

At Línea Directa, materiality refers to those environmental, social and governance (ESG) aspects that have a positive or negative impact on the company and its stakeholders. As such, it serves as a basis for its sustainability strategy, identifying the issues that deserve greater attention in its management and reporting. Materiality is a tool that facilitates strategic decision-making to create value for the company, its stakeholders and society in general.

## Materiality analysis: methodology.

The Línea Directa Group carries out a materiality analysis every 3 years to identify the main environmental, social and governance aspects to which it has to respond with its Sustainability Plan, which is triennial in nature. From 2024 onwards, Línea Directa Group will review annually the double materiality, which will be carried out in accordance with the Corporate Sustainability Reporting Directive from the European Union and that includes impacts materiality and financial materiality.

- **Identification of a tentative list of material issues**

In order to carry out the assessment of material issues, a wide range of tentative issues are identified through the analysis of trends and good practices promoted by international organisations, regulatory developments and the ESG orientation of the main institutions and administrations in the context in which the company operates, including the most relevant environmental, social and governance interests in society.

- **Stakeholder identification and weighting**

Stakeholders are defined as those groups whose needs, interests or expectations directly or indirectly affect or are affected by the development of the company's activity and, therefore, have the capacity to directly or indirectly influence the development of its strategy.

For the materiality analysis carried out in 2023 for the 2023-2025 Sustainability Plan, employees were identified as internal stakeholders, recognising subgroups according to the degree of influence they may have on the definition and implementation of the strategy. They were grouped as follows:

- Management Team and CEO - Middle Management - Sustainability Working Group.

In parallel, external stakeholders were identified:

- Investors - Customers - Suppliers.

- **Interviews and surveys**

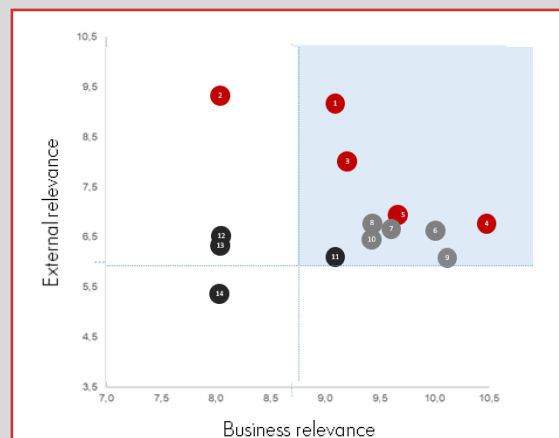
After identifying the tentative material issues and the stakeholders to be consulted, surveys were launched among customers, suppliers and investors asking them to rank and prioritise the issues they considered most important, as well as the degree of perception of the company's management of these issues. In addition, internal interviews were conducted among the groups identified above.

## Materiality matrix

In the materiality analysis, Línea Directa Group has compiled the importance of each of the material issues based on the trends, requirements and materiality of the Sustainability Plan for the stakeholders. As it results, material issues are prioritized in a materiality matrix.

The Plan's materiality matrix was built from two axes:

- **Business relevance:** impact of the issues on the achievement of the Company's strategic objectives, weighing the opinion of the Management Committee.
- **External relevance:** importance of the issues according to the expectations of the stakeholders, the context and trends that may affect the Company, the non-financial reporting standards and the requirements of analysts and investors.



The Board of Directors, with the support of the Appointments, Remuneration and Corporate Governance Committee, which is entrusted with sustainability matters, is the body responsible for approving the materiality issues identified that supports the Sustainability Master Plans.

The new materiality approved in 2023 was verified in the scope of the next integrated nonfinancial reporting.

Línea Directa reinforces its Corporate Governance model and develops an ESG risk map based on the company's materiality analysis and has an ethics channel and a Human Rights Due Diligence procedure.

