Integrated Annual Report 2023
Línea Directa Aseguradora S.A.

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1 External auditor's report

Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros y sociedades dependientes

Independent auditor´s report
Consolidated annual account
at December 31th, 2023

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of liabilities for incurred claims in the motor segment The Group engages in non-life insurance activities, mainly in the motor, home, and medical assistance lines. The group proceeds to record the liabilities associated with insurance contracts in accordance with IFRS17 "Insurance Contracts" principles, which replaces IFRS 4 as of January 1, 2023; being the transition effective date to the new accounting regulations on January 1, 2022. These obligations are presented in the consolidated balance sheet, under the headings "Liabilities for remaining coverage" and "Liabilities for incurred claims", in accordance with the premium allocation approach (PAA). The valuation of liabilities for incurred claims comprises future estimated cash flows from the claims incurred that have not been paid at the end and the risk adjustment derived from the uncertainty associated with the non-financial assumptions used to estimate such future cash flows. For the determination of these liabilities and given their nature, it is a complex estimate that, in the case of the motor segment, is significantly influenced by the projection methods used, the settlement periods and the assumptions used by management, as well as the impact of the valuation of personal claims in accordance with applicable regulations. For these reasons, the valuation of motor insurance provision for claims is considered as a key audit matter. See notes 2 e), 3 l) and 11 a) and b) of the attached consolidated annual accounts corresponding to the year 2023.	We gained an understanding of the process for estimating and registering the liabilities for incurred claims in the motor segment, which included understanding and evaluating the internal control process, the relevant IT systems, and the most relevant assumptions. Our procedures, in which we have engaged a team of actuarial specialists, have focused on aspects such us: • Understanding of the methodology for calculating liabilities for incurred claims in accordance with IFRS17 principles. • Checking the integrity, accuracy and reconciliation of the data used in the calculation for the estimation of the liability for claims incurred. • Checking of the sufficiency of liabilities for claims incurred at the end of the previous year. • Testing a sample of incurred claims, checking the reasonableness of the valuation with the available information. • Checking through actuarial and statistical valuation procedures on the reasonableness of liabilities for incurred claims at the end of the period, including the non-financial risk adjustment. • Likewise, checking the adequacy of the disclosures in the attached consolidated annual accounts. In our procedures above, we obtained sufficient appropriate audit evidence to support the estimates of management regarding this matter.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor’s responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company’s audit commission, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are responsible for presenting the annual financial report for the 2023 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 29 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 March 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 21.e) to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Enrique Anaya Rico (23060)

29 February 2024

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Consolidated financial statements

Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and subsidiaries

Consolidated financial statements for the year ended 31 December 2023

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS)

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and subsidiaries

Consolidated balance sheet at 31 December 2023

(in thousand euro)

ASSETS	Notes	2023	2022
A-1) Cash and cash equivalents	**6**	**41,746**	**51,661**
A-2) Financial assets at fair value through profit or loss	**5 and 7a)**	**53,998**	**48,818**
I. Equity instruments		53,998	48,818
A-3) Financial assets at fair value through equity	**5 and 7a)**	**823,345**	**690,846**
I. Equity instruments		63,524	72,068
II. Debt securities		759,821	618,778
A-4) Financial assets at amortised cost	**5 and 7a)**	**15,456**	**22,373**
III. Deposits with credit institutions		4,209	4,515
VI. Receivables on reinsurance business		7,019	12,290
IX. Other receivables		4,228	5,568
1. Tax and social security receivable		1,041	1,265
2. Other receivables		3,187	4,303
A-5) Hedging derivatives	**7a**	**5,909**	**7,808**
A-6) Assets under reinsurance contracts	**11a) and b)**	**31,939**	**21,956**
II. Non-life		31,939	21,956
2. Simplified approach (PAA)		31,939	21,956
2.1. Assets for remaining coverage		6,166	6,466
2.2. Assets for incurred claims		25,773	15,490
A-7) Property, plant and equipment and investment property	**8**	**101,600**	**110,044**
I. Property, plant and equipment		43,077	45,368
II. Investment property		58,523	64,676
A-8) Intangible assets	**9**	**29,188**	**14,482**
III. Other intangible assets		29,188	14,482
A-10) Tax assets	**13**	**14,635**	**26,861**
I. Current tax assets		805	3,397
II. Deferred tax assets		13,830	23,464
A-11) Any other assets		**7,506**	**7,577**
III. Accruals		4,881	3,326
IV. Other assets		2,625	4,251
TOTAL ASSETS		**1,125,322**	**1,002,426**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and subsidiaries

Consolidated balance sheet at 31 December 2023

(in thousand euro)

LIABILITIES	Notes	2023	2022
A-2) Financial liabilities at amortised cost	**7b)**	**65,313**	**59,288**
III. Due on direct insurance business		2,818	2,490
1. Due to policyholders		1,752	2,009
2. Due to agents, brokers and intermediaries		1,066	481
IV. Due on reinsurance business		1,351	1,363
IX. Other debts		61,144	55,435
1. Taxes and social security payable		15,221	15,520
3. Other debts		45,923	39,915
A-4) Liabilities under insurance contracts	**11a) and b)**	**715,311**	**610,282**
II. Non-life		715,311	610,282
2. Simplified approach (PAA)		715,311	610,282
2.1. Liabilities for remaining coverage		339,352	325,056
2.2. Liabilities for incurred claims		375,959	285,226
A-5) Non-technical provisions	12	**375**	**780**
III. Other non-technical provisions		375	780
A-6) Tax liabilities	**13**	**31,047**	**31,459**
I. Current tax liabilities		11,384	-
II. Deferred tax liabilities		19,663	31,459
A-7) Other liabilities		**241**	**286**
III. Other liabilities		241	286
TOTAL LIABILITIES		**812,287**	**702,095**
B-1) Equity	**14**	**330,087**	**324,243**
I. Share capital		43,537	43,537
1. Subscribed capital		43,537	43,537
III. Reserves		291,584	271,079
1. Legal and bylaw reserves		9,046	9,045
2. Other reserves		282,538	262,034
IV. (Treasury shares)		(644)	(1,018)
VII. Profit/(loss) for the year		(4,390)	63,126
VIII. (Interim dividend)		-	(52,481)
B-2) Valuation adjustments	**14**	**(17,052)**	**(23,912)**
I. Financial assets at fair value through equity		(18,226)	(29,856)
II. Changes in fair value of liabilities for insurance and reinsurance contracts		1,174	5,944
TOTAL EQUITY		313,035	**300,331**
TOTAL LIABILITIES AND EQUITY		**1,125,322**	**1,002,426**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and subsidiaries

Consolidated statement of profit or loss at 31 December 2023

(in thousand euro)

NON-LIFE STATEMENT OF PROFIT OR LOSS	Notes	2023	2022
INCOME FROM INSURANCE SERVICES	16	**960,266**	**925,444**
Income from contracts measured under the premium allocation approach (PAA)		**960,266**	**925,444**
EXPENSES FROM INSURANCE SERVICE		**(995,577)**	**(878,910)**
Expenses for claims incurred	16	**(995,577)**	**(878,910)**
1. Benefits and expenses incurred		(920,105)	(852,032)
2. Change in provision for claims incurred (+/-)		(76,837)	(27,703)
3. Losses on onerous contract groups and reversals for such losses		1,365	825
RESULT OF INSURANCE CONTRACTS		**(35,311)**	**46,534**
Income from reinsurance recoverables		**20,575**	**16,461**
Reinsurance expenses		**(23,489)**	**(25,865)**
RESULT OF REINSURANCE CONTRACTS		**(2,914)**	**(9,404)**
INSURANCE TECHNICAL RESULT		**(38,225)**	**37,130**
FINANCE INCOME	7.a.3)	**50,249**	**68,906**
1. Income from financial investments		27,900	27,767
2. Application of value adjustments for investments	12	13,631	20,843
3. Gains/(losses) on realisation of investments		2,743	12,647
4. Income from property, plant and equipment and investment property		5,927	4,380
5. Positive exchange rate and conversion differences		48	3,269
FINANCE COSTS	7.a.3)	**(16,257)**	**(27,059)**
6.1 Value adjustments for investments		(11,791)	(20,843)
6.2 Losses on investments		(2,579)	(5,464)
6.5 Expenses from property, plant and equipment and property investments		(1,527)	**(1,250)**
6.6 Negative exchange rate and conversion differences		(360)	**498**
NET INCOME FROM INVESTMENTS		**33,992**	**41,847**
7. FINANCIAL INCOME/(EXPENSES) FOR ISSUED INSURANCE AGREEMENTS		**(4,827)**	**437**
8. FINANCIAL INCOME/(EXPENSES) FROM REASSURANCE AGREEMENTS HELD		**181**	**(12)**
FINANCIAL RESULT		**29,346**	**42,272**
NET INCOME FROM INSURANCE AND INVESTMENTS		**(8,879)**	**79,402**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and subsidiaries

Consolidated statement of profit or loss at 31 December 2023

(in thousand euro)

OTHER ACTIVITIES	Notes	2023	2022
INSURANCE RESULT		**(8,879)**	**79,402**
OTHER INCOME	**18**	**6,141**	**7,557**
Other income		6,141	7,557
OTHER EXPENSES		**(3,809)**	**(3,397)**
Other expenses		(3,809)	(3,397)
SUBTOTAL (PROFIT OR LOSS FROM OTHER ACTIVITIES)		**2,332**	**4,160**
PROFIT/(LOSS) BEFORE TAX		**(6,547)**	**83,562**
Income tax	**13**	**2,157**	**(20,436)**
PROFIT/(LOSS) FOR THE YEAR		**(4,390)**	**63,126**
Profit/(loss) attributable to the Parent Company		(4,390)	63,126
Profit/(loss) attributable to non-controlling interests		-	-
Basic earnings per share (in euro)	15	0.00	0.06
Diluted earnings per share (in euro)	15	0.00	0.06

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and subsidiaries

Consolidated statement of other comprehensive income for the year ended 31 December 2023

(in thousand euro)

	Notes	2023	2022
Profit/(loss) for the year		**(4,390)**	**63,126**
Other comprehensive income		**18,363**	**(67,279)**
Other comprehensive income - Items that will not be reclassified to profit or loss for the period - Financial assets at fair value through equity		**5,363**	**-**
1. Gains/(losses) on valuation adjustments		6,071	-
2. Income tax		(708)	-
Other comprehensive income - Items that can be reclassified later to profit or loss		**13,000**	**(67,279)**
Financial assets at fair value through equity		**21,250**	**(97,622)**
1. Gains/(losses) on valuation adjustments		21,026	(86,672)
2. Amounts transferred to the consolidated statement of profit or loss		224	(10,950)
Allocations of interest rate adjustments to equity for insurance and reinsurance contracts		**(4,770)**	**5,943**
1. Gains/(losses) on valuation adjustments		(4,770)	5,943
Income tax		**(3,480)**	**24,400**
Total other comprehensive income	8	**18,363**	**(67,279)**
Total comprehensive income for the year, net of tax		**13,973**	**(4,153)**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2023

(in thousand euro)

	Notes	Share capital (Note 14)	Reserves (Note 4a)	Treasury shares (Notes 14c and 22)	Consolidated profit or loss for the period	(Interim dividend) (Note 14 d)	Valuation adjustments (Note 14 f)	Total
Balance at 1 January 2022		**43,537**	**260,145**	**(1,247)**	**110,137**	**(77,664)**	**43,367**	**378,275**
IFRS 17 transition adjustments		**-**	**285**	**-**	**-**	**-**	**-**	**285**
Adjusted balance at 1 January 2022		**43,537**	**260,430**	**(1,247)**	**110,137**	**(77,664)**	**43,367**	**378,560**
Total recognised income/(expense)		**-**	**-**	**-**	**63,126**	**-**	**(67,279)**	**(4,153)**
Transactions with owners or mutual members		**-**	**-**	**229**	**(21,459)**	**(52,481)**	**-**	**(73,711)**
Distribution of dividends or payments due to mutual members		-	-	-	(21,459)	(52,481)	-	(73,940)
Transactions with treasury shares or holdings (net)		-	-	229	-	-	-	229
Capital increases or mutual fund		-	-	-	-	-	-	-
Other changes in equity		**-**	**10,649**	**-**	**(88,678)**	**77,664**	**-**	**(365)**
Payments based on equity instruments		-	(365)	-	-	-	-	(365)
Transfers between equity items		-	11,014	-	(88,678)	77,664	-	-
Other changes		-	-	-	-	-	-	-
Balance at 31 December 2022		**43,537**	**271,079**	**(1,018)**	**63,126**	**(52,481)**	**(23,912)**	**300,331**
Adjusted balance at 1 January 2023		**43,537**	**271,079**	**(1,018)**	**63,126**	**(52,481)**	**(23,912)**	**300,331**
IFRS 9 transition adjustments		**-**	**8,082**	**-**	**-**	**-**	**(8,265)**	**(183)**
Adjusted balance at 1 January 2023		**43,537**	**279,161**	**(1,018)**	**63,126**	**(52,481)**	**(32,177)**	**300,148**
Total recognised income/(expense)		-	3,238	-	(4,390)	-	15,125	13,973
Transactions with owners or mutual members		-	-	374	(1,090)	-	-	(716)
Distribution of dividends or payments due to mutual members	15.d)	-	-	-	(1,090)	-	-	(1,090)
Transactions with treasury shares or holdings (net)		-	-	374	-	-	-	374
Capital increases or mutual fund		-	-	-	-	-	-	-
Other changes in equity		**-**	**9,185**	**-**	**(62,036)**	**52,481**	**-**	**(370)**
Payments based on equity instruments		-	(324)	-	-	-	-	(324)
Transfers between equity items		-	9,555	-	(62,036)	52,481	-	-
Other changes		-	(46)	-	-	-	-	(46)
Balance at 31 December 2023		**43,537**	**291,584**	**(644)**	**(4,390)**	**-**	**(17,052)**	**313,035**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

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Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2023

(in thousand euro)

	Notes	2023	2022
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Insurance activities			
Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance		969,982	941,666
Proceeds from ceded reinsurance		6,344	5,301
Reimbursements of claims		28,307	31,078
Other proceeds from operating activities		(1,808)	(4,653)
Total proceeds from insurance activities		**1,002,825**	**973,392**
Payments for direct insurance, coinsurance and accepted reinsurance		(704,051)	(634,169)
Payments for ceded reinsurance		(14,090)	(16,973)
Payments for intermediaries		(13,468)	(16,846)
Other payments for operating activities		(216,622)	(249,655)
Total payments for insurance activities		**(948,231)**	**(917,643)**
Other operating activities			
Proceeds from other operating activities		6,376	9,507
Total proceeds from other operating activities		**6,376**	**9,507**
Payments for other operating activities		(1,031)	(627)
Total payments for other operating activities		**(1,031)**	**(627)**
Income tax			
Income tax collected/(paid)		2,550	6,255
Total income tax collected/(paid)		**2,550**	**6,255**
Total net cash flows from operating activities		**62,489**	**70,884**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from investing activities			
Property, plant and equipment		-	-
Investment property		4,930	4,223
Intangible assets		1,478	-
Financial instruments		689,186	287,666
Interest received		29,367	24,704
Dividends collected		3,360	2,871
Total proceeds from investing activities		**728,321**	**319,464**
Payments for investing activities			
Property, plant and equipment		(1,482)	(1,978)
Investment property		(1,356)	(833)
Intangible assets		(20,210)	(4,838)
Financial instruments		(770,649)	(254,898)
Other payments for investing activities		(3,957)	(4,068)
Total payments for investing activities		**(797,654)**	**(266,615)**
Total net cash flows from investing activities		**(69,333)**	**52,849**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from financing activities			
Disposal of own shares		-	257
Other proceeds from financing activities		400	30,651
Total proceeds from financing activities		**400**	**30,908**
Payments for financing activities			
Dividends to shareholders	14d)	(1,090)	(73,940)
Acquisition of own and parent company securities	14c)	(348)	(384)
Other payments for financing activities		(2,256)	(148,212)
Total payments for financing activities		**(3,694)**	**(222,536)**
Total net cash flows from/(used in) financing activities		**(3,294)**	**(191,628)**
Effects of exchange rate changes		223	3,768
Total increase/(decrease) in cash and cash equivalents		**(9,915)**	**(64,127)**
Cash and cash equivalents at beginning of year	6	51,661	**115,788**
Cash and cash equivalents at end of year	6	41,746	**51,661**
Components of cash and cash equivalents at end of year			
Cash and banks		38,941	35,683
Other financial assets		2,805	15,978
Total cash and cash equivalents at end of year	6	41,746	**51,661**

The accompanying Notes 1 to 24 form an integral part of the consolidated financial statements at 31 December 2023

1. Overview of the Group

The Línea Directa Group consists of Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and its subsidiaries. Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros (the "Parent") was incorporated in Madrid on 13 April 1994 under the name of "Bankinter Seguros Directos, S.A. Compañía de Seguros y Reaseguros". On 6 July 1994, it changed its name to "Bankinter Aseguradora Directa,
S.A. Compañía de Seguros y Reaseguros". The decision was reached at the Annual General Meeting held on 26 January 1995 to change its name to "Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros".

The Parent engages in insurance and reinsurance activities in the motor, home and other non-life segments, all of which it is authorised to carry out by the Spanish Directorate General of Insurance and Pension Funds. On 19 July 2017, the Directorate granted authorisation to operate also within the health line of the healthcare segment. The Parent started selling health insurance products in October 2017.

Its registered office is at calle Isaac Newton 7, Tres Cantos (Madrid), Spain. The Parent operates entirely in Spain and Portugal.

With respect to Portugal, the Group was authorised to operate in the Other insurance segment on 25 September 2017. As this line of activity was residual and immaterial in 2023 and 2022, it has not been deemed relevant to break down the information by geographical area.

The Parent directs and manages its stakes in other entities by organising human and material resources accordingly. The Parent operates in Motor, Home, Health and Other insurance business, as described in Note 3b). Its business distribution channels are mainly telephone and internet sales.

The Parent's shares have been listed and traded on the continuous market of the Madrid Stock Exchange since 29 April 2021. Bankinter, S.A. holds a 17.4% stake in the Parent, while the remaining 82.6% was distributed among its shareholders by delivering one share in Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for each Bankinter share held (Note 14).

The subsidiaries of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are as follows: Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, Línea Directa Asistencia, S.L.U., Motoclub LDA, S.L.U., Centro Avanzado de Reparaciones, S.L.U., Ambar Medline, S.L.U. LDActivos, S.L.U. and LDA Reparaciones (up to November 2023), S.L.U, as described in Note 4, all of which are non-insurance support or investment companies.

In view of the Group's business activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or results.

The 2023 consolidated financial statements accounts were authorised for issue by the Board of Directors on 29 February 2024 and are pending approval by shareholders at the Annual General Meeting. However, it is the understanding of the directors that such annual accounts will be approved as presented.

2. Basis of presentation of the consolidated financial statements

a) Regulatory financial reporting framework applicable to the Group

These consolidated financial statements have been prepared in accordance with the applicable regulatory framework for financial reporting, which is as follows:

- The International Financial Reporting Standards adopted by the European Union in the form of EU Regulations, in accordance with Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 and its subsequent amendments (EU-IFRS).
- On the IFRS Interpretations Committee (IFRS-IC).
- Regulatory provisions prescribed by the Spanish Directorate General of Insurance and Pension Funds, including the Framework Document in relation to the accounting regime for insurance entities relating to IFRS 4: Insurance Contracts, published on 22 December 2004.
- The Spanish Commercial Code (Código de Comercio) and other commercial legislation.
- The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its Spanish acronym of "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively, and other provisions issued by the Spanish Directorate General for Insurance and Pension Funds.
- The non-repealed articles of the Regulation on the Organisation and Supervision of Private Insurance (hereinafter, "ROSSP", or the "Regulation"), enacted by Royal Decree 2486/1998, including all partial modifications thereto.
- Formatting and marking requirements set out in the European Commission Delegated Regulation EU 2018/815.

All mandatory accounting principle with a significant impact on the consolidated financial statements have been duly applied.

b) True and fair view

The accompanying consolidated financial statements have been prepared from the Group's accounting records and are presented in accordance with the applicable consolidated financial reporting framework and, in particular, with the accounting principles and criteria contained therein, so as to provide a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated earnings and consolidated cash flows for financial year 2023.

c) Basis of presentation

Derivative financial instruments and financial assets at fair value through other comprehensive income.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

There has been no early adoption of any standards or interpretations that have been approved by the European Commission but that were not yet in effect at year end 2023.

d) Functional currency and presentation currency

The consolidated financial statements are presented in thousands of euro, rounded off to the nearest thousand, which is the functional and presentation currency of the Parent and its Subsidiaries.

e) Critical aspects regarding the valuation and estimation of uncertainty

The preparation of consolidated financial statements in accordance with IFRS-EU requires significant accounting estimates, judgments and assumptions to be made during the process of applying the Group's accounting policies. There follows a summary of the aspects that involved a higher degree of judgement, complexity or where assumptions and estimates were significant in drawing up the consolidated financial statements.

While these estimates have been made on the basis of the best information available in relation to the events analysed at the balance sheet date, it is possible that future events may require these estimates to be modified (upwards or downwards) in subsequent years. Any resulting changes would be reflected in the corresponding consolidated statements of profit or loss and under the heading "Valuation adjustments" in the Group's equity.

The main estimates made by the Group's directors are as follows:

There were a number of changes implemented on 31 December 2023 with respect to the estimates made at the end of the 2022 financial year. These changes are due to the entry into force of IFRS 17 and are discussed extensively in section f) of this note.

Liabilities under insurance contracts [Note 3l)]:

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 3l). The Group also makes assumptions and estimates in the calculation of insurance contract liabilities.

On 29 December 2021, the General Directorate of Insurance and Pension Funds sent a resolution on the application file for a change in the statistical methodology used in the automotive sector, in which it authorised the Group to calculate the technical provisions of benefits in its Motor segment using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost required under local regulations as a contrast methodology. With the entry into force of IFRS 17, the Group will use Best Estimate assumptions for the calculation of incurred claims liabilities, projecting future cash flows consistently with Solvency II risk regulations. In the Motor and Home business segments, the methodology used is called 'Chain Ladder'; in the Health business segment the projection of benefit payments is made based on historical payment patterns detected in the records of each segment.

Risk adjustment will be calculated by applying a percentile methodology. In the Motor segment, calculations will be made using the Merz & Wüthrich stochastic methodology. In the Home and Health segments, calculations will be made using the standard deviation obtained by equating the 99.5% percentile to the sum of the Best Estimate and the SCR reserve. In all cases, the Group has decided to maintain an 85% percentile in calculating risk adjustment.

Income tax and recovery of tax credits [Note 3 w)]:

Under current legislation, taxes cannot be considered definitively settled until the duly submitted returns have been inspected by the tax authorities, or until the four-year limitation period has lapsed. In the opinion of the Group's directors, there are no contingencies that might result in any further significant liabilities for the Group.

Impairment losses on certain assets [Note 3d), f), g) and h)]:

The Group analyses annually whether there are any indications of impairment on its assets, which are tested for impairment if and when any such indications exist. In particular, the provision for bad debts is calculated on the basis of the age of the invoices, with a different ratio applied for each age bracket. These brackets have been determined on the basis of the Group's experience and the mandatory accounting standards binding all insurance companies.

Useful life of intangible assets, property, plant and equipment, investment property [Note 3f) and h)]:

The useful lives of these assets have been calculated on the basis of the Group's directors' best estimate of the period over which they will generate income, taking into account the depreciation and amortisation effectively incurred in their operation, use and enjoyment.

The fair value of certain non-listed assets and liabilities [Note 3 d)]:

To determine the fair value of financial instruments when there is no price available in an active market, the Group's directors have made estimates using a valuation model or technique consistent with accepted market pricing methodology, while maximising the use of observable market data.

Determination of the lessee's incremental borrowing rate under IFRS 16:

The incremental borrowing rate has been used to determine the relevant rate for leases in which the Group acts as lessee. This is the rate of interest that a lessee would have to pay to borrow over a similar term (with similar conditions and levels of risk) the funds necessary to obtain an asset of a similar value to the right-of-use asset.

To determine the incremental borrowing rate, the Group:

- Employs a cumulative approach based on a risk-free interest rate adjusted to reflect credit risk for leases which have no recent third-party financing; and

- Makes specific adjustments to the lease, such as term, type, asset value and risk.

The Group is exposed to possible future increases in variable lease payments based on a Consumer Price Index (CPI). These changes are not included in the lease liability until they take effect. When the lease payments are eventually updated based on this index, the lease liability is revalued and adjusted against the right-of-use asset.

CPI change in leases in which the Group acts as lessee did not have a significant impact on the Group during the reference periods.

f) Comparison of information

Aspects deriving from the entry into force of IFRS 17 and IFRS 9 on 1 January 2023.

The Group applied IFRS 17 and IFRS 9 for the first time as of 1 January 2023, which has led to a restatement of fiscal year 2022. The new standards entail changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments. However, given the business segments in which the Group operates, and the nature and duration of the insurance contracts it markets and sells, these changes have not had a material impact on the Group’s consolidated financial statements, or on the management of the business or the Group's dividend policy. The recording and measurement methods applied as a consequence of the entry into force of these standards are reflected in Note 3d) & l).

IFRS 9: Financial Instruments

The effective date of IFRS 9 was 1 January 2018. However, the Group elected to take advantage of the temporary exemption from the effective date of IFRS 9: Financial Instruments, as provided for in paragraphs 20A – 20N of IFRS 4: Insurance Contracts, as it met the criteria to do so.

By availing itself of this exemption, the date of application of IFRS 9 is the effective date of IFRS 17: Insurance Contracts, which, according to the decision of the International Accounting Standards Board (IASB), is 1 January 2023.

The Group has conducted the necessary analysis to be able to apply this deferral and has corroborated its eligibility by confirming that the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities has been greater than 90%, and that the Group does not engage in significant activity unconnected with insurance, as indicated in paragraph 20D of IFRS 4. This analysis was performed on the basis of information for the years ended 31 December 2021 and 2022.

IFRS 9 replaces IAS 39, but has a similar scope. IFRS 9 contains principles for the financial reporting of financial assets and financial liabilities in order to present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of future cash flows.

Classification

IFRS 9 establishes a business model system based on how financial assets are used and the characteristics of their cash flows.

Under IFRS 9 there are three measurement categories, each suited for different instruments:

· Financial assets at amortised cost: for financial assets held by the company to collect contractual cash flows; and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

· Financial assets at fair value through other comprehensive income: for those financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

Gains and losses arising from the revaluation of these assets are recognised in equity, though they may be recycled to profit or loss at the time of sale.

· Financial assets at fair value through profit or loss: a financial asset will be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. This category would include all financial assets that do not pass the SPPI (solely payments of principal and interest) test.

In view of the definition of these categories, an analysis of the impact of IFRS 9 has been carried out at 31 December 2022, finding that the impact is not significant due to the characteristics of the Group's investment portfolio.
The Group's financial assets are predominantly debt securities, which already passed the SPPI test.

As regards other financial assets, the most significant change is the recognition of changes in the valuation of equity instrument not considered shares under IFRS 9 (such as investment funds and private equity holdings), which will be made through the consolidated statement of profit or loss due to the characteristics of such assets, whereas under IAS 39 this was carried out through adjustments through changes of value in equity.

However, IFRS 9 states that shares may be measured at fair value through other comprehensive income without recycling to profit or loss (irrevocable option), or alternatively at fair value through profit or loss, depending on the choice of business model. The Group has assessed the impact of this choice and has decided to apply the irrevocable option in the case of shares.

Lastly, there will be no change in the measurement of derivatives. As a result, changes will continue to be recognised in the consolidated statement of recognised income and expense.

Transition

Commission Regulation (EU) 2022/1491 of 8 September 2022, amending Regulation (EC) No 1126/2008 as regards International Financial Reporting Standard 17, allows companies applying IFRS 9 and IFRS 17 for the first time to apply the classification overlay provided for in paragraphs C28B to C28E of IFRS 9. This means that companies may present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. However, the impairment requirements in Section 5.5 of IFRS 9 need not be applied and any difference between the carrying amount of the previous financial asset and the carrying amount at the date of transition resulting from applying the classification overlay is recognised in equity at the date of transition.

The Group has chosen to apply the classification overlay for financial instruments under IFRS 9 and to avail itself of the option not to restate its financial assets, and therefore not to include the effects of IFRS 9 in the financial statements for year 2022 for comparison with 2023, pursuant to paragraph 7.2.15. of IFRS 9.

In relation to the suspension of the deferral of the application of IFRS 9 for insurance activity, the Group has decided not to restate comparative information for financial assets from prior periods, as provided for under the standard. However, as the transition date to IFRS 17 for the Group is 1 January 2022, the Group has presented its financial assets using the IFRS 9 naming conventions to improve comparative information for users of the financial statements. This approach allows comparative information for financial instruments to be presented in the initial application of IFRS 17 and IFRS 9 based on the expected classification under IFRS 9, as if the classification and measurement requirements of IFRS 9 had been applied. This presentation approach can only be applied in comparative periods that have been restated for IFRS 17. In the case of the Group, this is only 2022. This has led to some changes in the classification of certain items in the consolidated financial statements (as explained in the section on transition adjustments).

IFRS 17: Insurance contracts

This standard replaces IFRS 4: Insurance Contracts, which allows for the continued use of local accounting practices and has resulted in insurance contracts being accounted for differently across jurisdictions. This standard, endorsed by the International Accounting Standards Board (IASB), was published on 23 November 2021 in the Official Journal of the European Union (OJEU). IFRS 17 sets out principles for the recognition, presentation and disclosure of insurance contracts so that an entity provides relevant and reliable information to enable users of financial information to assess the effect that these contracts have on the entity's financial statements.

The adoption of IFRS 17 implies amendments to the following standards or interpretations of standards: IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 3: Business Combinations, IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, IFRS 7: Financial Instruments: Disclosures, IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers, International Accounting Standard (IAS) 1: Presentation of Financial Statements, IAS 7: Statement of Cash Flows, IAS 16: Property, Plant and Equipment, IAS 19: Employee Benefits, IAS 28: Investments in Associates and Joint Ventures, IAS 32: Financial Instruments: Presentation, IAS 36: Impairment of Assets, IAS 37: Provisions, Contingent Liabilities and Contingent Assets, IAS 38: Intangible Assets, IAS 40: Investment Property, and SIC Interpretation 27: Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 17 provides a comprehensive approach to accounting for insurance contracts. It seeks to ensure that companies disclose, in their financial statements, relevant information that fairly represents insurance contracts. This information provides users of financial statements with a sound basis for assessing the effect of insurance contracts on the company's financial position, financial performance and cash flows.

IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation for periods beginning on or after 1 January 2023, which is the date of first application, although comparative information with a transition date of 1 January 2022 is required.

In 2022, the Group completed the definition of the accounting policies to be applied under IFRS 17 and the installation and adaptation of the tools needed to apply them correctly. In 2022, the Group performed monthly closes under IFRS 17 in parallel with IFRS 4, to enable it to prepare consolidated financial statements for comparative purposes in 2023.

Aspects deriving from the transition

IFRS 17 applies for annual periods beginning on or after 1 January 2023, although comparative disclosures will be mandatory. This means that:

- Each group of contracts must be identified, recognised and measured as if IFRS 17 had always been applied.
- Items that would not exist if IFRS 17 had always been applied should be derecognised from the financial statements.
- Any net difference that may arise in application of the above items shall be recorded in equity.

In this respect, the Group has applied the changes retrospectively, for both insurance contracts in direct business and ceded reinsurance contracts.

Impacts relating to the transition

The Group has analysed the impacts of the application of IFRS 17. The impacts identified for the transition at 1 January 2022 can be grouped into:

a) Impacts resulting from the recognition of onerous contracts, the amount of which does not differ significantly from the current calculation under IFRS 4 of the provision for unexpired risks. The net reinsurance impact of the recalculation is € 912 thousand.

b) Impacts due to the calculation of the provision for claims incurred, an analysis of which yields results that are within a similar confidence interval to the provision for claims currently calculated under IFRS 4. The impact of the recalculation of the provision for direct insurance and ceded reinsurance is € 2,318 thousand, mainly due to the calculations of the home and health segments at the level of confidence for the motor segment.

c) Impacts due to the exclusion of the accrual of the security surcharge due to the equalisation provision currently made under IFRS 4, but which will not be counted under IFRS 17. The net impact of the deferral due to the increase in the provision is -€ 2,851 thousand.

The impact on the transition date of 1 January 2022 is as follows:

In thousand euro	1 January 2022
Adjustments due to the adoption of IFRS 17	379
Deferred tax liabilities	(95)
Estimated after-tax transition impact	285

The impact after the tax effect of € 285 thousand is recognised under "III. Reserves 2. Other Reserves" in comparative equity at 31 December 2022.

Aspects deriving from the transition and comparative balance sheet at 31 December 2022

There are certain differences between the standards (IFRS 17 and IFRS 4) in the way that information is presented on the balance sheet and, to a lesser extent, in the statement of profit or loss. However, as mentioned above, as the Group applies the Premium Allocation Approach (PAA) to all insurance and reinsurance contracts, the changes are less significant than they would have been had it applied the General Approach or the Variable Fee Approach. It should be noted:

In respect of balance sheet insurance liabilities:

a) For future services, as the Group has opted to apply the simplified PAA method, the treatment is similar to the previous regulatory framework, consisting of the accrual of the premium through the unearned premium provision.

b) In respect of past services, future cash flows are discounted and a non-financial risk adjustment is included when measuring the liability for incurred claims. In the above framework, this methodology is similar to the one the Group had been using for the motor segment, as it applies a statistical methodology approved by the regulator, based on the projection of future flows at a percentile always above the best estimate, although flows are not discounted over time and there is no explicit risk adjustment. With respect to the home and health segments where the Group had been applying a case-by-case claim valuation method, the new valuation model will signify a change in the measurement approach, although no material effects are expected. The method for calculating the liability for incurred claims is the same under both the general model (BBA) and the Premium Allocation Approach (PAA).

c) The same criteria as for direct insurance is used for reinsurance contracts held, for both the liability for remaining coverage and the liability for incurred claims.

d) Therefore, in the balance sheet, the changes in the previous sections imply, in terms of presentation on both the assets and liabilities side, that the headings "Reinsurers' share of technical provisions" and "Technical provisions" are renamed "Assets/liabilities under reinsurance contracts held" and "Assets/liabilities under insurance contracts issued", respectively.

Consolidated balance sheet at 31 December 2022 under IFRS 4 and restated under IFRS 17

A reconciliation of the balance sheet at 31 December 2022 under IFRS 4 and IFRS 17 is provided below with explanatory notes. As previously mentioned, the transition from IAS 39 to IFRS 9 on financial instruments has no quantitative effect on the restatement of the transition balance sheet but does have a quantitative effect on the classifications of the headings.

IFRS 4 ASSETS	Note		Difference		IFRS 17 ASSETS
Cash and cash equivalents		**51,661**	**-**	**51,661**	**A-1) Cash and cash equivalents**
			48,818	**48,818**	**A-2) Financial assets at fair value through profit or loss**
			48,818	48,818	I. Equity instruments
Available-for-sale financial assets		**739,664**	**(48,818)**	**690,846**	**A-3) Financial assets at fair value through equity**
I. Equity instruments	a)	120,886	(48,818)	72,068	I. Equity instruments
II. Debt securities		618,778	-	618,778	II. Debt securities
Loans and receivables		**123,448**	**(101,075)**	**22,373**	**A-4) Amortised cost**
II. Deposits with credit institutions		4,515	-	4,515	III. Deposits with credit institutions
III. Receivables on direct insurance business	b)	58,524	(58,524)	-	V. Receivables on direct insurance business
1. Policyholders		58,524	(58,524)	-	1. Policyholders
IV. Receivables on reinsurance business		12,290	-	12,290	VI. Receivables on reinsurance business
V. Other receivables	c)	48,119	(42,551)	5,568	IX. Other receivables
1. Tax and social security receivable		1,265	-	1,265	1. Tax and social security receivable
2. Other receivables		46,854	(42,552)	4,302	2. Other receivables
Hedging derivatives		**7,808**	**-**	**7,808**	**A-5) Hedging derivatives**
Reinsurers' share of technical provisions	d)	**19,263**	**2,693**	**21,956**	**A-6) Reinsurers' share. Non-life. Simplified approach (PAA)**
I. Provision for unearned premiums		4,554	1,912	6,466	2.1. Assets for remaining coverage
II. Provision for claims		14,709	781	15,490	2.2 Assets for incurred claims
Property, plant and equipment and investment property		**110,044**	**-**	**110,044**	**A-7) Property, plant and equipment and investment property**
Right-of-use assets	e)	**3,739**	**(3,739)**		
Intangible assets		**14,482**	**-**	**14,482**	**A-8) Intangible assets**
Tax assets		**26,861**	**-**	**26,861**	**A-10) Tax assets**
I. Current tax assets		3,397	-	3,397	I. Current tax assets
II. Deferred tax assets		23,464	-	23,464	II. Deferred tax assets
Other assets		**98,445**	**(90,868)**	**7,577**	**A-11) Any other assets**
I. Prepaid fees and other acquisition expenses	f)	94,608	(94,608)	-	
II. Accruals		3,326	-	3,326	III. Accruals
III. Other assets	e)	511	3,740	4,251	IV. Other assets
TOTAL ASSETS		**1,195,415**	**(192,989)**	**1,002,426**	**TOTAL ASSETS**

2023 Consolidated Financial Statements (expressed in thousand euro)

IFRS 4 LIABILITIES	Note		Difference		IFRS 17 LIABILITIES
Debt and accounts payable		**59,288**	**-**	**59,288**	**A-2) Amortised cost**
I. Due on direct insurance business		2,490	-	2,490	III. Due on direct insurance business
1. Due to policyholders		2,009	-	2,009	1. Due to policyholders
2. Due to agents, brokers and intermediaries		481	-	481	2. Due to agents, brokers and intermediaries
II. Due on reinsurance business		1,363	-	1,363	IV. Due on reinsurance business
III. Lease liabilities	g)	3,768	(3,768)	-	
IV. Other debts:	g)	51,667	3,768	55,434	IX. Other debts
1. Taxes and social security payable		15,520	-	15,520	1. Taxes and social security payable
3. Other debts		36,147	3,768	39,915	3. Other debts
Technical provisions		**791,040**	**(180,758)**	**610,282**	**A-4) Technical provisions. Non-life (simplified approach)**
I. Provision for unearned premiums	h)	470,783	(145,726)	325,057	2.1. Liabilities for remaining coverage
		470,783	(150,179)	320,604	2.1.1. Unearned premiums
			4,453	4,453	2.1.2. Loss component
II. Provision for unexpired risks	h)	2,378	(2,378)	-	
III. Provision for claims	i)	317,879	(32,654)	285,225	2.2. Liabilities for incurred claims
				264,741	2.2.1. Present value of cash flows
				20,484	2.2.1. Adjustment for non-financial risk
Non-technical provisions		**26,118**	**(25,338)**	**780**	
II. Provisions for settlement agreements	j)	25,338	(25,338)	-	
III. Other non-technical provisions		780	-	780	III. Other non-technical provisions
Tax liabilities	m)	**28,182**	**3,277**	**31,459**	**A-6) Tax liabilities**
I. Deferred tax liabilities		28,182	3,277	31,459	II. Deferred tax liabilities
Other liabilities		**287**	**-**	**287**	**A-7) Other liabilities**
TOTAL LIABILITIES		**904,915**	**(202,819)**	**702,096**	**TOTAL LIABILITIES**
EQUITY					**EQUITY**
Equity	k)	**320,356**	**3,887**	**324,243**	**B-1) Equity**
I. Capital or mutual fund		43,537	-	43,537	I. Capital or mutual fund
III. Reserves		270,795	284	271,080	III. Reserves
1. Legal and bylaw reserves		9,046	-	9,046	1. Legal and bylaw reserves
2. Other reserves		261,749	-	261,749	4. Reserves at consolidated companies
			284	285	6. First application reserve
IV. (Treasury shares)		(1,018)	-	(1,018)	IV. (Own and parent company equities)
VII. Profit/(loss) for the year		59,523	3,603	63,126	VII. Profit/(loss) for the year attributable to the Parent Company
VIII. (Interim dividend)		(52,481)	-	(52,481)	VIII. (Interim dividend)
Valuation adjustments:		**(29,856)**	**5,943**	**(23,913)**	**B-2) Valuation adjustments**
I. Available-for-sale financial assets		(29,856)		(29,856)	I. Financial assets at fair value through equity
	l)	-	5,943	5,943	II. Other comprehensive income
		-	6,240	6,240	1. Valuation adjustments for insurance contracts
		-	(297)	(297)	2. Valuation adjustments for ceded reinsurance contracts
TOTAL EQUITY		**290,500**	**9,830**	**300,330**	**TOTAL EQUITY**
TOTAL LIABILITIES AND EQUITY		**1,195,415**	**(192,989)**	**1,002,426**	**TOTAL LIABILITIES AND EQUITY**

Notes describing the reconciliation and reclassification adjustments for assets and liabilities between IFRS 4 (previous balance sheet) and IFRS 17 (restated balance sheet) are provided below.

