

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



**Corporate Governance Policy**



Important information about this document	
Name of Policy	
Related section of Línea Directa Group's Code of Ethics	16 (Commitment to the law)
Related sections of other policies	-
Rules and standards superseded	-
Rules and standards repealed	-
Related rules and standards	
Business unit or function affected	Board of Directors, Corporate Governance department
Personnel affected	All Línea Directa Aseguradora Group employees
Main person responsible for monitoring	Head of Corporate Governance
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## 1. Subject matter

This Corporate Governance Policy sets out the general principles governing the specific corporate policies approved by the Board of Directors of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the "**Company**" or "**Línea Directa**") and the internal rules and procedures on corporate governance that set 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 constitute the group and their terms of reference, all based on and further to applicable law and regulations and best corporate governance practices.

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## 2. General principles

Línea Directa's Corporate Governance Policy is rooted in the Company's own corporate values, which express its commitment to corporate governance, business ethics and sustainability. It is also founded on best practices of good governance, both national and international, especially the recommendations contained in the Code of Good Governance for listed companies approved by the Spanish National Securities Market Commission ("CNMV").

These principles guide the actions of the Board of Directors, its committees and the other corporate bodies in their relations with shareholders, investors, customers, suppliers and other stakeholders.

Thus, the Company's actions in the realm of corporate governance are based on the following principles:

### **A) Transparency**

In accordance with this principle, the Company shall:

- i) Communicate to shareholders and the market in general any and all information that may be of interest to them in relation to the Company and its share price, in accordance with the principles of transparency and truthfulness of information.
- ii) Have suitable channels in place to ensure the right of shareholders and other stakeholders to access information and communicate with the Company.

### **B) Ensure the informed participation of shareholders and ensure non-discriminatory treatment** by protecting and facilitating the exercise of their rights.

### **C) Ensure that the size of the Línea Directa Group and of the bodies that govern and oversee the individual companies and the wider group is sufficient to achieve efficient operation.** This scaling will be commensurate to the nature of the businesses and markets in which the various companies of the Línea Directa Group operate, with the aim of enabling the Board of Directors of the parent company and of each of the subsidiaries to monitor and manage the risks to which the Company and its Group are exposed.

### **D) Ensure that, in accordance with recommendations and best practices, the Línea Directa Group has sound corporate governance procedures** and a clear organisational structure, with well-defined, transparent and coherent lines of responsibility, all under non-complex structures and with efficient lines of communication.

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- E) Establish the necessary mechanisms and instruments to ensure that the Company is able to identify, analyse and, as the case may be, adopt best practices, principles and recommendations, both national and international, in matters of sustainability.**
- F) Have the necessary mechanisms and procedures in place to prevent, identify and resolve conflicts of interest.**
- G) Ensure the existence of suitable procedures for the selection of directors so as to guarantee a reasonable balance and diversity within the Board of Directors so that it may fulfil its mission.**
- H) Ensure the quality and efficiency of the functioning and performance of the Board of Directors and its committees by conducting an annual evaluation process.**
- I) Ensure the suitability, standing, professionalism and independence of judgement of the members of the Board of Directors and the management team, while also ensuring compliance with internal and external regulations on market abuse, especially the Línea Directa Group's Internal Code of Conduct on Matters Relating to the Securities Markets.**
- J) Ensure the orderly succession of the Chairman of the Board and of the executive members of the Board, so as to ensure the continuity and sustainability of both the Company and its Group.**
- K) Establish a system of remuneration for directors commensurate to the importance, complexity and volume of the Group's activities, its financial position and solvency and the market standards of peer companies.**
- L) Pursue a tax strategy based on a reasonable and responsible interpretation of prevailing accounting and tax law and regulations and compliance with those rules across all jurisdictions in which the Group does business and settling all taxes payable in due course.**
- M) Disseminate the principles and values set out in this Policy and in the other internal rules of Línea Directa, both internally among Group companies and externally among all its stakeholders.**

To ensure compliance with this principle, Línea Directa shall have a body of regulations according to the following categories:

- i) **Codes/Rules of Conduct:** there to implement the corporate values that make up the culture of the Línea Directa Group, thus guaranteeing responsible and ethical behaviour by employees, managers and governing bodies. Examples include the Code of Ethics, Ethics Channel Procedure, Supplier Code of

Conduct and the Internal Code of Conduct on Matters Relating to the Securities Markets.

