

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



**linea directa**

**Related-Party Transactions Policy**

**20 July 2021**



Important information about this document	
Name of Policy	Related-Party Transactions Policy
Related section of Línea Directa Group's Code of Ethics	Not applicable.
Related portions of other policies	Not applicable.
Rules and standards superseded	-
Rules and standards repealed	-
Related rules and standards	The Corporate Enterprises Act
Business unit or function affected	
Personnel affected	Línea Directa Group
Main person responsible for monitoring	Corporate governance
Approved on	20 July 2021
Effective from	20 July 2021
Version	1.0
Created by	Corporate governance
Approved by	Board of directors

\*This document is a translation of the Spanish version of the Policy. In case of inconsistencies between both documents, the Spanish Version will prevail.



## 1. Introduction and Purpose

The transposition into Spanish law, in 2021, of the European Directive regarding promotion of the long-term involvement of shareholders in listed companies has resulted in the amending of the Corporate Enterprises Act (LSC [Ley de Sociedades de Capital]). Among other issues, a new commercial regime for **the approval and publication of related-party transactions has been** established, which is governed by Chapter VII bis of Title XIV of that Act.

In order to establish the procedures necessary to ensure the application of such regulations to Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (“**Línea Directa**” or the “**Company**”) and its group of companies (the “**Group**”), Línea Directa's Board of Directors, within the framework of its non-delegable competence to determine the policies and strategies of the Company, approves this Related Party Transactions Policy (the “**Policy**”).

In this way, this Policy aims to describe the rules to be followed for transactions which the Company, or any of the companies in the Línea Directa Insurance Companies Group, carry out with Related Parties as defined below.

The provisions of this Policy shall be without prejudice to the legal provisions which are in force at any given time.



## 2. Scope. Definition of related transactions and related parties

For the purposes of the provisions of this Policy, **Related Transactions** are those transactions carried out by the Company or the companies of its Group with the following **Related Parties**:

- i. directors,
- ii. shareholders holding 10% or more of the voting rights,
- iii. shareholders represented on the company's board of directors, or
- iv. Any other individuals or legal entities which are considered to be related parties under international accounting standards adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002 on the application of international accounting standards.<sup>1</sup>

As **exceptions**, the following shall not be regarded as related-party transactions:

- a) Transactions carried out, directly or indirectly, between the Company and its wholly owned subsidiaries.<sup>2</sup>
- b) Transactions between the Company and its subsidiaries or investees, provided that no other party which is related to the Company has an interest in such subsidiaries or investees.
- c) The approval by the board of the terms and conditions of the contract to be signed between the company and any director who will act as an executive, including the managing director, or senior managers, as well as the board establishing the

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### 1 IFRS 24 of Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain International Accounting Standards in accordance with European Parliament and Council Regulation (EC) No 1606/2002:

A party will be considered to be a related party if that party: **a)** directly, or indirectly through one or more intermediaries: i) controls, is controlled by, or is under joint control of, the entity (this includes parent companies, subsidiaries and other subsidiaries of the same parent company), ii) has an interest in the entity which provides it significant influence over it, or iii) has joint control over the entity; **b)** is an associate (as defined in IAS 28 Investments in Associates) of the entity; **c)** is a joint venture, where the entity is one of the participants (see IAS 31 Interests in joint ventures); **d)** has management of the entity or its parent company among its key personnel; **e)** is a close relative of an individual fitting the circumstances of a) or d); **f)** is an entity over which any of the individuals fitting the circumstances of d) or e) exercises control, joint control or significant influence, or has, directly or indirectly, significant voting power, or **g)** is a retirement benefit plan for workers, whether or not a portion of the entity itself or of any other which is a related party of it.

<sup>2</sup>Without prejudice to the provisions of Article 231 bis of the LSC regarding conflicts of interest in intra-group transactions.

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amounts or specific remuneration to pay by virtue of said contracts, without prejudice to the affected director's duty of abstention.

### 3. Procedure for the approval of related-party transactions

In general, the approval of the Company's Related-Party Transactions will correspond to the General Shareholders' Meeting or the Board of Directors, in accordance with the following rules:

- The Línea Directa **General Shareholders' Meeting** is the competent body with respect to the approval of Related Transactions for amounts **equal to or more than 10% of the total assets** in accordance with the Company's most recent annual balance sheet.

When the General Meeting is asked to approve or disapprove a related transaction, the affected shareholder will be deprived of the right to vote, except in cases where the proposed resolution has been approved by the board of directors without a vote in opposition to the majority of the independent directors<sup>3</sup>.

The approval of the Related Transaction by the General Meeting must be subject to a prior **report from the Audit and Compliance Committee**. In its report, the Commission shall:

- Assess whether the transaction is fair and reasonable from the point of view of the Company and, as applicable, of the shareholders other than the related party, and
- Provide a description of the assumptions that the assessment is based upon and the methods used.