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a) The heading "Available-for-sale financial assets. I Equity instruments" on the asset side of the previous balance sheet has been split and reclassified under the headings:

   1) A-2) Financial assets at fair value through profit or loss, grouping equity instruments as private equity that are not classified as equities under IFRS 9, in the amount of € 48,818 thousand.

   2) A-3) Financial assets at fair value through equity, including all equity instruments classified as equities under IFRS 9, in the amount of € 72,068 thousand, and debt securities.

b) The balance of the heading "Loans and receivables. III. Receivables on direct insurance business" from the previous balance sheet is partially reclassified in its entirety to heading "2.1 Provision for remaining coverage" on the liability side in the amount of € 58,524 thousand, as detailed in Note
h). The reclassified amount corresponds to receivables from outstanding issued receipts such as premium fractions to be drawn.

c) The balance of the heading "Loans and receivables. V. Other receivables 2. Other receivables" from the previous balance sheet has been reclassified to "2.2. Liabilities for claims incurred" on the liabilities side of the balance sheet in the amount of € 42,551 thousand under IFRS 9 and IFRS 17. This amount includes the rights for certain claims recoveries that are implicitly included in the calculation of the present value of cash flows in liabilities for claims incurred under IFRS 17.

d) The heading "Reinsurers' share of technical provisions" in the previous balance sheet corresponds to heading A-6) Reinsurers' share. Non-life. Simplified approach (PAA).

   i. The "Provision for unearned premiums", with a balance of € 4,554 thousand, has been restated to "2.1 Assets for remaining coverage" for € 6,466 thousand. This involves an increase of € 1,912 thousand, mainly corresponding to assignment to reinsurance of the direct insurance loss component recognised on the liabilities side of the restated balance sheet. Under IFRS 4, the provision for unexpired risks, equivalent to the loss component, was not ceded to reinsurance.

   ii. The "Provision for claims", with a balance of € 14,709 thousand, is restated under "Assets for claims incurred" in the amount of € 15,490 thousand. This includes an increase of € 781 thousand due to the impact of the present value of the flows of the provision for claims ceded to reinsurance, using the best estimate and discounting the corresponding flows.

e) The heading "Right-of-use assets" has been reclassified to "A-11) Any other assets. IV. Other assets" in the amount € 3,739 thousand. This includes assets arising from the valuation of lease agreements under IFRS 16.

f) Item "Any other assets. I. Prepaid fees and other acquisition costs” from the previous balance sheet, which recognised the deferred acquisition expenses associated with the unearned premium provision, has been reclassified in its entirety, in the amount of € 94,608 thousand, to the heading on the liability side “2.1. Liabilities for remaining coverage" as set out in note h).

g) The heading "Debits and items payable. III. Lease liabilities" of the liabilities of the previous balance sheet that includes the liabilities arising from the valuation of lease contracts under

IFRS 16 is reclassified in its entirety to the heading other debts "A-2) Amortized cost. IX Any other debts 3. Other debts

h) The heading "Technical provisions. I. Provision for unearned premiums" from the liabilities side of the previous balance sheet has been transferred to the liabilities side of the new balance sheet under the heading "A-4) Technical provisions. Non-life (simplified approach). 2.1 Liabilities for remaining coverage" A reconciliation of these two headings is provided in the following table:

470,783	**I. Provision for unearned premiums**
(94,608)	I. Prepaid fees and other acquisition expenses
(58,524)	Receivables on insurance business. Policyholders
2,952	Security surcharge
4,453	2.1.2. Loss component
325,056	**2.1. Liabilities for remaining coverage**

i. Section "Prepaid fees and other acquisition costs" is the result of the reclassification described in Note e).

ii. The section "Receivables on direct insurance business. Policyholders" corresponds to receivables for uncollected issued receipts and unissued premium fractions, which have been reclassified from the asset side of the previous balance sheet, as set out in Note b)

iii. The Security Surcharge that decreases the provision for unearned premiums under IFRS 4 has been eliminated in IFRS 17, increasing the provision for remaining coverage.

iv. Heading "2.1.2 Loss component" is conceptually similar to heading "Provision for risks in progress" appearing in the previous balance sheet for an amount of € 2,378 thousand, and which is removed from the liabilities side of the new balance sheet, corresponding to projected losses on future exposure in the Health segment.

i) The heading "Technical provisions. I. Provision for claims" on the liabilities side of the previous balance sheet has been renamed "A-4) Technical provisions. Non-life (simplified approach). Liabilities for claims incurred" in the new balance sheet. A reconciliation of these two headings is provided in the table below.

317,879	**III. Provision for claims**
(317,879)	**III. Provision for claims**
264,741	2.2.1 Present value of cash flows
20,484	2.2.1 Adjustment for non-financial risk
285,226	**2.2 Liabilities for incurred claims**

i. The "Provision for claims" under IFRS 4 that is calculated with a prudential margin is derecognised in IFRS 17 and replaced by the best estimate of the "Present value of cash flows" corresponding to past services.

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ii. Section "2.2.1 Adjustment for non-financial risk" of the restated balance sheet is an adjustment to an IFRS 17 concept to compensate for uncertainty about the amount and timing of cash flows arising from non-financial risk.

iii. As mentioned in sections c) and j), the liabilities for claims incurred include both rights for certain claims recoveries, in the amount of -€ 42,551 thousand, and provisions for settlement agreements, amounting to € 25,338 thousand.

j) Heading "Non-technical provisions. II. Provision for settlement agreements" on the liabilities side of the previous balance sheet, amounting to € 25,338 thousand, has been removed from the liabilities side of the new balance sheet, being implicitly included in the calculation of the present value of the cash flows included in the "Liabilities for claims incurred" described in note h).

k) The heading "Equity" on the previous balance sheet, with a balance of € 320,356 thousand, increases by € 3,887 thousand to € 324,243 thousand, due to:

i. The heading "III. Reserves" is increased by € 285 thousand due to the adjustment of the first application reserve at 1 January 2022, as described above for the transition.

ii. The heading "VII. Profit/(loss) for the year" is increased by € 3,603 thousand, from € 59,523 thousand to € 63,126 thousand, due to the following effects in 2022:

Liabilities for claims incurred, gross	(6,039)
Liabilities for ceded claims incurred	59
Gross loss component	77
Ceded loss component	997
Impact of security surcharge and deferral	102
Total gross impact	**(4,804)**
Deferred tax	1,201
Total net impact	**(3,603)**

l) Equity on the new balance sheet includes the heading "B-2) Valuation adjustments. II. Other comprehensive income", which includes the effect of the change in the discount curve for the year with respect to the curve for the year of occurrence of the claims in the calculation of technical provisions, for both direct insurance, in the amount of € 6,240 thousand, and for ceded reinsurance, at -€ 297 thousand, with a net effect of € 5,943 thousand. The tax effect is € 1,982 thousand.

m) The balance of the heading "Tax liabilities. I. Deferred tax liabilities" increases by € 3,277 thousand compared to the same heading on the previous balance sheet, due to:

i. The tax effect of the transition reserve at 1 January 2022, amounting to € 94 thousand, as described in the transition section.

ii. Tax effect of IFRS 17 adjustments for 2022 through profit or loss in the amount of € 1,201 thousand, as indicated in Note k).

iii. Tax effect of IFRS 17 adjustments for 2022 through other comprehensive income in equity rather than profit or loss, in the amount of € 1,982 thousand, as indicated in note l).

Aspects deriving from the income statement and comparison at 31 December 2022

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The consolidated statement of profit or loss under IFRS 17 presents, in summary form, the following items that apply to the Group based on the nature of its business and the applicable valuation models (refer to the Annexes for more details):

Revenue from the insurance service

This heading will show the provision of services arising from the group of insurance contracts, the amount of consideration to which the Group expects to be entitled in exchange for those services, i.e. the amount of premiums received.

Amounts related to changes in the liability for the remaining coverage and the allocation of the portion of the premium that relates to the recovery of the cash flows from the purchase of the insurance.

The Group applies the PAA, whereby the revenue from the insurance service measured under the PAA is similar to the earned premium concept under IFRS 4.

Insurance service expenses

Insurance service expenses include claims and other attributable insurance service expenses incurred; amortisation of cash flows from the acquisition of insurance; changes that relate to past service (i.e. changes in cash flows relating to the liability for claims incurred); and losses on groups of contracts and reversals of those losses.

Under IFRS 4, this heading would include claims incurred and operating expenses.

Notably, the above revenue and expense headings of the insurance service: Do not include investment components

Do not include revenue and expenses related to reinsurance, as they have their own specific heading.

Income associated with reinsurance contracts held

This heading shows income under ceded reinsurance contracts, counting ceded insurance premiums, ceded claims incurred and reinsurance commission, which under IFRS 4 were shown net of the direct insurance result under net earned premium, net claims incurred and net operating expenses, respectively.

Income from the insurance service

Income from the insurance service less insurance service expense and income associated with reinsurance contracts held comprises total profit/(loss) from the insurance service. Due to the Group's decision to apply the PAA valuation method, this insurance service result is expected to be similar to the technical result without the current financial part under IFRS 4.

Net gains/(losses) from investments

This sub-heading shows income obtained from the Group's financial instrument portfolio in the form of interest, dividends, changes in the fair value of financial assets measured at fair value through other comprehensive income, and realised gains/(losses) on assets measured at fair value through profit or loss, measured in accordance with IFRS 9.

Insurance financial income and expenses

This sub-heading shows the effect of the time value of money on the calculation of insurance liabilities. More precisely, as regards the effect of updating the discount rate for the purpose of calculating the liability for claims incurred, which includes the present value of the associated future cash flows and the non-financial risk adjustment pertaining to the portfolios of contracts measured using the PAA, the Group has preliminarily opted to disaggregate this effect between other comprehensive income and the statement of profit or loss.

Other income and other expenses

This heading shows income and expenses not attributable to insurance contracts. Profit before tax

This heading will be the sum of profit from the insurance service, net gains/(losses) from investments, insurance financial income and expenses, and other income and other expenses.

Post-tax profit comprises pre-tax profit less the income tax expense (see note 4).

Main parallels and differences with regards to the Solvency II framework

The implementation within the Group of the Solvency II framework, which came into force on 1 January 2016, has facilitated the implementation of IFRS 17 by unlocking synergies in the organisation of the reporting databases and the common approach of cash flow projections at present value on which both frameworks are based, in order to obtain a balance sheet at market value (both for assets and liabilities) and avoid accounting asymmetries. It should not be forgotten that the IFRS are of supplementary use for the measurement of assets and liabilities under Solvency II.

Given the segments in which the Group operates and the nature of the groups of insurance and reinsurance contracts that make up its portfolio, the granularity, level of aggregation and contract boundaries under IFRS 17 are very similar to those used under Solvency II.

The Solvency II balance sheet is calculated for LDA standalone, as the Group is not required to present solvency information at the consolidated level, whereas under IFRS 17 information is presented at the consolidated level only.

The balance sheet is similar under both measurement standards, although in relation to insurance liabilities:

a) The IFRS 17 liability for claims incurred is similar to the Solvency II claims provision, although the former includes an explicit risk adjustment that would be equivalent to the Solvency II risk margin. However, they are different in their meaning and calculation methodology.

b) The liability for remaining coverage under the PAA is equivalent to the premium provision, although the former is similar to the provisions for unearned premiums, while under Solvency II it is estimated through projected expected cash flows discounted to present value of future exposure, taking into account contract boundaries.

Alternative performance measures (APMs)

As the Group will be measuring all of its insurance and reinsurance contracts under the PAA, the main alternative performance measures will remain the same as under IFRS 4.

The combined ratio, adapted to IFRS 17, is not significantly different to that under IFRS 4.

g) Changes in accounting standards

There were no changes in accounting criteria in the period compared to the consolidated financial statements for the year ended 31 December 2022, other than the entry into force of IFRS 17 and IFRS 9, as described in section f).

a) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2023

"IFRS 17: Insurance Contracts [1]": IFRS 17 replaces "IFRS 4: Insurance Contracts", which permitted a wide variety of accounting practices. The new standard fundamentally changes the accounting of all entities that issue insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications to facilitate the implementation of the new standard, although without changing the core principles of the standard.

The standard applies to annual periods beginning on or after 1 January 2023. Earlier application is permitted if "IFRS 9: Financial Instruments" is applied on or before the date IFRS 17 is applied.

The impact of this is discussed in section f) of this note.

IFRS 17 (Amendment): Initial application of IFRS 17 and IFRS 9: Comparative information: The IASB has published an amendment to IFRS 17 that introduces modifications with limited scope to the transition requirements of "IFRS 17: Insurance Contracts". This does not affect any other requirements of IFRS 17. The transition requirements for IFRS 17 and "IFRS 9: Financial Instruments" are different. These differences could lead to one-off accounting mismatches between financial assets and insurance contract liabilities for some insurers in the comparative information they disclose in their financial statements when they apply IFRS 17 and IFRS 9 for the first time. This amendment will help insurers avoid these mismatches, improving the usefulness of the comparative information for investors.

This amendment is effective for annual periods beginning on or after 1 January 2023. For Línea Directa, this amendment has meant reclassifying capital gains on equity instruments to equity, as it has opted for the irrevocable option of considering such instruments as instruments whose changes in value are recognised in equity. Changes in the value of investment funds during the year classified as instruments whose valuation changes are recognised through profit or loss have also been reclassified.

IAS 1 (Amendment): Disclosure of accounting policies: IAS 1 has been amended to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments are effective as of 1 January 2023.

The impact of this amendment on the preparation of these financial statements is not significant.

IAS 8 (Amendment): Definition of accounting estimates: IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. These amendments are effective as of 1 January 2023.

The impact of this amendment on the preparation of these financial statements is not significant.

IAS 12 (Amendment): Deferred tax related to assets and liabilities arising from a single transaction: In certain circumstances under IAS 12, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, these being transactions for which both an asset and a

[1] The IASB issued IFRS 17 in 2017, with entry into force due on 1 January 2021. The IASB amended IFRS 17 in June 2020 with some clarifications to facilitate its implementation, changing the date it came into effect to 1 January 2023. In November 2021, the European Union adopted the amended IFRS 17 and its updated date of entry into force.

liability are recorded at initial recognition. The amendments clarify that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

This amendments is effective for years beginning on or after 1 January 2023, although earlier adoption is permitted.

This amendment had no impact on the preparation of these financial statements.

IAS 12 (Amendment): International Tax Reform Pillar Two Model Rules : In October 2021, more than 130 countries, representing over 90% of global GDP, agreed to implement a minimum tax regime for multinational companies, known as "Pillar Two". In December 2021, the Organisation for Economic Cooperation and Development (OECD) released the Pillar Two model rules for reforming international corporate taxation. The large multinational companies affected by this model must calculate their GloBE (Global Anti-Base Erosion) effective tax rate for each jurisdiction in which they operate. These companies will be required to pay an additional tax for the difference between their effective GloBE tax rate in each jurisdiction and a minimum rate of 15%.

In May 2023, the IASB issued amendments with limited scope to IAS 12, providing a temporary exception to the requirement to recognise and disaggregate deferred taxes arising from an approved or substantially approved tax law implementing the Pillar Two model rules published by the OECD.

These amendments also introduce the following specific breakdown requirements for companies:

1. The fact of having applied the temporary exception to recognition and breakdown of information on deferred tax assets and liabilities related to corporate income tax arising from Pillar Two;

2. Their current tax expense (if any) for corporate income tax arising from Pillar Two; and

3. During the period between approval or substantial approval of the legislation and its entry into force, entities are required to disclose known or reasonably estimable information that would assist users of the financial statements in understanding the entity's exposure to corporate income tax arising from Pillar Two.

The amendment to IAS 12 must be applied immediately and retrospectively in accordance with "IAS 8: Accounting policies, changes in accounting estimates and errors", including the requirement to disclose that the temporary exception has been applied, if this is the case. Breakdowns of the current tax expense and known or reasonably estimable exposure to Pillar Two corporate income tax are mandatory for annual periods starting on or after 1 January 2023. However, breakdowns of this information are not required in the interim financial statements for any period ending on or before 31 December 2023.

The amendment has had no impact on the preparation of these financial statements as the Group currently applies a rate of 25%.

b) Standards, amendments and interpretations that have not yet become effective but may be adopted early

IFRS 16 (Amendment): Lease liability in a sale and leaseback : IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, it does not specify how to record the transaction after that date. This amendment explains how a company should account for a sale and leaseback after the date of the transaction.

The amendment is effective from 1 January 2024, although early application is permitted.

The Group has decided not to apply this amendment early. However, no impact is expected from its application.

IAS 1 (Amended): Classification of liabilities as current or non-current and IAS 1 (Amended): Non-current liabilities with conditions ": These amendments, adopted concurrently by the European Union, clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by the expectations of the entity or events after the reporting period (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The new amendment seeks to improve the information disclosed when the right to defer payment of a liability is subject to the fulfilment of covenants within 12 months of the reporting period.

This amendment is effective for periods beginning on or after 1 January 2024 and is applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Early adoption of the amendment is permitted.

This amendment is not expected to have any impact on the Group.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been endorsed by the European Union.

At the date of authorisation for issue of these consolidated interim financial statements, the IASB and IFRS Interpretations Committee had issued the following standards, amendments and interpretations that have yet to be adopted by the European Union:

IFRS 10 (Amendment) and IAS 28 (Amendment): Sale or contribution of assets between an investor and its associate or joint venture: These amendments clarify the accounting treatment for sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss. If the assets do not meet the definition of a business, the investor will recognise the gain or loss only to the extent of the other investors' interest. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015 the IASB reached the decision to postpone the effective date of these amendments (without setting a new specific date), as it is currently planning a broader review that may ultimately simplify the accounting treatment of these transactions and other accounting aspects for associates and joint ventures.

This amendment is not expected to have any impact on the Group.

IAS 7 (Amendment) and IFRS 7 (Amendment): Supplier finance arrangements ("confirming"): The IASB has amended IAS 7 and IFRS 7 to improve disclosures of supplier finance arrangements ("confirming") and their effects on the company's liabilities, cash flows and exposure to liquidity risk. The amendment meets investor concerns that some companies' supplier finance arrangements are not sufficiently transparent.

This amendment is effective for fiscal years beginning on or after 1 January 2024, although early implementation is permitted. The amendment is pending approval by the European Union.

This amendment is not expected to have any impact on the Group.

IAS 21 (Amendment): Lack of exchangeability: The IASB has amended IAS 21 by adding requirements to help entities determine whether a currency is exchangeable for another currency and the spot rate to be used when it is not. When a currency is not exchangeable for another currency, the spot exchange rate at a valuation date needs to be estimated so as to determine the rate at which an orderly exchange transaction would take place at that date between market participants under prevailing economic conditions.

When an entity first applies the new requirements, it is not permitted to restate comparative information. Instead, the amendment requires affected amounts to be translated at spot exchange rates estimated at the date of initial application of the standard, with an adjustment against reserves.

This amendment is effective for fiscal years beginning on or after 1 January 2025, although early implementation is permitted. The amendment is pending approval by the European Union.

This amendment is not expected to have any impact on the Group.

3. Recognition and measurement standards

The measurement standards relied on when drawing up the accompanying consolidated financial statements are described below:

a) Subsidiaries

a.1) Acquisition of control

Subsidiaries are defined as entities over which the Parent exercises control, whether directly or indirectly through other subsidiaries. The Parent controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee and has the ability to affect those returns through its power over the investee. The Parent has power when it possesses substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the investee when the returns it earns from that involvement have the potential to vary as a result of the investee's financial performance.

Acquisitions by the Parent (or another Group company) of control over a Subsidiary constitute a business combination accounted for using the acquisition method.

This method requires the acquirer to account for, at the acquisition date, the identifiable assets acquired and the liabilities assumed in a business combination and, if any, the related goodwill or badwill on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which control ceases.

The acquisition cost is determined as the sum of the acquisition-date fair values of the assets given, the liabilities incurred or assumed, and the equity instruments issued by the acquirer and the fair value of any contingent consideration that is contingent on future events or the fulfilment of certain conditions being met and that is required to be recognised as an asset, liability or equity according to its nature.

Expenses related to the issuance of the equity instruments or financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules governing financial instruments. Fees paid to legal counsel or other professionals involved in the business combination are expensed as incurred. The cost of the combination does not include the expenses generated internally for these concepts, nor any such expenses incurred by the acquired entity.

Any excess, at the acquisition date, of the cost of the business combination above and beyond the proportionate share of the value of the identifiable assets acquired less the liabilities assumed representing the equity interest in the acquired entity is recognised as goodwill. In the exceptional case that this amount exceeds the cost of the business combination, the excess is recognised as income in the consolidated statement of profit or loss.

a.2) Method of consolidation

The assets, liabilities, income, expenses, cash flows and other items in the financial statements of the Parent and the Subsidiaries are included in the consolidated financial statements of the Group, on the following basis:

- *Standard valuation*: The assets and liabilities, income and expenses and other items contained in the annual accounts of the Group companies have been valued using uniform methods.
- *Aggregation*: The different items of the previously standardised separate annual accounts have been aggregated by type.
- *Elimination of equity investment*: The book values of equity instruments from Subsidiaries held, directly or indirectly, by the Parent Company are offset against the proportionate share of the equity items of the Subsidiary Company attributable to those holdings, generally on the basis of the values resulting from applying the acquisition method described above. In consolidations subsequent to the year in which control was acquired, the excess or deficit in equity generated by the Subsidiary since the date of acquisition that is attributable to the Parent is presented in the consolidated balance sheet within reserves or valuation adjustments, depending on the nature or type.
- *Eliminations of intra-group items*: Receivables and payables, income and expenses and cash flows between Group companies are eliminated in full. In addition, all results of internal transactions are eliminated and deferred until they are realised vis-à-vis third parties outside the Group.

b) Segment information

The Group is structured internally into operating segments, which have been defined according to the different categories of products and services provided by the Group. The earnings and results of these segments are regularly reviewed as part of the decision-making process to decide on the resources to be allocated to the segment and to assess its performance. The Group's Board of Directors, which includes the Chief Executive Officer, identifies the segments from a business perspective and is the supreme decision-making body when it comes to defining these segments. The segments are aligned with the Group's organisational structure and reflect the information provided to Management and the markets.

For the year ended 31 December 2023, the Group comprised the following operating segments in accordance with IFRS 8, whose principal products, services and operations were as follows:

- Motor

- Home
- Health
- Other insurance businesses
- Other activities

Inter-segment transactions are measured at fair value and eliminated on consolidation.

All segments are directly or indirectly related to the insurance business. The Motor, Home, Health and other insurance business segments correspond to insurance-only activities.

- The Motor segment includes private motor insurance through a range of products including comprehensive, with and without excess, extended third party and standard third party, among others, motorbike insurance with products such as comprehensive with excess, third party with theft and fire, extended third party etc., or fleet insurance.

- The Home segment includes a variety of multi-risk home insurance products that include coverage such as theft damage, civil liability, fire damage and aesthetic damage.

- The Health segment includes health insurance products under the Vivaz brand in the health care segment.

- The Other insurance segment includes various products with stand-alone policies that are not linked to motor, home or health insurance, such as travel insurance for holders of credit cards and wellness insurance.

- The Other activities segment mainly relates to auxiliary insurance businesses and commissions from the sale of insurance products of other insurers. It also includes roadside assistance and vehicle repair services that Group subsidiaries provide to third parties outside the Group and that are not, therefore, eliminated on consolidation. The income and expenses of this business segment correspond to the headings "Other income" and "Other expenses" in the Consolidated Income Statement of Other activities. These activities do not meet the quantitative criteria for separate presentation.

There are no differences in accounting policies, nature of activities, valuation and measurement of assets and liabilities between each of the operating segments and there have been no changes from previous years in relation to their management.

The Group's management strategy is to analyse the performance of each segment by its profit after tax. The Group performs virtually all of its business activities in Spain. During 2023, being the first year of implementation of IFRS 17, the group's management continued to manage the segments in accordance with the results under IFRS 4, assessing the adjustments due to the regulatory change to IFRS 17 separately. The results are, therefore, presented by segments under both standards, with explanations of the main differences between them provided in Note 17, which are not significant in any case.

c) Cash and cash equivalents

This heading comprises cash in hand, bank current accounts, deposits and reverse repurchase agreements that meet all the following criteria:

- They are convertible into cash.
- At time of acquisition, the item matures within three months.
- They are not subject to significant risk of change in value.

– They form part of the Group's normal cash management policy.

Other short-term, highly liquid investments are also included under this heading provided that they are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

d) Financial instruments

d.1) Financial assets

The Group, in accordance with IFRS 9, classifies its financial assets in the following categories:

– Financial assets at amortised cost
– Financial assets at fair value through other comprehensive income
– Financial assets at fair value through profit or loss

The precise classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Assets at amortised cost

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are mainly bank deposits, outstanding insurance premium receipts, debt securities and reinsurance receivables. Included in this category are claims on third parties arising from reinsurance operations.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently at amortised cost. Accrued interest is recognised at the effective interest rate, which is defined as the discount rate that exactly discounts the carrying amount of the instrument to its total estimated cash flows through to maturity. However, trade receivables with a maturity of up to one year are measured, both on initial recognition and subsequently, at nominal value where the effect of not discounting the flows is not material.

At least at year end, the necessary valuation adjustments for impairment are made if there is objective evidence that not all the amounts owed will be recovered.

The amount of the impairment loss incurred is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Value adjustments, and any reversal thereof, are recognised in the consolidated statement of profit or loss. Reversal of impairment is limited to the carrying amount of the asset recognised at the date of the reversal had no such impairment been recorded.

If, in a subsequent period, the amount of the impairment loss decreases and the reduction can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit quality), the reversal of the previously recognised impairment is recognised in the consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income

In this category the Group includes those financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. To qualify under this business model, assets must pass the SPPI (Solely Payments of Principal and Interest) test.

Assets are measured at fair value, which, unless there is evidence to the contrary, is equal to the asset's transaction price. Changes in fair value are then recognised directly in consolidated equity until the asset is disposed of. On disposal of assets such as debt securities, gains and losses accumulated in consolidated equity are carried to the Consolidated Income Statement, provided that the fair value of the asset can be determined. In the case of shares, the company has opted to avail itself of the exception provided in IFRS 9, which allows the possibility (as an irrevocable option) of recognising gains or losses on the sale of these instruments directly in the Group's equity.

Expected loss

On each statement of financial position, the Group assesses the expected loss from debt securities classified as financial assets at fair value through equity. IFRS 9 emphasises the need to reflect the current and future conditions of financial instruments, proposing the use of "forward looking" information, including macroeconomic information, in making estimates. Using forward looking models allows the mitigation of potential biases and subjectivities in the assessment of credit loss scenarios. Accordingly, the Group uses forward looking information based on default probabilities issued by external rating agencies to assess each of the issues in its portfolio, allowing it to consider the expectations regarding the different instruments and the current and future situations of these instruments.

The estimated expected loss comprises three risk parameters.

1. Probability of default (PD): The probability of default is the probability that an issuer or instrument will default on its credit obligations within a given period of time. In calculating the Expected Loss, the Group, in accordance with regulatory guidelines, applies two types of probabilities of default. These are:

    12 months PD: This is the estimated probability of a default occurring in the next 12 months of the instrument's life from the date of analysis.

    Lifetime PD: This is the estimated probability of occurrence of a default over the remaining life of an instrument, i.e., the maximum contractual period over which the entity is exposed to credit risk, which the standard considers the maximum period over which expected credit losses should be measured.

   The portfolio is to be classified into different "stages" according to impairment risks:

    Stage 1: When valuing investment portfolio instruments that are in Stage 1, 12-month PDs need to be used. The PDs for these instruments have been obtained from the estimate tables provided by prestigious rating agencies for a one-year term, according to their rating at time of valuation.

    Stage 2: This stage includes instruments whose risks are significantly impaired at the reporting date. The probability of default over the whole life of the instrument is the PD that should be used when valuing Stage 2 instruments. However, as there was not enough information to make any kind of internal estimation using the Company's databases, the decision was made to use external information for the allocation of PDs. In the event that an investment in Línea Directa's portfolio is classified as Stage 2, estimates of expected loss must use PDs derived from the estimate tables provided by rating agencies of recognised prestige, taking the value corresponding to the lifetime of the transaction. Where the remaining term is longer than 15 years, the PD used will be that corresponding a 15-year term, which is the maximum projection term used by agencies in their estimates.

Stage 3: The Group has determined that all instruments in its investment portfolio that are in default or that have undergone a specific individual analysis process that demonstrates objective evidence of impairment should be classified as Stage 3. The PD assigned to said assets should be recognised at 100%.

2. Loss given default (LGD): Loss Given Default is the percentage of exposure in the event of a default on a financial instrument. In determining this parameter, the Group calculates the recovery amount, net of associated expenses.
3. Exposure at default (EAD): This parameter refers to an instrument's level of exposure on the date of analysis. It is the amount to which the Group is exposed in the event of a default. EAD is estimated using future flows from the investment updated at the valuation date.

Financial assets at fair value through profit or loss

A financial asset will be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. This category includes all financial assets that do not pass the SPPI test and all equity not recognised as shares.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when all the risks and rewards of ownership of the asset have been substantially transferred. In the specific case of accounts receivable, this is generally understood to occur if and when the risks of insolvency and default have been transferred.

Conversely, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, on transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

Derecognition of a financial asset entails the recognition, in the statement of profit or loss or in equity, depending on the type of asset, of the difference between the carrying amount of the financial asset and the consideration received, including attributable transaction costs. Any liabilities transferred other than the cash or asset assumed are also recognised.

Dividend distribution

Dividend income is recognised as income in the consolidated statement of profit or loss when the right to receive payment is established.

Measurement of financial instruments

On initial recognition of a financial asset, the Group measures it at fair value, adjusted for transaction costs that are directly attributable to the purchase or issue of the asset.

After initial recognition, the Group keeps measuring financial assets at fair value but does not deduct the transaction costs that may be incurred on sale, except for certain loans and receivables that are measured at amortised cost using the effective interest method.

The fair value of a financial instrument on a given date means the amount for which it could be bought or sold between knowledgeable, willing buyers and sellers on an arm's length basis. The most objective and common reference for the fair value of a financial instrument is the quoted prices of the instrument on an active market.

An active market is one in which the following conditions exist simultaneously:

- The goods or services exchanged in the market are homogeneous.
- Buyers or sellers for a given good or service can be found at virtually any time.
- The prices are known and readily accessible to the public. These prices must also reflect actual, current and regularly occurring market transactions.

There is no need for the market to be regulated, though it must be transparent and deep. Therefore, prices that are known and readily accessible to the public from financial information providers, and that reflect actual, current and regularly occurring market transactions will be considered as valid prices in an active market.

If no price can be found in an active market, the price must be estimated instead through a valuation model or technique, consistent with the accepted methodology used in the market for pricing, while maximising the use of observable market data.

For this purpose, financial instruments have been classified into three tiers, depending on the inputs used to determine their fair value:

- Tier 1: the financial instrument is valued directly on the basis of its quoted price on active markets, to the extent that this price is observable and can be captured from independent sources.

- Tier 2: for instruments for which there is no observable price, fair value is estimated using valuation techniques where all significant inputs are based on observable market data (mainly interest rates and risk premiums).

- Tier 3: valuation techniques relying on variables other than those obtained from observable market data.

Instruments may be moved between tiers following periodic control processes and verification of quoted prices, as follows:

- If the source of an asset's quoted price is no longer representative, it is moved from Tier 1 to Tier 2.

- Assets are moved from Tiers 2 and 3 to Tier 1 if and when a reasonable quoted price source is verified.

- Assets are moved to Tier 3 when observable market data are no longer available.

The Group recognises transfers between tiers in the fair value hierarchy at the date of the event or change in circumstances that warranted the transfer.

d.2) Financial liabilities

The Group classifies its financial liabilities according to the purpose for which they were acquired. Management determines the classification of its financial liabilities at initial recognition.

Debt and accounts payable

The Group uses this heading to show both trade and non-trade payables.

These debts are initially recognised at fair value adjusted for directly attributable transaction costs and are subsequently recognised at amortised cost using the effective interest method. The effective interest rate is the discount rate that exactly discounts the carrying value of the instrument to the expected flow of future payments through to maturity of the liability.

However, trade payables with a maturity not exceeding one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value when the effect of not discounting the cash flows is immaterial.

If existing debts are renegotiated, no substantial change to the financial liability will be deemed to exist when the present value of the cash flows of the new liability, including net fees, does not differ significantly from the present value of the outstanding cash flows under the original liability, both discounted at the effective interest rate of the latter.

Derecognition of financial liabilities

The Group derecognises a financial liability or part of one when it has discharged the underlying obligation or is otherwise legally released from the underlying responsibility, whether by virtue of a court ruling or by the creditor itself.

Derecognition of a financial liability entails the recognition, in the statement of profit or loss, of the difference between the carrying amount of the financial liability and the consideration paid, including attributable transaction costs. Any assets transferred other than the cash or liability assumed are also recognised.

e) Hedge accounting

Hedging derivatives are recognised under "Hedging derivatives" on the assets or liabilities side of the consolidated balance sheet, as appropriate.

Hedging derivatives are derivatives whose fair value or future cash flows are intended to offset changes in the fair value or future cash flows of hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

Cash flow hedges cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations. The Group recognised no such hedging arrangements in 2023 or 2022.

Measuring hedge effectiveness

In relation to derivatives held by the Group that are classified as fair value hedges, the following steps are taken to measure the effectiveness of the hedge:

First, the Group defines the hedged item through a synthetic bond whose flows are equivalent to the hedged portion of each government bond (Note 7-b i)). The change in the fair value of the synthetic bond is calculated by discounting its flows using the standard Euribor 6m curve. Lastly, it is confirmed that the difference between this change and the change in the fair value of the hedging derivative is within the parameters marked as effective hedging (80% - 125%).

f) Property, plant and equipment and investment property

Land, natural assets and buildings that are held to obtain income, capital gains or both and that are not occupied by the Group qualify as real estate investments. Land, natural assets and buildings held for the provision of services or for administrative purposes for own use are treated as property, plant and equipment.

Property, plant and equipment and investment property are recognised at their acquisition price, which includes, in addition to the purchase price, all additional expenses incurred, including finance expenses, until the asset is put into operation.

Asset expansion and improvement costs are added to assets as an increase in the value of the asset only when they result in an increase in its capacity, floor area, or return, or when they lengthen its useful life, whereupon the carrying amount of the replaced items is derecognised. Under no circumstances does repair and maintenance work qualify as improvements.

These assets are amortised systematically on a straight-line basis over their estimated useful life, taking into account the depreciation effectively sustained from their operation, use and enjoyment. The following rates are used to calculate amortisation:

Property, plant and equipment and investment property	Rate
Furniture and installations	4% - 10%
IT equipment	10% - 25%
Vehicles	25%
Other property, plant and equipment	12 - 15%
Buildings for own use	2%
Buildings for property investment	2%

The Group reviews the residual value, useful life and amortisation method of property, plant and equipment at the end of each reporting period. Changes in the criteria initially established are recognised as a change in estimates.

At year-end, the corresponding valuation adjustments, if any, are made to property, plant and equipment and investment property. For the purposes of impairment, the Group assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In the case of property, fair value is equal to the appraisal value determined by an appraisal company authorised to appraise property on the mortgage market, in accordance with the provisions of Order ECO/805/2003 of 27 March on rules for the appraisal of property and the rights granted to certain financial purposes.