- ii) **Terms of reference of the corporate bodies:** collection of rules and regulations comprising the Company's system of governance. This category includes the Bylaws, the Regulations of the General Shareholders' Meeting, the Regulations of the Board of Directors, and so on.
- iii) **Policies:** high-level internal rules that must be approved by the Board or its delegated or supervisory committees, or policies required by applicable regulations or deemed desirable due to a best practice recommendation. The term "Policy" is reserved for those documents that must be approved by the Board of Directors or at the General Shareholders' Meeting.
- iv) **Other internal rules and regulations:** collection of rules regulating the core activities and functions carried out at the different departments and areas of the organisation. They contain principles and guidelines of conduct that must be observed by employees, thus steering their actions and decision-making processes. These internal rules may explain how applicable law or regulations should be implemented within the Company or respond to specific processes. Corporate Governance should be consulted as to whether approval by the Chief Executive Officer, or only by the heads of department/area affected by the document, is required. They may be known as manuals, handbooks, procedures, instructions or protocols.

### 3. Group Corporate Governance Framework

#### 3.1. Internal rules and regulations on corporate governance

The Group's internal corporate governance framework consists of the following rules and regulations:

- i) The Bylaws, as the essential framework governing the functioning and organisation of the Company and its governing bodies.
- ii) The Regulations of the General Shareholders' Meeting set out the legal and bylaw-mandated precepts to ensure the proper functioning of the General Shareholders' Meeting and the exercise of shareholder rights at the meeting.
- iii) The Regulations of the Board of Directors, which sets out the principles of action of the Board and its committees, the basic rules of its organisation and functioning and the rules of conduct of its members, based on applicable law and the Bylaws.

- iv) Policies, which establish the criteria that must govern all Company decisions in its different spheres of action. Policies are approved by the Board in accordance with applicable regulations.
- v) Any other internal regulations that the Board deems necessary to ensure the proper functioning of the Company and its Group.

The Policies and procedures described above shall be periodically reviewed and updated to bring them into line with best corporate governance practices and, in any event, when regulatory changes so require. They shall also be included in a map of internal regulations to be made available to the Board.

### **3.2. Approval and oversight of the Group's corporate governance framework**

The Board of Directors has the non-delegable power to determine the corporate governance policy of Línea Directa and the Group of which it is the parent, as well as its structure and the principles of its organisation and operation.

The Board exercises this power to achieve the following key objectives: i) promote proper ethics and values across the organisation; and ii) ensure effective management and accountability in the realm of corporate governance when carrying on the business activities of the Company and its Group.

The Board of Directors is also responsible for ensuring compliance with corporate governance policies and rules.

The Board exercises this function through the Appointments, Remuneration and Corporate Governance Committee, whose remit includes supervising compliance with the policies and procedures adopted by the Company's Board of Directors so as to ensure a suitable balance of powers, the proper functioning of the Company's administrative and management bodies, the independence of the directors and the adaptation of the corporate governance system of the Company and its Group to applicable law and regulations and to national and international recommendations and best practices.

## **4. Definition of the corporate and governance structure of the Línea Directa Group**

### **4.1. Internal corporate structure of Línea Directa**

Línea Directa's internal corporate structure shall respond to the principles of efficiency, agility and coordination and shall comprise the following bodies and units:

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**i) Corporate bodies**

- General Shareholders' Meeting
- Board of Directors and its committees, in accordance with the Bylaws and the Regulations of the Board of Directors.
- Non-executive Chairman, who is responsible for convening and chairing board meetings, chairing General Shareholders' Meetings and exercising any other powers vested in him or her by virtue of the Bylaws or the Regulations of the Board of Directors.
- Chief Executive Officer, who is tasked with the day-to-day management of the Company and with pursuing its business strategy. In discharging his or her duties, the Chief Executive Officer shall rely on the Management Team and shall define the structure he or she considers most appropriate in each case. The CEO shall report to the Board —through the Appointments, Remuneration and Corporate Governance Committee— on that corporate structure and on any changes he or she may agree to make.
- Secretary of the Board, who shall also be secretary of its committees, and who is responsible for ensuring that the actions of the Board of Directors comply with applicable law and regulations and with the Bylaws and other internal regulations.

