary share-based variable remuneration plan** linked to the listing of the Company's shares for the members of the Company's management team and the CEO, which was also approved by the General Shareholders' Meeting.





Similarly, at the start of 2022, the Committee assessed compliance with the objectives established in 2021 as regards the variable remuneration of the executive director and defined the objectives for annual variable remuneration in 2022.

**(iii) Remuneration of the Management Committee and the Identified Group**

Prior to the listing of the Company, the Appointments and Remuneration Committee defined the remuneration for management and the risk management and internal control functions, verifying regulatory and actuarial compliance in 2021 and the remuneration of the Head of Internal Audit in 2021.

Following the Company's listing, the Appointments, Remuneration and Corporate Governance Committee monitored the remuneration structure applicable to these groups, assessing compliance with the objectives set in relation to variable remuneration and proposing the objectives for 2022.

**(iv) Contractual conditions of the Executive Director**

At its meeting in April 2021, the Committee reported favourably on, and submitted to the Board, the proposal to amend the executive director's contract to include good governance clauses, such as the "malus" and "clawback" clauses as regards variable remuneration, or the 3-year holding period for the shares received, where applicable, as remuneration.

**(v) As regards the workforce**

The Committee has been informed about very relevant aspects related to the Company's staff, such as the monitoring of the workforce's general remuneration structure or the outcome of the 2021 work environment survey.

**(vi) Corporate governance**

In 2021, the Committee approved the Company's Corporate Governance Policy with a view to setting out the general principles governing the specific corporate policies approved by the Company's Board of Directors and the internal rules and procedures on corporate governance that make up the Group's internal corporate governance framework. It also defines the corporate and governance structure of the Línea Directa Group, including the guiding principles, the corporate bodies that make up the group and their terms of reference, all based on and further to applicable law and regulations and best corporate governance practices.

At the start of 2022, the Committee reported favourably on the 2021 annual corporate governance and the 2021 directors' remuneration reports to be made available to shareholders at the next General Shareholders' Meeting.

**(vii) Sustainability**

Throughout 2021, the Committee monitored the process being made with the preparation of the 2021 Non-Financial Information Statement, published in 2022, including the review of issues such as the international reporting standard to be





used or the method for calculating the main indicators. It also monitored the degree of compliance with the goals set out in the Sustainability Plan.

**(viii) Assessment of the Board and the Committee**

The Committee has prepared the relevant reports required by Law and in the Code of Good Governance as regards the assessment of its performance and that of the Board. The procedure and results are described in point 6 of this Report.

**(ix) Proxy advisors**

The Committee has followed up on the first meetings held by the Company following its listing, with the proxy advisors, with a view to explaining the Company's corporate governance system and identifying its recommendations and expectations to this end.

**(x) Reporting to the Board**

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

**6. Conclusions of the annual assessment**

The Appointments, Remuneration and Corporate Governance 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. Performance of the Committee Chairwoman.
- vi. Additional comments.

In general terms, the assessment of the Committee's operation has been very positive, highlighting its main strengths as the appropriate working climate that encourages debate at meetings and provides for a deep and adequate treatment of the issues on the agenda, using the time spent efficiently, with 100% attendance at its meetings, as well as the performance of its Chairman.



## **7. Drafting and publication of this report**

The Appointments, Remuneration and Corporate Governance 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 Meeting, pursuant to Recommendation 6 of the Code of Good Governance.