Value in use is the present value of expected future cash flows through use and, as the case may be, disposal of the asset in the normal course of business.

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Order ECC 371/2013 of 4 March requires insurance companies to instruct an appraisal company to review the valuations of their property assets once two years have elapsed from the previous valuation.

Recoverable amount must be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which it belongs.

Losses related to the impairment of the CGU initially reduce, where applicable, the value of the goodwill allocated to the CGU and subsequently to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset, subject to the limit for each asset of the higher of its fair value less costs of disposal, its value in use and zero.

At each reporting date, the Group assesses whether there is any indication that the impairment loss recognised in prior periods no longer exists or may have decreased. Impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of the impairment loss is credited to profit or loss.

However, the reversal of the loss cannot have the effect of increasing the carrying amount of the asset above the carrying amount it would have had, net of amortisation, had the impairment not been recognised.

The amount of the reversal of the impairment loss of a CGU is allocated to the assets of the CGU pro rata on the basis of the carrying amount of the assets, with the limit per asset being the lower of its recoverable amount and the carrying amount it would have had, net of amortisation, had the loss not been recognised.

g) Right-of-use assets and lease liabilities:

Identification of a lease

The Group assesses whether a contract contains a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes both consecutive and non-consecutive periods of time. The Group only reassesses the terms and conditions of a contract when it is modified.

Lessee accounting

For contracts containing one or more lease and non-lease components, the Group allocates the contract consideration to each lease component according to the separate selling price of the lease component and the aggregate individual price of the non-lease components. Such treatment has not been applied to vehicles, applying the practical expedient permitted by the standard, thus not separating the non-lease components and accounting for the lease component and any associated non-lease component as a single lease component.

Payments made by the Group that do not involve the transfer of goods or services from the lessor to the Group are not a separate component of the lease, but form part of the total lease consideration.

The Group has elected not to apply the accounting policies set out below for short-term leases and those where the underlying asset has a fair value of less than five thousand euros. For such contracts, the Group recognises the lease expense on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the inception of the lease. The right-of-use asset consists of the amount of the lease liability, any lease payments made on or before the commencement date, less incentives received, initial direct costs incurred and, as the case may be, an estimate of the dismantling or restoring costs to be incurred, as indicated in the accounting policy for provisions.

The Group measures lease liabilities at the present value of the lease payments outstanding at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate unless it can reliably determine the lessor's implicit interest rate.

Lease payments payable consist of fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured at the index or rate applicable at the commencement date, amounts expected to be payable under residual value guarantees, the exercise price of the purchase option reasonably certain to be exercised and payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures right-of-use assets at cost, less accumulated amortisation and impairment losses, adjusted for any re-estimation of lease liabilities.

If the contract transfers ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the purchase option price, the amortisation criteria set out in f) Property, plant and equipment and investment property are applied from the commencement date of the lease until the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the useful life of the underlying asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets described in section f) Property, plant and equipment and investment property to right-of-use assets.

The Group measures the lease liability by increasing it by the accrued finance expense, decreasing it by the payments made and re-estimating the carrying amount for lease modifications or to reflect updates of in-substance fixed payments.

In 2022 and 2023, the Group did not incur any expenses for variable lease payments.

Lessor accounting. Operating leases

For contracts containing one or more lease and non-lease components, the Group allocates the contract consideration as indicated in the accounting policy on income and expenses.

The Group classifies as finance leases contracts that at inception substantially transfer the risks and rewards incidental to ownership of the assets to the lessee. Otherwise, they are classified as operating leases.

The Group presents assets leased to third parties under operating leases according to their nature or type in accordance with the accounting principles described in section f) Property, plant and equipment and investment property.

The Group recognises income from operating leases, net of incentives granted, as income over the lease term on a straight-line basis, unless another systematic basis of allocation is more representative of the pattern in which benefit from the use of the asset diminishes.

Initial direct lease costs are included in the carrying amount of the leased asset and are recognised as an expense over the lease term using the same criteria as those used for income recognition.

The Group recognises variable payments as revenue when it is probable that they will be received, which is generally when the events that trigger their collection occur.

The Group recognises modifications to operating leases as a new lease from the effective date of the modification, considering any prepayments or deferred payments for the original lease as part of the lease payments for the new lease.

h) Intangible assets

Intangible assets are recognised at acquisition cost or, where applicable, at production cost, less the corresponding amortisation and accumulated impairment losses.

In particular, the following criteria apply:

Software

Includes amounts paid for ownership of, or the right to use software where the term of the arrangement exceeds one year. These assets are amortised on a straight-line basis over a period of four to five years.

For the purposes of impairment, the Group assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

The Group recognises the derecognition of an intangible asset on disposal or when it does not expect to receive future economic benefits from its use or disposal. The date of disposal of an intangible asset is the date on which the buyer acquires control of the asset.

Other

The Group uses this category to recognise all assets that do not qualify as software, such as acquired rights of use. Assets recorded in this category are considered to have an indefinite useful life.

For the purposes of impairment, the Group assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

The Group recognises the derecognition of an intangible asset on disposal or when it does not expect to receive future economic benefits from its use or disposal. The date of disposal of an intangible asset is the date on which the buyer acquires control of the asset.

i) Prepaid commissions and other capitalised acquisition expenses

Acquisition expenses on premiums, included in the outstanding hedging liabilities on the liability side of the consolidated balance sheet, are deferred subject to the limit established in the technical notes for each product and/or segment and the maturity of the policies.

j) Inventories

The inventories held by the Group include mainly car spare parts from subsidiary Centro Avanzado de Reparaciones, S.L.U. and batteries from Línea Directa Asistencia, S.L.U.

Inventories are stated at the lower of cost and net realisable value. When the net realisable value of inventories is lower than their cost, the appropriate valuation adjustments are made and recognised as an expense in the consolidated statement of profit or loss. If the circumstances to have caused the impairment to cease to exist, the amount of the impairment is reversed and recognised as income in the consolidated statement of profit or loss. The balance of inventories is shown under "Other assets" in the consolidated balance sheet (Note 11).

k) Accrued income (assets)

This sub-heading mainly shows the cost of certain services paid in advance by the Group and accrued in the following year.

l) Liabilities under insurance contracts

On 1 January 2023, IFRS 17 "Insurance Contracts" came into force, as discussed in Note 2f). IFRS 17 provides a comprehensive approach to accounting for insurance contracts. IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation for periods beginning on or after 1 January 2023, which is the date of first application, although comparative information with a transition date of 1 January 2022 is required.

Separation of components

The Group analyses the products it sells to determine whether any of these components are non-insurance and whether they need to be separated and accounted for using other standards, such as IFRS 9 for investment components and IFRS 15 for service components. The Group has not identified any components that should be separated, meaning that all components are identified as insurance and will therefore be accounted for under IFRS 17.

Level of aggregation of insurance contracts

The standard requires entities to identify portfolios of insurance contracts separately, such that a portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line can be assumed to have similar risks and, therefore, to be in the same portfolio if they are managed together.

The Group determines that similar risks exist based on the characteristics of the coverage of each product, in view of the boundaries of the contracts. The Group considers that a group of contracts is jointly managed in a manner consistent with the segment grouping envisaged in IFRS 8: Segment Information.

Likewise, at initial recognition, the Group does not include contracts issued more than one year apart in the same group. Therefore, if necessary, the Group will separate contracts on the basis of the year of issue, i.e., into annual cohorts. As the Group does not sell mutualised contracts on an intergenerational basis, or contracts with cash flow matching, it does not qualify for the exemption from the annual cohort requirement allowed by the standard for EU entities.

Each contract portfolio is further broken down into three groups of contracts

- Onerous contracts on initial recognition
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- Other contracts

Each group of contracts in the portfolio is assigned a measurement model based on its characteristics and the criteria set out in applicable regulations.

The Group assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in relevant facts and circumstances.

In the case of reinsurance, the groups of contracts consist of each individual reinsurance contract.

The Group, based on an analysis of the level of aggregation required by the standard, has segmented the portfolios of contracts into Motor, Home, Health and Other insurance business. This segmentation is in line with the segmentation reported so far under the criteria set out in IFRS 8 for both direct insurance and reinsurance.

Based on the prevailing circumstances at the date of transition and the current date, the Group has only opted to treat the Health contract portfolio as onerous. For motor business, it is estimated that the technical branch will be balanced at the close with the new measures. It is therefore currently considered non-onerous.

Recognition of future cash flows and contract boundaries

The Group recognises groups of insurance contracts it issues from the earliest of the following dates:

a) The start of the coverage period for the group of contracts;
b) The date on which the first payment is due from a policyholder in the group; and
c) In the case of onerous groups of contracts, the date on which the group becomes onerous.

If there is no contractual due date, the policyholder's first payment is considered due when it is received.

When measuring a group of insurance contracts, the Group counts all future cash flows within the boundaries of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services, i.e., has the practical ability to reassess the risks of the particular policyholder.

Measurement models for contracts issued

The implementation of IFRS 17 has required consistent accounting for all insurance contracts based on the measurement models provided for in the standard, which will use calculation assumptions updated at each reporting date (such as the discount rate, actuarial assumptions and other financial variables).

With the aim of standardising international insurance accounting practices, IFRS 17 envisions three measurement models for insurance contracts:

- General measurement model (Building Block Approach, or BBA), which is the default method.
- Variable Fee Approach (VFA), which is a variant of the general model (BBA) and should be applied to contracts with significant direct participation features.
- Premium Allocation Approach (PAA), which is essentially a simplification of the general model.

Measurement method for contracts under the Premium Allocation Approach

The standard simplifies the measurement of a group of insurance contracts through the Premium Allocation Approach if, and only if, at the beginning of the group:

a) The Group reasonably expects that such simplification will result in a measurement of the group's remaining coverage liability that is not materially different from that which would be obtained by applying the requirements of the general model;
b) or the coverage period of each group contract is one year or less.

The Group's insurance contracts currently have a duration of one year or less, thus allowing the Group to apply the Premium Allocation Approach (PAA) measurement model to all groups of insurance contracts issued.

Amendment and derecognition of an insurance contract

If the terms of an insurance contract are amended, the Group derecognises the original contract and recognises the modified contract as a new contract, applying IFRS 17 or other applicable standards, if, and only if, any of the following conditions are satisfied:

a) If the amended terms were foreseen at the inception of the contract:

I. The amended contract would have been outside the scope of IFRS 17.
II. Different components of the main insurance contract would have been separated, resulting in a separate insurance contract to which IFRS 17 would have been applied.
III. the boundaries of the amended contract would have been substantially different.
IV. the amended contract would have been included in a different group of contracts.

b) The original contract met the definition of an insurance contract with direct participation features, but the amended contract no longer meets that definition, or vice versa;

c) The Premium Allocation Approach was applied to the terms of the original contract, but, as a result of the amendments, the contract no longer meets the conditions for the application of that criterion.

Therefore, the Group shall derecognise an insurance contract when the obligation indicated in the insurance contract expires, has been satisfied or cancelled, or when the contract is substantively amended by any of the circumstances described in the preceding paragraph.

Liability for remaining coverage

Under the Premium Allocation Approach, at initial recognition, the liability for remaining coverage consists of:

- Premiums received on initial recognition correspond to premiums written minus premium receipts receivable and premium instalments to be issued.
- Less cash flows from the acquisition of the insurance at that date.
- Plus or minus any amount arising from the derecognition at that date of the asset or

liability recognised for the cash flows from the acquisition of the insurance.

The components that make up the liability for remaining coverage are not adjusted for the time value of money and the effect of financial risk, as the cash flows to be paid or received are less than one year.

As all insurance contracts issued have a coverage period not exceeding one year, the Group may elect to recognise insurance acquisition cash flows as an expense when such costs are incurred or capitalised. The Group has chosen to allocate insurance acquisition cash flows to groups of insurance contracts using a systematic method over the period of coverage of the contracts.

This criterion has had no impact on the Group's results with respect to that applied under IFRS 4, although its classification in the consolidated balance sheet will be as a reduction of the liability for remaining coverage, rather than being shown as an asset for the portion of deferred acquisition expenses.

If, at any time during the coverage period, the prevailing circumstances indicate that a segment has become onerous in nature, the Group shall calculate the difference between the carrying amount of the liability for remaining coverage and the cash flows arising from performance related to the remaining coverage of the group. If the cash flows from compliance exceed the carrying amount, the Group recognises a loss in profit or loss and increases the liability for remaining coverage.

The application of the Premium Allocation Approach means that the measurement and recognition of the liability for remaining coverage will be performed in a substantially similar manner as under the previous IFRS 4 framework and will not, therefore, have a material impact on the Group's results.

Loss component

A loss component will be provided for those groups of contracts that the Company considers to be onerous. The loss component will be included in the outstanding hedging liability. The Group will assess onerousness based on the facts and circumstances observed during the current and subsequent financial years, considering onerousness exists when the group of contracts has a combined ratio of more than 100%. Should this be the case, an onerousness test will be carried out and a loss component will be assessed on the basis of experience and future prospects.

The loss component is obtained by applying an onerousness ratio to insurance contract revenues measured under PAA, based on the estimated revenues and expenses allocated to a group of contracts.

Liabilities for incurred claims

The liability for claims incurred comprises cash flows from the fulfilment of claims incurred that have not been paid. It also includes incurred but not reported claims. These flows are adjusted for the time value of money and the effect of financial risk. The non-financial risk adjustment is also incorporated into this liability for claims incurred. The calculation of liability for claims incurred under the Premium Allocation Approach is equivalent to the calculation made under the general method. However, the effect of changes in the discount curve and part of the credit of interest will be recognised in equity. The components of liabilities for claims incurred are as follows:

– <u>Estimating future cash flows</u>: The Group estimates future cash flows based on a Best Estimate assumption and in line with Solvency II regulations. Future cash flow projections are based on past statistical information to which statistical methods based on the Group's expert judgement are applied.

– Risk adjustment for non-financial risk: Risk adjustment for non-financial risk: The Group adjusts its estimation of the present value of future cash flows through risk adjustment to compensate for any uncertainty regarding the amount and timing of cash flows arising from non-financial risk. The group has agreed to use a percentile methodology in calculating risk adjustments. In the Motor segment, calculations will be made using the Merz & Wüthrich stochastic methodology. In the case of Home and Health contract groups, calculations will be made using the standard deviation obtained by equating the 99.5% percentile to the sum of the Best Estimate and the reserve SCR. The Group has chosen to maintain for all segments a risk adjustment corresponding to the 85% compliant percentile under the Value-at-Risk methodology.

  In the case of the liability risk adjustment for the remaining coverage, it is currently not applicable since, as mentioned above, the Group relies on the Premium Allocation Approach (PAA) measurement method for all insurance and reinsurance contracts.

– Discount rate: The Group measures the financial effect by the time effect, using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with current market prices and excluding any factors that could influence the market prices of the reference assets but do not affect the flows of the insurance contracts.

  The Group calculates the discount rate using the bottom-up approach based on the risk-free curve, and relying on the curve published monthly by EIOPA (European Insurance and Occupational Pensions Authority).

  The components of the remaining coverage provision are not discounted using the discount rate as they are less than one year, while the cash flows and risk adjustment that make up the liability for claims incurred are discounted using the discount rate because they have a time horizon of more than one year.

  The Group has opted to recognise financial expenses or income from insurance contracts arising from the application of the discount rate in "other comprehensive income" under "Valuation adjustments" in equity in the consolidated balance sheet.

m) Assets under reinsurance contracts

The Group evaluates and measures reinsurance contracts held separately from the related underlying insurance contracts.

The Group divides portfolios of reinsurance contracts based on whether or not they are onerous, applying the same criteria as for direct insurance contracts, except that references to onerous contracts in those paragraphs are replaced by references to contracts with a net gain on initial recognition.

The Group recognises reinsurance contracts held as of the earliest of the following dates:

a) the beginning of the period of cover of the reinsurance contracts held;

b) the date on which the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held on or before that date.

However, the Group defers recognition of a group of held reinsurance contracts that provide proportionate coverage until the date of initial recognition of any underlying contract, if that date is after the beginning of the coverage period of the group of reinsurance contracts held.c

The valuation methods for reinsurance contracts held are the same as for insurance contracts, as are the requirements for applying the simplified Premium Allocation Approach. With the exception of one proportional reinsurance contract in the health segment, all reinsurance contracts held have a duration of one year or less and the Group has therefore decided to apply the simplified model in their case. The Group has performed an eligibility test for that multi-year proportionate contract, confirming that the application of the simplified model generates a measurement of the Group's liability for remaining coverage that does not differ significantly from that which would be obtained by applying the general approach. Therefore, the Group has decided to apply the PAA model also to this reinsurance contract.

The Group includes the effect of any risk of default by the issuer in its estimates of the present value of the future cash flows from reinsurance contracts held, including the effects of collateral and losses resulting from litigation.

Reinsurance contracts held measured under the Premium Allocation Approach

All reinsurance contracts are valued on a Premium Allocation basis. Under this method, the initial measurement of the asset is equal to the reinsurance premium paid. The Group measures the amount relating to the remaining coverage by allocating the premium paid over the period of the group's coverage.

When reinsurance contracts held cover a group of onerous underlying insurance contracts, the Group adjusts the asset value for the remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts, or on additional losses on a previously onerous group of underlying contracts. The recognition of this gain results in the recognition of the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. This component is subsequently adjusted for any applicable changes.

n) Provisions and contingencies

Contingent liabilities are possible obligations arising from past events whose materialisation is conditional upon the occurrence or non-occurrence of one or more future events beyond the Group's control. These contingent liabilities are not recognised in the accounts, though they may be disclosed in the notes to the financial statements.

Provisions are recognised for obligations such as litigation in progress, indemnities or other obligations of undetermined amount or timing when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation based on a reliable estimate of the amount of the obligation.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences. Any adjustments arising from the updating of these provisions are recognised as a financial expense as it accrues. If the liabilities mature within one year, they are recognised at the nominal value of the obligation.

Meanwhile, compensation to be received from a third party at the time the obligation is settled — provided there is no doubt that such reimbursement will be received— is recognised as an asset, except where there is a legal relationship through which part of the risk has been externalised and by virtue of which the Group is not liable. In this situation, the compensation will be taken into account when estimating the amount at which the corresponding provision, if any, should be posted.

o) Equity

The share capital is represented by common shares. The costs of issuing new shares are charged directly to equity, as a reduction in reserves.

Where the Parent's own shares are acquired, the consideration paid, including any directly attributable incremental costs, is deducted from consolidated equity until the shares are redeemed, reissued or otherwise disposed of. When these shares are sold or subsequently reissued, any amount received, net of any directly attributable incremental transaction costs, is taken to consolidated equity.

As part of its capital management policy, the Línea Directa Group aims to maintain a strong capital position.

The Board of Directors is ultimately responsible for the control and management of the Group's risks and solvency, and therefore monitors the Group's capital position, solvency requirements and available solvency.

Capital management is aimed at ensuring that the Group has sufficient capitalisation to meet its financial obligations; optimising its capital structure through an efficient allocation of resources and managing capital adequacy taking into account the economic and accounting information, as well as capital requirements and targets set in the risk appetite framework.

To achieve this, the Group carries out an annual Own Risk and Solvency Assessment (ORSA), based on the outlook for the Group's business and the market. This allows the Group to prospectively project its assets and liabilities and earnings, which in turn can be used to evaluate the likely future performance of the various risks under management, quantify them and estimate changes in solvency and available solvency requirements.

The Parent is required to quantify its solvency ratio, meaning the ratio between available own funds and the solvency capital requirement. The Group is not required to calculate a solvency ratio at Group level as it does not meet the definition of group obligations set out in the Solvency Directive.

The calculation of the Solvency Capital Requirement is regulated by Directive 2009/138 of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as implemented by Commission Delegated Regulation 2015/35 of 10 October 2014 supplementing Directive 2009-138 EC and its subsequent amendments.

The Solvency Capital Requirement is calculated for the following sub-risks which are the main sub-risks of an insurance company: underwriting risk, market risk, counterparty risk and operational risk.

The aim is to maintain an adequate level of solvency. When determining the adequate level of solvency, the risk profile, the results of capital planning for the coming years at the Company at an individual level, the minimum levels required by the regulations and the existing criteria and regulations for optimal capital management were all taken into consideration. The Parent's solvency ratio was 180% in 2023 and 188% in 2022.

p) Non-technical income and expenditure

Non-technical income

The Group has other revenue not derived from the insurance business, such as roadside assistance services or vehicle repairs and appraisals, all of which are provided to third parties outside the Group, as well as commissions on the sale of insurance products of other entities, remuneration for call forwarding and income from credit card surcharges.

This revenue, in accordance with IFRS 15, is recognised as the performance obligation identified in the customer contract is satisfied. The Group recognises revenue at the fair value of the consideration received or receivable to which it expects to be entitled for the goods or services transferred.

Non-technical income and expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

q) Income and expenses

Income is recorded at the fair value of the consideration to be received and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Group's business, less discounts and value added tax. Expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

However, the Group only records profits that have realised by year-end, while foreseeable risks and possible losses arising in the year or in a previous year are reported as soon as they become known.

Financial income and expenses arising from investments related to insurance activity are recognised in the statement of profit or loss for the non-life insurance business. The remainder is recorded in the statement of profit or loss for other activities.

Other income and expenses are distributed accordingly on the basis of net premiums written, except expenses attributable to claims, which are recognised on the basis of the provision for claims.

Direct insurance

Business premiums are recognised as income over the term of the contracts on an accruals basis and are accrued by posting the provision for unearned premiums.

Reinsurers' share

Premiums from ceded reinsurance are recognised on the basis of the reinsurance contracts underwritten and by applying the same criteria used for direct insurance.

Reclassification of expenditure by destination, eligible and non-eligible

IFRS 17 requires that expenses that are eligible to be directly allocated to both the groups of contracts and to the insurance business should be allocated to the groups of contracts.

The reclassification of expenses by type to expenses by purpose has been made on the basis of the following criteria:

- Purpose-specific costs incurred have been classified directly as such.

- Staff expenses are distributed according to the percentage of estimated dedication to each of the purposes.
- Costs that cannot be charged directly are distributed according to the estimated percentage of staff dedication to each purpose.

The following purposes have been established:

- Claims-related expenses
- Acquisition expenses
- Administration expenses

Expenses have been allocated to the different segments based on the Business Unit at which the activity originated.

r) Termination benefits upon dismissal

In accordance with current legislation, the Group is obligated to pay compensation to those employees whose employment relationship is terminated under certain conditions. Therefore, termination payments that can be reasonably quantified are recognised as an expense in the year in which the decision is taken and a valid expectation is created vis-à-vis third parties regarding the dismissal. A liability is recognised under the sub-heading "Provisions other than technical provisions" when the disbursement has not been made.

s) Employee benefits

The Group has post-employment pension obligations classified as defined contribution plans and as defined benefit plans.

The Group's obligations with its employees with regard to retirement or similar pension plans are fully externalised, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999 of 15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

The aforementioned insurance policies are considered "plan assets" as they are not owned by the Group, but rather by a separate legal entity that is not a related party, as they are only available to pay or finance employee remuneration and as they cannot return to the Group, except where the assets attached to the plan are sufficient to honour all of the obligations.

This collective bargaining agreement also includes coverage for death and disability of employees during the period in which they remain in active service.

Defined contributions

The current General State Collective Agreement for Insurance, Reinsurance and Occupational Accident Mutual Societies ushers in a new employee benefits system implemented through a collective life insurance policy suitable for the externalisation of pension commitments in accordance with the provisions of Royal Decree 1588/1999, of 29 November. The Group will contribute an annual premium per employee of 1.9% of their base salary to this insurance policy by no later than 30 September of each year, bearing in mind that employees who had provided services at the same company for three years or more will be entitled to have their vested rights recognised in the insurance policy.

This insurance policy will apply to employees hired from 1 January 2017 onward and those who have voluntarily opted to transfer to this new modality. For employees adhered to the old plan who opted to avail themselves of this option, there was a transfer of the mathematical reserve.

The Group has also assumed a retirement commitment with certain executives, which has been externalised in the form of an insurance policy.

The Group records the contributions to be made to defined contribution plans progressively as the employees render their services. The amount of accrued contributions is recorded as an employee benefits expense and as a liability after deducting any amounts already paid. In the event that the amounts paid exceed the accrued expense, the corresponding assets are only recognised to the extent that they can be applied to reductions in future payments or result in a cash refund.

Defined benefit plans

Employees hired prior to 1 January 2017 may choose between the system described above and the financial incentive for retirement, whereby if an employee asks to retire in the month in which he or she reaches the normal retirement age defined by Social Security legislation to be eligible for the retirement pension, the company will pay, in a lump sum, an amount equal to one month of salary per five years of service, capped at 10 months, the limit of which will be reached at 30 years of service at the company where the employee is retiring.

The Group includes in defined benefit plans those funded through the payment of insurance premiums where there is a legal or constructive obligation to pay benefits directly to employees when they fall due or to pay additional amounts if the insurer fails to pay benefits for services rendered by employees in the year or in prior years.

The defined benefit liability recognised in the consolidated balance sheet is the present value of the defined benefit obligation existing at the balance sheet date, less the fair value of plan assets at that date.

The expense or income relating to defined benefit plans is recognised under employee benefits expenses and is obtained by adding the net amount of the current year services cost and the net interest cost of the net defined benefit liability or asset. The remeasured amount of the net defined benefit liability or asset is recognised in other comprehensive income. This amount comprises actuarial gains and losses, the net return on plan assets and any changes in the effects of the asset ceiling, excluding amounts included in the net interest on the liability or asset. The costs of administering plan assets and any plan-specific taxes, beyond those included in the actuarial assumptions, are deducted from the net return on plan assets. Amounts deferred in other comprehensive income are reclassified to retained earnings in the same period.

In addition, if the plan assets include eligible insurance policies whose cash flows correspond exactly in amounts and timing to some or all of the benefits payable under the plan, their fair value is equal to the present value of the related payment obligations.

Payments for share-based services and goods

The Group’s Chief Executive Officer and members of the Management Committee are party to an extraordinary share-based remuneration plan under which the Parent is the parent company, following its stock market listing. The purpose of this plan, which was approved at the Annual General Meeting held on 18 March 2021, is to offer beneficiaries the possibility of receiving a certain number of shares over the three years following the Parent's stock market flotation (Note 23-c).

The Group recognises services received in a transaction with share-based payments at the time such services are received. Since the services are settled in equity instruments, a decrease in equity is recognised.

The Group recognises transactions with share-based payments settled through the Group's equity instruments for the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments delivered.

Deliveries of equity instruments in consideration of services provided by Employees of the Group or third parties providing similar services are valued by reference to the fair value of the equity instruments offered.

t) Related-party transactions

As a general rule, transactions between related parties are initially recognised at fair value. If the agreed price differs from its fair value, the difference is recorded to reflect the economic reality of the transaction. These transactions are subsequently measured in accordance with the relevant standards.

u) Foreign currency transactions

The functional currency at all Group companies is the euro. Consequently, transactions in non-euro currencies are deemed to be denominated in foreign currency and are recognised at the exchange rates prevailing on the relevant transaction date.

At year-end, monetary assets and liabilities denominated in foreign currency are converted into euro at the exchange rate prevailing at the consolidated balance sheet date. The profit or loss for the year is taken to the consolidated statement of profit or loss.

Changes in the fair value of money instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from exchange changes in the amortised cost of the security and other changes in the carrying amount. The translation difference is recognised in consolidated profit and loss and other changes in the carrying amount are taken to consolidated equity.

v) Income tax

Corporate income tax expense is the amount accruing in the year for that tax, comprising both current and deferred tax expense.

Both current and deferred tax expense are recognised in the consolidated statement of profit or loss. However, the tax effect related to items that are recorded directly in consolidated equity is recognised in consolidated equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to, or recovered from, the tax authorities in accordance with prevailing legislation or approved and pending publication at year-end.

If the Group believes that it is probable that the tax authority will accept an uncertain tax treatment, the Group will determine tax gain (tax loss), tax bases, unused tax losses, unused tax credits or tax rates in a manner consistent with the tax treatment used or expected to be used in its income tax returns.

If the Group believes that it is not probable that the tax authority will accept an uncertain tax treatment, the Group will reflect the effect of the uncertainty when calculating the related tax gain (tax loss), tax bases, unused tax losses or unused tax credits or tax rates. The Group will reflect the effect of the uncertainty of each uncertain tax treatment using the most likely amount or the expected value of the probability-weighted amounts, as applicable in each case.

In accordance with IFRIC 23, the Group recognises under current and deferred tax assets and liabilities the amounts that the entity estimates to reflect contingencies arising from litigation with the tax authorities in relation to corporate income tax.

Deferred taxes are calculated, using the liability method, on the temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax is determined by applying the tax regulations and rates approved or about to be approved at the consolidated balance sheet date and that are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, except where the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

w) Statement of cash flows

The Group uses the following classification criteria when drawing up its consolidated statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents (i.e. short-term, highly liquid investments which are subject to an insignificant risk of changes in value). Cash and cash equivalents means the balances included under "Cash and cash equivalents" in the accompanying consolidated balance sheet.
- Operating activities: typical activities of insurance institutions, as well as other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that do not form part of operating activities.

4. Scope of consolidation

Subsidiaries are all companies over which the Parent exercises direct or indirect control [see Note 3a)]. Subsidiaries are considered from the date on which control is transferred to the Parent and are excluded from consolidation on the date on which consolidation ceases.

The list of entities included in the scope of consolidation is as follows:

Company name	% direct holding	Relationship	Method of consolidation	Activity	Address	Auditor
Línea Directa Asistencia, S.L.U.	100%	Subsidiary	Fully consolidated	Valuations, vehicle inspections and roadside assistance	Madrid	PriceWaterhouseCoopers Auditores S.L.
Moto Club LDA, S.L.U.	100%	Subsidiary	Fully consolidated	Services for motorcycle users	Tres Cantos, Madrid	PriceWaterhouseCoopers Auditores, S.L.(*)
Centro Avanzado de Reparaciones, S.L.U.	100%	Subsidiary	Fully consolidated	Vehicle repairs	Torrejón de Ardoz, Madrid	PriceWaterhouseCoopers Auditores, S.L.
Ambar Medline, S.L.U.	100%	Subsidiary	Fully consolidated	Insurance brokerage	Tres Cantos, Madrid	PriceWaterhouseCoopers Auditores, S.L. (*).
LDActivos, S.L.U.	100%	Subsidiary	Fully consolidated	Asset management on behalf of insurance companies	Tres Cantos, Madrid	PriceWaterhouseCoopers Auditores, S.L.(*)
LDA Reparaciones, S.L.U. (Liquidated)	100%	Subsidiary	Fully consolidated	Management and repair of claims, specialising in home repairs	Tres Cantos, Madrid	

(*) Limited review of condensed annual accounts.

All significant balances and transactions between consolidated companies have been eliminated in the consolidation process.

In November 2023, the subsidiary LDA Reparaciones ceased its activity. Its effect on the consolidated statement of financial position at 31 December 2023 is therefore nil, and its accumulated result for the year is included in the Group's consolidated statement of profit or loss for the year.

There were no changes in the scope of consolidation in 2022.

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5. Risk management

The organisational structure of risk management and control at Línea Directa Aseguradora is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units.

The Board of Directors is the body responsible for the administration, governance and representation of the company in accordance with the duties assigned to it by law, the Bylaws and the Board Regulations. Its members possess the appropriate professional qualifications, expertise and experience and likewise meet the requirements of good repute required under Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and by Línea Directa Aseguradora's own Fitness and Propriety Policy.

The Board of Directors is ultimately responsible for determining the risk control and management policy, including tax risks, and for overseeing internal reporting and control systems. It also establishes and defines the risk appetite, sets limits for the identified risks, and sees to it that they are properly monitored and managed.

The Board of Directors has two advisory committees. In relation to risk management, the Audit and Compliance Committee is responsible, among other functions, for knowing, supervising and assessing the process of drawing up and ensuring the integrity of financial and non-financial information, along with the systems for the control and management of the financial and non-financial risks of the Parent and, where appropriate, the Group — including operational, technological, cybersecurity, legal, social, environmental, political and reputational or corruption — by reviewing compliance with regulatory requirements, establishing the precise scope of the consolidation perimeter and ensuring the correct application of accounting standards.

In line with best good governance practices and with the provisions of the current regulatory framework, Internal Audit at Línea Directa is an independent area within the organisation. In accordance with the Bylaws and the Rules and Regulations of the Board of Directors, the Internal Audit function is functionally attached and reports to the Audit and Compliance Committee and is administratively subordinate to the Chairman of the Board of Directors.

Internal Audit seeks to ensure that the Company complies with regulatory requirements and achieves its strategic objectives and works to make the risk management processes and internal control framework more effective and efficient by providing a systematic and disciplined risk-based approach. The scope of such activities to be performed by the Internal Audit function and its own strategic objectives shall be determined by the Internal Audit Department, subject to the approval of the Audit Committee, as an independent area within the Group.

As a result of the organisational changes made in 2022, Línea Directa Aseguradora now has a Corporate Risks area, which brings together, within the same department, the rest of the key functions required under Solvency II: Risks, Compliance and Actuarial Function. The Risks Management Department also features Financial Reporting Control (ICFR) teams. The mission of the area is to build a global risk map of the Company and optimise the control environment so as to ensure the reliable assessment and identification of risks and their integration into forecasts and decision-making.

To ensure adequate management and control of each risk, the Company has built various levels of management or defence:

- A management unit directly responsible for its day-to-day or current management, acting as the first line of defence.

- A set of committees, each responsible for identifying, managing and reporting on risks. By virtue of their composition and functions, these committees have executive functions in that they make decisions in relation to the risks they manage.
- Control functions as the second line of defence, meaning the Risk Management function, the Actuarial function, the Compliance function and ICFR.
- An oversight function as the third line of defence, in the form of the Internal Audit function.

Without prejudice to the functions ascribed to the Board of Directors and its committees in the Board Regulations, Linea Directa Aseguradora has established a system of committees there to support the achievement of the strategic objectives and provide the Board of Directors, directly or through its committees, with all the information they need to make well-informed decisions.

The various committees are responsible for ensuring the proper implementation, maintenance and monitoring of the risk management system in accordance with the guidelines set out by the Board of Directors.

The most important committees to risk management are as follows:

Standing Risk Committee: responsible for facilitating and monitoring the implementation of effective risk management practices at the Línea Directa Aseguradora Group through the reporting of risks by the first lines of defence. It is tasked with controlling and monitoring risks by ensuring that Línea Directa has an adequate level of internal control compatible with the Group's standards and compliant with applicable law and regulations.

The Standing Risk Committee, through the Chief Risk Officer, will maintain fluid and constant communication with the Audit and Compliance Committee. To achieve this, each of the key functions and the Action Plans will be reported to the committee on a quarterly basis and its prior consent will be sought for risks that could have a significant impact on the Group were they to materialise, whether financial or reputational, or that could lead to the Company being held criminally liable.

The Reserves and Claims Committee: responsible for reserve and reinsurance credit risk management, claims monitoring and for drawing up the reinsurance table. It regularly reports to the Audit and Compliance Committee, through the Chief Financial Officer.

The Investment Committee is governed by the Investment Policy, as approved by the Board of Directors. It is chaired by the Chief Executive Officer and its functions include, among others, ensuring that investments are made in accordance with the Investment Objectives approved by Línea Directa's Board of Directors, and also in accordance with the Investment Policy.

The Investment Committee reports to the Board of Directors through the Chief Financial Officer. In any case, the Audit and Compliance Committee shall be regularly informed of all investment transactions approved by the Investment Committee or, as the case may be, by the Chief Financial Officer, thus contributing to the fulfilment of the Audit and Compliance Committee's role of overseeing the process of drawing up and ensuring the integrity of financial and non-financial information.

This structure guarantees:

- Adequate control, management and reporting of all risks at various levels of "defence".

- Risks are monitored and reported both vertically and horizontally by both dependent bodies and independent control functions.
- Adequate escalation of reporting, control and decision-making.
- There are various levels of responsibility for and knowledge and control of risks, up to the Group's highest governance level.

The Group Risk Map is the tool that charts all identified risks, and sets out the measures used to assess and control them.

As part of its risk management system, the Parent Company carries out the Own Risk and Solvency Assessment (ORSA), which shows the risk profile of Línea Directa Aseguradora S.A. and is essentially a risk management tool that helps to provide a comprehensive and complete view of all the risks inherent to the business. Decision-useful stress scenarios are defined as part of this process. The Audit and Compliance Committee steers the process and verifies and approves the results. The ORSA report contains a projection of capital consumption and available capital for the three-year time horizon.

Risk reporting and information mechanisms

The Corporate Risk Management Department collates all of the Group’s risk information for regular reporting to the Audit and Compliance Committee. It also reports the status of the key risk indicators (KRI scorecard) to enable proper oversight by the Group's management bodies.

The regular risk reports are as follows:

- The Corporate Risk Department reports monthly to the Management Committee on the status of the Group’s risks, on the results of control tests and on any key risk indicators (KRIs) that exceed the established thresholds.

- The Corporate Risks Department reports to the Audit and Compliance Committee on the most significant risks present on the Company's risk map, the control tests carried out, the status of recommendations and the performance of KRIs.

- The Internal Audit function attends meetings of the Audit and Compliance Committee as a guest and reports to it on a quarterly basis.

The main risks that could affect the achievement of the Group's objectives can be broken down as follows:

a) Credit risk

The Group views credit risk as the threat of possible loss or adverse change in financial conditions resulting from fluctuations in the solvency or creditworthiness of issuers of securities, counterparties and any debtors to which the Group is exposed.

Given the nature of the Group's activities, its exposure to credit risk arises from the following factors:

- Reinsurance (credit risk exposure with reinsurance entities).
- Premium financing (credit risk exposure with customers).
- Investment and lending activities (credit risk exposure with security issuers).

The counterparties with which the Group acquires or may acquire significant positions must invariably undergo a prior scoring process. These counterparties include companies that provide insurance for large vehicle fleets and, in particular, reinsurance companies. For the latter, a minimum credit rating of "A-" is required as a prerequisite for inclusion within the reinsurance programme. Exceptions to this solvency threshold, together with the reinsurance table for each year, are expressly approved by the Board of Directors.