**ii) Management Committee**

Composed of the members of the Management Team as determined by the Chief Executive Officer, who shall chair the committee. Among other functions, the committee is responsible for organising and monitoring the general management guidelines and strategic planning of the businesses managed by the subsidiaries, in accordance with the Group's business model.

The composition of the Management Committee shall be published on the Company's corporate website and regularly updated, including a description of the expertise and experience of each of its members.

The Management Committee is tasked with transmitting the guidelines and instructions prescribed by the Board of Directors across the rest of the organisation, involving as many areas and resources as necessary and making internal communications as necessary to ensure that all such guidelines and instructions are known and observed by all.

**iii) Internal committees**

Línea Directa may set up any internal committees it deems necessary and it shall invariably have those committees required by applicable regulations.

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The Board shall be informed of the structure, composition and functions of these internal committees on an annual basis. It shall also hear about the creation and characteristics of any new committees.

- iv) **Area Divisions**, which are responsible for the day-to-day management of the various branches of activity, business lines and horizontal competencies.
- v) **General Secretary's Office**, which functionally integrates the departments of Regulatory and Corporate Governance, Legal Advisory, Tax Advisory, Legal Defence, Data Protection Office. The head of the General Secretary's Office of Línea Directa also acts as Secretary to the Company's Board of Directors, whose mission is to work alongside the Chairman of the Board in organising meetings and ensuring that proper procedure is followed, as well as compliance with established regulations, all while providing legal counsel to the Board with the support of the Compliance Function. Likewise, the General Secretary at the Parent assumes the corporate functions of the secretary's offices attached to the governing bodies of the Group's subsidiaries.
- vi) **Control units:**
  - The **Internal Audit Department**, which reports functionally to the Audit and Compliance Committee and is administratively attached to the Chairman of the Board of Directors, is responsible for assessing compliance with the policies approved by the Board and reviewing the effective implementation and efficiency of the relevant procedures, all while maintaining independence of judgement in discharging its duties. Its process review and evaluation activities are incorporated into its audit plans and standard procedures.
  - The **Regulatory Compliance** function
  - The **Risk Management and Internal Control** Function
  - The **Actuarial** Function
  - The **corporate Data Protection Officer**, responsible for ensuring compliance with applicable regulations on privacy and protection of personal data of customers, shareholders and employees.

## 4.2. Corporate structure and corporate governance at the Línea Directa Group

The Group's corporate structure, which forms an essential part of the corporate governance system, comprises:

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- i) **Línea Directa Aseguradora, S.A, Compañía de Seguros y Reaseguros**, the parent company and holder of the stakes in the Group companies (the “Parent”).
- ii) **The Group companies**, which carry out different business activities, though all related to the corporate purposes of Línea Directa.

To facilitate the orderly exercise of the duties and functions inherent to its status as Parent of a group of companies, the Board of Directors of Línea Directa shall establish the appropriate rules and guidelines to ensure the necessary exchange of information for the strategic coordination of the activities carried out by the various Group companies, without this undermining the decision-making autonomy of each such company and the requirements imposed on their directors and on the Company by law, as well as those arising from the corporate governance system, in the interest of all Group companies.

The Group's corporate and governance structure should allow for an overall integration of the businesses in accordance with the Group's business model, which is geared towards maximising the operating efficiency of the various business units and ensures the dissemination, implementation and monitoring of the general business strategy and the basic management guidelines established for each of the businesses, mainly through the exchange of best practices among the various Group companies and without compromising or impairing the decision-making autonomy of each of company.

The specific structure of the Línea Directa Group shall be reported to the Board of Directors of the Parent at least once a year and will be regularly updated on the corporate website.

#### **4.2.1. Uniformity in applying the principles of corporate governance within the Línea Directa Group**

The principles governing the internal rules of Línea Directa, particularly those related to the corporate governance of the Company, shall also apply, where appropriate, to the companies of its Group so as to ensure an adequate and common framework of corporate governance across the entire Group.