1. Fight against climate change, and decarbonisation
2. Responsible investment
3. Diversity and equality
4. Sustainable products: mobility, home and health
5. Ethics, compliance and risk management
6. Information security
7. Quality and customer satisfaction
8. Health, safety and wellbeing of professionals
9. Attraction and loyalty of the best talent
10. Digitalisation
11. Responsible supply chain
12. Transparency and dialogue with stakeholders
13. Environmental management and responsible consumption
14. Social contribution

## Integrating ESG material issues into the ESG risk map

The material issues identified by the company in the double analysis of the dialogue and listening conducted with its stakeholders and in the identification of the most relevant aspects for the business from an internal point of view, show a correlation with the risks identified in its ESG Risk map.

In this way, the alignment of the company's material ESG issues with the ESG risk map can be considered, given that during the preparation process, the Risk Department identifies the main issues together with the Sustainability Department, which incorporates the materiality of its Sustainability Plan in its assessment of the ESG risks that are finally approved.

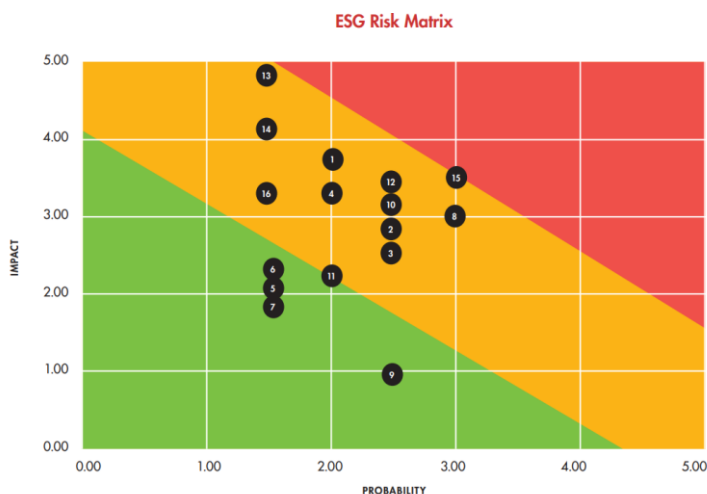
Category	Factor	No.	Causes/Risk events
ENVIRONMENTAL	Environment and climate change	1	Non-compliance or non-adaptation to the requirements of environmental regulations
		2	Lack of adaptation of products to the effects of climate change
		3	Failure to consider climate change risks in the evaluation of financial and risk ratios
		4	Lack of methodology for calculation and integration of regulations into the strategy
SOCIAL	Employees	5	Non-compliance with regulations and diversity/equality requirements
		6	Non-compliance or inadequate management of employee development Non-compliance with occupational risks
		7	Non-compliance with labour and human rights
	Customers	8	Inadequate customer advice Failure to adapt to customer needs in the design and marketing of products or in the event of complaints
		9	Lack of or inadequate contribution to the needs of the social environment
GOVERNANCE	Relationship with third parties	10	Supply chain
		11	Failure to make a responsible investment
		12	Non-compliance with sectoral good practices
	Governance, ethics and transparency	13	Inadequate corporate governance structure and practices
		14	Cases of corruption and non-compliance with tax regulations
		15	Cybersecurity and lack of confidential information management
		16	Weaknesses in communication and relationship with third parties

The ESG risk map of the Línea Directa Group is divided into 3 pillars that include 5 essential blocks, which in turn are classified into 16 levels that represent the different events included in each category. All of them are linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Non-Financial Reporting Act 11/2018).

Although the Línea Directa Group is not in a critical sector with respect to climate change, the company is particularly aware of this problem, and therefore promotes and encourages responsible management of resources and the environment. To this end, it has specific policies and measures that are detailed in the Environmental Management section.

In the social arena, Línea Directa Group has specific protocols and measures to promote the potential and the development of its employees by supporting diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health, as described in the Social and Employee section.

The area of Good Corporate Governance highlights the approval mechanisms for suppliers, the company's corporate governance structure that is in line with all regulatory and best practise requirements, the company's zero tolerance for bribery and other illegal acts reflected in the code of ethics and other internal policies and, of course, all the measures the organisation has implemented to protect information and data.



The Corporate Risk Department, together with the different areas of the company, periodically analyses the risks which, if they materialise, may have an impact on the business, including ESG factors. On the basis of this analysis, a careful assessment is made of the risks that could have an impact on the business. This analysis is used to carry out a careful assessment of the company's main threats and the corresponding prevention and mitigation measures are identified to obtain the residual risk assessment.