	2023	2022
Cash and cash equivalents	41,746	51,661
Debt securities with changes in equity	759,821	618,778
Assets at amortised cost	15,456	123,448
Total	**817,023**	**793,887**

When it comes to investments, the Investment Committee approves new investment lines and verifies compliance with the Investment Guidelines.

The rating of debt securities, cash and cash equivalents is an average rating of that assigned to the issuer by three of the main rating agencies (Moody's, Fitch and DBRS) and presents the following classification at the end of 2023 and 2022:

	2023	2022
AAA	55,512	13,304
AA	55,624	11,264
A	324,000	271,885
BBB	305,885	301,197
BB	12,740	10,359
B	-	-
N/R	6,060	10,769
Total debt securities with changes in equity	**759,821**	**618,778**

Unrated positions are mainly composed of representative debt securities whose issuer does not have a rating, but which nevertheless have an issue rating appropriate to the Group's investment policies.

	2023	2022
A	41,733	40,671
BBB	10	10,990
BB	-	-
N/R	3	-
Total cash and cash equivalents	**41,746**	**51,661**

The impairment losses recognised at year-end 2023 and 2022 are described in Note 7a) i.

At year-end 2023 and 2022, there were no non-performing balances that were not impaired.

In addition, up until November 2022, the Group had a monetary guarantee covering a public debt repo transaction (assignment with repurchase agreement of government bonds). Further information on this matter can be found in Note 7b) i.

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The Group estimates a provision to cover possible non-payment of outstanding premium receipts and unissued premium receipts. It is included on the consolidated balance sheet, as part of the provision for outstanding coverage, reducing its amount. These estimated amounts are as follows:

	2023	2022
Receipts pending collection and fractions to be issued	62,782	59,485
Provision for premiums receivable and to be issued	(1,181)	(961)
	61,601	**58,524**

The impairment of premiums receivable and to be issued is calculated on the part of the tariff premiums accrued in the financial year net of the loading for contingencies which, foreseeably and in accordance with lessons learned from previous years, is not going to be collected. This will depend on the age of the premiums and, as the case may be, the current status of the claim before the courts. Note that certain premium receipts may require special treatment due to their unique characteristics or features.

b) Liquidity risk

The Group treats liquidity risk as the potential temporary inability to honour its payment obligations within the agreed timeframes, due to such obligations maturing before receivables from customers fall due or before financial investments reach maturity. The Group generates daily liquidity from premium income.

The Group manages liquidity risk prudently. The Group is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

In 2022 and 2023, it distributed several interim dividends (Note 15-d) which has had an impact on the Company's liquidity.

The debts shown under the heading "Liabilities at amortised cost" fall due in less than one year for both 2023 and 2022.

The maturities of lease liabilities at 31 December 2023 and 2022 are described in Note 9-b.

The table below shows the estimated timing of disbursements for insurance liabilities recognised at 31 December 2023 and 2022:

2023

	Estimated cash outflows in the periods							Closing balance
	2024	2025	2026	2027	2028	2029 to 2033	Subsequent periods	
Liabilities for incurred claims	247,844	63,759	30,861	15,301	8,024	10,170	-	375,959
Due on direct insurance business and coinsurance	2,818	-	-	-	-	-	-	2,818
Due on reinsurance business	1,351	-	-	-	-	-	-	1,351
Total	**252,013**	**63,759**	**30,861**	**15,301**	**8,024**	**10,170**	**-**	**380,128**

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2022

	Estimated cash outflows in the periods							Closing balance
	2023	2024	2025	2026	2027	2028 to 2032	Subsequent periods	
Liabilities for incurred claims	137,388	97,083	24,034	12,565	6,974	6,993	189	285,226
Due on direct insurance business and coinsurance	2,490	-	-	-	-	-	-	2,490
Due on reinsurance business	1,363	-	-	-	-	-	-	1,363
Total	**141,241**	**97,083**	**24,034**	**12,565**	**6,974**	**6,993**	**189**	**289,079**

The Group projects claims payments using, for the most significant business segment such as Motor insurance, the stochastic Merz & Wüthrich methodology, which is actuarially accepted and widespread for the projection of claims and is included in the set of methods based on "run-off triangles". For the other business segments, the projection of claims payments is made on the basis of payment patterns on the historical experience of each segment.

The table below shows the estimated timing of disbursements for the hedging derivatives recognised at 31 December 2023 and 2022:

2023

	2024	2025	2026	2027	2028	Subsequent periods	Total
Hedging derivatives	2,075	503	315	339	392	2,284	5,908
Total	**2,075**	**503**	**315**	**339**	**392**	**2,284**	**5,908**

2022

	2023	2024	2025	2026	2027	Subsequent periods	Total
Hedging derivatives	372	872	765	767	772	4,260	7,808
Total	**372**	**872**	**765**	**767**	**772**	**4,260**	**7,808**

The classification of financial assets by maturity (for those with a specific or determinable maturity) is as follows:

2023

	2024	2025	2026	2027	2028	Subsequent periods	Total
Financial assets at fair value through other comprehensive income	232,943	89,424	91,011	47,578	41,616	257,250	759,821
Debt securities	232,943	89,424	91,011	47,578	41,616	257,250	759,821
Financial assets at amortised cost	15,456						15,456
Total	**248,399**	**89,424**	**91,011**	**47,578**	**41,616**	**257,250**	**775,277**

2022

	2023	2024	2025	2026	2027	Subsequent periods	Total
Financial assets at fair value through other comprehensive income	125,062	47,394	59,165	103,692	35,826	247,639	618,778
Debt securities	125,062	47,394	59,165	103,692	35,826	247,639	618,778
Financial assets at amortised cost	22,373						22,373
Total	**147,435**	**47,394**	**59,165**	**103,692**	**35,826**	**247,639**	**641,151**

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The Group views market risk as the risk of loss or of adverse change in its financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

The Investment Committee, which meets monthly, is responsible for analysing the portfolio's performance, verifying compliance with the investment policy, approving new lines of investment, ensuring compliance with the Investment Guidelines and keeping the Board of Directors regularly informed.

The Group's activities are exposed to fair value interest rate risk arising from fixed-income instruments. The Group enters into fixed-to-floating interest rate swaps to hedge this risk [Note 7-b i)].

From the beginning of 2022, the impact of the war in Ukraine, rising interest rates and higher inflation have led to capital losses on the investments held by the Group, although these have been significantly reduced in 2023.

The following table provides significant information on the interest rate exposure of the Group's financial assets:

Portfolio	Fixed interest rate		Floating interest rate		Not exposed to risk		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Debt securities	697,234	570,155	16,842	2,878	45,745	40,884	759,821	613,917
Financial assets at fair value through equity	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
Total	**697,234**	**570,155**	**16,842**	**2,878**	**45,745**	**40,884**	**759,821**	**613,917**

Assets not exposed to risk are subject to hedging through derivatives.

If interest rates at 31 December 2023 had been 100 basis points higher holding all other variables constant, other comprehensive income would have been € 20,584 thousand, gross of tax (€ 19,653 thousand in 2022) lower, mainly due to a decrease in the fair value of fixed rate financial assets classified as available-for-sale.

If interest rates at 31 December 2023 had been 100 basis points lower holding all other variables constant, other comprehensive income would have been € 22,228 thousand, gross of tax (€ 21,230 thousand in 2022) higher, mainly due to an increase in the fair value of fixed rate financial assets classified as available-for-sale.

The Group's activities are also exposed to equity risk, meaning the risk of a reduction in the return on equity investments due to changes in the market price of equities or equity-based indices or financial instruments.

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	2023	2022
Equity instruments	117,522	120,886

One of the standard metrics for measuring market risk is Value at Risk (VaR), which is based on a variance-covariance methodology using the historical volatility of stock index prices, exchange rates and yield curves, and the correlation between them, as the main inputs.

This risk metric measures the maximum potential loss of financial instruments due to adverse movements in equity prices, exchange rates and interest rates within a fixed period of time and with a specified confidence level (probability).

The Group uses this indicator as additional baseline information in conjunction with the other regular risk controls it runs on its investment portfolios. For the Group's own calculations, a confidence level of 99.5% and a 12-month period are used, implying that there is a 0.5% probability of underestimating the maximum potential loss for the next 12 months.

	2023	2022
Fixed income duration (exc. Cash)	3.13	3.62
Fixed income modified duration	3.22	3.8
VaR	1.35%	2.30%

A 10% fall in the market prices of the equity instruments included in "Financial assets at fair value through profit or loss" and "Financial assets at fair value through equity" at 31 December 2023 and 2022, all other variables being held constant, would have an impact on the Group's total equity and profit or loss of € 5,937 thousand in 2022, € 5,785 thousand in 2022, according to sensitivity calculations.

In 2016, Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) entered into force for insurance undertakings. This Directive regulates the solvency calculation of insurance undertakings, to measure the ability of the undertakings to meet their future obligations. The result is to compare eligible own funds under Solvency II with the Solvency Capital Requirement (SCR). The Solvency Capital Requirement includes all risks to which the undertaking is exposed (underwriting and non-life health, market, counterparty and operational). The calculation is standardised at European level and is not an accounting ratio. The Parent's solvency ratio was 180% in 2023 and 188% in 2022.

The main sensitivities that have been performed on financial market risk are as follows:

- A 10% decline in equity instruments would have an impact on the solvency ratio of -2.5% in 2023, and of-3% in 2022.
- A 30% decline in equity instruments would have an impact on the solvency ratio of -7.9% in 2023, and of -9% in 2022.
- A 10% decline in the value of property assets would have an impact on the solvency ratio of -3.2% in 2023, and of -4% in 2022.
- A combination these two scenarios, that is, a 10% decline in equities and a 10% decline in property assets, would have an impact on the solvency ratio of -5.8% in 2023 and -7% in 2022.

Given the results of these solvency sensitivity analyses, it cannot be concluded that the risks threaten the target solvency ratio of 150% set by the Group's governing body.

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d) Insurance risk

Insurance business risk focuses on non-life and health underwriting risk, comprising mainly premium sub-risk (premium adequacy risk) and reserve sub-risk (insurance liability adequacy risk) for the Motor, Home, Health and Other insurance business segments. These risks are managed differently for each business line. Underwriting and health risks also include catastrophe risk and downside risk, with a lower impact than premium and reserve risks.

The Group analyses inherent insurance-related risks for each line of business, both in terms of premiums and reserves, depending on the unique characteristics of each segment.

In the Motor and Home segments, the technical rules and standards are constantly changing and underwriting is adapted accordingly through automatic and preventive mechanisms through which the various products are analysed in order to determine the sufficiency of premiums and insurance liabilities. Policy performance and returns are also monitored to analyse possible deviations.

The Motor segment has a longer duration between the opening and closing of claims than the Home segment, mainly due to the civil liability guarantee, which lasts longer than the other guarantees. The Health segment is heavily influenced by seasonality, with higher levels of policy renewal at the beginning of the year.

The Group relies on reinsurance as a primary tool for mitigating the premium, reserve and catastrophe sub-risks. Reinsurance also forms part of counterparty risk due to the risk of default of the amounts recoverable from the reinsurance companies.

Reinsurance policy

The reinsurance system followed by the Group is based mainly on an Excess of Loss (XL) structure applied to each business segment to achieve protection against serious losses or catastrophic losses and events caused by natural phenomena not covered by the Insurance Compensation Consortium, using reinsurance to provide stability against this type of random natural catastrophes, for both occurrence and amount, as well as the quota share reinsurance arrangement for the Health insurance segment signed in 2017.

On 1 September 2017, the Parent entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2029 and comes with a two-year renewal option. This contract includes an assignment of 50% of the premium income and claims cost of most of the policies of the Health segment.

Until 2022, the contract also included a table of fixed and variable reinsurance commissions payable to the Group. The fixed commission was calculated as a percentage of the premium ceded and as a fixed amount until 2022. The variable commission was calculated on the basis of the premiums assigned during the term of the contract of the year, and the performance of the claims ratio during the agreed years from 2022 onward. These commissions were capped. However, an addendum to the contract was signed in 2023, in which it was agreed that there would be no exchange of commissions between the parties.

It also envisions profit sharing at the Group based on whether positive technical results are obtained.

In the case of the early termination, compensation will be paid due to cancellation by any of the parties if they are unable to reach an agreement or in any other situation that frustrates the continuation and normal performance of the contract. However, early termination clauses that may pose a threat to the effective transfer of risks and rewards relate in all cases to extremely remote situations.

The performance of the technical result and the credit recognised by the Group will depend on the changes in the main technical aggregates, such as premiums, claims incurred, and acquisition and administrative expenses. There may therefore be differences in respect of the business plan defined by the Group.

Reinsurers must be filed with the National Financial Services Commission, CNSF (Comisión Nacional de Servicios Financieros) and comply with strict security requirements. They must also possess outstanding ratings that demonstrate their financial solvency. Foreign entities must present a certificate of residence in Spain.

The criteria followed for establishing the reinsurance network requires at least an 'A' rating of reinsurance companies. However, a deposit clause will be included in contracts of reinsurance companies with an S&P of rating below AA-. Any exception is approved by the Board of Directors.

The ratings of the various entities that are included in the reinsurance network are reviewed on a quarterly basis, with monitoring of the credit risk ratings published by rating agencies of recognised prestige, to control any changes in probability of default of the commitments undertaken.

Premium sub-risk

The Technical area of Línea Directa Aseguradora is responsible for modifying products and prices in accordance with the Group's general strategy for the Motor, Home and Other insurance businesses. All these modifications are supported by actuarial analyses documented in the related technical notes and approved by the Technical Committee, which is the body responsible for managing this sub-risk. The Health segment is monitored by the Health Technical area.

The Technical Committee takes operational decisions that affect prices and risk underwriting terms for the products offered by Línea Directa Aseguradora, ensuring that they are consistent with the strategy and objectives established by the Board of Directors. To do so, it considers the proposals presented by the Technical area, also taking into account data on the position of the business and the outlook provided by the relevant business areas for each of the segments.

Reserve sub-risk

In accordance with IFRS 17, and as explained in the note on valuation methods, for the calculation of the incurred claims provision the company performs a Best Estimate calculation discounted to the risk-free curve, based on the company's experience and expert judgement with a risk margin thereon.

To estimate the provision for claims in the home, other insurance, health and medical assistance segments, the Group analyses each claim on its merits.

The Claims and Reserves Committee is responsible for managing the Group's reserve risk and reinsurance credit risk. It is entrusted with monitoring the Group's reserves and insurance liabilities to ensure adequate coverage of claims, and with approving changes in the policies for the opening and provisioning of claims for all the different levels of coverage and guarantee, thus ensuring the adequacy of reserves, in accordance with the guidelines approved by the Group's Board of Directors.

Furthermore, to ensure that the Group complies with its obligations under Additional Provision 18 of Law 20/2015 of 14 July, and so that the technical provisions shown in the consolidated balance sheet effectively reflect the obligations arising from the contracts underwritten, the controls listed below have been put in place for the posting of provisions for claims:

- Analysis of the trend in subsequent periods of cost deviations of claims occurring before the end of each period. The analysis is carried out on the basis of claims incurred and reported at the end of the reference period. Its purpose is to check and to correct possible cost deviations that occur in claims of those referred to as "long tail", which are caused as a result of not having sufficient information at the reporting date to properly assess them.
- Performance of monthly and quarterly forecasts of claim costs.
- The Group's reserves position is also analysed by independent external consultants at least once a year and the findings are presented to the Board of Directors.

Concentrations of insurance risk

The Group's insurance business is located mainly within Spain, with no particularly significant concentration in any given geographical area.

The concentration of insurance contracts for those autonomous communities in Spain showing a concentration of more than 5% for the periods 2023 and 2022 is detailed below:

	2023	2022
Andalusia	23.36%	23.20%
Catalonia	21.17%	20.80%
Madrid	12.46%	12.70%
Valencian Community	12.11%	12.20%
Murcia	4.73%	4.80%
Other	26.17%	26.30%
Total	**100.00%**	**100.00%**

The Group's business focuses on non-life segments (mainly motor risks), which shows the following distribution:

	2023				
	Total	Risks Motor	Multi-risks Home	Other insurance businesses	Risks Health
Revenue from contracts measured under the reinsurance Premium Allocation Method (PAA)	**960,266**	782,686	146,847	784	29,949
Revenues from recoveries of reinsurance	**20,575**	6,138	3,717	-	10,720

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	2022				
	Total	Risks Motor	Multi-risks Home	Other insurance businesses	Risks Health
Revenue from contracts measured under the reinsurance Premium Allocation Method (PAA)	**925,444**	757,858	138,034	1,100	28,452
Revenues from recoveries of reinsurance	**16,461**	1,678	483	-	14,300

Sensitivity to insurance risk

At 31 December 2023 and 2022, the Group performed a mixed sensitivity analysis on certain key business parameters. Based on expert judgement and experience of the most sensitive parameters of the business, the effect of a 1% increase in the cost of claims and of a 1% increase in the combined ratio on profit for the year net of tax of each business unit (Motor, Home, Health and Other insurance), and therefore on consolidated equity, was analysed as a measure of sensitivity to insurance risk.

Impact on profit or loss of a 1% increase in the cost of claims by segment:

	2023	2022
Motor	(6,529)	(5,587)
Home	(941)	(800)
Health	(143)	(143)
Other insurance businesses	(5)	(6)
Total	**(7,618)**	**(6,536)**

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 5,108 thousand for 2023 and € 4,938 thousand for 2022.

Impact on profit or loss of a 1% increase in the combined ratio by segment:

	2023	2022
Motor	(7,776)	(7,531)
Home	(1,420)	(1,298)
Health	(161)	(165)
Other insurance businesses	(8)	(11)
Total	**(9,365)**	**(9,005)**

With the same tax rate as the consolidated financial statements accounts, the change in net profit and consequently in consolidated equity would be € 6,279 thousand for 2023 and € 6,801 thousand for 2022.

Combined ratio = (Benefits paid + change in incurred claims liabilities + net operating expenses - reinsurance recoveries received - change in ceded incurred claims liabilities) / (Insurance contract income measured under PAA - Allocation of reinsurance contract premiums measured under PAA).

The combined ratio measures the impact of management costs and claims incurred in a financial year on the premiums for that year.

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These sensitivity analyses show no direct impact on the solvency ratio due to the Group's shareholder dividend policy, except for the impact associated with the increase in the claims ratio due to the increase in the combined ratio.

e) Reputational risk

The Group views reputational risk as the potential loss of customers, reduction in revenues or legal proceedings that the Group may incur due to loss of reputation, bad image or negative publicity with stakeholders.

The Group's stakeholders —at whom it targets its corporate reputation actions and for whom the impact of reputational risk is included in the risk management system— are customers, employees, suppliers, public institutions, shareholders, society, the community, consumers, the press and media and the wider industry.

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function.

Thus, the function of reputational risk management falls upon the shoulders of the People and Communication Department, General Secretary's Office and Finance Department through the External Communication, Corporate Reputation and Risk Management and Internal Control departments, respectively.

As this is a non-regulatory risk, it is estimated through the ORSA exercise by the External Communication department, using an in-house methodology based on expert judgement.

f) Legal risk

The Group distinguishes between the following two main types of legal risk:

- Regulatory risk: regulatory risk is the possibility that the Group's processes and operations may become obsolete or non-compliant with prevailing law and regulation in the event of legal or regulatory changes or new developments.
- Regulatory compliance risk: regulatory compliance risk is the possibility that changes in the Group's processes and operations may result in non-compliance with current regulations.

As these are both non-regulatory risks, they are estimated through the ORSA exercise by the Compliance area, using an in-house methodology based on expert judgement for regulatory risks, and qualitative analysis and a quantitative valuation based on the legal compliance risks map for compliance risks.

g) Operational risk

The Group treats operational risk as the potential loss due to inadequate or failed internal processes, people and systems or due to external events.

The Group considers losses caused by operational risks to be all the ways in which these risks may affect the Parent and its subsidiaries, such as economic losses, reputational damage, non-compliances with the law, technological or security failures or degradation of business processes or impact on customers or employees.

The Group's operational risk management system is structured as a cyclical process of continuous improvement consisting of the following phases (Identification, Assessment/Measurement, Mitigation and Monitoring and Control).

h) Currency risk

At 31 December 2023, the Group had a foreign currency position of € 23,184 thousand (31 December 2022: € 23,121 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever.

The following table shows the Group's exposure to foreign currency risk at 31 December 2023 and 2022, and the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currencies.

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
US dollar	10,596	-	9,502	-
Pound sterling	8,742	-	8,292	-
Swiss franc	2,020	-	2,260	-
Danish kroner	-	-	569	-
Other	1,826	-	2,498	-
Total	**23,184**	**-**	**23,121**	**-**

The Group has no significant exposure to any foreign currency.

i) Environmental, social and governance risks

The governing bodies receive information at least quarterly on the key risks to which the Group is exposed and the capital resources available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Risk department, together with the Group's other divisions, periodically analyses the factors that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an assessment of the Group's key risks is made, taking into account prevention and mitigation measures.

The Group has established the management model, processes and methodology for assessing ESG risks. The ESG risk management model is a qualitative assessment with KPIs that help to identify risks that could be considered as more immediate threats and regular monitoring to help ensure the exchange of information between the areas responsible and the Group's Risk department.

The Group's ESG risk map shows the risks to which it is exposed, each of them linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018, on non-financial information).

Although the Group does not operate in any critical sector in terms of climate change, it has specific policies and measures that allow us to manage resource consumption efficiently with the aim of minimising the impact on the environment.

The Group also has protocols and concrete measures in place to unlock the full potential of its employees by fostering diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health.

2023-2025 Sustainability Plan

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Línea Directa's Sustainability Plan, in force for the 2023-2025 period, is aligned with the United Nations sustainable development strategy and is articulated through the ESG dimensions. The plan consists of 6 objectives, 15 strategic lines of action and a total of 87 actions.

In 2023, Línea Directa achieved 100% compliance in each of the three dimensions of its Sustainability Plan, completing a total of 18 actions divided between an environmental pillar (4), a social pillar (8) and a Good Governance pillar (6). Moreover, in the third quarter of last year, the variable remuneration of part of the workforce (34%) was linked to the achievement of the key actions planned in the area of sustainability, and 30% of the variable remuneration of the CEO and the management team was linked to the achievement of the key actions of the Plan for 2023.

In the coming years, the Group will pursue the objectives of decarbonisation, dissemination of information on the management of risks and opportunities related to climate change and will continue to promote actions towards social contribution and attention to equality, diversity, disability, well-being and safety of employees. The Group will also review the investment portfolio and supply chain under ESG criteria, promoting sustainable business innovation. All of this accompanied by an ambitious ESG training plan for employees.

Meanwhile, the Group has joined the Task Force on Climate-Related Financial Disclosures (TFCD), committing to incorporate and report on climate change governance, strategy, risk and opportunity management, metrics and objectives. In 2024, the first report on risks and opportunities will be approved and published following the recommendations of the TCFD.

As regards the carbon footprint, close to 99.9% of the Group's emissions derive from Scope 3, specifically from the purchase of products and services from Scope 1 suppliers and from financed emissions (Category 15).

The Sustainability Plan currently in force provides for a 5% annual reduction in the company's energy consumption, an objective that will have a direct impact on the reduction of the Group's carbon footprint in Scope 1 and Scope 2. This commitment has enabled the targets set for the past year to be amply achieved, as direct emissions in tonnes of carbon dioxide (Scope 1) have been reduced by 1.4% and, within Scope 2, indirect CO2 emissions (market-based) per electricity consumed (tonCO2 e) have fallen by 18.6%.

Línea Directa Group regularly reports the eligibility percentages of its premiums and assets (i.e. its investment portfolio and property). Currently, the percentage of eligible premiums and of premiums aligned with EU Taxonomy is 2.1%; 14.1% of the portfolio by turnover is eligible, and 12.7% of the investment portfolio by CapEx is sustainable according to the EU Taxonomy; the percentage of the investment portfolio by turnover aligned with the EU Taxonomy is 2.3%, and that of the investment portfolio by CapEx is 4.5%.

j) Internal control system

Under article 46 of the Solvency Directive and article 66 of Spanish Law 20/2015 on the management, supervision and solvency of insurance companies, the Group is required to have an effective internal control system in place. The system should include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function, at least.

The control activities should be proportionate to the risks arising from the activities and processes being controlled.

It must ensure that the control and reporting mechanisms of the internal control system provide the administrative, management and control body with the information needed for decision-making processes.

Internal Control Framework

The Group has the processes necessary for the continuous identification, measurement, control, management and reporting of all the risks to which it is exposed or may be exposed in the future, at both the individual and aggregate level and based at all times on the principle of proportionality.

The Group has a risk map of the business processes that include all of its potentially serious inherent risks, with the residual risk level based on the effectiveness of existing controls. This covers specific significant transactions and the risks associated with each process.

Through the risks identified and the key risk indicators (KRIs) defined, the risk management system underpins the Group's process for defining strategies and decision-making, as these KRIs are included in the Group's scorecard, enabling proactive management of these risks.

This report is made available to the Board through reporting to the Audit and Compliance Committee and the Management Committee.

The Group has an effective risk management system that determines how to manage each risk category and area, and any risk aggregation. The risk management system assesses the overall solvency needs identified in the Group's assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, as well as the description of the frequency and content of the regular stress tests and situations that require specific stress tests. Policies are in place that define the risk categories and risk measurement methods.

The Board has set the risk profile and overall risk tolerance limits and supervises the committees established to monitor and manage potentially serious risks, through the Audit and Compliance Committee.

The internal control environment is therefore considered to have the control and notification mechanisms required to provide the Board of Directors with relevant and accurate information for decision-making. The controls are proportional to the risks and cover all of the Group's areas and lines of business.

The degree to which the risk culture and risk management system have been embedded makes it easier to understand the implications of decisions taken by the Board and Management, depending on the level of risk they are willing to assume.

Risk reporting and information mechanisms

The Corporate Risk Management department collates all of the Group's risk information for regular reporting to the Audit and Compliance Committee. It also reports the status of the key risk indicators (KRI scorecard) to enable proper oversight by the Group's management bodies.

The regular risk reports are as follows:

- The Corporate Risk Department reports monthly to the Company's Management Committee on the status of the Group's risks, on the results of control tests and on any key risk indicators (KRIs) that exceed the established thresholds.
- The Risk department reports to the Audit and Compliance Committee on the most significant risks present on the Company's risk map, on the results of the control tests carried out, on the status of recommendations issued, and on KRI performance.

The Internal Audit function reports quarterly to the Audit and Compliance Committee on the follow-up of audits carried out.

6. Cash and cash equivalents

The composition of cash and cash equivalents at banks, cheques and cash on hand at 31 December 2023 and 2022, in thousand euro, is as follows:

	2023	2022
Cash at credit institutions	38,938	35,677
Cash on hand	3	6
Financial instruments maturing within 3 months	2,805	15,978
Total	**41,746**	**51,661**

Of the balance of cash at credit institutions at 31 December 2023 and 2022, € 30,169 thousand and € 26,362 thousand respectively correspond to balances with Bankinter, S.A. (see Note 20).

At 31 December 2023 and 2022, the Group held a current account that had been pledged to a reinsurer for a total of € 2,100 thousand to secure compliance with certain contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Company's current accounts is negotiated with each bank. In 2023, the current account in dollars earned an average yield of 4.80% (1.98% in 2022) and the current account with Bankinter earned a yield of 2.03% (in 2022, it was earning interest of 0.30% starting from November 2022).

The Group held euro-denominated cash only at year-end 2023 and 2022. Accrued interest is recorded under the sub-heading "Income from financial investments" in the consolidated statement of profit or loss.

7. Financial instruments

a) Financial assets

a.1) Balances of financial assets

The classification of financial assets by category and class at year-end 2023 and 2022 is as follows:

	2023	2022
Financial assets at fair value through profit or loss		
Available-for-sale financial assets	-	-
Equity instruments	53,998	48,806
Listed	8,029	9,039
Non-listed	45,970	39,767
Total financial assets at fair value through profit or loss	**53,998**	**48,806**
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets	-	-
Equity instruments	63,524	72,080
Listed	63,524	55,859
Non-listed	-	16,221
Debt securities	759,821	618,778
Listed	759,821	618,778
Total financial assets at fair value through other comprehensive income	**823,345**	**690,858**
Hedging derivatives	**5,909**	**7,808**
Financial assets at amortised cost		
Loans and receivables	15,456	22,373
Debt securities	-	-
Deposits with credit institutions	4,209	4,515
Receivables on direct insurance business – policyholders	-	-
Receivables on reinsurance business	7,019	12,290
Other receivables	4,228	5,568
Total financial assets at amortised cost	**15,456**	**22,373**
Total financial assets	**898,709**	**769,845**

Financial assets break down as follows:

Equity instruments

The sub-heading "Equity instruments" at year-end 2023 consists of € 63,524 thousand in shares classified under heading "Financial assets with changes in other equity" (€ 72,068 thousand in 2022) and shares in investment and venture capital funds amounting to € 53,998 thousand (€ 48,818 thousand in 2022) classified under heading "Financial assets with changes in profit or loss". Total investment in shares in 2023 includes € 15,541 thousand in two listed real estate investment companies in which a Bankinter Group financial institution has a stake (€ 16,183 thousand in 2022).

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Debt securities

This sub-heading includes € 759,821 thousand in 2023 and € 618,778 thousand in 2022 corresponding to fixed income securities and their unmatured accrued interest, of which € 4,747 thousand related to significant shareholders at 31 December 2023 (31 December 2022: € 3,475 thousand).

In 2023 and 2022, accrued and unmatured interest on these investments amounted to € 5,820 thousand and € 6,105 thousand, respectively. The average return on the fixed income portfolio in 2023 was 2.60% (2.46% in 2022) and 5.01% on equities (12.59% in 2022).

At year-end 2023 and 2022, there were no impairment losses on these debt securities.

Details of financial assets at amortised cost are as follows:

Assets at amortised cost

Deposits with credit institutions

At the end of 2023, long-term deposits in euro held with Banco Santander amounted to € 4,209 thousand (€ 4,515 thousand at the end of 2022).

Receivables on reinsurance business

The "Receivables on reinsurance business" sub-heading shows receivables from reinsurers under reinsurance arrangements.

On 1 September 2017, the Group entered into a quota share reinsurance contract for the health business, maturing on 31 December 2025 and with a two-year renewal option, which was subsequently extended to 2029. This contract includes a cession of 50% of most of the policies of the business covered.

At year-end 2023 and 2022, the balances comprising this sub-heading of the accompanying consolidated balance sheet were € 7,019 and € 12,290 thousand, respectively, mainly for health quota share reinsurance.

Hedging derivatives

Heading "Hedging derivatives" includes 1 swap contract in 2023 (1 swap contract in 2022). In both 2023 and 2022, the swap has been recognised as an asset.

The balance at year-end 2023 and 2022 and changes during the year were as follows:

	2023			
	Closing value at 31.12.2022	**Valuation adjustment**	**Purchases/Sales**	**Closing value at 31.12.2023**
SWAP	7,808	(1,899)	-	5,909
SWAP	-	-	-	-
Total	**7,808**	**(1,899)**	**-**	**5,909**

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2022				
	Closing value at 31.12.2021	Valuation adjustment	Purchases/Sales	Closing value at 31.12.2022
SWAP	(6,292)	14,100	-	7,808
SWAP	(3,155)	3,805	(650)	-
Total	**(9,447)**	**17,905**	**(650)**	**7,808**

The breakdown by type of contract at year-end 2023 and 2022 is as follows:

					2023		
Type of asset	Counterparty	Number of contracts	Book value	Market value	Nominal Value	Rate	Currency
Current account	BBVA S.A.	1	(1,356)	(1,356)	(1,356)	Eonia	EUR
Current account subtotal			**(1,356)**	**(1,356)**	**(1,356)**	**Eonia**	**EUR**
Swap	BBVA, S.A.	1	5,909	5,909	5,909		EUR
Subtotal – Swap			**5,909**	**5,909**	**5,909**		**EUR**
Total			**4,553**	**4,553**	**4,553**		**EUR**

					2022		
Type of asset	Counterparty	Number of contracts	Book value	Market value	Nominal Value	Rate	Currency
Current account	BBVA, S.A.	1	(4,077)	(4,077)	(4,077)	Eonia	EUR
Current account subtotal			**(4,077)**	**(4,077)**	**(4,077)**	**Eonia**	**EUR**
Swaps	BBVA, S.A.	1	7,808	7,808	7,808		EUR
Subtotal – Swap			**7,808**	**7,808**	**7,808**		**EUR**
Total			**3,731**	**3,731**	**3,731**		**EUR**

2023 Consolidated Financial Statements (expressed in thousand euro)

The current account of the collateral swaps is not offset against the value of the swap and is therefore recorded separately.

The fair value is calculated as the present value of the outstanding flows between the two parties.

For these swaps, the risk arises from the interest rate or market risk of the underlying securities themselves. The derivative product associated with the underlying is also exposed to these same risks.

The hedged item consists of coupon payments of 2.45% on a BTPS bond on € 50,000 thousand until it matures on 1 September 2033. In exchange, the Company receives payments of Euribor 6M+1.03% on € 50,000 thousand of the BTPS bond until it matures on 1 September 2033.

Other receivables

The balances comprising the “Other receivables” sub-heading at the end of 2023 and 2022, and related impairment adjustments, are as follows:

	2023	2022
Bonds and deposits	269	300
Sundry receivables	2,628	3,666
Receivable from Group companies and associates	416	447
Impairment allowances on other receivables	(126)	(110)
Total	**3,187**	**4,303**

"Sundry receivables" mainly includes the monthly settlement with TIREA for the agreement modules.

a.2) Classification under SPPI criteria

The fair value of financial assets based on the SPPI approach as at 31 December 2023 and 2022 and the change in fair value during each year are provided below. According to the SPPI criterion, assets are classified into two categories:

- SPPI: financial assets whose cash flows represent solely payments of principal and interest on the amount outstanding, excluding any asset that is classified as held for trading under IFRS 9, or that is managed, and its performance assessed on a fair value basis.
- Other: all financial assets not included in the SPPI category:
  - whose contractual terms do not give rise to cash flows at specified dates that are solely payments of principal and interest on the amount outstanding;
  - classified as held for trading under IFRS 9 or that are managed, and their performance evaluated on a fair value basis.

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Financial assets	2023	2022
Financial assets at fair value with changes in other comprehensive income and profit and loss	877,343	739,664
Equity instruments	117,522	120,886
Other	117,522	120,886
Debt securities	759,821	618,778
SPPI	759,821	618,778
Financial assets at amortised cost		
Derivatives	5,909	7,808
Other	5,909	7,808
Loans and receivables	14,415	21,108
Debt securities	-	-
SPPI	-	-
Deposits with credit institutions	4,209	4,515
SPPI	4,209	4,515
Reinsurance receivables	7,019	12,290
SPPI	7,019	12,290
Other receivables	3,187	4,303
SPPI	3,187	4,303
Total financial assets	897,667	768,580

The credit rating of fixed income issuers and deposits held at credit institutions at 31 December 2023 and 2022 is as follows:

2023

Rating	AAA	AA	A	BBB	Below investment grade	No rating	Total
Public fixed income							
SPPI	44,868	30,084	146,486	158,196	1,031	-	**380,665**
Private fixed income							
SPPI	10,644	25,541	177,514	147,688	11,709	6,060	**379,156**
Total fixed income	**55,512**	**55,625**	**324,000**	**305,884**	**12,740**	**6,060**	**759,821**
% fixed income	7%	7%	43%	40%	2%	1%	**100%**
Deposits with credit institutions	**-**	**-**	**4,209**	**-**	**-**	**-**	**4,209**
SPPI	-	-	4,209	-	-	-	**4,209**

2022

Rating	AAA	AA	A	BBB	Below investment grade	No rating	Total
Public fixed income							
SPPI	5,082	2,927	171,476	177,011	-	-	**356,496**
Private fixed income							
SPPI	8,222	8,337	100,409	124,186	10,359	10,769	**262,282**
Total fixed income	**13,304**	**11,264**	**271,885**	**301,197**	**10,359**	**10,769**	**618,778**
% fixed income	2%	2%	44%	49%	2%	2%	**100%**
Deposits with credit institutions	**4,515**	**-**	**-**	**-**	**-**	**-**	**4,515**
SPPI	**4,515**	**-**	-	-	-	-	**4,515**

The credit rating is based on the scales used by the major international credit agencies.

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a.3) Income and expenses from financial assets

The amount of net gains and losses by category of financial asset at year-end 2023 and 2022 is as follows:

2023

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other financial assets
Interest on bank deposits	1,596	-	-	-
Income from premium instalments	4,738	-	-	-
Fixed income expected loss	-	(40)	-	-
Net losses on swap valuation	-	-	-	9,026
Equity valuation losses	-	-	(2,724)	-
Losses on realisation of investments	-	(2,519)	-	-
Interest on fixed-income securities	-	16,854	-	-
Income on equity instruments	-	3,010	-	-
Net valuation gains on fixed income securities covered by swap	-	-	-	(9,026)
Gains/(losses) on realisation of investments	-	2,683	-	-
Gains/(losses) on valuation of investments	-	-	4,530	-
Positive exchange differences	-	48	-	-
Negative exchange differences	-	(139)	(223)	-
Other expenses	-	-	-	3,107
Net result in profit and loss	**6,334**	**19,897**	**1,583**	**3,107**
Change in fair value OCI	-	24,084	-	-
Realisation of equity instruments OCI	-	3,237	-	-
Net result in other comprehensive income	-	**27,321**	-	-

2022

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Other financial assets
Interest on bank deposits	185	-	-
Income from premium instalments	4,571	-	-
Net losses on swap valuation	-	-	20,843
Losses on realisation of investments	-	(5,464)	-
Interest on fixed-income securities	-	15,343	-
Income on equity instruments	-	8,248	-
Net valuation gains on fixed income securities covered by swap	-	-	(20,843)
Gains/(losses) on realisation of investments	-	12,647	-
Positive exchange differences	-	3,269	-
Negative exchange differences	-	498	-
Other expenses	-	-	(645)
Net result in profit and loss	**4,756**	**34,541**	**(645)**
Change in fair value	-	(97,622)	-
Net result in other comprehensive income	-	**(97,622)**	-

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In both 2023 and 2022, financial derivatives have been classified as financial assets due to their valuation.