The affected directors may not participate in the report's preparation.

- The Línea Directa **Board of Directors** is the competent body for the approving of the remainder of the Related Transactions.

The affected director shall abstain from attending the corresponding deliberations and from voting.

The approval of the Related Transaction by the Board of Directors must be the subject of a **prior report by the Audit and Compliance Committee**. In its report, the Commission shall:

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<sup>3</sup>However, as appropriate, the reversal of the burden of proof rule which is provided for in Article 190.3 of the LSC will be applicable.

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- Assess whether the transaction is fair and reasonable from the point of view of the Company and, as applicable, of the shareholders other than the related party, and
- Provide a description of the assumptions that the assessment is based upon and the methods used.

The affected directors may not participate in the report's preparation.

- However, **the Company's Board of Directors may delegate** the approving of the following Related Party Transactions to the Managing Director:
  - i) transactions between companies forming part of the same group which are carried out under the scope of day-to-day management and under market conditions;
  - ii) transactions which are agreed to:
    - ✓ under contracts with standardised terms and conditions which apply to a large number of customers,
    - ✓ are performed at prices or rates generally established by the party acting as supplier of the goods or service concerned, and
    - ✓ the amount of which does not exceed 0.5% of the company's net turnover.

The approval of these related-party transactions on a delegated basis does not require a prior report from the Audit and Compliance Committee. However, in order to establish an **internal information and periodic control procedure**, the Audit and Compliance Committee **will verify the fairness and transparency** of said transactions approved in delegated manner with the periodicity indicated in said procedure. During that meeting, the Committee will also verify compliance with the legal criteria applicable to the above exceptions and will report to the Board of Directors during its immediately subsequent meeting.

- Material alteration of the scope or price of a Related Transaction previously approved by the corresponding body or material modification of its duration or of any of the other essential conditions will need to be re-approved by the same body, except when the modification to the Related Transaction had already been taken into account at the time of its initial approval or is merely an administrative act.



## 4. Publication of related party transaction information

Línea Directa will publish on its corporate website, and will provide the National Securities Market Commission (CNMV [Comisión Nacional del Mercado de Valores]) notification for public dissemination, no later than the time of its execution, corresponding to Related Transactions carried out by this or companies of its Group and that meet or exceed:

- a) 5% of total assets, or
- b) 2.5% of the annual amount of annual turnover.

Hereinafter the “**Announcement**”.

In the event that, in accordance with the provisions of section 3 of this Policy, the body with competency for the Related Transaction is of the Company's Shareholders' Meeting or the Board of Directors Meeting, the Announcement referred to in the previous paragraph shall be accompanied by a **report by the Audit and Compliance Committee and shall** include, as a minimum, the following information:

- a) Information about the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and value or amount of the transaction's consideration
- d) Other information necessary to assess whether this is fair and reasonable from the point of view of the Company and of its shareholders which are not related parties.

## 5. Intra-group transactions subject to conflict of interest

Intra-group transactions are **subject to a conflict of interest** when, within the dependent company, a significant shareholder is a person with whom the Company could not carry out the transaction directly without applying the transactions with related parties regimen. For clarification purposes, there is no conflict of interest in transactions between subsidiaries 100% owned by Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros.

In these cases of intra-group transactions that are subject to a conflict of interest, the following approval system shall apply:

- Approval for it shall be provided by the **General Meeting when the business or transaction in which it** consists, by its very nature, is legally reserved to the competence of this body and, in any case, when the amount or value of the
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transaction or the total amount of all the transactions provided for in an agreement or framework contract is greater than 10% of the company's total assets.

- In the remainder of cases, approval will be provided by the **Board of Directors**. Such approval may be made with the participation of the directors who are related to and represent the dominant company, in which case, if the decision or vote of such directors is decisive for the approval, it will be the responsibility of the company and, as applicable, the directors affected by the conflict of interest, to prove that the agreement is in accordance with the company's purpose if it is challenged and that they used diligence and loyalty in the event that liability is sought.

However, it may be delegated by the administrative body to **delegated bodies or members of senior management** provided that they are transactions which are carried out in the ordinary course of business activity, to include those which arise from the execution of an agreement or framework contract, and that they are executed under market conditions. The administrative body shall establish an internal procedure for the periodic assessment of compliance with the requirements noted above.

## 6. Rules for calculating related transactions

For the purposes of this Policy, the following rules for the calculation will be followed:

- Related-party transactions which have been entered into with the same counterparty during the most recent twelve months will be aggregated in order to establish the total value.
- References made in this Policy to total assets or annual turnover items correspond to the values noted in the most recent consolidated annual financial statements or, failing that, to the listed company's most recent individual annual financial statements as approved by the General Meeting.

## 7. Approval, Review and Oversight of This Policy

The Board of Directors is responsible for approving or amending this Policy, in response to suggestions by Línea Directa's Audit and Compliance Committee, this Committee being responsible for the oversight of its application and compliance.