As such and given the alignment of the material issues among the main ESG risks identified, the material issues are integrated in its risk assessment.

In the following, we provide more information on the three important material aspects, including a description of the material aspect, its impact on the business and stakeholders, and the company's strategy in this area.

## Material issue: **CLIMATE CHANGE AND DECARBONIZATION.**

The transition to decarbonisation and climate change has become a global challenge that affects all companies, particularly the financial sector, as it represents an operational risk that has a direct impact on the company's financial results.

The increase in natural catastrophes due to climate change and the increase in the frequency and severity of catastrophic losses caused by adverse and unpredictable climatic phenomena lead to peaks in claims and difficulties in managing them in a timely and efficient manner, which can affect the company's high level of service quality.

In addition to the physical risks of changing weather patterns, transition risks related to market trends, regulation, taxation and reputation need to be considered when aiming to align with the Paris Agreement.

In this sense, the type of the business impact of this material issue would mainly be the cost of claims related to climate change. Linea Directa has included in its Sustainability Plan 2023-2025 a roadmap that includes actions to reduce its emissions, mitigate the impact on the business and take advantage of the opportunity to create new offers that accompany customers and society in the transition to a net-zero economic system.

### **Actions to mitigate the impact**

In order to mitigate the impact of high claims due to adverse and unpredictable weather events, the company has specific procedures for managing these claims and a reinsurance programme to cover events above a certain threshold that are not covered by the Insurance Compensation Consortium. Under this type of reinsurance, the cost of a claim in excess of an agreed fixed amount is passed on to the reinsurer.

Linea Directa's adherence to the Task Force on Climate-Related Financial Disclosures in 2022 and the preparation of its first report, to be approved and published in 2024, demonstrates its willingness to commit to the inclusion and reporting of metrics and targets for governance, strategy, risk management and climate change opportunities. This process not only enables the development of a strategy to minimise the impact of climate risks, but also helps to identify opportunities to position new products and services in the insurance market. Linea Directa has a Sustainability Plan directly linked to the company's strategy.

As part of this plan, the company analyses and assesses the exposure of the portfolio of active policies in areas particularly affected by climate change in order to anticipate a potential increase in claims for this type of event during the year. Linea Directa therefore has risk mitigation initiatives in place. With regard to the management of emissions from its operations, Linea Directa has improved the accuracy of its greenhouse gas emissions inventory and set ambitious targets for reducing its carbon footprint and waste management.

### **Achieving carbon neutrality by 2030**

Linea Directa is committed to achieving carbon neutrality by 2030. This commitment, included in the Sustainability Plan 2020-2022, has been developed in the Sustainability Plan 2023-2025 into a series of voluntary targets to reduce energy consumption and waste in its operations. The company carries out various actions with the aim of **achieving carbon neutrality by 2030**.

In integrating material sustainability issues into the company's strategy, the Board is responsible for approving the Sustainability Master Plan and monitoring compliance with ESG initiatives. In this regard, it was decided, in 2023, to link the variable remuneration of the CEO and the Executive Committee to the achievement of the Sustainability Plan 2023, which includes measures to progress the climate change target, with metrics related to climate change management and decarbonisation. As a result, the annual variable remuneration of the CEO and senior management in 2023 is linked to the long-term interests and sustainability of the company.

### **A Material Issue for External Stakeholders.**

This identified problem is a material issue for external stakeholders. Climate change and decarbonisation affect the company's operations, the products and services it provides to its customers and its supply chain.

Suppliers consulted as part of the materiality exercise highlighted the fight against climate change and access to renewable energy as priorities in the environmental dimension, given the global trends that affect them in these areas. Meanwhile, 69% of customers surveyed consider energy efficiency to be a relevant issue and 59% consider environmental protection and the fight against climate change to be an important aspect.

The increase in natural catastrophes due to climate change and the growing frequency and severity of catastrophic losses due to adverse and unpredictable climatic phenomena are creating situations of particular concern to stakeholders.