The amounts of fair value hedge adjustments made to the hedged item recognised in the income statement are as follows:

2023

31 December 2023	Nominal	Book value	Heading of the consolidated balance sheet	Changes in fair value used as the basis for recognising ineffectiveness in the period	Ineffectiveness reported
Hedging derivatives	50,000	5,909	Hedging derivatives	(1,899)	-

2023

31 December 2023	Nominal	Book value	Heading of the consolidated balance sheet	Cumulative fair value adjustment on the hedged item	Changes in fair value used as the basis for recognising ineffectiveness in the period
Fixed-income instruments	50,000	45,745	Debt securities	4,861	(1,899)

2022

31 December 2022	Nominal	Book value	Heading of the consolidated balance sheet	Changes in fair value used as the basis for recognising ineffectiveness in the period	Ineffectiveness reported
Hedging derivatives	50,000	7,808	Hedging derivatives	14,303	-

2022

31 December 2022	Nominal	Book value	Heading of the consolidated balance sheet	Cumulative fair value adjustment on the hedged item	Changes in fair value used as the basis for recognising ineffectiveness in the period
Fixed-income instruments	50,000	40,884	Debt securities	(15,817)	13,813

Expected loss

The group calculated expected loss at € 244 thousand on the transition date to IFRS 9. The changes in this expected loss during the year and the allocation of "stages" of debt securities (not including coupon accruals) were as follows:

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	2023					
	Stage 1		Stage 2		Total	
	Market value	Expected loss	Market value	Expected loss	Market value	Expected loss
Balance at 1 January 2023	**612,672**	**(244)**	**-**	**-**	**612,672**	**(244)**
Transfer to Stage 2	-	-	-	-	-	-
Expected loss originated or due to purchases	276,278	(60)	-	-	276,278	(60)
Maturities or sales	(182,140)	17	-	-	(182,140)	17
New measurements	47,474	2	-	-	47,474	2
Change in expected loss	-	(41)	-	-	-	(41)
Balance at 31 December 2023	**754,284**	**(285)**	**-**	**-**	**-**	**(285)**

a.4) Fair value breakdown

Details of financial assets at fair value by valuation level are as follows:

	2023			
	Book value	Fair value		
		Tier 1	Tier 2	Tier 3
Financial assets at fair value through changes in equity	**823,345**	**756,174**	**51,632**	**15,541**
Equity instruments	63,524	47,984	-	15,541
Listed	47,984	47,984	-	-
Non-listed	15,541	-	-	15,541
Debt securities	759,821	708,190	51,632	-
Listed	759,821	708,190	51,632	-
Non-listed	-	-	-	-
Total	**823,345**	**756,174**	**51,632**	**15,541**

	2023			
	Book value	Fair value		
		Tier 1	Tier 2	Tier 3
Financial assets at fair value through changes in P&L	**53,999**	**8,029**	**28**	**45,942**
Equity instruments	53,999	8,029	28	45,942
Listed	8,029	8,029	-	-
Non-listed	45,970	-	28	45,942
Debt securities	-	-	-	-
Listed	-	-	-	-
Non-listed	-	-	-	-
Total	**53,999**	**8,029**	**28**	**45,942**

2023 Consolidated Financial Statements (expressed in thousand euro)

	2022			
	Book value	Fair value		
		Tier 1	Tier 2	Tier 3
Financial assets at fair value through changes in equity	**690,846**	**673,668**	**985**	**16,193**
Equity instruments	72,068	55,875	-	16,193
Listed	55,875	55,875	-	-
Non-listed	16,193	-	-	16,193
Debt securities	618,778	617,793	985	-
Listed	618,778	617,793	985	-
Non-listed	-	-	-	-
Total	**690,846**	**673,668**	**985**	**16,193**

	2022			
	Book value	Fair value		
		Tier 1	Tier 2	Tier 3
Financial assets at fair value through changes in P&L	**48,818**	9,039	28	39,751
Equity instruments	-	9,039	28	39,751
Listed	9,039	9,039	-	-
Non-listed	39,779	-	28	39,751
Debt securities	-	-	-	-
Listed	-	-	-	-
Non-listed	-	-	-	-
Total	**48,818**	**9,039**	**28**	**39,751**

The fair values of non-current loans and receivables are not included because their carrying amounts are a reasonable approximation of fair value.

To determine Level 2 fair values for the years 2023 and 2022, a model has been used in which discounted future cash flows, including the redemption value, are discounted from a yield curve with two main components:

- Zero coupon swap curve of the currency in which the issue is denominated, which is considered to be the best approximation of the risk-free interest rate.
- Additional risk spread, which will be the spread added or deducted from the zero-coupon swap curve reflecting the risks inherent in the issuance being assessed, such as: Credit risk, illiquidity and optionality risk.

The following table sets out the valuation methods used in 2023 and 2022 to determine Tier 3 fair values, along with the unobservable inputs used and the interrelationship between key inputs and fair value.

2023 Consolidated Financial Statements (expressed in thousand euro)

Rate	Valuation method	Variables used (non-	Interrelationship between key variables and fair value
Net asset value of investments in private equity funds with renewable energy generating assets as the underlying	Discounted cash flows: the most widely accepted method, which treats the investment as a cash flow generator. To obtain its value, this method calculates the present value of the future cash flows by taking into account the implicit risk of achieving them. Thus, the discounted cash flow method estimates the cash flows that the asset/investment will generate in the future, and then discounts them at an appropriate discount rate, depending on the risk associated with achieving those cash flows. The discount rate used is based on the resulting WACC (weighted average cost of capital), according to the different sources of financing (equity vs. debt) and their respective weights. For the 2023 measurements, the discount rate is between 4.65% and 7%. For 2022, the discount rate is between 3% and 6%.	WACC and return on investment	The higher the WACC the lower the fair value, and the higher the return on investment the higher the fair value (bearing in mind that income depends on prevailing regulations)
Net asset value of the underlying funds	As funds of funds, the value of each unit is calculated as the sum of the net asset values provided by each of the underlying funds. Valuation as per the amounts communicated by the fund management companies, which are compared with the net asset values included in the annual accounts. All fund management companies are filed and registered with the CNMV. In each fund, fair value is calculated in accordance with the valuation reports and financial statements provided by each investee.	Net asset value of each fund % holding in the portfolio of each fund	The higher the net asset value of the underlying funds, the higher the value of these funds. The higher the percentage holding in the underlying funds, the greater the proportional value of that fund to the investing funds.
Net asset value of shares	Relates to shares held in SOCIMIs (Spanish REITs). The valuation methodology is based on the standards and techniques recommended by RICS, using the relevant methods of comparison (comparable transactions) and cash flow discounts (based on the estimated income and expenses of the asset over a 10-year period).	Market data on returns, discount rates and annual valuation by an independent expert.	The higher the value of the property investments, the higher the net asset value of the company.
Net asset value of loans	The manager of the BNY Mellon fund conducts a daily valuation of the fund. In carrying out its calculation, the fund manager relies on public sources to retrieve the daily price of the loans. These public sources are independent price providers, such as Bloomberg, Markit and Reuters. These price providers generate their information from actual transactions supplied to them by the trading desks of the main financial institutions, on the basis of cross-trading during the day and the level of supply and demand for each loan during the day.	Quotations provided by the trading desks of the main financial institutions. Specialist sources, Markit Partners/LoanX and IDC/Reuters	Prices calculated on the basis of the information supplied to them by the trading desks of the main financial institutions.

The Investment Committee is responsible for supervising and controlling investments and their financial results, together with economic and financial information, and ensuring compliance with the Investment Guidelines to which the Group is subject.

Changes in financial assets measured in accordance with valuation techniques based on unobservable data (Tier 3) are as follows:

Equity instruments	Non- listed
Balance at 31 December 2021	**56,478**
Purchases	6,107
Sales	(3,202)
Transfers to Tier 1	(7,000)
Realised gains / (losses)	1,125
Changes in valuation through profit or loss	2,452
Balance at 31 December 2022	**55,960**
Purchases	7,561
Sales	(2,639)
Tier transfers	-
Realised gains / (losses)	1,153
Changes in valuation through profit or loss	(552)
Balance at 31 December 2023	**61,483**

The amounts recognised under "Other comprehensive income" can be found under the sub-heading "Gains/(losses) on valuation adjustments" in the consolidated statement of other comprehensive income.

During the year ended 31 December 2023, there were no transfers of financial assets between the different tiers. During the year ended 31 December 2022, there was a transfer of financial assets from Tier 3 to Tier 1 Logistics, amounting to € 7,000 thousand. The Group considers transfers between tiers to occur on the date on which the event or change in circumstances that caused the reclassification occurs (IFRS 13.95).

b) Financial liabilities

b.1) Balances of financial liabilities

The classification of financial liabilities by category and class at year-end 2023 and 2022 is as follows:

	2023	2022
Financial liabilities at amortised cost		
Debt and accounts payable		
Due on insurance business with policyholders	1,752	2,009
Due on insurance business with brokers	1,066	481
Due on reinsurance business	1,351	1,363
Taxes and social security payable	15,221	15,520
Other debts	45,923	39,915
Total financial liabilities at amortised cost	**65,313**	**59,288**
Hedging derivatives	-	-
Total hedging derivatives	-	-
Total financial liabilities	**65,313**	**59,288**

Details of financial liabilities at amortised cost are as follows:

Due on reinsurance business

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The sub-heading "Due on reinsurance business" shows the debts owed to reinsurers. The balances comprising this sub-heading of the accompanying consolidated balance sheets at year-end 2023 and 2022 are as follows, by reinsurance type:

	2023	2022
Reinsurance fines and other guarantees	1,351	1,363
XL reinsurance	-	-
Total	**1,351**	**1,363**

Other debts

Details of the sub-heading "Other payables" at year-end 2023 and 2022 are as follows:

	2023	2022
Suppliers of goods and services	39,490	31,750
Right-of-use liabilities	2,041	3,768
Outstanding remunerations	4,392	4,397
Total other debts	**45,923**	**39,915**

The "Outstanding remuneration" sub-heading includes other recurring incentives, of an annual, quarterly and monthly nature, pending payment for € 4,392 thousand as at 31 December 2023 (€ 4,397 thousand at December 2022).

Lease liabilities

Details of movements in lease liabilities during the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
Balance at the beginning of the year	3,768	4,534
Additions	-	1,495
Withdrawals	(294)	-
Finance expenses	(39)	(63)
Payments	(1,394)	(2,198)
Balance at the end of the year	**2,041**	**3,768**

The contractual maturities of undiscounted lease liabilities, i.e., including future interest payable, for the years 2023 and 2022 are as follows:

	2023	2022
Within one year	1,865	1,913
Between 1 and 5 years	257	1,762
Beyond 5 years	-	-
Total future payments	**2,122**	**3,675**

The discount rate used by the Group is the incremental borrowing rate, which is the rate at which the Group could obtain financing under comparable terms and conditions.

The weighted average incremental borrowing rate was 1.29% and 1.45% for 2023 and 2022, respectively.

b.3) Fair value breakdown

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The fair value of derivatives is calculated through the use of valuation techniques. Valuation techniques maximise the use of available observable market data and rely as little as possible on entity-specific estimates.

As all significant inputs required to calculate their fair value are observable, the swaps are included in Tier 2. The fair value has been calculated as the current value of estimated future cash flows based on estimated interest rate curves.

For current debts and payables, details of fair values have not been provided because their carrying amounts are a reasonable approximation of fair value.

During the years ended 31 December 2023 and 2022, there were no transfers of financial liabilities between the different tiers.

8. Property, plant and equipment and investment property

a) Property, plant and equipment

At 31 December 2023 and 2022, the balance of this sub-heading in the accompanying consolidated balance sheet and the changes therein during those years are as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.2021	**17,905**	**25,217**	**20,664**	**16,241**	**6,936**	**98**	**87,061**
Additions	1,725	42	846	775	88	250	3,726
Withdrawals	-	-	(25)	(3,627)	6	-	(3,646)
Transfers	-	-	88	-	-	(88)	-
Cost at 31.12.2022	**19,630**	**25,259**	**21,572**	**13,389**	**7,030**	**260**	**87,140**
Additions	-	-	356	1,126	26	57	1,565
Withdrawals	-	(2)	-	(2,066)	(2)	(19)	(2,089)
Transfers	(300)	13	549	-	-	(262)	-
Cost at 31.12.2023	**19,330**	**25,270**	**22,477**	**12,449**	**7,054**	**36**	**86,616**
Accumulated amortisation at 31.12.2021	**-**	**(7,120)**	**(15,641)**	**(12,419)**	**(4,366)**	**-**	**(39,546)**
Additions	-	(505)	(1,204)	(1,563)	(327)	-	(3,599)
Withdrawals	-	-	-	3,624	-	-	3,624
Transfers	-	-	-	-	-	-	-
Accumulated amortisation at 31.12.2022	**-**	**(7,625)**	**(16,845)**	**(10,358)**	**(4,689)**	**-**	**(39,521)**
Additions	-	-	(220)	(152)	(1,255)	(398)	(2,025)
Withdrawals	-	(477)	-	714	2	19	258
Transfers	-	-	-	-	-	-	-
Accumulated amortisation at 31.12.2023	**-**	**(8,102)**	**(17,065)**	**(9,796)**	**(5,942)**	**(379)**	**(41,288)**
Impairment provision at 31.12.2021	**(2,251)**	**-**	**-**	**-**	**-**	**-**	**(2,251)**
Impairment provision at 31.12.2022	**(2,251)**	**-**	**-**	**-**	**-**	**-**	**(2,251)**
Impairment provision at 31.12.2023	**(2,251)**	**-**	**-**	**-**	**-**	**-**	**(2,251)**
Carrying amount at 31.12.2021	**15,654**	**18,097**	**5,023**	**3,822**	**2,570**	**98**	**45,264**
Carrying amount at 31.12.2022	**17,379**	**17,634**	**4,727**	**3,031**	**2,337**	**260**	**45,368**
Carrying amount at 31.12.2023	**17,079**	**17,168**	**5,412**	**2,653**	**1,112**	**(343)**	**43,077**

The main additions at 31 December 2023 and 2022 relate to information processing equipment and the acquisition of a car park.

In 2023 and 2022, the Group derecognised fully depreciated items of property, plant and equipment amounting to € 2,054 thousand and € 3,624 thousand, respectively.

At 31 December 2023 and 2022, no impairment losses had been recognised.

The Group has taken out insurance policies with third parties to cover risks that could affect its property, plant and equipment. The coverage provided under these policies is considered sufficient.

The following table provides a breakdown of the fair value at 31 December 2023 and 2022 of the properties included under property, plant and equipment, such fair value as determined by an authorised property valuation company [see Note 3f)]:

2023 Consolidated Financial Statements (expressed in thousand euro)

	2023				
Description	**Cost value**	**Accumulated amortisation**	**Impairment**	**Net book value**	**Market value**
Land and buildings at I. Newton 7, Tres Cantos	5,394	(2,015)	-	3,379	11,314
Land and buildings at I. Newton 9, Tres Cantos	7,371	(1,500)	(734)	5,137	5,457
Land and buildings at Ronda Europa 7, Tres Cantos	21,853	(4,003)	(1,273)	16,577	17,413
Land and buildings at Torres Quevedo 1, Tres Cantos	6,199	(269)	(106)	5,824	7,860
Land and buildings at Avda. El Sol 9, Torrejón de Ardoz	2,347	(342)	(138)	1,867	1,911
C/ Einstein 1, Tres Cantos	1,425	-	-	1,425	1,425
Total	**44,589**	**(8,129)**	**(2,251)**	**34,209**	**45,380**

	2022				
Description	**Cost value**	**Accumulated amortisation**	**Impairment**	**Net book value**	**Market value**
Land and buildings at I. Newton 7, Tres Cantos	5,394	(1,920)	-	3,474	11,314
Land and buildings at I. Newton 9, Tres Cantos	7,371	(1,423)	(734)	5,214	5,457
Land and buildings at Ronda Europa 7, Tres Cantos	21,853	(3,766)	(1,275)	16,812	17,413
Land and buildings at Torres Quevedo 1, Tres Cantos	6,199	(201)	(105)	5,893	7,860
Land and buildings at Avda. El Sol 9, Torrejón de Ardoz	2,347	(315)	(137)	1,895	1,911
C/ Einstein 1, Tres Cantos	1,725	-	-	1,725	1,725
Total	**44,889**	**(7,625)**	**(2,251)**	**35,013**	**45,680**

The market value is based on the comparison method (based on the replacement principle), which values property assets by comparison with other property values on the market and, on the basis of concrete information on actual transactions and firm offers, derives current cash purchase prices for these properties on the basis of homogenisation coefficients (Tier 2).

b) Investment property

The Group's investment property comprises property assets held for lease. In 2023, rental income from investment property owned by the Group amounted to € 4,591 thousand (2022: € 4,358 thousand), as recognised under "Income from property, plant and equipment and from investments" in the accompanying consolidated statement of profit or loss.

Activity recognised under this sub-heading in 2023 and 2022 has been as follows:

	Land	Buildings	Plant	Total investments
Cost at 31.12.2021	**32,409**	**38,396**	**289**	**Property 71,094**
Additions	-	-	3	3
Cost at 31.12.2022	**32,409**	**38,396**	**292**	**71,097**
Additions	502	-	-	502
Withdrawals	(1,961)	(4,941)	-	(6,902)
Cost at 31.12.2023	**30,950**	**33,455**	**292**	**64,697**
Accumulated amortisation at 31.12.2021	**-**	**(5,517)**	**(120)**	**(5,637)**
Additions	-	(767)	(17)	(778)
Accumulated amortisation at 31.12.2022	**-**	**(6,284)**	**(137)**	**(6,421)**
Additions	-	(669)	(15)	(684)
Withdrawals	-	931	-	931
Accumulated amortisation at 31.12.2023	**-**	**(6,022)**	**(152)**	**(6,174)**
Carrying amount at 31.12.2021	**32,409**	**32,879**	**169**	**65,457**
Carrying amount at 31.12.2022	**32,409**	**32,112**	**155**	**64,676**
Carrying amount at 31.12.2023	**30,950**	**27,433**	**140**	**58,523**

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At year-end 2023 and 2022, there were no restrictions whatsoever on the realisation of new investment property or on the collection of income therefrom, or on the proceeds from any possible sale or disposal. Furthermore, no investment property was subject to guarantees or reversion.

The amortisation rates used are described in Note 3f) of these notes to the consolidated financial statements.

On 5 December 2023, the building located at Calle José Echegaray 9 was sold, resulting in a realised gain of € 1,417 thousand in profit or loss. No investment property was disposed of in 2022.

At 31 December 2023 and 2022, no impairment losses had been recognised.

All properties were insured against the risk of fire and third-party liability in 2023 and 2022.

The following table provides a comparison between the carrying amount and the fair value of investment property (land and buildings), as determined by an authorised property valuation company [see Note 3f)], at 31 December 2023 and 2022.

		2023			
Description	**Cost value**	**Accumulated amortisation**	**Impairment**	**Net book value**	**Fair value**
C/ Chamberí 8, Madrid	42,524	(3,323)	-	39,201	52,574
Avda. de Bruselas 22, Madrid	21,881	(2,699)	-	19,182	25,345
Total	**64,405**	**(6,022)**	**-**	**58,383**	**77,919**

		2022			
Description	**Cost value**	**Accumulated amortisation**	**Impairment**	**Net book value**	**Fair value**
C/ José Echegaray 9, Madrid	6,902	(931)	-	5,971	8,023
C/ Chamberí 8, Madrid	42,022	(2,968)	-	39,054	52,574
Avda. de Bruselas 22, Madrid	21,881	(2,385)	-	19,496	25,345
Total	**70,805**	**(6,284)**	**-**	**64,521**	**85,942**

The rental income discount method is used to obtain fair value. This method discounts expected future profits (expected cash flows from rent or associated economic activity) and uses unobservable inputs such as current occupancy and the probability of future occupancy and/or current or expected delinquency of collections (Tier 2).

Future receivables from undiscounted operating leases for the years 2023 and 2022 are as follows:

	2023	2022
Within one year	4,329	3,225
Between 1 and 5 years	4,290	2,851
Beyond 5 years	-	-
Total future receivables	**8,619**	**6,076**

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9. Intangible fixed assets

a) Detail of intangible fixed assets

At 31 December 2023 and 2022 the balance of this heading related entirely to software. Changes in 2023 and 2022 are as follows:

	Software	Immobilised assets in progress	Other	Total Intangible fixed assets
Cost at 31.12.2021	**94,693**	**2,388**	**-**	**97,081**
Additions	1,320	3,518	-	4,838
Withdrawals	-	-	-	-
Transfers	930	(930)	-	-
Cost at 31.12.2022	**96,943**	**4,976**	**-**	**101,919**
Additions	2,396	3,948	12,386	18,730
Withdrawals	(7,777)	-	-	(7,777)
Transfers	3,903	(3,903)	-	-
Cost at 31.12.2023	**95,465**	**5,021**	**12,386**	**112,872**
Accumulated amortisation at 31.12.2021	**(82,960)**	**-**	**-**	**(82,960)**
Additions	(4,477)	-	-	(4,477)
Withdrawals	-	-	-	-
Accumulated amortisation at 31.12.2022	**(87,437)**	**-**	**-**	**(87,437)**
Additions	(13)	-	-	(13)
Withdrawals	3,766	-	-	3,766
Accumulated amortisation at 31.12.2023	**(83,684)**	**-**	**-**	**(83,684)**
Carrying amount at 31.12.2021	**11,733**	**2,388**	**-**	**14,121**
Carrying amount at 31.12.2022	**9,506**	**4,976**	**-**	**14,482**
Carrying amount at 31.12.2023	**11,781**	**5,021**	**12,386**	**29,188**

Additions recognised in 2023 largely related to the acquisition of software licenses and other rights of use, while in 2022 they related to technological developments and the purchase of software licenses.

Retirements in 2023 were mostly due to software licence terminations, while in 2022 no retirements took place.

At 31 December 2023 and 2022 there were no intangible assets subject to guarantees or reversals.

The Group considers rights-of-use to be an intangible asset with an indefinite useful life and will therefore be subject to an annual impairment test in accordance with IAS 38.

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10. Other assets

The following table provides a breakdown of this heading at 31 December 2023 and 2022.

	2023	2022
Right-of-use assets	1,992	3,621
Accruals	4,881	3,326
Other assets	633	630
Total	**7,506**	**7,577**

At 31 December 2022, the sub-heading “Accruals” includes the cost of certain services prepaid by the Group and accrued in 2023, amounting to € 3,326 thousand (€ 3.326 thousand in 2022).

Right-of-use assets

Details and movements by asset class for right-of-use assets in 2023 and 2022 are as follows:

	Buildings	Furniture and other property, plant and equipment	Total right-of-use assets
Cost at 31.12.2021	**3,596**	**7,766**	**11,362**
Additions	-	556	556
Withdrawals	(159)	-	(159)
Cost at 31.12.2022	**3,437**	**8,322**	**11,759**
Additions	486	-	486
Withdrawals	-	(2,365)	(2,365)
Cost at 31.12.2023	**3,923**	**5,957**	**9,880**
Accumulated amortisation at 31.12.2021	**(1,999)**	**(4,867)**	**(6,866)**
Additions	(367)	(905)	(1,272)
Accumulated amortisation at 31.12.2022	**(2,366)**	**(5,772)**	**(8,138)**
Additions	(635)	-	(635)
Withdrawals	-	885	885
Accumulated amortisation at 31.12.2022	**(3,001)**	**(4,887)**	**(7,888)**
Carrying amount at 31.12.2021	**1,597**	**2,899**	**4,496**
Carrying amount at 31.12.2022	**1,071**	**2,550**	**3,621**
Carrying amount at 31.12.2023	**922**	**1,070**	**1,992**

The "Buildings" heading mainly includes offices and car parks leased by the Group to third parties. The average duration of these contracts is 6 years. The lease term has been determined as the non-cancellable period together with the contractual renewal options that the Group is reasonably certain to exercise.

"Furniture and other property, plant and equipment" mainly shows the leasing of replacement vehicles which the Group offers to insured customers while their vehicle is under repair. The average duration of these vehicle leasing contracts is 3 years. The lease term has been determined as the non-cancellable period on the basis of the vehicle leasing contracts.

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As indicated in note 3g), the Group has chosen not to recognise in the Statement of Financial Position lease liabilities and right-of-use assets relating to short-term leases (leases for a period of one year or less) nor leases of low value assets (amount equal to or less than € 5 thousand).

The expense associated with these exemptions is classified in the consolidated statement of profit or loss by purpose and in the statement of cash flows under the sub-heading "Payments for other activities". The total lease expense subject to IFRS 16 treatment but exempted by term or amount, amounted to € 5 thousand in 2023 (2022: € 471 thousand).

In 2023 and 2022, the Group did not incur any expenses for variable lease payments.

11 Assets and liabilities under insurance and reinsurance contracts

a) Amounts recognised in the balance sheet

The breakdown of reinsurance contract assets and insurance contract liabilities by business segment at the end of 2023 and 2022 is as follows:

31 December 2023	Motor	Home	Health	Other	Total
Assets under reinsurance contracts held	**12,354**	**9,249**	**10,336**	-	**31,939**
Assets for remaining coverage	**-**	**-**	**6,166**	**-**	**6,166**
Assets for remaining coverage under PAA	**-**	**-**	**6,166**	**-**	**6,166**
Assets for remaining coverage	-	-	4,621	-	4,621
Recovery component	-	-	1,545	-	1,545
Assets for incurred claims	**12,354**	**9,249**	**4,170**	**-**	**25,773**
FCF present value estimates	11,382	8,655	3,985	-	24,022
Risk adjustment	972	594	185	-	1,751
Liabilities under insurance contracts	**621,613**	**85,311**	**8,153**	234	**715,311**
Liabilities for remaining coverage	**284,233**	**55,307**	**(221)**	**33**	**339,352**
Liabilities for remaining coverage under PAA	**284,233**	**55,307**	**(221)**	**33**	**339,352**
Liabilities for remaining coverage	284,233	55,307	(3,310)	33	336,263
Loss component	-	-	3,089	-	3,089
Liabilities for incurred claims	**337,380**	**30,004**	**8,374**	**201**	**375,959**
FCF present value estimates	311,721	27,902	8,000	201	347,824
Risk adjustment	25,659	2,102	374	-	28,135

31 December 2022	Motor	Home	Health	Other	Total
Assets under reinsurance contracts held	**6,248**	**5,817**	**9,891**	-	**21,956**
Assets for remaining coverage	**-**	**-**	**6,466**	**-**	**6,466**
Assets for remaining coverage under PAA	**-**	**-**	**6,466**	**-**	**6,466**
Assets for remaining coverage	-	-	4,554	-	4,554
Recovery component	-	-	1,912	-	1,912
Assets for incurred claims	**6,248**	**5,817**	**3,425**	**-**	**15,490**
FCF present value estimates	5,786	5,441	3,270	-	14,497
Risk adjustment	462	376	155	-	993
Liabilities under insurance contracts	**530,023**	**72,419**	**7,564**	276	**610,282**
Liabilities for remaining coverage	**273,280**	**51,074**	**669**	**33**	**325,056**
Liabilities for remaining coverage under PAA	**273,280**	**51,074**	**669**	**33**	**325,056**
Liabilities for remaining coverage	273,280	51,074	(3,784)	33	320,603
Loss component	-	-	4,453	-	4,453
Liabilities for incurred claims	**256,743**	**21,345**	**6,895**	**243**	**285,226**
FCF present value estimates	238,071	19,846	6,582	243	264,742
Risk adjustment	18,672	1,499	313	-	20,484

b) Movement in insurance and reinsurance assets and liabilities

b.1) Movement in insurance assets and liabilities

Movement in insurance assets and liabilities at 31 December 2023 and 2022 is as follows:

2023 Consolidated Financial Statements (expressed in thousand euro)

2023

MOVEMENT IN INSURANCE ASSETS AND LIABILITIES	PCR (excluding onerous contracts) Excluding loss component	PCR (onerous contracts) Loss component	PSI - Contracts under the simplified approach		Total
			Estimated present value of future cash flows	Risk adjustment	
Opening balance of assets	-	-	-	-	-
Opening balance of liabilities	320,603	4,453	264,742	20,484	610,282
Opening net balance at 31.12.2022	**320,603**	**4,453**	**264,742**	**20,484**	**610,282**
Insurance income	**(960,266)**	**-**	**-**	**-**	**(960,266)**
Insurance expenses (*)	**183,554**	**(1,365)**	**806,411**	**6,977**	**995,577**
Benefits and other expenses for incurred claims	-	-	775,777	-	775,777
Changes related to past services	-	-	30,634	6,977	37,611
Losses and reversal of losses on onerous contracts	-	(1,365)	-	-	(1,365)
Amortisation of acquisition expenses	183,554	-	-	-	183,554
Total income from insurance services	**(776,712)**	**(1,365)**	**806,411**	**6,977**	**35,311**
Net financial result recognised in the statement of profit or loss	-	-	4,480	347	4,827
Net financial result recognised in equity	-	-	4,225	327	4,552
Total changes in profit or loss and OCI	**-**	**-**	**8,705**	**674**	**9,379**
Premiums collected	969,982	-	-	-	969,982
Claims and other expenses paid (including investment components)	-	-	(732,034)	-	(732,034)
Acquisition expenses paid	(177,610)	-	-	-	(177,610)
Total cash flows	**792,372**	**-**	**(732,034)**	**-**	**60,338**
Closing balance of assets	-	-	-	-	-
Closing balance of liabilities	336,263	3,089	347,824	28,135	715,311
Closing balance	**336,263**	**3,089**	**347,824**	**28,135**	**715,311**

(*) Insurance expenses take into account expenses attributable to claims incurred.

2022

MOVEMENT IN INSURANCE ASSETS AND LIABILITIES	PCR (excluding onerous contracts) Excluding loss component	PCR (onerous contracts) Loss component	PSI - Contracts under the simplified approach		Total
			Estimated present value of future cash flows	Risk adjustment	
Opening balance of assets	-	-	-	-	-
Opening balance of liabilities	311,833	5,279	242,206	20,848	580,166
Opening net balance at 31.12.2021	**311,833**	**5,279**	**242,206**	**20,848**	**580,166**
Insurance income	**(925,444)**	**-**	**-**	**-**	**(925,444)**
Insurance expenses (*)	**179,823**	**(825)**	**699,746**	**166**	**878,910**
Benefits and other expenses for incurred claims	-	-	703,612	-	703,612
Changes related to past services	-	-	(3,866)	166	(3,700)
Losses and reversal of losses on onerous contracts	-	(825)	-	-	(825)
Amortisation of acquisition expenses	179,823	-	-	-	179,823
Total income from insurance services	**(745,621)**	**(825)**	**699,746**	**166**	**(46,534)**
Net financial result recognised in the statement of profit or loss	-	-	(402)	(35)	(437)
Net financial result recognised in equity	-	-	(5,746)	(495)	(6,241)
Total changes in profit or loss and OCI	**-**	**-**	**(6,148)**	**(530)**	**(6,678)**

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Premiums collected	941,666	-	-	-	941,666
Claims and other expenses paid (including investment components)	-	-	(671,062)	-	(671,062)
Acquisition expenses paid	(187,275)	-	-	-	(187,275)
Total cash flows	**754,391**	**-**	**(671,062)**	**-**	**83,329**
Closing balance of assets	-	-	-	-	-
Closing balance of liabilities	320,603	4,453	264,742	20,484	797,558
Closing balance	**320,603**	**4,453**	**264,742**	**20,484**	**797,558**

(*) Insurance expenses take into account expenses attributable to claims incurred.

b.2) Movement in reinsurance assets and liabilities

The movements in reinsurance assets and liabilities at the end of 31 December 2023 and 2022 are as follows:

2023

MOVEMENT IN CEDED REINSURANCE ASSETS AND LIABILITIES	PCR (excluding onerous contracts)	PCR (onerous contracts)	PSI - Contracts under the simplified approach		Total
			Estimated present value of future cash flows	Risk adjustment	
Opening balance of assets	4,553	1,913	14,497	993	21,956
Opening balance of liabilities	-	-	-	-	-
Opening net balance	**4,553**	**1,913**	**14,497**	**993**	**21,956**
Income from ceded reinsurance contracts	**114**	**(368)**	**20,073**	**756**	**20,575**
Expenses from ceded reinsurance contracts	**(23,489)**	**-**	**-**	**-**	**(23,489)**
Total expenses from ceded reinsurance contracts	**(23,375)**	**(368)**	**20,073**	**756**	**(2,914)**
Net financial result recognised in the statement of profit or loss	-	-	(169)	(12)	(181)
Net financial result recognised in equity	-	-	204	14	218
Total changes in profit or loss and OCI	**-**	**-**	**35**	**2**	**37**
Premiums ceded	23,555	-	-	-	23,555
Cash flows received	(112)	-	(10,583)	-	(10,695)
Total cash flows	**23,443**	**-**	**(10,583)**	**-**	**12,860**
Closing balance of assets	-	-	-	-	-
Closing balance of liabilities	4,621	1,545	24,022	1,751	31,939
Closing balance	**4,621**	**1,545**	**24,022**	**1,751**	**31,939**

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2022

MOVEMENT IN CEDED REINSURANCE ASSETS AND LIABILITIES	PCR (excluding onerous contracts) Excluding loss component	PCR (onerous contracts) Loss component	PSI - Contracts under the simplified approach		Total
			Estimated present value of future cash flows	Risk adjustment	
Opening balance of assets from ceded reinsurance contracts	4,280	2,910	15,724	1,386	24,300
Opening balance of liabilities from ceded reinsurance contracts	-	-	-	-	-
Opening net balance at 31.12.2021	**4,280**	**2,910**	**15,724**	**1,386**	**24,300**
Income from ceded reinsurance contracts	**4,232**	**(997)**	**13,596**	**(370)**	**16,461**
Expenses from ceded reinsurance contracts	**(25,865)**	**-**	**-**	**-**	**(25,865)**
Total expenses from ceded reinsurance contracts	**(21,633)**	**(997)**	**13,596**	**(370)**	**(9,404)**
Net financial result recognised in the statement of profit or loss	-	-	11	1	12
Net financial result recognised in equity	-	-	(273)	(24)	(297)
Total changes in profit or loss and OCI	**-**	**-**	**(262)**	**(23)**	**(285)**
Premiums ceded	26,139	-	-	-	26,139
Cash flows received	(4,233)	-	(14,560)	-	(18,793)
Total cash flows	**21,906**	**-**	**(14,560)**	**-**	**7,346**
Closing balance of assets					
Closing balance of liabilities	4,553	1,913	14,498	993	21,957
Closing balance	**4,553**	**1,913**	**14,498**	**993**	**21,957**

c) Income and expenses from insurance services

The following table provides a breakdown of insurance income and expenses at 31 December 2023 and 2022:

	2023	2022
Insurance contract revenue measured under PAA	**960,266**	**925,444**
Premiums allocated to the period	960,266	925,444
Premiums written	973,281	946,679
Change in remaining hedging liability	(13,015)	(21,235)
Expenses for claims incurred and other expenses	**995,577**	**878,910**
Benefits paid and expenses incurred	920,105	852,032
Claims paid	578,387	511,813
Attributable expenses	341,718	340,219
Claims expenses	127,364	127,397
Other attributable expenses	214,354	212,822
Change in liabilities for incurred claims	76,837	27,703
Losses and reversals on onerous contracts and adjustments for losses	(1,365)	(825)
RESULT OF INSURANCE CONTRACTS (A)	**(35,311)**	**46,534**

d) Financial income and expenses from insurance services

The following table provides a breakdown of financial income and expenses from insurance contracts as at 31 December 2023 and 2022, including movement in equity:

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	2023	2022
Financial income/ (expense) from insurance contracts issued	**(9,378)**	**6,678**
Credited interest	(4,827)	437
Effect of changes in OCI	(4,551)	6,241
Financial income/(expenses) from reinsurance contracts held	**(37)**	**(309)**
Credited interest	181	(12)
Effect of changes in OCI	(218)	(297)
Financial income/(expenses) from insurance and reinsurance contracts	**(9,415)**	**6,369**

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e) Changes in claims incurred

Information on the development of direct insurance claims incurred, including liabilities from claims incurred and excluding reinsured warranties and travel assistance, as well as recoveries certain and agreed (which are already recognised as liabilities from claims incurred in accordance with IFRS 17), from the year of occurrence of the claims until the end of 2023, is provided below:

Year of occurrence	Item	Year of occurrence	Trend of claims in the years following year of occurrence									More than nine
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	years later
2012 and prior	Provision pending	1,109,191	342,482	170,920	94,813	94,813	31,279	17,238	11,453	5,949	2,979	1,537
	Accumulated payments	1,706,012	2,267,973	2,364,737	2,402,861	2,402,861	2,435,395	2,441,240	2,443,533	2,445,885	2,447,367	2,447,543
	Total cost	**2,815,203**	**2,610,456**	**2,535,657**	**2,497,674**	**2,497,674**	**2,466,674**	**2,458,479**	**2,454,985**	**2,451,834**	**2,450,346**	**2,449,080**
2014	Provision pending	181,728	52,988	24,945	14,456	14,456	4,322	3,405	1963.06449	987.69988	207.37068	
	Accumulated payments	240,886	320,928	335,240	341,384	341,384	348,250	348,997	349,991	349,921	349,729	
	Total cost	**422,615**	**373,917**	**360,185**	**355,841**	**355,841**	**352,572**	**352,402**	**351,954**	**350,908**	**349,936**	
2015	Provision pending	190,121	57,242	26,438	13,941	13,941	3,430	2,171	1,500	533.01534		
	Accumulated payments	247,882	329,431	345,672	352,475	352,475	359,078	359,748	360,369	362,021		
	Total cost	**438,003**	**386,673**	**372,111**	**366,416**	**366,416**	**362,508**	**361,919**	**361,869**	**362,554**		
2016	Provision pending	213,455	80,001	43,518	16,746	16,746	5,860	3,505	2,369			
	Accumulated payments	254,659	337,478	359,317	373,382	373,382	383,274	385,452	388,238			
	Total cost	**468,114**	**417,479**	**402,834**	**390,128**	**390,128**	**389,134**	**388,957**	**390,607**			
2017	Provision pending	220,134	75,241	33,156	17,451	17,451	5,135	3,584				
	Accumulated payments	274,878	375,942	401,271	412,754	412,754	420,803	422,244				
	Total cost	**495,012**	**451,183**	**434,427**	**430,205**	**430,205**	**425,938**	**425,828**				
2018	Provision pending	209,500	62,410	37,441	16,940	16,940	10,073					
	Accumulated payments	302,136	413,245	440,681	452,983	452,983	460,805					
	Total cost	**511,636**	**475,654**	**478,122**	**469,923**	**469,923**	**470,878**					
2019	Provision pending	223,591	87,557	40,244	20,679	20,679						
	Accumulated payments	338,329	453,502	478,415	490,830	490,830						
	Total cost	**561,920**	**541,058**	**518,659**	**511,509**	**511,509**						
2020	Provision pending	179,604	61,587	30,598	20,553							
	Accumulated payments	279,694	365,270	384,005	392,739							
	Total cost	**459,298**	**426,858**	**414,603**	**413,292**							
2021	Provision pending	229,635	74,071	37,703								
	Accumulated payments	339,130	452,744	479,731								
	Total cost	**568,766**	**526,815**	**517,434**								
2022	Provision pending	253,580	96,428									
	Accumulated payments	371,682	508,376									
	Total cost	**625,262**	**604,804**									
2023	Provision pending	301,994										
	Accumulated payments	407,103										
	Total cost	**709,097**										

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12 Non-technical provisions

In 2023 and 2022, there have been no events giving cause for a provision for tax and other legal contingencies. The movement in the provision for tax and other legal contingencies in 2023 and 2022 has been as follows:

Details of provisions other than technical provisions in 2023 and 2022 are as follows:

	2023	2022
Balance at the beginning of the year	780	218
Allocations	375	780
Amounts utilised	(780)	(218)
Balance at the end of the year	**375**	**780**

Reductions in the balance of the provisions are due to payments recognised in them and in no case due to the reduction of estimates. In 2023 and 2022, no events have occurred that would give cause for an allocation of provisions for taxes or other legal contingencies.

