

Línea Directa Group Sustainable Investment Policy



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| Important information about this document | |
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| Name of the document | Sustainable Investment Policy |
| Related section of the Code of Ethics | - |
| Related portions of other policies | - |
| Rules and standards superseded | None |
| Related rules and standards | LDA Investment Policy |
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| Personnel affected | Línea Directa Group |
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| Approved by | Board of directors |

1. INTRODUCTION

This policy defines the responsible decision-making approach for making Investments at the Línea Directa Group. Línea Directa Group, as an institutional investor, has the responsibility of minimising the negative impact that its investments could have on both society and the environment, as well as collaborating in the transformation of economic activity towards more sustainable activities.

To this end, a variety of environmental, social and corporate governance (ESG) factors have been incorporated into all the Group's investment activities; in addition, other important aspects have been defined, such as the exercise of voting rights, provided that the necessary information is available, or internal control and monitoring of the policy itself.

The establishment of different factors related to sustainability makes it possible to manage risks, including non-financial risks, while generating opportunities to create value for the Group's stakeholders, in particular investors, and for society as a whole.

Línea Directa Group's purpose in defining and implementing this Policy is to maximise the risk-return balance of its investments, minimising the ESG risks associated with its investments, and thus promoting a more sustainable economic performance, supporting specific activities with a positive impact and avoiding or limiting activities with an adverse reaction and which may affect the confidence of its stakeholders.

2. REFERENCE FRAMEWORK

This Policy, which defines the framework of action for responsible and sustainable Línea Directa Group investments, is based on best practices, including regulations, conventions and frameworks of reference at both national and international level:

- United Nations Principles for Responsible Investment (PRI),
- Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment,
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 was published, complementing Regulation (EU) 2020/852 of the European Parliament and of the Council and setting out the technical selection criteria for determining under which conditions an economic activity is considered to make a significant contribution to climate change mitigation or adaptation, and for determining whether that economic activity does not cause significant damage to any of the other environmental objectives,
- Directive of the European Parliament and of the Council amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU in relation to sustainability reporting by companies,
- Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector,
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on sustainability reporting by companies (CSRD),
- Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937,

- Regulation (EU) 2023/2631 of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds,
- Law 5/2021 of 12 April, amending the revised text of the Spanish Corporate Enterprises Law, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, in relation to promoting the long-term involvement of shareholders in listed companies,
- United Nations Principles for Sustainable Insurance (PSI), which the Group signed up to in 2023,
- United Nations Global Compact,
- United Nations 2030 Agenda and Sustainable Development Goals,
- Paris Agreement to combat climate change and to accelerate and intensify actions and investments needed for a sustainable low-carbon future, signed in December 2015 (COP21),
- Katowice Climate Agreement (COP 24), which reaffirms the importance of financing when it comes to addressing climate change and the transition to a low-carbon economy,
- Universal Declaration of Human Rights,
- United Nations Guiding Principles on Business and Human Rights,
- The fundamental conventions of the International Labour Organization (ILO),
- Recommendations of the Financial Stability Board regarding the Task Force on Climate-related Financial Disclosures (TCFD),
- Recommendations for the Disclosure of Nature-Related Financial Information (TNFD),
- Recommendations of the Spanish National Securities Market Commission (CNMV) for listed companies,

- Proposal for a Regulation of the European Parliament and of the Council on the transparency and integrity of environmental, social and governance (ESG) rating activities.

In addition, consideration is given to standards and other references as a result of a comparison with the best international practices in the sector and the growing expectations of different stakeholders relevant to the company.

3. SCOPE

This Policy applies to each and every one of the instruments in Línea Directa Group's investment portfolio as well as to potential new investments that may be made, differentiating by type of asset (sovereign debt, corporate, real estate and any other investment assets) as defined in section "5.2 Considerations by asset type".