Therefore, the corporate governance principles set out in this Policy shall apply at the companies composing the Línea Directa Group in accordance with the following basic principles:

- i. The Board of Directors of Línea Directa, when determining the policies, general strategies and basic guidelines on corporate governance, shall take due account of the Group's structure as described in this Policy.

- ii. The Board of Directors of Línea Directa will be the body responsible for preventing and resolving any conflicts of interest that may arise between the various companies composing the Línea Directa Group.
- iii. The functional configuration of the governing bodies of the Group companies shall comply with the principles of effectiveness, coordination and efficiency.

#### **4.2.2. Governing bodies and composition of Group companies**

Group companies are organised through their respective management bodies, either boards of directors or sole directors, or other legal forms, depending on the complexity and volume of their activities and applicable law and regulations.

Directors or members of the boards of directors of the subsidiaries should ideally be appointed from among the members of the Board of the Parent, its Senior Management or its employees who possess appropriate qualifications and hierarchical position to perform the management and supervisory functions entrusted to them. This structure is there to facilitate an agile and rapid day-to-day management decision-making process, while at the same time ensuring adequate coordination across the Group.

#### **4.2.3. Distribution of powers and competencies with respect to subsidiaries within the Línea Directa Group**

Based on the corporate structure described in the previous section, the Group's governance model is defined on the following bases, which duly discriminate between, on the one side, the functions of ordinary management and effective management and, on the other, those relating to supervision and control:

- i. The **Board of Directors of Línea Directa** is responsible for:
  - ✓ Establishing the Group's policies and strategies and the basic rules and procedures for their proper management. It is also tasked with the overall supervision of the effective implementation of such policies, strategies and guidelines, and of decisions on matters of strategic importance to the Group.
  - ✓ Periodically evaluating and, where appropriate, reviewing the corporate and governance structure and the business model of the Group, in order to adapt them at all times to the Group's requirements and best interests, and while respecting at all times prevailing law and the corporate governance framework.
  - ✓ Adapting the Group's structure accordingly to meet the relevant legal requirements in the jurisdictions in which it operates and, in particular,

with regard to the regime governing the due separation of regulated activities in each jurisdiction.

- ✓ Determining the location of the headquarters of the parent company and of the other Group companies according to the corporate interest and making the corresponding decisions or, as the case may be, submitting them to the General Shareholders' Meeting for adoption there.
- ✓ Regulating, analysing and deciding on possible conflicts of interest and related transactions between Línea Directa Group companies, especially those involving listed subsidiaries.
- ✓ Ensuring that the interests of Group companies which have external shareholders are reconciled with the Group's policies and strategies.
- ✓ Deploying appropriate strategic coordination mechanisms to best serve the interests of the Parent and the other Group companies, in accordance with the Group's business model.
- ✓ With respect to investees that are not part of the Group, the Board of Directors, in defining the Group's overall strategy, shall respect any specific regulations to which those companies may be subject by reason of their status as regulated or listed companies, their nationality, the jurisdictions in which they operate, or any other circumstances that may affect them.

ii. The **executive directors of the Parent** are entrusted with the organisation and strategic coordination of the Group through the dissemination, implementation and monitoring of the general strategy and basic management guidelines established by the Board of Directors.

iii. The **governing bodies of the subsidiaries** are entrusted with the day-to-day management and supervision of their activities and shall have the necessary autonomy to carry out such duties within the framework of the policies, strategies and basic guidelines prescribed by the Parent.

#### 4.2.4. Human and material resources

Línea Directa's subsidiaries will have their own human and material resources when this is necessary for the fulfilment of their corporate purpose.

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## 5. Monitoring, review and dissemination of this Policy

The Board of Directors, acting through the Appointments, Remuneration and Corporate Governance Committee and with the involvement, where appropriate, of the specialised Board committees on matters that fall within their respective remits, shall be the competent body for supervising the effective application of this Policy, periodically assessing its effectiveness and taking action to remedy any deficiencies and make any amendments it deems appropriate.

The corporate governance framework will be suitably discussed in the Annual Corporate Governance Report, in accordance with applicable regulations, without prejudice to any other means of dissemination to shareholders and markets as may be agreed by the Board of Directors.

This Corporate Governance Policy will be published on the Company's corporate website.