2023 Consolidated Financial Statements (expressed in thousand euro)

13. Tax position

Following the IPO of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros in April 2021, Bankinter, S.A. ceased to be the Parent for VAT purposes of the Insurance Group, comprising Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, and several of its subsidiaries (Línea Directa Asistencia S.L.U., Centro Avanzado de Reparaciones, CAR, S.L.U., Ambar Medline, S.L.U. and LDA Reparaciones), leading to the departure of this Insurance Group from the VAT Group 128/09. Simultaneously and uninterruptedly, the Boards of Directors of these Companies agreed to re-qualify themselves with effective date 1 April 2021 for the Special Regime of Chapter IX of the Title of Law 37/1992 on Value Added Tax, thus forming the new VAT Group 0130/21, whose Parent Company is Línea Directa Aseguradora, S.A. Insurance and Reinsurance Company.

On 22 April 2015, Línea Directa Aseguradora, S.A. notified the tax authorities of its decision to file consolidated tax returns, as permitted under the Spanish Corporate Income Tax Law, thus forming and becoming the parent of a new consolidated tax group (Tax Consolidation Group No. 486/15) comprising the following companies:

Parent	**Tax ID**
Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros	A80871031
Subsidiary	**Tax ID**
LDActivos, S.L.U.	B86322880
Línea Directa Asistencia, S.L.U.	B80136922
Centro Avanzado de Reparaciones CAR, S.L.U.	B84811553
Ambar Medline, S.L.U.	B85658573
Moto Club LDA, S.L.U.	B83868083
LDA Reparaciones, S.L.U.	B87619961

Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2023 and 2022 at 25%.

The reconciliation between accounting profit and taxable income for income tax purposes for 2023 and 2022 is as follows:

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	2023		2022	
	Statement of profit or loss	Income and expenses recognised directly in equity	Statement of profit or loss	Income and expenses recognised directly in equity
Accounting profit/(loss) for the year	(4,390)	-	63,126	-
Corporate income tax	(2,157)	-	20,436	-
Consolidation adjustments with no tax impact	161	-	752	-
IFRS adjustments	(7,274)	-	(4,804)	-
Permanent differences:				
Increases	-	-	2,171	-
Reductions	(1,180)	-	(2,021)	-
Taxable profit/(loss)	(12,430)	-	79,660	-
Temporary differences:				
Originating in the year				
Increases	17,811	-	22,395	97,602
Reductions	-	(28,891)	-	-
Originating in previous years				
Increases	52,706	-	4	-
Reductions	(6,185)	-	(1,753)	-
Consolidated loss adjustment	197	-	-	-
Tax base	**52,100**	**(28,891)**	**100,306**	**97,602**

Details of current and deferred income tax expense recognised in the consolidated statement of profit or loss for 2023 and 2022 are as follows:

	2023	2022
Current tax expense	13,295	24,299
Adjustments to deferred taxes	(15,452)	(3,864)
Corporate income tax expense	**(2,157)**	**20,436**

The corporate income tax expense is the result of applying a tax rate of 25% for 2023 and 2022 to the accounting profit before tax, adjusted for permanent differences and reduced by deductions for the year, as follows:

	2023	2022
Accounting profit/(loss) before tax	(6,547)	83,562
Tax rate	25.00%	25.00%
Notional corporate income tax expense	(1,637)	20,890
Deductions on tax payable	(283)	(819)
Impact of consolidation adjustments	(32)	200
Corporate tax settlement adjustment for previous year	(513)	(1)
Non-deductible expenses	603	543
Non-taxable income	(295)	(505)
Deductions and amounts utilised, net	-	128
Tax losses carried forward	-	-
Corporate income tax expense	**(2,157)**	**20,436**

2023 Consolidated Financial Statements (expressed in thousand euro)

Consolidated statement of profit or loss

The increases in permanent differences in 2023 and 2022 are due to various transactions that are not deductible for corporate income tax purposes, specifically the contributions made by the Parent, linked to contingencies similar to pension plans, which are not tax deductible under article
14.2 of the Spanish Corporate Income Tax Law (LIS) and the donations made by the Parent to Línea Directa Foundation or other entities.

The reductions in permanent differences in 2023 and 2022 are the product of gains arising from redemptions of equity investments in companies and private equity funds of the Parent.

The increases in temporary differences are mainly due to adjustments to provisions, which, according to Articles 13 and 14 of the Spanish Corporate Income Tax Law (LIS), are not deductible for tax purposes, as well as the application of part of the equalisation reserve made this year. Reductions arising in prior years relate mainly to the reversal of positive adjustments to non-tax deductible provisions.

Income and expenses recognised directly in consolidated equity

Temporary changes originating in the year include the depreciation or revaluation of investments classified as available for sale.

Tax assets and liabilities

Tax assets and liabilities were as follows at the end of 2023 and 2022:

	2023	2022
Tax assets		
Current tax		
Withholdings for the year / Corporate income tax credit	805	3,397
Deferred tax		
For temporary differences	13,830	23,464
Other appropriations		
Tax and social security receivable	1,041	1,265
Tax liabilities		
Current tax		
Corporate income tax liability	11,384	-
Deferred tax liabilities		
For temporary differences	19,663	31,459
Other liabilities		
Tax Authorities, withholdings IRPF/IS/IRNR	2,360	3,123
Tax Authorities, VAT creditor	538	223
Social Security payable	3,083	2,981
Insurance Compensation	1,617	1,596
Consortium to be paid	6,492	6,288
Tax on insurance premiums to be paid	1,130	1,308
Other taxes payable		

2023 Consolidated Financial Statements (expressed in thousand euro)

Current tax assets correspond to the amount of corporate income tax to be refunded for the year 2022 and the corporate income tax withholdings for the year to be settled in the following year.

The tax assets due to temporary differences relate to temporary differences arising in the year, as indicated in the reconciliation of accounting profit and the tax effect on capital losses of the "available-for-sale" investment portfolio.

Temporary differences existing at 31 December 2023 will be reversed from 2024 onwards, and deferred income tax is therefore calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the prior year (reductions).

Current tax liabilities show the amount of corporate income tax payable for the year, net of payments on account.

At 31 December 2023 and 2022, deferred tax liabilities relate to the tax effect on:

1. Under PCEA, the Group recognises an equalisation reserve that is reclassified for presentation purposes in accordance with IFRS requirements. The Group bases its taxation on the PCEA. Therefore, from the balance arising from the equalisation reserve recognised under the PCEA, a deferred tax liability of € 10,961 thousand arose at year-end 2023 (2022: € 24,137 thousand), which will be settled with the tax authorities in the year in which it is applied in accordance with the PCEA. The reduction in the amount is due to the application of part of the equalisation reserve in 2023.

2. The tax impact of capital gains on the investment portfolio through changes in other equity amounted to € 4,831 thousand at year-end 2023 (2022: € 4,045 thousand).

Changes in deferred tax assets and liabilities in 2023 and 2022 are as follows:

	Balance at 31.12.2021	Originating in profit and loss		Originating in equity		Balance at 31.12.2022	Originating in profit and loss		Originating in equity		Balance at 31.12.2023
		Additions	Withdrawals	Additions	Withdrawals		Additions	Withdrawals	Additions	Withdrawals	
Deferred assets											
Positive temporary differences in assets	1,575	355	(543)	-	-	1,387	5,599	(1,546)	-	-	5,440
Capital losses on the available-for-sale portfolio assets	612	-	-	13,380	-	13,992	-	-	101	(6,547)	7,546
Taxes deferred	6,161	-	-	-	-	6,161	-	-	-	(6,049)	112
Rights to deductions and rebates	94	-	-	74	-	168	-	-	64	-	232
Deductions to be applied	-	-	-	1,749	-	1,749	-	-	-	(1,749)	-
Tax deductions and bonuses to be credited	100	-	-	133	(233)	-	-	-	191	(191)	-
50% limit on utilisation of prior year tax losses	-	-	-	-	-	-	-	-	49	-	49
Temporary differences due to IFRS conversion adjustments	9	-	(2)	-	-	7	444	-	-	-	451
Total	**8,551**	**355**	**(545)**	**15,336**	**(233)**	**23,464**	**6,043**	**(1,546)**	**405**	**(14,536)**	**13,830**
Deferred liabilities											
Tax effect of the Equalisation Reserve	(29,389)	-	-	5,252	-	(24,137)	-	-	-	13,177	(10,961)
Capital gains on the available-for-sale portfolio assets	(15,066)	-	-	11,021	-	(4,045)	-	-	(912)	127	(4,830)
Liabilities from temporary difference deductions for maintaining employment	(1)	-	1	-	-	-	-	-	-	-	-
Temporary differences due to IFRS conversion adjustments	-	-	-	-	-	(3,277)	(596)	-	-	-	(3,873)
Total	**(44,456)**	-	**1**	**16,273**	-	**(31,459)**	**(596)**	**-**	**(912)**	**13,304**	**(19,663)**

2023 Consolidated Financial Statements (expressed in thousand euro)

Inspections in progress

In relation to the tax agency's latest inspection of the Parent Company (income tax for years 2011, 2012 and 2013), the assessments signed in protest were appealed before the Central Tax Appeals Board (TEAC) in 2019, which delivered its decision on 13 December 2022, partially upholding the Parent Company's claim. The Parent lodged a contentious-administrative appeal before the Audiencia Nacional on 1 February 2023 to continue appealing the part rejected by the TEAC. On 15 June 2023, the Parent was notified of the opening of the period in which present the claim, which was ultimately filed on 12 July 2023.

In addition to the above, the Group has analysed each uncertain tax treatment separately by virtue of IFRIC 23. The analysis revealed that it is probable that the Spanish tax authorities will accept the current tax treatments considered uncertain. Therefore, no additional contingency was disclosed at 31 December 2023 and 2022 relating to the calculation and presentation of the Group's income tax expense.

Meanwhile, in compliance with Inspection Order 51/2016, of 14 November 2016, an inspection was opened on the surcharges due on 2016 to the Insurance Compensation Consortium. On 22 December 2017, the Parent Company was notified of the inspection report and submitted the corresponding allegations within the deadline. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds (DGSFP). On 27 May 2019, an appeal was lodged with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, partially upholding the arguments made by the Parent Company, which involved performing a specific test on particular files.

On 9 June 2021, the Parent filed an appeal in cassation before the Supreme Court for the part of the ruling that was not upheld. This appeal was accepted for consideration. On 23 September 2022, the Supreme Court ruled in favour of the Directorate's opinion. In January 2023, the DGSFP contacted the Parent to perform the test, which took place in February and March. The Parent received the report on the results of the test on 22 June 2023. The report dismissed the test. On
11 July 2023, the Parent Company submitted allegations to the report. Then, on 14 November 2023, the Parent Company received a resolution rejecting the aforementioned allegations.

The Board of Directors does not believe that these proceedings will ultimately result in any significant contingency, control measure or any other risks that might have a significant impact on the Group's consolidated annual accounts.

14. Equity

The composition and movement in equity in 2023 and 2022 is presented in the accompanying consolidated statements of changes in equity.

On 29 April 2021, the Parent's shares were admitted to trading on the continuous market.

At 31 December 2023 the share capital of the Parent Company amounts to € 43,537 thousand and is represented by 1,088,416,840 registered shares, each with a par value of € 0.04, fully subscribed and paid up, all having the same rights and obligations.

The shareholders of the Parent with a stake equal to or greater than 3% of the share capital as at 31 December 2023 and considered significant shareholders according to the regulations of the Securities Market are the following:

2023

	Number of shares	%
Cartival	216,553,770	19.90%
Bankinter	189,555,907	17.42%
Fernando Masaveu Herrero	58,570,346	5.38%
Norbel Inversiones, S.L.	54,430,000	5.00%
Lazard Asset Management	34,778,950	3.20%
Brandes Investment Partners LP	32,674,276	3.00%

2022

	Number of shares	%
Cartival	212,277,276	19.50%
Bankinter	189,555,907	17.42%
Fernando Masaveu Herrero	57,919,846	5.32%
Lazard Asset Management	34,778,950	3.20%

At 31 December 2023 and 2022 the Parent had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

a) Legal reserve

In accordance with prevailing commercial legislation, companies that obtain profits during the financial year must allocate 10% of these profits to the legal reserve until this reaches at least 20% of share capital. The legal reserve may be used to increase share capital but only in respect of the part of the reserve that exceeds 10% of share capital already increased. Aside from this purpose, and until the legal reserve exceeds 20% of share capital, it may only be used to offset losses and provided that no other reserves are available for this purpose.

At 31 December 2023 and 2022 the balance of this reserve was above the minimum requirement.

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b) Other reserves

At 31 December 2022 and 2023, these reserves were unrestricted.

The equalisation reserve set up by the Parent in the amount of € 43,839 at year-end 2023 and € 93,608 thousand at year-end 2022 will be freely available for the sole purpose of offsetting possible future excess on the claims ratio.

c) Treasury shares

The balance of this sub-heading of equity in the consolidated balance sheet is shown net of equity in accordance with IAS 32 – Financial Instruments: Presentation.

Since 29 April 2021, the date of the IPO, on which the Parent was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. Thus, the number of own shares acquired by the Parent in 2021 was 795,643 shares, at an average price of € 1.57, accounting for 0.11% of the total number of issued shares.

In November 2022, the Group offered its employees a flexible share-based remuneration plan. Within the framework of this agreement, 224,000 shares were acquired by employees at an average price of € 0.99, of which 204,676 were delivered in 2022 and 116,771 in 2023.

Changes in treasury shares are as follows:

(thousand euro)	Acquisition cost	Nominal value	Number of shares
Balance at 1 January 2022	**1,247**	**32**	**795,643**
Additions	221	9	224,000
Disposals	(450)	(18)	(362,732)
Balance at 31 December 2022	**1,018**	**23**	**656,911**
Balance at 1 January 2023	**1,018**	**23**	**656,911**
Additions	-	-	-
Disposals	(374)	(10)	(279,328)
Balance at 31 December 2023	**644**	**13**	**377,583**

The breakdown of own shares at year-end 2022 and 2023 is as follows:

Acquisition date	Type of acquisition	Quantity	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
29.04.2021	Exchange	239,678	1.32	316	316
04.05.2021	Purchase	186,570	1.61	300	300
06.05.2021	Purchase	94,700	1.58	150	150
21.07.2021	Purchase	64,332	1.77	114	114
22.07.2021	Purchase	85,957	1.73	149	149
23.07.2021	Purchase	59,702	1.74	104	104
26.07.2021	Purchase	27,293	1.76	48	48
27.07.2021	Purchase	23,183	1.75	41	41
28.07.2021	Purchase	14,228	1.75	25	25
01.05.2022	Delivery	(157,592)	1.57	(247)	(247)
11.05.2022	Sale	(463)	1.26	(1)	(1)
26.05.2022	Sale	(1)	1.32	-	-
15.11.2022	Purchase	214,000	0.99	212	212
16.11.2022	Purchase	10,000	0.94	9	9
22.11.2022	Delivered to employees	(104,529)	0.99	(102)	(102)
22.12.2022	Delivered to employees	(100,147)	0.99	(98)	(98)
14.04.2023	Delivered to CEO	(14,455)	0.99	(14)	(14)
04.05.2023	Delivered to directors, 2nd payment	(148,102)	0.99	(146)	(178)
22.11.2023	Delivered to employees	(44,444)	0.82	(36)	(70)
22.12.2023	Delivered to employees	(72,327)	0.80	(57)	(113)
Total		**377,583**	**1.33**	**766**	**644**

d) Interim dividend

2023

On 30 March 2023, the Annual General Meeting agreed to a final dividend charged to 2022 profits amounting to € 1,090 thousand. At 31 December 2023, there were no outstanding payments.

The legally required interim accounting statement drawn up by the Group in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of those interim dividends, as follows:

Liquidity statement for the period:

	Resolution of 30.03.2023
Net profit at date of resolution	**59,523**
Less:	
Other reserves	-
Interim dividends charged to profit or loss for the year	(52,481)
Unrestricted profit	**7,042**
Proposal to pay interim dividends	**1,090**
Total dividend to be paid	**1,090**
Cash liquidity prior to payment	**28,741**
Expected receipts less expected payments	75,378
Remaining cash	**104,119**

2022

On its meetings of 21 April 2022, 24 February 2022, and 13 December 2022, the Board of Directors agreed to distribute interim dividends for a total amount of € 52,481 thousand, agreement which was ratified by the Annual General Meeting on 30 March 2023. As at 31 December 2022, no amount was outstanding.

The legally required interim accounting statement drawn up by the Group in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of those interim dividends, as follows:

Liquidity statement for the period:

		Resolution of	
	13.12.2022	20.09.2022	21.04.2022
Net profit at date of resolution	**58,312**	**48,976**	**24,189**
Less:			
Other reserves	-	-	-
Dividends paid	(44,079)	(21,770)	-
Unrestricted profit	**14,233**	**27,206**	**24,189**
Proposal to pay interim dividends	**8,402**	**22,309**	**21,770**
Total dividend to be paid	**8,402**	**22,309**	**21,770**
Cash liquidity prior to payment	**20,782**	**178,141**	**108,217**
Expected receipts less expected payments	577	(28,743)	18,514
Remaining cash	**21,359**	**149,398**	**126,731**

Prior to the interim dividend agreement, the Group requested authorisation from the Directorate General of Insurance and Pension Funds (Dirección General de Seguros y Fondos de Pensiones) and received a positive response from the regulator.

e) Distribution of profits at the Parent

The proposed distribution of profit of the Parent for financial year 2023, which the Board of Directors submitted to the Annual General Meeting for its approval, is presented comparatively together with the distribution of profit for financial year 2022, as follows:

	Thousand euro	
	2023	2022
Distribution basis (Individual profit/(loss) of Línea Directa Aseguradora, S.A. de Seguros y Reaseguros)	(12,560)	70,681
Distributed:		
to interim dividends		52,481
to Equalisation Reserve	7,430	7,121
to Voluntary Reserve	(19,990)	9,989
to final dividend		1,090

f) Valuation adjustments

Financial assets at fair value through equity

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The main item recognised off the consolidated statement of profit or loss is the valuation adjustments for assets held in the financial asset portfolio at fair value through equity, corresponding to the amount of capital gains and losses net of the tax effect. The amount of capital losses net of tax effect as at 31 December 2023 is -€ 18,226 thousand, (-€ 29,856 thousand at 31 December 2022).

Changes in fair value of liabilities for insurance and reinsurance contracts

Estimated cash flows have to be discounted in accordance with the entry into force of IFRS 17 and the calculation of the provision for incurred claims using a Best Estimate methodology. In discounting cash flows, the Group has decided to use the risk-free curve, recognising in equity the changes in cash flows caused by the movement of the risk-free curve as permitted by the regulations. The result was a positive impact of € 1,174 thousand at the end of 2023 (€ 5,943 thousand euros at the end of 2022).

g) Capital adequacy

At the date of authorisation for issue of these consolidated financial statements, the Group's directors can confirm that an internal assessment of risks and solvency has been carried out and that Línea Directa Aseguradora is compliant with overall solvency requirements based on its risk profile, approved risk tolerance limits and business strategy.

The Group has implemented processes that are commensurate with the nature, scale and complexity of the risks inherent in its business and that enable it to properly identify and assess all existing or potential risks to which it may be exposed in the short and long run.

The directors do not expect to encounter any significant obstacles that might impede the Group's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of the Group's operations. The report on the financial position and solvency of Línea Directa Aseguradora for 2023 will be approved by the Board of Directors at its meeting of 19 March 2024.

15. Earnings per share

Basic:

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year:

	2023	2022
Profit/(loss) for the year attributable to the owners of the Parent	(4,390)	63,126
Weighted average of shares issued (thousands of shares)	1,088,417	1,088,417
Weighted own shares (in thousand shares) (*)	(648)	(705)
Weighted average number of common shares outstanding (in thousand shares)	1,087,769	1,087,712
Basic earnings per share (in euro)	**0.00**	**0.06**

(*) Refers to own shares held in treasury and weighted according to the period in which they were issued [Note 14c)].

At 31 December 2023, there were 378 thousand treasury shares (31 December 2022: 657 thousand), making the weighted average number of ordinary shares outstanding lower than the weighted average number of shares issued at that date.

Diluted:

Diluted earnings per share are calculated by adjusting the profit for the year attributable to owners of the Parent and the weighted average number of ordinary shares outstanding for all dilutive potential ordinary shares: The dilutive effect on earnings per share at 31 December 2023 and 2022 was not material.

16. Segment information

The breakdown of income and expenses by segment as well as the technical insurance result at the end of 2023 and 2022 under both IFRS 4 and IFRS 17 is presented below:

			2023		
IFRS 17	Motor	Home	Health	Other insurance businesses	Consolidated
Income from ordinary insurance business	782,686	146,847	29,949	784	960,266
Premiums written	792,684	149,430	30,384	783	973,281
Change in remaining hedging liabilities	(9,804)	(2,564)	(428)	1	(12,795)
Change due to impairment of outstanding premiums receivable	(194)	(19)	(7)	-	(220)
Expenses of ordinary insurance business	(818,680)	(139,671)	(36,691)	(535)	(995,577)
Reinsurance recoverables	1,087	(1,174)	(2,816)	(11)	(2,914)
Insurance technical result	**(34,907)**	**6,002**	**(9,558)**	**238**	**(38,225)**
Finance income	42,504	4,980	2,737	28	50,249
Finance expenses	(15,965)	(259)	(31)	(2)	(16,257)
Insurance and reinsurance financial income/expenses	(4,098)	(461)	(87)	-	(4,646)
Financial result	**22,441**	**4,260**	**2,619**	**26**	**29,346**
Net income from insurance and investments	**(12,466)**	**10,262**	**(6,939)**	**264**	**(8,879)**

			2023		
IFRS 4	Motor	Home	Health	Other insurance businesses	Consolidated
Total premiums earned, net of reinsurance	777,780	141,955	16,105	774	936,614
Total claims incurred in the period, net of reinsurance	(689,085)	(97,315)	(14,456)	(83)	(800,939)
Profit sharing	-	-	-	(393)	(393)
Total net operating expenses	(153,854)	(41,863)	(12,635)	(59)	(208,411)
Other income and expense for the non-life insurance business	22,096	1	(4)	-	22,093
Technical profit/(loss)	**(43,063)**	**2,778**	**(10,990)**	**239**	**(51,036)**
Total investment income	46,505	4,907	2,728	27	54,167
Total investment expenses	(19,990)	(258)	(30)	(1)	(20,279)
Income from the non-life insurance business account	**(16,548)**	**7,427**	**(8,292)**	**265**	**(17,148)**

The difference between the two technical accounts is of € 8,269 thousand. This is mainly due to:

- Under IFRS 17, a number of expenses that were recognised in the technical account under operating expenses have been reclassified as non-attributable expenses in accordance with the definition in the standard. These expenses mainly relate to non-business related training and aid. This reclassification amounts to € 1,012 thousand.

- The other differences are caused by measurement and classification changes introduced by both IFRS 17 and IFRS 9. These changes are discussed in detail in the information comparison note. The breakdown of these impacts is as follows:

-

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Gross provision for claims incurred	11,745
Provision for claims incurred ceded	509
Provision for remaining coverage	1,132
Credit of interest	(4,646)
Impact of IFRS 17 before tax	**8,740**
Realised capital gains on equities	(3,238)
Change in expected loss on fixed income securities	(39)
Change in valuation of equity investment funds	1,794
Impact of IFRS 9 before tax	**(1,483)**
Total difference	**7,257**

			2022		
IFRS 17	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Income from ordinary insurance business	757,858	138,034	28,452	1,100	925,444
Premiums written	772,787	143,713	29,082	1,097	946,679
Change in remaining hedging liabilities	(14,896)	(5,673)	(643)	3	(21,209)
Change due to impairment for outstanding premiums receivable	(33)	(6)	13	-	(26)
Expenses of ordinary insurance business	(717,129)	(122,709)	(38,359)	(713)	(878,910)
Reinsurance recoverables	(3,067)	(7,751)	1,449	(35)	(9,404)
Insurance technical result	**37,662**	**7,574**	**(8,458)**	**352**	**37,130**
Finance income	60,190	5,795	2,877	44	68,906
Finance expenses	(26,855)	(180)	(22)	(2)	(27,059)
Insurance and reinsurance financial income/expenses	379	38	8	-	425
Financial result of insurance services	**33,714**	**5,653**	**2,863**	**42**	**42,272**
Net income from insurance services	**71,376**	**13,227**	**(5,595)**	**394**	**79,402**

			2022		
IFRS 4	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Total premiums earned, net of reinsurance	753,277	129,799	16,505	1,065	900,646
Total claims incurred in the period, net of reinsurance	(585,327)	(81,840)	(14,321)	(10)	(681,498)
Profit sharing	-	-	-	(637)	(637)
Total net operating expenses	(150,801)	(41,989)	(9,327)	(66)	(202,183)
Other income and expenses from the non-life insurance business	17,507	(241)	(243)	-	17,023
Technical profit/(loss)	**34,656**	**5,729**	**(7,386)**	**352**	**33,351**
Total investment income	63,774	5,717	2,872	44	72,407
Total investment expenses	(32,433)	(176)	(22)	(1)	(32,632)
Income from the non-life insurance business account	**65,997**	**11,270**	**(4,536)**	**395**	**73,126**

The difference between the two technical accounts is € 6,276 thousand. This is mainly due to:

- Under IFRS 17, a number of expenses that were recognised in the technical account under operating expenses have been reclassified as non-attributable expenses in accordance with the definition in the standard. These expenses mainly relate to non-business related training and aid. This reclassification amounts to € 1,473 thousand.

- The other differences are caused by measurement and classification changes introduced by both IFRS 17 and IFRS 9. These changes are discussed in detail in the information comparison note. The breakdown of these impacts is as follows:

2023 Consolidated Financial Statements (expressed in thousand euro)

Gross provision for claims incurred	5,602
Provision for claims incurred ceded	(48)
Provision for remaining coverage	(1,176)
Credit of interest	425
Impact of IFRS 17 before tax	**4,803**

The following table provides a breakdown of investment income and expenses of the consolidated non-life insurance business by segment for the six-month periods ended 31 December 2023 and 2022 under IFRS 4 and IFRS 17.

			2023		
IFRS 17	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Income from financial investments	21,167	4,077	2,633	23	27,900
Application of value adjustments for investments	13,631	-	-	-	13,631
Income from realisation of investments	2,743	-	-	-	2,743
Income from property, plant and equipment and investment property	4,915	903	104	5	5,927
Positive exchange rate and conversion differences	48	-	-	-	48
Total financial income from investments	**42,504**	**4,980**	**2,737**	**28**	**50,249**
Value adjustments for investments	(11,755)	(32)	(4)	-	(11,791)
Losses on investments	(2,579)	-	-	-	(2,579)
Losses in property, plant and equipment and investment property	(1,271)	(227)	(27)	(2)	(1,527)
Negative exchange rate and conversion differences	(360)	-	-	-	(360)
Total financial expenses from investments	**(15,965)**	**(259)**	**(31)**	**(2)**	**(16,257)**
NET INCOME FROM INVESTMENTS	**26,539**	**4,721**	**2,706**	**26**	**33,992**

			2023		
IFRS 4	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Income from investments in property, plant and equipment	3,830	705	80	4	4,619
Income from financial investments	24,417	3,994	2,624	22	31,057
Gains/(losses) on realisation of investments	18,258	208	24	1	18,491
On investments in property, plant and equipment	-	-	-	-	-
Financial investments	18,258	208	24	1	18,491
Total investment income	**46,505**	**4,907**	**2,728**	**27**	**54,167**
Investment management expenses	**5,829**	**226**	**26**	**1**	**6,082**
Expenses from managing investments in property, plant and equipment	2,856	226	26	1	3,109
Expenses from managing financial investments	2,973	-	-	-	2,973
Investment valuation adjustments	**28**	**-**	**-**	**-**	**28**
Amortisation of investments in property, plant and equipment	28	-	-	-	28
Losses on investments	**14,133**	**32**	**4**	**-**	**14,169**
Losses on investments in property, plant and equipment	-	-	-	-	-
Losses on financial investments	14,133	32	4	-	14,169
Total investment expenses	**19,990**	**258**	**30**	**1**	**20,279**
NET INCOME FROM INVESTMENTS	**26,515**	**4,649**	**2,698**	**26**	**33,888**

The differences between the two income figures for investments in 2023 relate to the entry into force of both IFRS 9 and IFRS 17:

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Realised capital gains on equities recognised in equity	(3,238)
Change in expected loss on fixed income securities	(39)
Change in valuation of equity investment funds recognised in the statement of profit or loss	
Impact of IFRS 9 before tax	**(1,483)**
Reclassification of expenses to other expenses and operating expenses	1,585
Impact of IFRS 17 before tax	**1,585**

	2022				
IFRS 17	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Income from financial investments	19,758	5,168	2,802	39	27,767
Application of value adjustments for investments	20,843	-	-	-	20,843
Gains/(losses) on realisation of investments	12,647	-	-	-	12,647
Income from property, plant and equipment and investment property	3,673	627	75	5	4,380
Exchange differences	3,269	-	-	-	3,269
Total investment income	**60,190**	**5,795**	**2,877**	**44**	**68,906**
Value adjustments for investments	(20,839)	(4)	-	-	(20,843)
Losses on investments	(5,464)	-	-	-	(5,464)
Losses in property, plant and equipment and investment property	(1,050)	(176)	(22)	(2)	(1,250)
Negative exchange rate and conversion differences	498	-	-	-	498
Total investment expenses	**(26,855)**	**(180)**	**(22)**	**(2)**	**(27,059)**
NET INCOME FROM INVESTMENTS	**33,335**	**5,615**	**2,855**	**42**	**41,847**

	2022				
IFRS 4	**Motor**	**Home**	**Health**	**Other insurance businesses**	**Consolidated**
Income from investments in property, plant and equipment	3,678	628	80	5	4,391
Income from financial investments	26,606	5,089	2,792	39	34,526
Gains/(losses) on realisation of investments	33,490	-	-	-	33,490
On investments in property, plant and equipment	-	-	-	-	-
Financial investments	33,490	-	-	-	33,490
Total investment income	**63,774**	**5,717**	**2,872**	**44**	**72,407**
Investment management expenses	**6,098**	**176**	**22**	**1**	**6,297**
Expenses from managing investments in property, plant and equipment	3,043	176	22	1	3,242
Expenses from managing financial investments	3,055	-	-	-	3,055
Investment valuation adjustments	**28**	**-**	**-**	**-**	**28**
Amortisation of investments in property, plant and equipment	28	-	-	-	28
Losses on investments	**26,307**	**-**	**-**	**-**	**26,307**
Losses on investments in property, plant and equipment	-	-	-	-	-
Losses on financial investments	26,307	-	-	-	26,307
Total investment expenses	**32,433**	**176**	**22**	**1**	**32,632**
NET INCOME FROM INVESTMENTS	**31,341**	**5,541**	**2,850**	**43**	**39,775**

As stated in note 2, IFRS 9 was not applied until 1 January 2023, so all the differences in 2022 related to the entry into force of IFRS 17:

Reclassification of expenses to other expenses and operating	2,072
Impact of IFRS 17 before tax	**2,072**

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17. Other operating expenses

Below is a breakdown of net operating expenses by type and purpose for 2023 and 2022:

Operating expenses by purpose:

	2023	2022
Operating expenses by purpose		
Claims-related expenses	(127,364)	(127,397)
Acquisition costs	(183,554)	(179,823)
Administration expenses	(30,800)	(32,999)
Other expenses	(3,809)	(3,397)
Total operating expenses by purpose	**(345,527)**	**(343,616)**

Operating expenses by type:

	2023	2022
Operating expenses by type		
Fees and other portfolio expenses	(35,784)	(39,070)
Staff expenses [Note 23b)]	(123,496)	(126,039)
External services	(153,662)	(158,494)
Leases	(544)	(764)
Repair and maintenance work (premises and properties)	(2,688)	(2,281)
Other IT services	(26,813)	(27,399)
Utilities and supplies	(3,415)	(5,072)
Advertising and publicity	(43,582)	(49,692)
Public relations	(527)	(662)
Independent professional services	(1,297)	(1,677)
Other services	(74,796)	(70,948)
Taxes	(622)	(610)
Depreciation and amortisation (Notes 8, 9a) and 10)	(8,268)	(8,834)
Expenses recognised directly to purpose	(23,695)	(10,569)
Total operating expenses by type	**(345,527)**	**(343,616)**

Each expenditure heading in the above table corresponds to the corresponding expenditure type as per its description. "Other services" shows expenses incurred by subsidiaries for services associated with claims incurred in the policy portfolio of the Group's parent, such as services rendered by crane drivers and vehicle inspectors, which are allocated to "Claims-related expenses" on the statement of profit or loss of the Group's non-life insurance business.

The statement of profit or loss shows expenses by purpose, i.e. on the basis of their function in the operating cycle of the insurance business (expenses attributable to claims, acquisition of insurance contracts, or to administrative expenses).

Expenses are initially recognised by type, and are then reclassified to purpose if their purpose does not coincide with their type. The reclassification made under the following headings is shown below:

1) Claims-related expenses. These include expenses for personnel engaged in claims management, amortisation of fixed assets assigned to this activity, fees paid for claims

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management and expenses incurred for other services necessary in claims handling.

2) Net operating expenses. This heading includes:

- Acquisition expenses. Showing fees and commissions, production staff costs, amortisation of fixed assets assigned to this activity, costs of studying and processing applications and drawing up policies, as well as advertising, propaganda and commercial organisation costs directly related to the acquisition of insurance contracts.

- Administration expenses. These mainly include the expenses for personnel dedicated to these functions and amortisation of fixed assets assigned to this activity, as well as expenses arising from contentious matters related to premiums, claims handling expenses and ceded and accepted reinsurance. It also includes expenses related to investments, such as personnel and fees, commissions and brokerage fees accrued, as well as any other expenses related to the insurance activity.

18. Other income

Details of other income in the statement of profit or loss for other activities is as follows:

	2023	2022
Other income from other activities		
Intermediation income from credit cards and other insurers' policies	536	547
Commission payment for Insurance Compensation Consortium	639	629
Income from bank branch management	1,032	1,069
Income from management expenses passed on	622	44
Income from profit sharing in businesses delivered to Bankinter	329	450
Reclassified non-technical income	2,983	4,797
Total Other income from other activities	**6,141**	**7,536**

The sub-heading "Non-technical income reclassified" shows income from Subsidiaries that is not eliminated upon consolidation, as well as other ancillary insurance income.

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19. Pension commitments

a) Defined contribution

Under the terms of the collective bargaining agreement for the industry, the Group is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a life risk insurance policy renewable annually. This policy generated staff expenses for premiums paid of € 535 thousand in 2023 and € 539 thousand in 2022.

The collective bargaining agreement also imposes a savings and pension insurance obligation. For employees hired on or after 1 January 2017 and those who have voluntarily opted to transfer to this new system (approximately 95% of the total workforce), the Group has externalised the obligations by arranging a new insurance contract as an alternative to the existing defined benefit policy. This new contract is for a defined contribution policy covering more contingencies than the old system. The initial effective date of the commitments under the new policy is 1 January 2018 for all staff members concerned.

To ensure the effective transfer of the mathematical reserve set up for this group under the old plan, this reserve was surrendered and a premium covering the value of this reserve was then contributed to the new defined contribution policy. This policy resulted in staff expenses for premiums paid of € 705 thousand in 2023 (2022: € 739 thousand) and a mathematical provision of € 6,275 thousand at 31 December 2023 (31 December 2022: € 5,602 thousand).

No policy surrenders took place in 2023 or 2022. All the premiums for 2023 were paid in December 2023. All the premiums for 2022 were paid in December 2022.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2023, this policy accrued premiums of € 542 thousand and a mathematical provision of € 11,014 thousand at year-end. In 2022, this policy accrued premiums of € 626 thousand and its mathematical provision at year-end amounted to € 9,554 thousand. A surrender totalling € 1,102 thousand also took place during the period. The contributions made to this policy are entirely voluntary for the Group and are made at the discretion of the Board of Directors.

The Group also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of € 78 thousand in 2023 and its mathematical provision at year-end came to € 791 thousand. In 2022, the policy accrued premiums of € 66 thousand and its mathematical provision at year-end was € 704 thousand.

b) Defined benefit

For those employees hired prior to 1 January 2017 and who have decided not to migrate to the new system under the collective agreement, there is an obligation to pay a retirement bonus that will only be collected if the employee retires at the corresponding ordinary age at any given time and does so while in the entity's active employ. This obligation is externalised in the form of a matching policy and therefore the Group does not recognise any provision in its consolidated financial statements.