In the case of funds managed by third parties, for which Línea Directa Group is not directly responsible, the Group will assess the policies of each of these funds to evaluate the consistency between policies and thus avoid making investments in funds with ESG criteria that are misaligned or contrary to the commitments defined in this document.

3.1 ESG aspects addressed in the policy

Línea Directa Group has developed policies and established procedures and controls for including ESG criteria when making business and investment decisions.

3.1.1 Environmental factors

The environmental factors included are closely related to Climate Change, both in terms of its mitigation and adapting thereto, pollution and the preservation of natural resources through the following indicators:

- Greenhouse gas emissions
- Alignment of business activity, according to the different objectives defined in the taxonomy:
 - Climate change mitigation
 - Adaptation to climate change
 - Pollution prevention and control
 - Transition to a circular economy

- Sustainable use and protection of water and marine resources
- Protection and restoration of biodiversity and ecosystems.
- Controversy caused by its activity in particularly polluting sectors: Oil&Gas and coal.

3.1.2 Social factors

Línea Directa Group has a social responsibility both through its business activity as well as through its investments. In this case, the criteria established as part of its investment decision-making process are as follows:

- Respect for human rights in the performance of its activities.
- The absence of serious labour disputes or other types of complaints in relation to working conditions or employee relations, which may even lead to the total suspension of business activities.
- Exposure to controversial sectors, such as adult entertainment, betting and gambling, as well as tobacco and alcoholic beverages.

3.1.3 Corporate governance factors

Good corporate governance is an essential criteria when making an investment; it represents the criteria considered before making a decision, without the appearance of any of these causes constituting, under any circumstances, direct exclusions and each controversy is analysed individually/by the dedicated forums or committees:

- The absence of fines or sanctions resulting from poor management of governance aspects, for example: ethics, fight against corruption, etc.

- The existence of opposing proxy advisor positions in relation to the remuneration of senior management at the company in question.
- Publication of verified information in relation to mismanagement when it comes to political lobbying activities.

4. GENERAL PRINCIPLES

Línea Directa Group, as a signatory of the United Nations Principles for Sustainable Insurance (PSI), Línea Directa Group has integrated ESG issues into the decision-making processes of its activities, particularly in the management of investments to which end this policy has been defined, based on the United Nations Principles for Responsible Investment (PRI). The general principles that govern this Policy are:

1. Include ESG criteria in investment analyses and promote effectiveness and objectivity in the application of ESG criteria in the Group's investment decisions, as well as establishing sector-specific criteria.
2. Align the company's investment portfolio with the decarbonisation objectives of the economy.
3. Actively exercise investor rights and include ESG criteria in the Group's policies and decision-making processes,
4. Establish priority for green, blue or assets with a social impact or that finance projects aimed at the transition towards a low-carbon economy, once the financial analysis of risk profitability has been performed on the assets analysed.
5. Regularly inform stakeholders about the ESG characteristics of the Group's investment portfolio.

5. CRITERIA FOR APPLICATION

Línea Directa Group has defined the criteria and commitments it undertakes through this Policy, differentiating, firstly, between existing investments and new investments to be undertaken, and subsequently, between types of assets and sensitive sectors.

5.1 Considerations: existing portfolio and future investments

5.1.1 Existing investment portfolio

The existing portfolio will be evaluated quarterly by the Investment department using information from a tool endorsed by an independent third party, an expert in the field, which provides an assessment of the ESG aspects of the investment portfolio, taking into consideration at least the following factors:

- ESG risk of the portfolio (overall rating and by asset type).
- Exposure to sensitive sectors (Coal, Oil & Gas and Defence & Controversial Weapons, among others).
- Exposure to greenhouse gas emissions.
- Governance and public information criteria.

When, as part of periodic assessments, an “unacceptable” score is returned in relation to any of the parameters considered, or the analysis of controversies indicates that the Group may be exposed to a risk factor associated with said position, the details of the position in question will be reported to the Investment Committee for it to decide:

- Whether to maintain the positions in the issuer subject to exhaustive monitoring;
- Whether to reduce the position and propose an action plan to collaborate with the affected company to reduce the negative impact.