### **Social Impact**

Both the social and environmental components are affected by the physical effects of climate change and the constant updating of regulations and standards. The impact of this material issue is considered both positive and negative.

In order to calculate the return on social investment, a quantitative metric was estimated to serve as a general guideline in understanding monetary relevance of impacts to society. To this end, the social cost of carbon was calculated.

#### **Social cost of Carbon**

At a cost of USD 75 per tonne, according to the IMF's international carbon price floor (ICMP), the Scope 1 and 2 carbon footprint of Linea Directa would generate a social cost of USD 60,810 and the value chain footprint for 2023 would generate USD 6.9 million.

## Material issue: **SUSTAINABLE PRODUCTS.**

Linea Directa has detected the **growing demand for sustainable products** by society, so in recent years, it has developed different products and services that respond to this interest. This has a positive impact on the company, not only in terms of reputation and strengthening its values but also in its revenue generation.

Sustainable growth makes it possible to respond to the company's current needs, but it also means thinking in the long term and adopting the business model to the characteristics of the market environment, thus ensuring a balance between economic growth, social well-being, and the environment.

The type of impact on the business would be mainly in the premiums generated by products that respond to new customer needs and priorities. Linea Directa has included a roadmap in its Sustainability Plan 2023-2025 to expand the portfolio of products and services related to sustainability.

### Actions to mitigate the impact

As regards to the business activity, the Group has developed different products and services that respond to the goal of ensuring that its activity and products generate a positive impact on society, the environment, and the company, in each of the company's three business lines: Motor, Home and Health. For this reason, Linea Directa has developed a number of sustainable products, such as:

- **ConducTOP**, an app that rewards customers who are the most responsible behind the wheel and have a more efficient driving behaviour.
- **ECO-labelled** replacement vehicles for its customers.
- **Póliza Respira** (Breathe Policy), a special insurance policy for electric cars that is committed to a more environmentally friendly model of urban mobility and helps reduce CO<sub>2</sub> emissions.
- **Safe & Go**, which can be contracted on demand under the concept of on/off insurance or pay-as-you-go. This stimulates the insurance on electric scooters, electric bikes and Segways, which allow a more agile and flexible mobility, as well as greater respect for the environment.
- **Llámalo X**, which changes the market paradigm by including a car with a C or ECO environmental label in the insurance offer.



### Promoting sustainable mobility

Linea Directa is an innovative company with a range of products to promote the insurance of sustainable travel. For example, due to the high number of electric vehicles insured by Linea Directa Aseguradora, 56,620 tons of CO<sub>2</sub> emissions have been avoided thanks to the 26,412 electric and non-plug-in hybrid vehicles.

Due to its high impact on emission reduction, **the main objective is to place the share of electric vehicles insured by the company with respect to the fleet of electric vehicles in Spain above the share of total vehicles insured by the company with respect to total vehicles in Spain. The current market share of vehicles insured by Linea Directa with respect to the Spanish vehicle fleet is 10.1% at the end of 2023.**

Linea Directa includes in its Sustainability Plan 2023 the launch of new sustainable products for mobility, as well as to respond to other customer needs in its other branches of home and health. In 2023, **executive compensation** was established for the executive director linked to the **fulfilment of the Sustainability Plan**, which contained to promote news sustainable products or services linked to, for example, electric mobility, energy efficiency at home or aimed to vulnerable groups.

### Responding to customer needs: modeling the future.

Linea Directa has detected the growing demand for sustainable products by society, so in recent years, it has developed different products and services that respond to this interest. This has a positive impact on the company, not only in terms of reputation and strengthening its values but also in its revenue generation. Sustainable growth makes it possible to respond to the company's current needs, but it also means thinking in the long term and adapting the business model to the characteristics of the market environment, thus ensuring a balance between economic growth, social well-being, and the environment.



Due to a growing need for sustainable products on the part of Linea Directa's customers, the company has launched products such as the Póliza Respira, which includes specific coverage for electric vehicles at a highly competitive price. In 2023, Póliza Respira has been extended to plug-in hybrid vehicles and motorcycles, due to their lower environmental impact. As an example of its success and growth, at the end of 2022, Linea Directa Aseguradora had 4,000 Póliza Respira customers, and, at the end of 2023, this number reached 4,783 Póliza Respira customers.