In 2023 and 2022, the Company made contributions only for those employees hired prior to 1 January 2017 and who chose not to avail themselves of the new system, with total premium payments of € 95 thousand and € 105 thousand, respectively.

The present value of commitments made by the Company for post-employment benefits at 31 December 2023 was € 660 thousand, compared to € 644 thousand at 31 December 2022. These amounts include the outstanding mobilisation rights of employees who decided to join the new plan as of 1 January 2018. In 2023 and 2022, there were redemptions of € 66 thousand and € 50 thousand respectively.

Defined benefit pension obligations are externalised through group life insurance contracts, which allocates investments whose flows coincide in both time and amount with the amounts and timing of the insured benefits.

The present value of the commitments has been determined by independent qualified actuaries, who have applied the following actuarial assumptions for their quantification:

Actuarial assumptions	2023	2022
Technical interest rate	Based on year in which premium is issued	Based on year in which premium is issued
Mortality tables	GR95 for the initial segment. For new additions since 2005, PERMF 2020 for the Línea Directa Aseguradora policies and PERMF 2020 for Línea Directa Asistencia policies.	GR95 for the initial segment. For new additions since 2005, PERMF 2020 for the Línea Directa Aseguradora policies and PERMF 2020 for Línea Directa Asistencia policies.
Annual wage growth rate	Línea Directa Aseguradora: 0.80% Línea Directa Asistencia: 3.00%	Línea Directa Aseguradora: 1.44% Línea Directa Asistencia: 3.1%

At 31 December 2023 and 2022, there were no accrued contributions outstanding.

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20. Related party transactions

"Related parties", in addition to the dependent and associated entities, are considered the "key personnel" of the Management of the Group (members of its Board of Directors and the Management Committee), as well as the shareholders who may directly or indirectly exercise control of the Group, as well as those or a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information of the related transactions to be provided by companies issuing securities admitted to trading on official secondary markets.

Following the admission to listing of Línea Directa Aseguradora on 29 April 2021, the Bankinter Group and all the companies comprising that group are considered Significant Shareholders. Prior to that date, the Línea Directa Group was part of the Bankinter Group, which held a 99.99% stake. From the day of admission to trading until 31 December 2022, and as indicated in Note 15, Bankinter's stake dropped to 17.42% and it has had no seat on the Group's Board of Directors since the date of the IPO.

In 2023 and 2022, there were no intercompany transactions between Group companies that were not eliminated on consolidation.

a) Direct insurance business Insurance Brokerage fees

Insurance brokerage fees accrued in 2023 and 2022 are as follows:

	2023	2022
Significant shareholders	5,344	5,909
Total	**5,344**	**5,909**

Issuance of insurance premiums

The following table shows insurance premiums issued in 2023 and 2022:

	2023	2022
Significant shareholders	725	1,037
Total	**725**	**1,037**

b) Transactions due to services rendered and received

This heading shows the aggregate amount of income and expenses recognised in the consolidated statement of profit or loss or other consolidated comprehensive income that concerns related party transactions.

	Significant shareholders	
	2023	2022
Services received	1,284	1,546
Finance expenses	338	479
Total expenses	**1,622**	**2,025**
Services rendered	769	880
Finance income	1,291	801
Total income	**2,060**	**1,681**

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The amounts of expenses and income with significant shareholders relate to transactions with Bankinter Group companies that were carried out at arm's length.

Within expenses, "Services received" corresponds mainly to brokerage commissions for the sale of insurance policies in the Home segment. Meanwhile, financial expenses relate mainly to financial services, such as fees and commissions for managing receipts and for collecting card-based payments of insurance policy receipts.

Income from services rendered largely relates to remuneration under collaboration agreements for the marketing, sale and issuance of "Affinity" cards and the provision of personalised offers of financial products and services intended for the Group's existing policyholders.

A final dividend of € 1,091 thousand was agreed in 2023 to distribute the profit for 2022. As indicated in note 15d), interim dividends amounting to € 52,481 thousand had been approved in 2022.

c) Balances with related parties on the consolidated balance sheet

The following table shows the relevant headings of the consolidated balance sheets at 31 December 2023 and 2022:

		Significant shareholders	
	Note	**2023**	**2022**
Assets			
Financial assets measured at fair value through equity			
I. Equity instruments	7a)	10,550	10,175
II. Fixed-income securities	7a)	4,747	3,475
Cash and cash equivalents	6	30,169	26,362
Other receivables			
Other receivables	7a)	416	447
Other assets			
Accruals		49	34
Total asset balances		**45,931**	**40,493**
Liabilities			
Due to group companies and associates	7b)	303	-
Total liability balances		**303**	**-**

d) Remuneration and other benefits of the Board of Directors

The remuneration accrued by the Group's directors and senior management in 2023 amounted to € 1,012 thousand and € 3,391 thousand, respectively (€ 1,104 thousand and € 4,052 thousand, respectively, in 2022), broken down as follows:

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2023

	Fixed salary	Variable salary	Remuneration in kind	Diets	Consolidated social security	Total
Senior management	2,819	286	225	-	61	3,391
Directors	822	4	19	167	-	1,012
Total	**3,641**	**290**	**244**	**167**	**61**	**4,403**

2022

	Fixed salary	Variable salary	Remuneration in kind	Diets	Consolidated social security	Total
Senior management	3,419	380	191	-	62	4,052
Directors	830	22	31	221	-	1,104
Total	**4,249**	**402**	**222**	**221**	**62**	**5,156**

Senior management comprises the Group's Management Team, without counting the CEO, who qualifies as a Director, along with the other Board Members.

The Directors section includes the remuneration of the members of the Board of Directors in their capacity as such and for their executive functions. The figures for 2022 include the remuneration for executive duties of the former CEO for the period running from 1 January 2022 to 17 February 2022, as well as the remuneration of the current CEO for her current functions as of 17 February 2022. The table does not include the compensation received by the former CEO due to his departure from the company, who in 2022 received € 405 thousand for this item, leaving € 270 thousand deferred over following three years. No information is shown for the former CEO in 2023, although during that year he did receive the first deferred payment of the compensation for his departure, the deferred payment of previous variables as well as the payment of consideration for the non-compete clause, amounting to € 194,301.

The "Fixed salary" item of Senior Management includes the amounts accrued for the departure of members of the Management Committee, in accordance with prevailing law and regulations.

The item "Variable salary" does not include amounts accrued during the year that are to be deferred to future years and which are subject to malus and clawback clauses. The variable salary from 2022 to be deferred over the following three financial years (2024, 2025 and 2026) amounted to € 159 thousand for Senior Management and € 15 thousand for the CEO, with an equal amount delivered in shares. The other directors do not have any variable salary. In 2023, the variable salary of the senior management to be deferred over the next three years (2025, 2026 and 2027) amounted to € 28 thousand. In the case of the Chief Executive Officer, the portion shown in the table relates to the non-deferred accrued portion of their salary, having accrued another portion in shares. The deferred amount corresponding to the following three years (2025, 2026 and 2027) is € 3 thousand in cash, receiving the same amount in shares.

The item "Per diems/allowances" for 2023 and 2022 shows the per diems received by all persons who sat on the Board of Directors during the financial year.

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The item "Consolidated social security" includes a defined contribution savings and retirement scheme in the form of a savings policy for the Group's senior management. The savings policy in favour of the Group's senior management accrued € 61 thousand in company contributions and € 12 thousand in individual contributions from executives in 2023. Its mathematical provision at year-end 2023 amounted to € 746 thousand. During 2022, accrued premiums from company contributions amounted to € 58 thousand, and to € 4 thousand from individual contributions from executives. The mathematical provision at the end of that year was € 664 thousand.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management and the CEO. These defined contribution policies are also externalised and regular contributions are made for the different members of the group (Note 21). In 2023, this policy generated premium payments of € 542 thousand (€ 626 thousand in 2022) and no surrenders took place (€ 1,102 in surrenders in 2022). The mathematical provision for pensions for members of Senior Management amounted to € 11,014 thousand at 31 December 2023 (€ 9,554 thousand in 2022). The contributions made are not shown in the table above because they are non-vested remuneration, since there are events and circumstances that may entail their non-payment in the future.

In 2023, the Group paid € 32 thousand in D&O insurance premiums (€ 55 thousand in 2022) for members of Senior Management and other executives with decision-making powers at the Group.

At 31 December 2023 and 2022, no advances or loans had been granted by the Parent to the members of its Board of Directors or Senior Management and no obligations had been assumed on their behalf as way of guarantee or collateral.

21. Other information

a) Guarantees with third parties

Guarantees committed to third parties stand at € 46 thousand at 31 December 2023, mainly corresponding to rentals for warehouses (€ 1,874 thousand at December 2022). In addition, € 1,495 thousand have been pledged as sureties for court guarantees against claims at 31 December 2023 (€ 701 thousand at 31 December 2022). The Group has also provided guarantees for office rentals amounting to € 121 thousand at 31 December 2023 (€ 121 thousand at 31 December 2022), which expire annually.

b) Staff expenses and average number of employees

The breakdown of staff expenses in 2023 and 2022 is as follows:

	2023	2022
Wages and salaries	91,877	93,716
Termination benefits	4,895	5,270
Social security contributions and others	26,724	27,054
Total personnel expenses	**123,496**	**126,040**

The average number of Group employees on the payroll in 2023 and 2022, broken down by occupational category, is as follows:

	2023			2022		
	Total	Female	Male	Total	Female	Male
Managers	72	38	35	71	36	35
Sales reps/technicians	355	167	188	361	171	190
Sales reps/technicians	661	400	261	695	420	275
Staff	1,400	830	570	1,411	833	578
Total	**2,488**	**1,435**	**1,053**	**2,538**	**1,460**	**1,078**

Meanwhile, the distribution by gender of the Group's employees and directors, broken down by category and gender, was as follows at year-end 2023 and 2022:

	2023			2022		
	Total	Female	Male	Total	Female	Male
Directors	7	4	3	7	4	3
Managers	72	37	35	74	37	37
Expert professionals	348	163	185	356	169	187
Professionals	658	397	261	676	412	264
Staff	1,427	862	565	1,394	814	580
Total	**2,512**	**1,463**	**1,049**	**2,507**	**1,436**	**1,071**

The average number of employees with a degree of disability greater than or equal to 33% in 2023 was 39 (2022: 39).

c) Share-based remuneration plan

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The Group's Chief Executive Officer and members of the Management Committee are included in an extraordinary remuneration plan of the Group, consisting of the delivery of shares over the three years following the IPO. The Plan was approved at the Annual General Meeting held on 18 March 2021, which was set as the award date of the Plan. It is intended to motivate and build the loyalty of plan members by offering them the option of receiving a certain number of shares within the three years following the date of the Company's stock market listing. The main features of the plan are as follows:

iii. The number of shares to be delivered per participant is the result of dividing € 100 thousand by the average share price over the 30 trading days following the date of the IPO. Given that said average price resulted in € 1.6339, the number of shares to be delivered amounts to 61,203 shares per participant. With 13 participants, the plan will entail the delivery of a total of 795,639 shares worth € 1,300 thousand.

iv. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (April 29, 2022), the second batch of 33% on the second anniversary (April 29, 2023), and the remaining 34% on the third anniversary (April 29, 2024). The requirement for the delivery of each batch of shares is that the subject must remain with the Company on the date of each of the three anniversaries, unless otherwise agreed, and without prejudice to the lock-up requirement in respect of those shares already received should the subject leave the Company, unless they are recouped under the terms of the "clawback" clause.

The cost of the programme for the Group is recorded as a staff expense with a balancing entry in a reserve for own shares in equity in the consolidated balance sheet. This expense will be progressively written off on the three anniversaries as and when the shares are delivered to the employees.

At 31 December 2022 and 2023, the staff expense accrued and recognised amounted to € 978 thousand. This allocation was made on the assumption that all plan members would meet the tenure condition on each anniversary.

The value of the incentive to be received in shares of the Parent is assessed on the basis of the fair value of the equity instruments allocated at the grant date, considering the terms and conditions of the Plan. The number of equity instruments included when determining the amount of the transaction is adjusted each year through to the vesting date.

The Parent had 637,586 treasury shares available for the remuneration plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, the Parent has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. The average purchase price of these shares was € 1.57 per share. Some shares were delivered in 2022, while the others are shown in equity [Note 15c)].

Of the 13 participants in the Remuneration Plan, 12 are employees of the Parent, while one of them is employed by another Group company, namely Línea Directa Asistencia.

The Parent will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

d) Employee share plans under the Flexible Remuneration programme.

At year-end 2022 and 2023, employees were offered the opportunity to partake in a share purchase plan as part of their flexible remuneration. The plan was aimed at all employees of the Parent Company (not including other group companies) with a minimum of six months' tenure and did not apply to members of the Board of Directors.

The plan consisted of two programmes lasting two months (November and December 2022) aimed at facilitating the acquisition of Línea Directa shares among employees through a flexible remuneration programme subject to a beneficial tax regime. The conditions for being able to include the plan in the flexible remuneration programme were as follows: the amount to be allocated would be capped at € 12,000 per year, the shares must be held for three years, and the delivery may not exceed the upper limit for overall remuneration in kind of 30% of the total remuneration, nor may the minimum wage be affected in any way.

The Plan was launched at a 5% discount on the share price. The Plan was approved by the Board of Directors in September and October of 2022 and 2023, following a report by the Appointments, Remuneration and Corporate Governance Committee.

Changes in treasury shares under the employee share ownership plan are as follows:

Acquisition date	Type of acquisition	Quantity	Price	Market value (in thousand euro)	Acquisition cost (in thousand euro)
15.11.2022	Acquisition under the employee programme	214,000	0.99	210	210
16.11.2022	Acquisition under the employee programme	10,000	0.94	9	9
22.11.2022	Delivered to employees	(104,529)	0.96	(100)	(100)
22.12.2022	Delivered to employees	(100,147)	1.00	(100)	(100)
22.11.2023	Delivered to employees	(44,444)	0.82	(36)	(70)
22.12.2023	Delivered to employees	(72,327)	0.80	(57)	(113)
Total		**(97,447)**	**0.92**	**(74)**	**(164)**

e) Services provided to the Company

The following is a breakdown of the audit fees and other services provided by PricewaterhouseCoopers Auditores, S.L. during the year for the consolidated and separate financial statements of the consolidated companies (fees excluding expenses and VAT):

	2023	2022
Audit services*	279	241
Other services required by law	140	111
Other attest services	43	45
Total professional services	**462**	**397**

*The amount of audit services accrued refers to the audit fees for the annual financial statements of the entire Línea Directa Group.

The heading "Other services required by law" mainly shows the fees for the review of the report on the financial position and solvency of the parent and its subsidiaries, as well as for the independent external attest service under limited assurance of the Group's Non-Financial Statement (NFS).

The main items included under "Other attest services" relate to the issuance of the agreed-upon procedures report on the Group's Internal Control over Financial Reporting (ICFR) system, the limited review of the condensed consolidated interim financial statements for the year and limited reviews of the Group's subsidiaries.

f) Information on the environment and on greenhouse gas emission allowances

The Group did not make any investments or incur any expenses in relation to environmental protection activities in 2023 or 2022.

The Group's directors consider that no significant contingencies exist when it comes to environmental protection and improvement and did not consider it necessary to post any provision for environmental risks and expenses at 31 December 2023 or 2022.

No amount was allocated to those items, nor was there any changes in expenses or provisions in 2023 and 2022, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

g) Information on conflicts of interest affecting directors and their related persons

At the end of 2023 and 2022, no Group director (or persons related to the Group as defined in Article 229 of the Spanish Corporate Enterprises Act) had notified the members of the Board of Directors of any situation of direct or indirect conflict with the interests of the Group.

h) Customer Service Department

The legal regulatory framework for financial services provides customers with the appropriate level of protection to ensure confidence in the functioning of the markets. Notably, Order ECO/734/2004, of 11 March, on customer care and ombudsman departments and services of financial institutions, requires insurance undertakings to have a customer care department or service, in order to attend to and resolve complaints and claims presented by their customers wishing to exercise their legally recognised rights and interests.

The decision shall be reasoned and contain clear conclusions in respect of the request raised in each complaint or claim, based on the applicable contractual terms, rules on transparency and customer expectations, as well as good financial practices and usages.

During 2023, a total of 7,637 cases were handled (5,809 in 2022),
of which 630, or 8.25%, were complaints (398 complaints, 6.85%, in 2022) and 7,007, or 91.75%, were claims
(5,411 claims, 93.15%, in 2022). Of the total, 21% related to Policy quoting and management, 66.39% to Accident management and 3.33% to the Roadside assistance service (2022: 20.86%, 69.48% and 3.10%, respectively).

The breakdown by type of case managed by the Group in 2023 and 2022 is as follows:

	2023		2022	
	Number	% of total	Number	% of total
Complaints	630	8.25%	398	7.00%
Claims	7,007	91.75%	5,411	93.00%
Total cases handled	**7,637**	**100.00%**	**5,809**	**100.00%**

The breakdown by department of the cases generated by the Group in 2023 and 2022 is as follows:

	2023		2022	
	Number	% of total	Number	% of total
Quotations and policy management	1,605	21.02%	1,212	21.00%
Accident management	5,070	66.39%	4,036	69.00%
Roadside assistance service	255	3.34%	180	3.00%
Other	707	9.26%	381	7.00%
Total cases handled	**7,637**	**100.00%**	**5,809**	**100.00%**

Main issues raised by customers:

1. Rejection of damage claim following expert inspection

2023 Consolidated Financial Statements (expressed in thousand euro)

2. Delays in processing and repairing damage
3. Policy exclusions
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums

Of the total complaints and claims received in 2023, 82.06% (82.10% in 2022) have been considered upheld and 39.86% admissible (38.13% in 2022).

Also, in 2023, 488 cases were concluded before the Customer Ombudsman (428 files in the 2022 financial year), 56.15% of which were unfavourable to the claimant and referred to the usual issues, mainly:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions issued against the policyholders' interests was higher than in the previous year, as in 2023 214 of the 488 decisions issued were favourable to the policyholder, while in 2022 they were 287 of the 428, with percentages of 43.85% and 67.05% and revealing a percentage difference between years of 23.20%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. It also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

i) Average supplier payment period

The following table provides the information required under Final Provision Two of Law 31/2014, of 3 December.

	2023	2022
	Days	Days
Average payment period to suppliers*	20.80	18.55
Ratio of transactions paid*	20.81	18.51
Ratio of transactions outstanding*	20.60	20.24
	Amount (in thousand euro)	Amount (in thousand euro)
Total payments made	340,996	334,881
Total outstanding payments	13,891	7,859

(*) When a figure is shown in brackets, it means that the amount is negative, representing either a faster average payment in relation to the maximum payment period prescribed by law, or otherwise that the outstanding transactions are, on average, at a point in time prior to reaching that maximum period.

	2023
	Days
Invoices paid within the legal limit	102,744
Percentage of total invoices	85.86%
Total invoices	119,660
	Amount (in thousand euro)
Monetary volume within legal limit	314,136
Percentage of total monetary value of payments to suppliers	88.52%
Total monetary value of invoices	354,888

The data shown in the above tables on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2023 and 2022.

The term "average payment period to suppliers" means the time taken in paying, or the delay in paying, trade payables. This "average payment period to suppliers' is calculated as a ratio where the numerator is the sum of the ratio of transactions paid divided by the total amount of payments made plus the ratio of transactions outstanding divided by the total amount of payments outstanding, while the denominator is the total amount of payments made divided by the amount of payments outstanding.

The ratio of transactions paid is calculated as a ratio where the numerator is the sum of the products corresponding to the amounts paid divided by the number of days of payment (difference between the calendar days running from the end of the maximum legal payment period through to effective payment of the transaction), while denominator is the total amount of payments made.

Meanwhile, the ratio of transactions pending payment is a ratio where the numerator is the sum of the products corresponding to the amounts pending payment, divided by the number of days pending payment (difference between the calendar days running from the end of the maximum legal payment period through to the close date of the consolidated financial statements), and the denominator is the total amount of payments pending.

In September 2022, Law 18/2022 amended Additional Provision Three, on the duty to disclose information contained in Law 15/2010, which in turn amended Law 3/2004, on measures to combat late payment in commercial transactions. This amendment states that listed companies must publish on their website, in addition to the average payment period, the monetary volume and the number of invoices paid in a period shorter than the legal maximum period, as well as the ratio of those invoices to the total number of invoices and the total monetary amount of payments made to suppliers.

22. Events after the reporting period

No significant events have occurred after the end of 2023 and up to the date of authorisation for issue of these consolidated financial statements.

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

Consolidated Management Report

1. Company overview

1.1 Business model

Línea Directa Aseguradora relies on a business strategy that seeks profitable and sustainable growth, generating value for its shareholders, customers, employees, suppliers and society in general. This strategy is based on the pillars that define and differentiate Línea Directa Group from its competitors and is adapted to meet the present and future challenges and opportunities arising from market circumstances.

The direct model

Línea Directa Aseguradora started its activity in 1995 with a business model based on direct distribution. The entity operates through telephone and digital channels, having no branch networks, and all of its operations are centralised at its headquarters in Tres Cantos (Madrid), which translates into greater efficiency. Technical rigour, innovation in marketing and products, as well as advanced digitalisation in processes add value to the model, allowing the entity to offer the customer comprehensive products and an extraordinary quality of service at more competitive prices.

Profitable growth and operational efficiency

Throughout its 28 years of activity, Línea Directa Aseguradora has sustained a profitable and organic growth in customers and income, which has allowed the company to rank 13th among non-life insurance groups in Spain in terms of premium income.

With an insurance portfolio of more than 3.3 million customers, the Group's premium income at the end of 2023 stood at € 973.3 million, driven by the growth in turnover of the three business segments in which it operates – Motor, Home and Health. In a context of continued inflation that has led to a sharp deterioration in the margins of the insurance sector as a whole, Línea Directa's strategy has been to prioritise profitable growth through excellent risk selection and an adaptation of rates to the risk of each customer at the current time.

The Group's strategic priority in the current market environment is to improve insurance margins through various channels: adjusting premiums and insurance standards to current risks, optimising claims management and continuously increasing efficiency through strict control of overheads and productivity gains, supported in particular by a growing digitisation of processes.

Product innovation

Línea Directa Group's ambition is to maintain profitable and sustained growth by generating new business and increasing the loyalty of the portfolio. To this end, it aims to cover all customers' insurance needs through a highly competitive offer, based on insurance policies with broad and unique coverage, a high quality of service and an excellent user experience thanks to its digital service range.

Throughout 2023, Línea Directa launched innovative products, such as "Car + Home Formula", the first step by an insurer in Spain towards the packaging of policies for the same family unit, by offering car and home insurance together; "Mortgage Free", a home insurance specifically designed for people who have finished paying their mortgage, and "Squatter Free Home", the first complete and comprehensive cover against illegal occupation of the home.

In recent years, the Company has also been committed to being at the forefront of the boom in sustainable vehicles, personal mobility vehicles (PMVs) and new formulas for use and ownership such as renting, extending, for instance, its Respira Policy, the insurance for electric cars and plug-in hybrids that it launched in 2016, to electric motorbikes in 2023.

Meanwhile, Línea Directa, Bankinter Consumer Finance and VASS have created "CarnRoll", a digital platform for the sale of used vehicles with financing and insurance included. And, in order to encourage the renewal of the vehicle fleet and promote road safety, the Company launched the "ADAS Campaign" with discounts on policies for vehicles that incorporate an advanced driving assistance system.

This is in addition to other commercial innovations launched by the Company in recent years in this field such as "Call it X", the first insurance with car included, and "Safe&Go", a specific policy for users of scooters and other VMPs.

Digitalisation

The Company continues to make progress in its digital transformation with the aim of becoming more efficient and offering a better service. To this end, the Company has been focused on improving and developing advances already made, while at the same time implementing new technologies that contribute to optimising the management of its processes.

Digitalisation contributes to improving customer experience, serving policyholders at any time and place and making useful products and services available to them, as well as enhancing digital channels as a customer relationship point, thus increasing commercial opportunities.

Throughout 2023, Línea Directa has extended the digitalisation of its internal processes, increased the range of digital services offered to its customers through the mobile application, and optimised claims management.

Relying on the use of advanced technologies such as Artificial Intelligence (AI), the Company already applies natural language processing to the administration of claims. This has enabled it to reduce the operational burden and errors in managing digital claims, streamlining the process and improving user experience. And also due to the improvements achieved with AI, 75% of Línea Directa's annual verifications are now carried out digitally, allowing the Group to increase the efficiency of this process and move towards automatic damage assessment without human intervention.

Policyholders can now carry out most of the procedures related to their policies through the Línea Directa App and website, such as contracting, registering accident reports and following them up. A positive customer experience has translated into a high degree of penetration of digital services, with more than 87% of policyholders now interacting with the Company through digital channels, and interactions through digital channels outnumbering contacts over the phone by 59%.

Business lines

Línea Directa is a multi-line insurance company currently operating in the Motor, Home and Health segments.

Motor insurance

At the end of 2023, the Motor segment accounted for 81% of the company's premium income, with revenues of € 792.7 million, and constituting 74.5% of its insurance portfolio, with over 2.47 million policies underwritten, making Línea Directa the fifth largest insurer in the segment by premium volume at the end of 2023.

In the Motor segment, the Company offers a comprehensive and personalised range of policies for cars, motorbikes, personal mobility vehicles and professional vehicles for individuals, large companies, SMEs and the self-employed.

Meanwhile, the Company's catalogue ranges from classic policies (All Risks, All Risks with Excess, Extended Third Party and Third Party) to differential covers such as Super Third Party, which extends third-party insurance guarantees to cover policyholders' own damage in certain circumstances.

The company also offers specific coverage for accidents damaging animals or the possibility of choosing between repair and compensation in some claims. Línea Directa Group operates in this sector with two other independent brands: Penélope Seguros, created in 2012 with cover specially designed for women, and Aprecio, an insurance policy aimed at motorbike users.

Home insurance

The Home segment, in which the company began operating in 2008, has become an engine of growth and diversification for Línea Directa. With a premium turnover of € 149.4 million and 727,000 homes insured, this line of business already contributes 15% of the Group's income and 22% of its customer portfolio. Currently, the company is ranked 13th in the Home insurance sector by turnover.

In recent years, the group has boosted its home insurance range through alliances with companies in other sectors. The aim is to give its customers access to other housing-related services on advantageous terms, to attract new policyholders and to promote energy efficiency in homes.

New developments in 2023 include the launch of its comprehensive coverage against squatting, which has seen a high penetration among new customers.

Health insurance

As part of the company's strategy of diversifying its business, in late 2017 Línea Directa Aseguradora started operations in the health insurance business under the Vivaz brand. In just six years and operating in a very mature and concentrated market, the Group has gained 117,000 policyholders and € 30.4 million in revenues, making it one of the 25 largest health insurers in Spain.

The insurer's growth in this segment is based on its digital approach, the ease and flexibility of its customer experience, the competitiveness of its premiums and the breadth and quality of its medical staff which, in alliance with DKV, is made up of 51,000 professionals and
1,000 health centres and hospitals.

The Company is particularly attentive to preventive medicine and the promotion of healthy lifestyles among policyholders and society as a whole. For instance, the Group allows its customers to benefit from preventive diagnostic tests without requiring any symptomatology. It also encourages its policyholders to follow healthy habits, such as walking at least
10,000 steps a day, sleeping at least 7 hours a day and keeping a healthy diet. These habits lead to significant discounts on insurance renewal for customers up to € 200.

At the end of 2023, Vivaz Activity, the app that monitors adherence to these healthy habits, had more than 19,000 registered users. During 2023, app users recorded an average of 219,500 steps per month per person and a total of 42 million hours of sleep, resulting in an average discount of € 45.15

per customer.

In 2023, a major milestone took place in this business segment. As part of the company's multi-line strategy, Health insurance is now marketed directly under the Línea Directa brand. The sale of products under the main brand, leader in notoriety in the larger insurance sector, is aimed at strengthening customer loyalty, as well as boosting the growth and diversification of the organisation. It will also allow the Company to offer customers a comprehensive and homogeneous customer journey, reinforcing synergies and cross-selling capabilities.

This rebranding has not entailed any change in customer coverage or conditions, as policyholders continue to access the medical directory and the rest of the services offered by the company through its app in the same way, as well as continuing to be included in the rewards programme for maintaining healthy habits.

On an operational level, the Company handled a total of 40,542 chat and videoconference queries in 2023, compared to 42,872 the previous year. Among the most requested online consultations are those with general practitioners, nutritionists, paediatricians and gynaecologists.

Línea Directa Asistencia

Línea Directa Asistencia is the Group's subsidiary specialising in verification, appraisal and travel assistance services. The subsidiary operates a network of thousands of employees throughout Spain, providing vehicle and personal assistance 24 hours a day, 365 days a year.

In 2023, Línea Directa Asistencia provided more than 624,500 roadside services nationwide.

Also, thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this service to both Spanish and foreign customers, inside and outside Spain, 24 hours a day, every day of the year, in Spanish, English, German and Portuguese, for both the vehicle and its occupants in the event of a breakdown, accident or theft.

Línea Directa Asistencia offers innovative mobility and roadside assistance solutions through its own team and a wide and experienced network of partners.

Advanced Repair Centre (CAR)

In addition to an extensive network of collaborators, comprising more than 1,000 bodywork, mechanics and laminated glass workshops, Línea Directa Aseguradora has two state-of-the-art workshops of its own, known as Advanced Repair Centres (CAR), located in Madrid and Barcelona. These workshops offer a comprehensive service to the customer, from the report initiation to the repair of the vehicle, always under the Group's high standards of quality, commitment and excellence.

The two Línea Directa Aseguradora workshops carried out a total of
17,207 repairs in 2023. Of these, CAR Madrid, in operation since 2008, was responsible for 9,850 repairs (-0.2%), and CAR Barcelona, established in 2018, handled 7,357 of the claims (+ 1.6%).

The knowledge and information accumulated by both centres has enabled the Group to significantly expand its knowledge and innovation capacity in repair processes, boost quality and reduce claim costs. CAR workshops are able to manage all their internal and external processes 100% online, allowing customers to carry out a wide range of procedures through the channel, such as changing their appointments, requesting a replacement vehicle or checking the status of their repair, among others.

All this has resulted in an excellent rating by users. The NSS (Net satisfaction score) of CAR Barcelona and CAR Madrid stood at 42.86 and 43.67 points at the end of 2023, compared to an average 30.14 points for non-network workshops. CAR also has its own fleet of replacement vehicles that, free of charge, are made available to customers until the repair has been completed.

LDAReparaciones

As part of the reorganisation of the company's delivery processes, LDAReparaciones ceased to operate as a partnership in December 2023.

Sustainable products

For years, the Línea Directa Group has maintained a firm commitment to sustainability, most recently materialised through its three-year Sustainability Plan, in force until 2025. The plan includes 87 actions in 15 areas for the period 2023-2025, in alignment with the Sustainable Development Goals (SDGs) and integrated into the corporate strategy.

In terms of commercial activity, the Group has been developing and launching various products and services which, in addition to meeting the business and growth objectives in each of the three segments in which it operates (Motor, Home and Health), aim to have a positive impact on society and the environment.

Póliza Respira (Breathe Policy)

Within its Motor segment, Línea Directa offers the Respira Policy, the first insurance policy specifically aimed at zero-emission cars (including plug-in hybrid vehicles). The company closed the 2023 financial year with more than 26,400 electric and plug-in hybrid vehicles in its portfolio and a market share of 10.1% of new registrations in this car segment.

Llámalo X (Call it X)

In response to the uncertainty generated in consumers by the restrictions on the most polluting vehicles and the rise of new forms of mobility and ownership, Línea Directa began marketing in 2020 "Llámalo X", the first All Risk insurance with car included for a fixed price per month, including maintenance and taxes. This solution, which has been very well received at the launch of each of the promotions, regularly includes environmentally friendly vehicles. By the end of 2023, "Llámalo X" had around 2,600 policies with a car included.

ConducTOP

Línea Directa customers have at their disposal the ConducTOP mobile application, a programme that analyses the driving style of its users with the aim of making it safer and, therefore, more sustainable. The app takes into account the smoothness of cornering and braking, acceleration and adherence to speed limits, as well as concentration at the wheel. Policyholders with the highest scores accumulate points and discounts that can be exchanged for products and services at Cepsa petrol stations. At year-end 2023, the App had accumulated 66,578 downloads in the Android and IOS stores.

ECO-labelled replacement vehicles

The Advanced Repair Centres (CAR), Línea Directa's own state-of-the-art workshops, have among their services a wide range of Eco-labelled replacement vehicles, with LPG (liquefied petroleum gas) combustion, a propulsion system with almost zero CO_2 emissions.

Night Assistance for Young People

Also in the area of sustainable insurance, Línea Directa Asistencia runs the Night Assistance for Young People service, which offers night-time transport for customers under 26 years of age if they have drunk alcohol or feel unwell. This service, which is completely free of charge, covers both the driver and their vehicle. The aim of this initiative, unique in the sector, is to avoid risky situations for a group particularly exposed to traffic accidents.

Safe&Go

In recent years, mobility has undergone a profound transformation that has given rise to new ways of getting around, including personal mobility vehicles (PMVs), such as electric scooters and bicycles. Aware of this new reality, Línea Directa offers Safe&Go, the first 100% digital insurance aimed at users of all types of PMVs.

Safe&Go can be taken out at the customer's request to cover a single journey (under the on/off or pay-per-use concept), or for a whole year. To do this, users can activate and deactivate their insurance through the Safe&Go app and only pay for the actual time of use for each ride. Pay-per-use has a flat rate of 2 cents per minute. There are three different offers in the annual package, depending on the scope of coverage, ranging from € 18.35 for the most basic product to € 38.96 for the most comprehensive product.

Safe&Go not only covers damage caused to third parties, but can also cover physical damage suffered by users themselves, and even legal defence. In addition, in the event of an accident, the app pinpoints the location for emergency services, which can shorten their response time and get users help quickly.

The main novelty of this product is that, compared to the traditional model of car insurance, Safe&Go does not insure the vehicle but the person and their mobility, avoiding administrative formalities such as registration of the vehicle while guaranteeing sustainable and safe mobility.

Hogar Despreokupado (squatter free home)

In 2023, Línea Directa Aseguradora added to its Multi-risk insurance "Hogar Despreokupado", a unique cover in Spain that protects the homeowner against the legal and economic consequences derived from the illegal occupation of their home. The policy, which has been very well received commercially, includes up to € 10,000 in legal assistance from the company and legal costs (lawyer, solicitor, expert witness, notary fees, court costs and fees) to recover your home and financial compensation for expenses to repair the damage and other costs.

The product covers repair of the property, offering a choice between provision of the service by Línea Directa's tradespeople, with no financial limit, or reimbursement of € 5,000 if the insured arrange the work themselves.

They will also be compensated with: € 300 per month for six months for water, electricity and gas bills for their main residence; € 800 per month for six months for loss of rental income; € 800 per month for six months if they need alternative accommodation. The cover also includes up to € 7,500 for damage to third parties caused by the squatters.

1.2 Organisational structure and corporate governance

The Línea Directa Aseguradora Group is made up of:

- The Parent, LÍNEA DIRECTA ASEGURADORA S.A., COMPAÑÍA DE SEGUROS Y REASEGUROS, with Tax ID Number A-80871031 and registered office is at Calle Isaac Newton 7, Tres Cantos, Madrid, Spain (from now on, the "Company" or "Línea Directa Aseguradora"); and
- Subsidiaries, wholly owned by the parent company, according to the following organisation chart:

The Company has a Corporate Governance Policy, approved by the board of directors on 20 July 2021 and updated in 2022, which sets out the corporate and governance structure of Línea Directa Group, its underlying principles, its bodies and the essential rules of its internal operations.

Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021.

The **Annual General Meeting** is the Company's sovereign body. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say.

The **Board of Directors** is the body responsible for the Company's administration, governance and representation, in accordance with the duties assigned to it by law, the Bylaws and the Rules and Regulations of the Board of Directors.

According to the provisions of the Bylaws, the Board of Directors must be composed of a minimum of 5 and a maximum of 15 directors and it must be made up in such a way that ensures compliance with the requirements of the Spanish Corporate Enterprises Act and Articles 13, 38 and 65 et seq. of Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance in such a way that its members have the appropriate professional qualifications, competence and experience, as well as the requirements of good repute required by the Supervisor and included in the Company's Fitness and Good Repute Policy.

Seven members make up the new Board of Directors, which is an appropriate and efficient size for its effective functioning.

The composition of the Board reflects Línea Directa Aseguradora's commitment to diversity, with 57% of its members being women, exceeding the minimum recommended thresholds in this area. Furthermore, only one of the directors is an executive.

The Chairman of the Board of Directors has no executive functions, being a separate position from that of Chief Executive Officer.

There are two advisory committees (the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee) which are composed entirely of external (non-executive) directors and a majority of independent directors, including their chairmen.

These Committees assume the powers provided for by law and in the CNMV's Code of Good Governance, as set out in the Regulations of the Board of Directors of the Company. It should be noted that the Appointments, Remuneration and Corporate Governance Committee is responsible for the competencies related to the strategy and practices in sustainability matters recommended by the Code of Good Governance.

Since its IPO, the Company has approved and updated its internal regulations and corporate policies (among others, Corporate Governance Policy, Director Selection Policy, Communication Policy with shareholders, investors and proxy advisors, Related-Party Transactions Policy or Directors' Remuneration Policy), all in accordance with CNMV's Good Governance Code and the Spanish Corporate Enterprises Act. In 2023, the Regulations of the Board have been updated to, inter alia, expressly attribute to the Board of Directors certain powers provided for in legislation, thus avoiding the dispersion of rules and regulations, and to specify some of the functions of the consultative committees. The full report with the amendments enacted will be made available to shareholders together with the documents convening the next Annual General Meeting.

At the executive level, the Company has a management committee, composed of the CEO and the officers responsible for the main functional areas of the Company: Motor, Home, Health, Services and Benefits, Technical Area, Finance, Digital Transformation, Technology, Marketing, General Secretariat, and People, Communication, Sustainability and Quality. There are also specific committees for analysis and deliberation on highly relevant issues such as investments or sustainability, as well as specific teams that manage the critical functions of Línea Directa as an insurance company: Operational Risk Management, Regulatory Compliance, Actuarial and Internal Audit functions.