- Whether to divest the position.

5.1.2 New investments

When Línea Directa Group analyses a new investment, a case-by-case ESG analysis will be carried out using the tool mentioned above, in order to determine whether there are any factors that may pose a risk to the Group.

In the event that an ESG risk is identified as "not acceptable" in the analysis, depending on the characteristics of the investment, it will be escalated to the Chief Financial Officer, the Investment Committee or the Board of Directors as appropriate, who will analyse the detail of the potential investment and decide whether to invest and monitor it closely or to seek an alternative.

5.2 Considerations by asset type

5.2.1 Sovereign debt

Investments in sovereign debt or country debt will be based on whether the country is a member of the Organisation for Economic Co-operation and Development (OECD).

For non-member countries, the potential ESG risk for corruption, human rights, climate commitments or environmental damage, among others, will be studied by monitoring the available information and possible controversies from verified sources.

Likewise, countries subject to international sanctions in force will not be included in the Group's investment offer.

5.2.2 Corporate: equities and fixed income

In view of potential investments in companies, the ESG risk of such companies and their exposure to sensitive sectors will be analysed, with a particular focus on exposure to the sectors defined in section "5.3 Sector sectors".

5.2.3 Real estate assets

Investments in real estate assets shall take into account the energy rating of the asset and the sectors of activity in which potential lessees of the asset may operate.

In addition, the existence of sustainability certificates (LEED or BREAAAM), or the existence of efficiency measures in the use of resources (water, electricity, etc.) will be valued particularly positively.

5.2.4 Other types of financial instruments

In the case of illiquid or alternative products, information will be requested from the entity managing the financial instrument as part of the due diligence process to assess whether the policy of the financial instrument is in line with this Policy in terms of ESG.

5.3 Sector criteria

Línea Directa Group has carried out an analysis of the sectors of exposure that could entail ESG risk in order to restrict and limit its investments. Specifically, exposure to each of the issuers active in the following sectors is limited to 8% of the total value of the group's portfolio; an issuer is considered as having an exposure to this type of activities if its income from them accounts for more than 15% of its revenue:

- Organisations producing and/or distributing active defence material (arms, ammunition and explosives intended for military use) and controversial weapons (anti-personnel mines, chemical, biological or nuclear weapons, cluster bombs, etc.).

- In response to the targets for decarbonisation of the economy as defined in the Paris Agreement, and the recommendations of the Intergovernmental Panel on Climate Change (IPCC), Línea Directa Group, in its support for the transition to a zero-net-emissions economy by 2050, will limit the proportion of the portfolio with exposure to the following activities to 15%:
 - Production of electrical, thermal or automotive energy from coal combustion (as well as extraction and infrastructure), as coal is the fossil fuel with the greatest impact on climate change.
 - Exploration, production, processing, transport and/or extraction of hydrocarbons (gas and oil), with a special focus on the following elements:
 - Oil sands
 - Shale oil and gas
 - Arctic oil and gas
 - Ultra-deepwater oil and gas

Línea Directa Group also undertakes to completely divest its positions in the sectors indicated above by 2030, unless the companies performing these activities have:

- A decarbonisation plan based on a science-based emissions reduction target (SBTi),
 - These activities account for less than 15% of their total revenue,
 - And their importance in Línea Directa's investment portfolio comes to less than 8%.
- Other sensitive sectors (adult entertainment, gambling and betting, mining, alcohol and tobacco).

5.4 Divestment plan

In the recurring quarterly reviews, if a risk is identified as "not acceptable", an in-depth assessment will be carried out, which will be used by the Investment Committee to analyse and decide on the possibility of divestment.