Sustainable product offerings **accounted for 0.44% of total premium** business volume and reached **EUR 4,14 million**, reflecting an emerging market that is gaining share of portfolio.

### Social Impact

Given this incorporation of a commercial offer that responds to the needs of its customers in terms of sustainable mobility, Linea Directa's portfolio attracts a large number of electric and plug-in hybrid, and non-plug-in hybrid vehicles every year.

This high underwriting of low-emission vehicles, in particular 26,412 electric and non-plug-in hybrid vehicles, 56,620 tons of CO<sub>2</sub> emissions have been avoided.

### Social cost of Carbon.

Taking into account a cost of \$75 according to the international carbon price floor (ICPF) estimated by IMF.

Poliza Respira's portfolio of vehicles has avoided up to 56,620 tonnes of carbon emissions. In terms of social carbon cost, this amounts to \$4.24 million.

## Material issue: **ETHICS, COMPLIANCE AND RISK MANAGEMENT**

This material topic is divided into two aspects that we have added in order not to lose the linkage in the stakeholder responses, referring to the good governance of the company. However, two distinct aspects are identified: ethics and compliance, on the one hand, and corporate risks, on the other. In the following description we will focus on the first part, which is a fundamental issue in corporate governance.

Professional ethics, together with good corporate governance and Línea Directa Aseguradora's values, are essential to the company's culture and the fundamental basis of its Code of Ethics. Línea Directa Group is committed to fostering and promoting firm ethical principles that ensure compliance with laws and the trust of customers, shareholders, employees, and suppliers.

Ethical actions can enhance Línea Directa Group reputation and strengthen its brand. Consumers prefer to engage with ethical and responsible businesses, which can lead to increased customer loyalty and attract new customers. This is directly translated to revenue generation.

### **Detecting possible non-compliance**

The Code of Ethics, renewed in 2021, is the main pillar for the development of corporate values and sets out the models and guidelines for behaviour to be followed by all Group employees. Línea Directa Aseguradora's Code of Ethics contains, among other things, the commitments made regarding environmental and social issues, respect for human rights and the fight against corruption and bribery, and support for equal treatment, equal opportunities and nondiscrimination.

All Group employees receive training on the Code of Ethics upon joining the Group, which is regularly reinforced with various training and informative activities. Línea Directa has developed the Ethics Channel, which is available on the corporate website and allows employees and any interested third party to confidentially or anonymously report irregularities related to violations of the Code of Ethics or possible breaches of regulations or unlawful conduct. The Ethical Channel Policy establishes the general principles and procedure for management of the Ethical Channel. You can access the ethical channel in the following link: <https://canaletico.lineadirecta.com/lineadirecta>

It is important for Línea Directa that all employees are aware of the company's Code of Ethics. For this reason, an aim has been established Average score for code of ethics-related questions in the wellbeing survey superior to 95% by 2023. The goal was achieved.

In 2023, **executive compensation** was established for the executive director linked to the **fulfilment of the Sustainability Plan**, which contained, among other ESG actions, one aimed at external audit of the Ethical Channel. Likewise, the variable for the third quarter of 2023 of 38.14% of the workforce was linked to the Sustainability Plan, which includes actions linked to compliance with the Code of Ethics.

### **Awareness of the Code of Ethics**

The latest employee wellbeing survey on the degree of knowledge and acceptance of the Code of Ethics and the Ethics Channel, conducted in 2023, showed very positive results: with 96% stating that they take the company's ethical principles into account when making decisions related to their work.

Moreover, regarding the Ethics channel, Among the complaints received in 2023, one of them is related to a case of harassment or unacceptable behaviour which, after being confirmed through the corresponding investigation, led to the appropriate disciplinary measures.

Taking into account the different categories analysed (corruption or bribery, discrimination or harassment, customer privacy data, conflicts of interest and money laundering or insider trading) there have been no further complaints during 2023.