When data is available, the main adverse impacts (PIAs) of the companies invested in will be identified. Some adverse impacts may include low gender diversity on management bodies or volume of emissions. Principal adverse impacts should be understood as *"those impacts of investment decisions and advice that result in negative effects on sustainability factors"*, according to recital (20) of Regulation (EU) 2019/2088 of 27 November 2019 on the Financial Services Sustainability Disclosure (SFDR).

When the value of one of these indicators (PIA) is anomalous (in other words, there is a significant negative deviation), a specific analysis may be performed regardless of whether the company's average ESG valuation is adequate, identifying whether there are specific risks to be taken into account in the investment. If necessary, the information may be submitted to the Investment Committee on a quarterly basis with a view to making a decision on a potential divestment in that company, or the use of some other mechanism for the management and/or mitigation of the adverse impact, such as for example monitoring actions, engagement, voting or simply not increasing the position during a specific period of time.

Divestment will be considered as a final option when managing an adverse impact, first identifying whether there are other more effective actions for resolving the adverse impact, assessing the possible impact of said decision.

5.5 Voting rights

Línea Directa Group will exercise its right to vote after verifying that the decision to be taken complies with the framework of this Policy. In doing so, it will have access to all necessary information, including ESG considerations, in order to determine how it will vote. Depending on the relevance of the controversies identified, the materiality of Línea Directa's exposure, and the

information received, the impact of the initiatives submitted to a vote will be reviewed, including ESG aspects, to determine how it will vote.

5.6 Dialogue

Given that Línea Directa Group's shareholdings in companies does not represent a significant percentage, exercising its influence as a shareholder does not form part of its strategy of interacting with its investee companies.

However, the Group considers that maintaining a regular dialogue with the companies it finances and in which it invests, depending on their relevance or influence, is an important aspect and is a sign of its responsibility for its investments, as the Group considers that a positive impact is best achieved in this way.

Similarly, when breaches of this Policy are detected in existing investments, or the company in question makes insufficient progress in the integration of measures in its daily undertakings, Línea Directa may engage in a specific dialogue with a view to ensuring an alignment between the parties, as well as measures to avoid further breaches in the future; or for the company in which the investment has been made to submit a plan that sets out how it intends on improving its practices, including specific targets and credible deadlines.

6. GOVERNANCE MODEL

Línea Directa Group has an Investment Department responsible for the implementation of ESG criteria in the process of seeking investment opportunities, as well as the analysis and evaluation of these ESG criteria in each potential investment under consideration. This department is also responsible for conducting a quarterly ESG assessment of the portfolio.

The Investment Department will report monthly, through the department head, to the Group's Investment Committee. In turn, the Investment Committee will ensure that the management of investments with ESG criteria is carried out in accordance with the provisions of this Policy and will take the appropriate decisions based on the characteristics of the investment, approving those that fall within its competence, in accordance with the applicable law and internal rules and regulations. The Committee members have the option of inviting experts in different fields to attend Committee meetings, for example, the Director of Sustainability, for advice on a specific topic, without the power of authorisation or disposal. This advice will be taken into consideration as an additional factor by the members of the Investment Committee when casting their vote.

The Investment Committee, through the Chief Financial Officer, shall report periodically, at least every 3 months, on the implementation of this Policy to the Board of Directors, and shall submit to the Board of Directors the approval of investments that fall within the competence of the Board of Directors in accordance with the applicable law and internal regulations.

7. COMMUNICATION

This Policy will be disseminated to all Group companies and will be made available to the organisation's stakeholders via the Intranet and on the corporate website.

8. APPROVAL AND REVIEW

The Investment Committee is responsible for periodically reviewing this Policy and, when there is a change of any kind that requires the Policy to be updated or modified, for assessing whether its content continues to be suitable, in order to enable it to be implemented in accordance with the established guidelines. The proposed updates shall be submitted to the Board of Directors for approval, following a report from the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee.

This Policy was approved by the Board of Directors of Línea Directa Aseguradora S.A. and will be effective from the date of its approval.