Aside from the Company's regular contact with shareholders and other stakeholders throughout the year, and the information permanently available on the corporate website (https://www.lineadirectaaseguradora.com/gobierno-corporativo), a detailed account of Línea Directa's governance system and practices is provided in its Annual Corporate Governance Report, which is published in the CNMV and on the corporate website together with the other documents related to the call for the next Annual General Meeting.

2. Business performance

2.1 Economic context

In **2023**, global economic activity remained buoyant despite the **tightening of global monetary policy** and multiple sources of **geopolitical uncertainty.** Israel's incursion into Gaza dominated the latter part of the year and the whole of the Middle East and the West are watching the situation closely due to the risk of a further escalation. In the meantime, there has still been no solution to the ongoing conflict in Ukraine.

GDP growth slowed markedly - with considerable heterogeneity across regions - and is not expected to pick up appreciably in 2024, partly as a result of the expected loss of growth momentum in the United States and China.

The global disinflationary process has continued in recent months. The decline in **inflationary pressures** has continued to have a more pronounced impact in headline than in core inflation rates, moderated by the relatively higher persistence of inflation in the price of services.

At their most recent policy meetings, both the US Federal Reserve and the European Central Bank (ECB) decided to leave their policy rates unchanged after raising them to their highest levels since 2008. Communications from these central banks – which had been emphasising that policy rates would probably have to remain at their current levels for an extended period of time in order to bring inflation back towards medium-term target rates – begin to signal that the current monetary tightening cycle may have peaked and that now the restrictive monetary policy should be given time to unfold its full effects.

Global financial market behaviour has continued to be shaped by expectations regarding the future course of monetary policy. Because these expectations, have changed substantially in the last few months of 2023, we have seen significant declines in long-term interest rates and strong gains in the major stock market indices.

In the **currency markets**, In the currency markets, the strength of the US economy and the Federal Reserve's tight monetary policy, determined to fight inflation and raise interest rates by keeping them higher for longer, have boosted the value of the dollar against the major currencies. The euro, after hitting a 20-year low against the dollar in 2022, has rebounded slightly, closing 2023 up 3.16%.

Economic activity in the **euro area**, **has remained clearly weak and, looking ahead, is expected to reactivate only gradually.**

The **Spanish economy slowed down** in the second half of the year. The indicators available for the fourth quarter suggest that activity kept up a similar dynamism to that recorded in the previous quarter and that GDP increased by 0.3% quarter-on-quarter: all in all, the year-on-year change in **Spanish GDP** according to the Ministry of Economy's advance data reveals a GDP growth of **2.5%**, **well below that seen in previous years (+6.4% and +5.8% for 2021 and 2022, respectively).**

Spain	2022	2023
GDP % var.	+5.8%	+2.5%
Private consumption % var.	+4.4%	n.d.
Household savings rate	7.2%	11.7%
Unemployment	12.9%	11.8%
Debt/GDP	113.2%	109.8%

Source: INE, EPA, Bank of Spain

Inflation in Spain moderated over the course of the year, closing at 3.1%. Core inflation eased to 3.8%, its lowest level since March 2022.

By the end of 2023, year-on-year increase in **employment** in Spain had exceeded 783,000 people, according to the National Statistics Institute (INE). However, Spain's unemployment rate is still the highest in the European Union (11.76%).

Consolidated Management Report (in thousand euros)

2.2 Developments on the Spanish insurance market

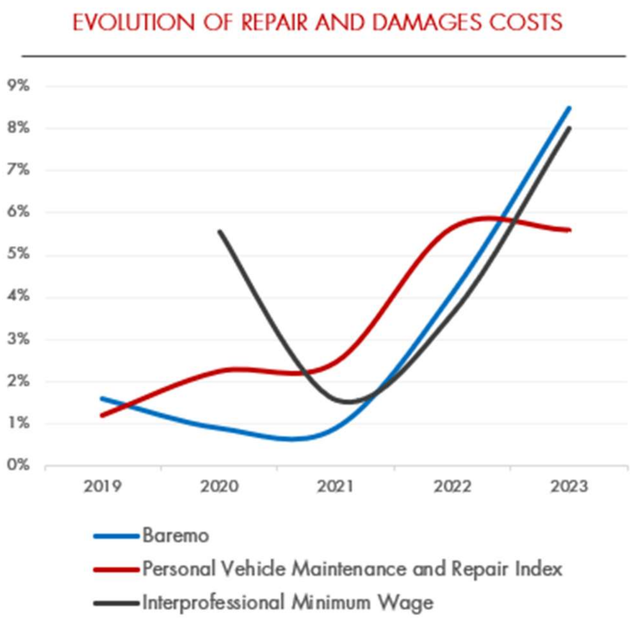
The insurance sector, with its counter-cyclical nature, reached a **premium volume of 76,463 million euros, a growth of 18%, well above the 4.8% recorded in 2022.** Growth was asymmetric: life insurance grew by 36.3% to € 33,452 million, driven by rising interest rates, while non-life premiums increased by a solid but much more moderate 6.8% to € 43,011 million, according to data published by the Insurance Entities Cooperative Research (ICEA).

The Motor segment, which represents 28% of total non-life turnover, grew by 6.6% (compared to a growth of 3.3% in 2022), mainly due to the increase in average premiums among the industry in general in response to strong inflation, which was passed on to the cost of claims. The growth in the number of insured vehicles also contributed, albeit to a lesser extent, with a year-on-year increase of 1.5% to 33,411,116 insured vehicles, according to data from the FIVA (Fichero Informativo de Vehículos Asegurados).

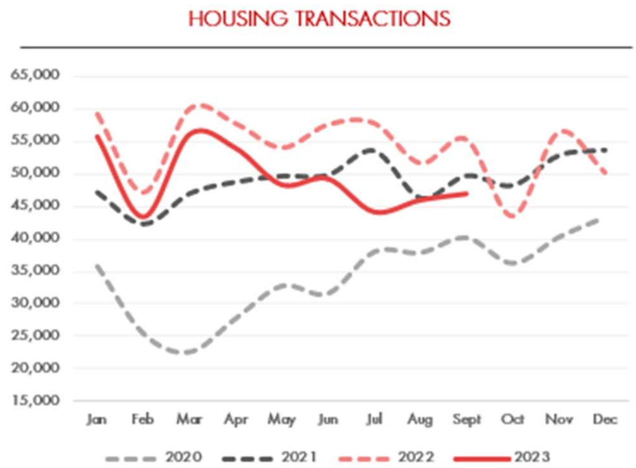
We have also seen a slight recovery in the number of registrations (+16.7%), driven by an increased outflow of stock following the supply crisis, which is still in the process of being resolved. In any case, sales figures are still extraordinarily low. During 2023, the number of registrations fell 24.6% below 2019 registrations, a dip which, together with inflation, continues to weigh on the industry's ultimate recovery, and is translating into an ageing of the insured fleet, which is already more than 14 years old in average. Renting continues to consolidate its position as an alternative for mobility, with registrations growing by 16.3% in 2023.

The profitability of the Motor segment, however, has been severely eroded, resulting in a technical loss with a combined ratio of 104.2% in the fourth quarter and 101.6% for the full year 2023. The segment was hit hard by a sharp increase in average costs, both in property damage, with the strong impact on repair costs (spare parts, paint, glass and labour) and in the injury rate, which recorded an overall increase of 8.5%. The increase in the rate has been set at 3.8% for 2024.

The development in recent years of a series of repair and damage cost indicators is shown below:



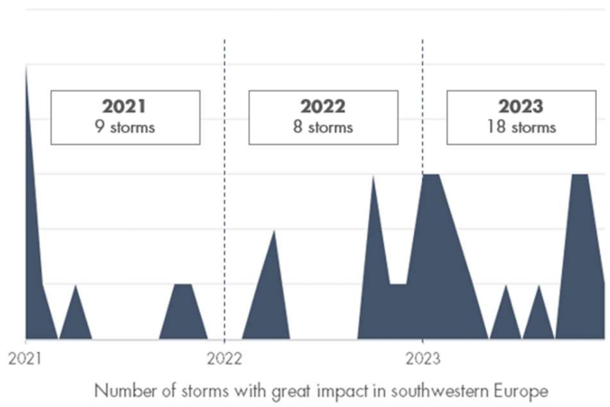
The Home segment recorded an outstanding year of growth, despite the transmission of the tightening of monetary policy to credit and the sharp slowdown in home sales, with the figure for November dropping 15% year-on-year. The drops adds to the declines seen in the last eleven months, according to the Spanish National Statistics Institute (INE).



Despite this, the Home segment grew by 6.4% in 2023, compared to a growth of 5.5% in 2022, thanks to rate adjustments and increased penetration.

The profitability of the segment was weighed down by weather events and higher repair costs, ending the year with a combined ratio of 97.9%, up 1.5 p.p. vs. 2022.

INCREASE IN ATMOSPHERIC EVENTS



Source: State Meteorological Agency of Spain

The Health segment grew by 6.6%, slightly less than the 7.6% recorded in 2022. The segment now accounts for more than 26% of total non-life turnover, second only to Motor. Despite the slowdown in the inflow of new policyholders linked to the economic cycle, Health had a more than remarkable growth also supported by the rate adjustments enacted in the sector as a result of the increase in medical expenses and hospital costs. In terms of profitability, the combined ratio closed the year at 94.4%.

2.3 Business performance

Corporate highlights

The Group implemented standards **IFRS-EU 17 "Insurance contracts"** and **IFRS-EU 9 "Financial instruments"** for the first time on 1 January 2023. These new standards have brought about changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments. However, given the business segments in which the Group operates and their nature and cycles, these changes have not had a material impact on the Consolidated Financial Statements.

Further details on the impacts and implications of these new standards are included in the Group's Consolidated Financial Statements under the section Issues arising from the entry into force of IFRS 17 and IFRS 9 as at 1 January 2023.

The most relevant change in IFRS 17 relates to the valuation of insurance contracts at market value in order to eliminate accounting asymmetries in relation to assets. The standard provides for contracts with similar risks to be grouped and managed together. In the case of Línea Directa, the groupings correspond to the current Motor, Home, Health and Other insurance segment divisions. All of the Company's insurance and reinsurance contracts are measured using the simplified method.

Despite the implementation of this new regulation, **the business fundamentals remain unchanged.** IFRS-EU 17 & 9 do not affect the strategy and management of the business. The Solvency position is not affected by having its own metrics on both solvency-eligible funds and capital charge.

The cash position and liquidity management are also not affected by the application of the new accounting standards.

Business performance key figures

The year presented notable challenges, especially in cost management due to the sharp increase in inflation, which fed through to the statement of profit or loss in the cost of claims cost item.

The following table summarises the consolidated statement of profit or loss as at December 2023, showing the various components of profit or loss and their comparison with the previous year.

Revenues from ordinary insurance activities grew by 3.8% to € 960.3 million, thanks to the positive performance of all main lines of business.

The Company has applied prudent underwriting and risk selection measures, with a progressive adaptation of rates to the new inflationary context.

CONSOLIDATED PROFIT OR LOSS (IFRS 17 & 9)

In thousand euro	2023	2022	% var.
Income from ordinary insurance business	**960,266**	**925,444**	*3.8%*
Technical profit/(loss) of the insurance activity	**(38,225)**	**37,130**	***-202.9%***
Net gains/(losses) from investments	**33,992**	**41,845**	***-18.8%***
Credited interest	(4,646)	425	*n/a*
Net income from insurance and investments	**(8,879)**	**79,400**	***-111.2%***
Other income/expenses and non-allocable expenses	2,332	4,160	*-43.9%*
Profit/(loss) before tax	**(6,547)**	**83,560**	***-107.8%***
Taxes	2,157	(20,436)	*-110.6%*
Profit/(loss) after tax	**(4,390)**	**63,124**	***-107.0%***

The **technical profit/(loss) of the insurance business**, which measures the difference between revenues and payments for insurance claims and expenses, recorded a loss of € 38.2 million. This result is a consequence of inflationary pressures passed on to the cost of claims, heavily impacted by the sharp increase in repair and replacement costs, higher injury expenses and higher hospital charges.

Net investment income amounted to € 34.0 million and includes the following items:

- Fixed income interest, deposits, equity income and other financial revenues amounting to € 27.9 million. Fixed income interest, deposits and swap income benefited from higher rates in the year.
- Changes in the market value of the investment funds and the hedging swap resulted in a combined amount of € 1.9 million.
- Investment income (loss) of € 0.2 million and exchange rate differences of € 0.3 million in 2023
- Property investments results amounting to € 4.4 million, which include the capital gain from the sale of a property in Las Rozas, Madrid, amounting to € 1.4 million.

The financial result decreased by 18.8% compared to the previous year due to the following non-recurring items recorded in 2022:

- In 2022, the Company realised capital gains mainly in investment funds amounting to € 7.2 million (€ 0.2 million in 2023).
- The Company also realised currency gains in 2022 as a result of the rebound of the US dollar. Exchange rate and conversion differences recorded in the income statement amounted to € 0.3 million in 2023 compared to € 3.8 million in 2022.
- Finally, 2022 results included € 4.8 million in Economic Interest Groupings (EIGs) in which no investments were made in 2023.

Excluding the effect of the above-mentioned items and that of the change in the market value of investment funds in 2023 amounting to € 1.9 million, the financial result actually increased by 19.8% in 2023. This increase is due to reinvestment at higher rates in the fixed income portfolio, the remuneration of deposits, and the financial income from the hedging swap.

Interest credited reflects the reversal of the discounting effect of the previous year on the provision for claims incurred. This reversal is recorded as an expense of € 4.6 million in the year. This heading is presented separately from the financial result for clarity.

Other non-allocable income and expenses contributed € 2.3 million to the year, decreasing in 43.9% from 2022. This heading includes commissions on the redirection of potential customers to other entities and income from auxiliary assistance and repair services to third parties. Expenses include per diems and remuneration of the Board of Directors, donations to Línea Directa Foundation and other non-allocable training and research expenses. The decrease in this heading in 2023 is due to the reduction in the business of auxiliary third-party assistance services.

As a result, profit/(loss) after taxation shows a loss of € 4.4 million in 2023 compared to a profit of € 63.1 million last year.

During the year, the Company implemented a set of underwriting and risk selection measures, activated levers in claims management and accelerated its digital transformation and efficiency improvements. These measures have made it possible to outline a path back to profit already in the second half of 2023.

Management ratios

The non-life **combined ratio** is a key management ratio that measures the ratio of insurance servicing costs (claims incurred and other expenses attributable to insurance servicing) in relation revenues, net of reinsurance. The combined ratio stood at 104.1% at the end of 2023, up 8.2 percentage points from 2022. Its performance was asymmetric in its two main headings:

Combined ratio

	2023	2022	*p.p. var.*
Motor	**104.5%**	95.0%	*9.5 p.p.*
Home	**95.8%**	94.2%	*1.6 p.p.*
Health	**158.2%**	154.2%	*4.0 p.p.*
Other	**69.2%**	66.9%	*2.3 p.p.*
Total	104.1%	**95.9%**	***8.2 p.p.***

Claims incurred in Motor and Home recorded increases while Health experienced a notable improvement thanks to a reduction in claims frequency.

In the Motor segment, margins were strongly affected by the robust inflation in costs that started in 2022 and continued throughout 2023. The personal vehicle repair and maintenance index closed the year with a 6.9% increase. The injury rate was revalued by 8.5% in 2023, in addition to the 4.1% in 2022 and the revision of the actuarial tables. Claims frequency in Motor, conversely, performed favourably except in the own-damage area, where frequency increased notably.

Home insurance in 2023 was marked by a greater weight of claims arising from atmospheric phenomena, which added € 7.2 million to the cost of claims (€ 2.1 million in 2022).

Meanwhile, **expenses** saw an extraordinary performance that is part of a strategy of strict cost containment and greater efficiency in the retention of policies. The search for efficiency and digitalisation remains the roadmap for the continuous improvement of the Company's management ratios. In particular, administration costs were reduced by 6.7% in 2023.

Consolidated Management Report (in thousand euros)

Statement of profit or loss by segment

Below is a detailed summary of changes in the statement of profit or loss by business segment:

Motor

The Motor segment saw a 3.3% increase in insurance revenues (net of reinsurance) to reach € 777.6 million, driven by the progressive adaptation of rates to the inflationary context. The number of customers declined by 126 thousand as a result of the risk selection measures carried out during the year. In line with the sector as a whole, (see Development of the Spanish insurance market, business performance and management ratios) claims incurred in the year were strongly affected by the inflationary situation.

On a much more positive note, expenditure items were kept on a tight leash, growing overall well below revenue figures.

As a result, technical profit/(loss) for the year saw a loss of € 34.9 million, equivalent to a combined ratio of 104.5%.

In thousand euro	2023	2022	*% var.*
Income from ordinary insurance activities, net of reinsurance	*777,635*	*753,113*	*3.3%*
Claims incurred, net of reinsurance	(652,866)	(558,716)	*16.9%*
Net operating expenses	(159,676)	(156,735)	*1.9%*
Technical profit/(loss)	**(34,907)**	**37,662**	***-192.7%***
Combined ratio	**104.5%**	**95.0%**	***9.5 p.p.***
Customers (thousands)	**2,471,102**	**2,597,196**	***(126,094)***

Home

The Home segment saw a 9.4% increase in insurance revenues (net of reinsurance) to reach € 142.0 million.

As has been the case in the Motor segment, the number of policyholders suffered in 2023, affected by the moderate* tightening of underwriting for some profiles. The number of customers decreased by 26 thousand or 3.4% to 726,654 customers.

In thousand euro	2023	2022	*% var.*
Income from ordinary insurance activities, net of reinsurance	**141,956**	**129,800**	***9.4%***
Claims incurred, net of reinsurance	(94,121)	(80,002)	*17.6%*
Net operating expenses	(41,833)	(42,224)	*-0.9%*
Technical profit/(loss)	**6,002**	**7,574**	***-20.8 %***
Combined ratio	**95.8%**	**94.2%**	***1.6 p.p.***
Customers (thousands)	**726,654**	**752,170**	***(25,516)***

The technical result reflects the excellent development and containment of operating expenses.

Claims frequency, however, was affected by the heavy storms in Spain in the second half of the year, contributing € 7.2 million to claims incurred for the year (€ 2.1 million in 2022).

The Home segment achieved a strong technical result of € 6.0 million and a combined ratio of 95.8%.

Health

Revenues from the Health segment, net of reinsurance, registered a very positive growth of 5.2% to € 16.4 million.

The number of customers increased by 7.1% to 117,345.

In thousand euro	2023	2022	*% var.*
Income from ordinary insurance activities, net of reinsurance	**16,413**	**15,601**	***5.2%***
Claims incurred, net of reinsurance	(13,299)	(14,494)	*-8.2%*
Net operating expenses	(12,672)	(9,565)	*32.5%*
Technical profit/(loss)	**(9,558)**	**(8,458)**	***13.0%***
Combined ratio	**158.2%**	**154.2%**	***4.0 p.p.***
Customers (thousands)	**117,354**	**109,576**	***7,778***

In this business segment, the Company has proportional reinsurance in which it cedes 50% of the premium and claims.

Costs from claims incurred fell by 8.2%, mainly as a result of a lower frequency in claims, reflecting the continuous improvement in risk selection and underwriting.

Operating expenses, net of reinsurance, reflect the absence of proportional reinsurance commissions, which are longer received as of January 2023. Excluding this item (€ 4.2 million in 2022), operating expenses would have decreased by 7.8%.

Other Insurance Businesses

The Other insurance businesses segment mainly includes the travel insurance business for Bankinter cardholders and Bankinter Consumer Finance under ten group policies, the Vivaz Safe&Go insurance product launched in September 2021 as the first pay-as-you-go insurance for users of personal mobility vehicles, and a discontinued payment protection insurance policy.

As of 31 December 2023, revenues from this segment amounted to € 773 thousand, down 27.4% as a result of a lower travel insurance business from Bankinter cardholders. This segment, while modest in volume, delivers strong profitability, as evidenced by a combined ratio of 69.2%.

In thousand euro	2023	2022	*% var.*
Income from ordinary insurance activities, net of reinsurance	**773**	**1,065**	***-27.4%***
Claims incurred, net of reinsurance	(476)	(647)	*-26.4%*
Net operating expenses	(59)	(66)	*-10.6%*
Technical profit/(loss)	**238**	**352**	***-32.4%***
Combined ratio	**69.2%**	**66.9%**	***2.3 p.p.***
Customers (thousands)	**3,494**	**4,034**	***(540)***

Condensed consolidated balance sheets:

The Company's balance sheet at 31 December 2023 is as follows:

In thousand euro

Assets	2023	2022	% var.
Cash and cash equivalents	**41,746**	**51,661**	***-19.2%***
Financial assets through changes in P&L	**53,998**	**48,818**	***10.6%***
Equity instruments	53,998	48,818	*10.6%*
Financial assets through changes in equity	**823,345**	**690,846**	***19.2%***
Equity instruments	63,524	72,068	*-11.9%*
Debt securities	759,821	618,778	*22.8%*
Assets at amortised cost	15,456	22,373	*-30.9%*
Hedging derivatives	5,909	7,808	*-24.3%*
Assets under reinsurance contracts	31,939	21,957	*45.5%*
Property, plant and equipment and investment property	**101,600**	**110,043**	***-7.7%***
Property, plant and equipment	43,077	45,368	*-5.0%*
Investment property	58,523	64,676	*-9.5%*
Intangible assets	29,188	14,482	*101.5%*
Other assets	22,141	34,438	*-35.7%*
Total assets	**1,125,322**	**1,002,426**	***12.3%***

In thousand euro

Liabilities and equity	2023	2022	% var.
Liabilities at amortised cost	65,313	59,288	*10.2%*
Hedging derivatives	—	—	-
Liabilities under insurance contracts	715,311	610,282	*17.2%*
Liabilities for remaining coverage	339,352	325,056	*4.4%*
Liabilities for incurred claims	375,959	285,225	*31.8%*
Non-technical provisions	375	780	*-51.9%*
Other liabilities	31,288	31,745	*-1.4%*
Total liabilities	**812,287**	**702,095**	***15.7%***
Equity	330,087	324,243	*1.8%*
Valuation adjustments	(17,052)	(23,912)	*-28.7%*
Financial assets measured at FVTOCI	(18,226)	(29,856)	*-39.0%*
OCI insurance contracts	1,689	6,241	*-72.9%*
OCI reinsurance contracts	(515)	(297)	*73.4%*
Total equity	**313,035**	**300,331**	***4.2%***
Total liabilities and equity	**1,125,322**	**1,002,426**	***12.3%***

The most relevant headings and changes include:

- **Cash and cash equivalents** amounted to € 41.7 million, a decrease of 19.2% in order to mitigate the capital burden on solvency counterparty risk. At the same time, exposure to government fixed income assets with similar liquidity has increased.

- **Financial assets at fair value through changes in profit and loss** includes participations in investment and venture capital funds, where market value performed very favourably throughout the year and exposure to venture capital funds increased with the disbursement of commitments already acquired.

- **Financial assets at fair value through equity** includes fixed income and equity instruments. The Company decreased its equity exposure in 2023, while the valuation of its fixed income portfolio performed very positively during the year as a result of the fall in interest rates. The change in the market value of financial assets through changes in equity is reflected in the item "Adjustments for changes in value" in equity.

- **Hedging derivatives** includes a swap contract, which, due to its valuation, is recognised as an asset.

- **Property, plant and equipment** includes properties for the Company's own use and their amortisation in the year.
- **Property investments** includes the property investment portfolio at 31 December, comprised of two buildings. In 2023, the Company sold a property in Las Rozas, Madrid, generating a capital gain of € 1.4 million.

- The increase in **intangible assets** corresponds to the acquisition of software licenses and other rights-of-use. The Group considers rights-of-use as an intangible asset with an indefinite useful life. They will be subject to an annual impairment test.

- **Liabilities under insurance contracts** includes the provision for outstanding coverage, calculated under the simplified premium allocation method (PAA) and reflecting premiums collected minus direct acquisition costs. Its movement reflects an increase in turnover. The provision for incurred claims reflects the increase in the cost of claims, mainly in the Motor segment, strongly impacted by the rise in repair and replacement costs and in expenses from injuries.

- Changes in Other assets and liabilities are a result of the business management process.

- The Company has no subordinated liabilities or financial debt.

Investment portfolio

At year-end 2023, **the investment portfolio amounted to € 977.6 million** and is distributed as follows:

In thousand euro	2023		2022	
Cash & equivalents	41,746	4.3%	51,661	6.0%
Fixed income	759,821	77.7%	618,778	72.3%
Fixed income – government	380,665	38.9%	356,496	41.6%
Spain	158,454	16.2%	168,561	19.7%
Italy	137,437	14.1%	132,418	15.5%
Portugal	14,779	1.5%	44,593	5.2%
United States	997	0.1%	989	0.1%
Rest	68,998	7.1%	9,935	1.2%
Fixed income – corporate	379,156	38.8%	262,282	30.6%
Spain	189,240	19.4%	132,278	15.5%
Rest of Europe	118,929	12.2%	89,057	10.4%
United Kingdom	22,956	2.3%	13,527	1.6%
Rest of the world	48,031	4.9%	27,420	3.2%
Shares	63,524	6.5%	72,074	8.4%
of which SOCIMIs (Spanish REITs)	29,532	3.0%	30,340	3.5%
Investment funds	53,998	5.5%	48,812	5.7%
Property investments	58,523	6.0%	64,676	7.6%
Total	**977,612**	**100.0%**	**856,001**	**100.0%**

- Cash and cash equivalents amounting to € 41.7 million;
- Fixed income of € 759.8 million, comprising € 380.7 million in government bonds and € 379.2 million in corporate bonds;
- Equities, and equity and venture capital funds for a total of € 63.5 million and € 54.0 million, respectively;
- Investment property amounting to €58.5 million.

The credit rating of fixed income investments is as follows. Of the total, 98% has a rating of BBB or higher.

The average maturity of the fixed income portfolio is 3.13 years.

Fixed income	2023	2022
AAA	55,512	13,304
AA	55,624	11,264
A	324,000	271,885
BBB	305,885	301,197
Lower than BBB	12,740	10,359
No rating	6,060	10,769
Total	**759,821**	**618,778**

In thousand euro

The equity portfolio is composed of the following:

Shares	2023	2022
Real estate	45,073	46,527
of which SOCIMIs (Spanish REITs)	29,532	30,340
Financial	4,973	5,355
Industrial	2,592	6,466
Consumer - non-cyclical	2,560	3,350
Technology	2,108	3,084
Consumer - cyclical	1,229	2,223
Telecommunications	1,638	2,716
Utilities	2,936	1,833
Basic materials	415	520
Total	**63,524**	**72,074**

In thousand euro

Investment property comprises two properties, with an occupancy ratio of 100%. The Company also has four buildings for its own use and a parking. Off-balance sheet capital gains on investment property and properties for own use amounted to € 30.7 million before tax.

Changes in equity

Consolidated equity amounted to € 313.0 million. The book value per share amounted to € 0.29 at 31 December 2023 (€ 0.28 at 31 December 2022). Changes in net equity include:

- The loss for the year amounted to € 4.4 million.
- The decrease in unrealised losses in the investment portfolio at fair value through equity: € 18.2 million at the end of 2023 compared to € 29.9 million at the end of 2022.
- Adjustments for changes in value of the discount effect on the incurred claims provision of insurance and reinsurance contracts (€ 1.2 mn at year-end 2023 compared to € 5.9 mn at year-end 2022).

Return on equity

Return on equity (ROE), represented by the ratio of profit after tax to average equity, came to -1.4% at the end of 2023 (17.8% at December 2022). The decrease is due to the loss recorded in 2023.

Solvency II

Línea Directa Aseguradora's Solvency II ratio stood at 180.0% in 2023, compared with 187.8% in December 2022.

Eligible own funds amounted to € 358.0 million, of which 100% is unrestricted Tier 1 capital of the highest quality. The solvency capital requirement reached € 198.9 million.

The ratio remains strong and stable, supported by strict investment policies and prudent capital management.

The solvency ratio excludes the subsidiaries of Línea Directa Aseguradora, as their corporate objects are ancillary insurance services almost all of which are provided to the parent company. As they are not insurers or reinsurers, there is no obligation to submit solvency reports at Group level.

The following table shows the solvency requirements classified in their different modules and variation compared with the previous year:

	2023	2022
Market SCR	91,493	91,899
Counterparty SCR	6,076	7,027
Health SCR	3,499	3,142
Non-life SCR	192,387	172,651
BSCR	236,330	218,947
Operational SCR	28,812	27,795
Deferred tax adjustment	(66,286)	(61,686)
SCR	198,857	185,057
Own funds Solvency II	358,002	347,531

In thousand euro

Solvency II ratio	**180.0%**	**187.8%**

The change in eligible own funds for solvency purposes from December 2022 through to the end of 2023 is largely a result of:

- The loss reported at the Parent, Línea Directa Aseguradora;

- The decrease in unrealised losses in investment assets at fair value through equity;
- The change in the provision for premiums and the provision for claims incurred in the solvency balance sheet.

The sensitivity of the solvency ratio to the impact of various variables is shown below:

	Ratio SII	var. (p.p.)
Interest rates +100 bp	167.0%	(13.0)
Interest rates +100 bp	189.3%	+9.3
Credit spread +100 bp	176.3%	(3.7)
Credit spread -100 bp	184.0%	+4.0
Equities +10%	180.9%	+0.9
Equities -10%	177.5%	(2.5)
Equities +30%	187.0%	+7.0
Equities -30%	172.2%	(7.9)
Property +10%	183.2%	+3.2
Property -10%	176.8%	(3.2)
Symmetric adjustment +10	176.5%	(3.5)
Symmetric adjustment -10	184.6%	+4.6
Actual	**180.0%**	**-**

The Solvency II Ratio is a risk indicator that is closely monitored and tracked by the Company's Board of Directors when implementing its capital management policy (setting a dividend policy for shareholders, making decisions on investment policy, etc.) and in relation to the commercial strategy (launching new products or lines of business, acquiring risk mitigators, etc.).

Consolidated Management Report (in thousand euros)

3. Main risks and uncertainties

Because of its activity, the Línea Directa Group is exposed to a series of risks and conditioning factors that may affect its reputation, objectives and strategy. To ensure that these risks are properly identified, measured, managed and controlled, the company has a series of principles of action and procedures that are systematically applied to all Group companies.

These principles are governed by integration, independence, comprehensive management, transparency and review and continuous improvement in risk management, all under the values and standards of conduct reflected in the Code of Ethics and the Regulatory Compliance Policy.

In 2022, as a result of the reorganisation of the company, a new Corporate Risks area was created, which integrates all the functions that already existed (Risk Management and Internal Control Unit, the Actuarial Function, Regulatory Compliance, Internal Control of Financial Information and Data Quality), always with the aim of providing more effective and efficient management with a more global vision. The mission of the area is to build a global risk map of the company and optimise the control environment in order to ensure the correct assessment and identification of threats and their integration into forecasts and decision-making.

3.1 Cybersecurity risks

Cybersecurity risk is the risk arising from technology that can affect data, confidentiality, misuse of information and system outages that can affect business, among other things.

The Company's Security Policy is the reference framework for ensuring the sound definition, management, administration and implementation of the security measures and procedures needed to achieve a suitable level of protection for the criticality of the Group's physical and information assets.

The Company has developed its Business Continuity Policy, the preparation and monitoring of which is the responsibility of the Group's Corporate Security area, in order to guarantee the continuity of business operations in the event of incidents affecting the normal operation of the Group's processes, as well as to comply with Article 41.4 of Directive 2007/138/EC of the European Parliament and of the Council of 25 November 2009 (Solvency II) and the regulations it rolls out, according to which insurance companies must guarantee the continuity and regularity in the execution of their activities.

In response to the current digital environment and the growing threat of cyber-attacks, the Company has a powerful cybersecurity strategy in place aimed at protecting the Company's processes and operations from this threat. This strategy includes the implementation, assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks on the Group's systems and networks, together with awareness-raising actions and training for all employees in cybersecurity.

3.2 Credit and financial risks

Credit risk

The Group views credit risk as the threat of possible loss or adverse change in financial conditions resulting from fluctuations in the solvency or creditworthiness of issuers of securities, counterparties and any debtors to which the Group is exposed.

Given the nature of the Group's activities, its exposure to credit risk arises from the following factors:

- Reinsurance (credit risk exposure with reinsurance entities).
- Premium financing (credit risk exposure with customers).
- Investment and lending activities (credit risk exposure with security issuers).

The counterparties with which the Group acquires or may acquire significant positions must invariably undergo a prior scoring process. These counterparties include companies that provide insurance for large vehicle fleets and, in particular, reinsurance companies. For the latter, a minimum credit rating of "A-" is required as a prerequisite for inclusion within the reinsurance programme. Exceptions to this solvency threshold, together with the reinsurance table for each year, are expressly approved by the Board of Directors.

Credit risk for motor policies is limited because in the event of non-payment by the policyholder, the Company cancels the policy within a maximum term of 90 days.

Exposure to credit risk is mitigated through a policy based on the prudent selection of issuers of securities and counterparties based on their solvency ratio.

For investments in financial assets held by the Group in 2023 and 2022, no coupon defaults occurred, and the Group regularly monitors its exposure to all of its investments. 98% of the fixed income portfolio (€ 741 million) is rated BBB or higher. 1.7% are rated below BBB and 0.8% (€ 6.1 million) of the Group's bonds and debentures are not rated at all.

Liquidity risk

The Group treats liquidity risk as the potential temporary inability to honour its payment obligations within the agreed timeframes, due to such obligations maturing before receivables from customers fall due or before financial investments reach maturity. The Company generates daily liquidity from premium income.

The Group carries out prudent liquidity risk management and is committed at all times to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Group's liquidity position to be determined and monitored on an ongoing basis.

Market risk

The Company views market risk as the risk of loss or of adverse change in its financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The level of assumable risk for the financial investments undertaken by the Group is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Group's Investment Committee to undertake investments.

The Investment Committee, which meets on a monthly basis, is responsible for analysing the portfolio's performance, approving new lines of investment, verifying compliance with the Investment Guidelines and keeping the Board of Directors regularly informed.

Since the beginning of 2022, the impact of the war in Ukraine, rising interest rates and higher inflation have caused the investments held by the group (and recognised against equity) to record losses, although these have been significantly reduced during 2023. Although the Company maintains a prudent investment strategy from the point of view of financial instruments, there are risks associated with the capital markets such as interest rate and equity market fluctuations.

Insurance risk

Insurance business risk focuses on Non-life and Health underwriting risk, comprising mainly premium sub-risk (premium adequacy risk) and reserve sub-risk (insurance liability adequacy risk) for the Motor, Home, Health and Other insurance business segments. These risks are managed differently for each business line. Underwriting and health risks also include catastrophe risk and downside risk, with a lower impact than premium and reserve risks.

The Group analyses inherent insurance-related risks for each line of business, both in terms of premiums and reserves, depending on the unique characteristics of each segment.

In the Motor and Home segments, the technical rules and standards are constantly changing and underwriting is adapted accordingly through automatic and preventive mechanisms through which the various products are analysed in order to determine the sufficiency of premiums and insurance liabilities. Policy performance and returns are also monitored to analyse possible deviations.

The Motor segment has a longer duration between the opening and closing of claims than the Home segment, mainly due to the civil liability guarantee, which lasts longer than the other guarantees. The Health segment is heavily influenced by seasonality, with higher levels of policy renewal at the beginning of the year.

The Group relies on reinsurance as a primary tool for mitigating the premium, reserve and catastrophe sub-risks. Reinsurance is itself part of the counterparty risk due to the risk of default of the amounts recoverable from the reinsurance companies.

Currency risk

At 31 December 2023, the Company has a foreign currency position of
€ 23,184 thousand (31 December 2022: € 23,121 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever. There is no significant exposure to any foreign currency.

3.3 Reputational risk

The Group views reputational risk as the potential loss of customers, reduction in revenues or legal proceedings that the Group may incur due to loss of reputation, bad image or negative publicity with stakeholders.

The stakeholders of Línea Directa Aseguradora —at whom it targets its corporate reputation actions and for whom the impact of reputational risk is included in the risk management system— are customers, employees, suppliers, public institutions, shareholders, society, the community, consumers, the press and media and the wider industry.

The Group attaches great importance to reputational risk management and therefore includes reputational risk management within the organisation's overall risk management system and has specific units in place to perform this function.

3.4 Legal/regulatory risk

The increase in regulations and standards has forced the company to adapt its processes and systems to the new legal requirements and to strengthen the most affected teams. In this regard, Línea Directa has developed a bulletin of regulatory and legal changes that includes regulatory projects, relevant criteria issued by the main supervisors as well as other news of scope that may affect or be of interest to the company. Information is also provided on the possible impact these regulatory measures could have on the company, and awareness programmes are held for the entire organisation on regulations and risks, including the implementation of actions to ensure that the areas incorporate these changes into their processes and operations.

3.5 Environmental, social and governance risks

The governing bodies receive information quarterly on the key risks facing the company and the capital resources available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Corporate Risk department, together with the Group's other divisions, periodically analyses the factors that could impact the business if they were to occur, including ESG factors. Based on this analysis, an assessment of the company's main risks is conducted, and the corresponding prevention and mitigation measures are identified in order to obtain an assessment of the residual risk.

The Group has established the management model, processes and methodology for assessing ESG risks. The ESG risk management model is a qualitative assessment with KPIs that help to identify risks that could be considered as more immediate threats and regular monitoring to help ensure the exchange of information between the areas responsible and the Group's Risk department.

The Group's ESG risk map shows the risks to which it is exposed, each of them linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018, on non-financial information).

Although the Group does not operate in any critical sector in terms of climate change, it has specific policies and measures that allow us to manage resource consumption efficiently with the aim of minimising the impact on the environment.

The Group also has protocols and concrete measures in place to unlock the full potential of its employees by fostering diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health.

The 5th Sustainability Plan runs from 2023 to 2025 and is aligned with the United Nations sustainable development strategy and is articulated through the ESG dimensions. The plan consists of 6 objectives, 15 strategic lines of action and a total of 87 actions.

3.6 Operational risk

The Group defines operational risk as the potential loss due to inadequate or failed internal processes, people and systems or due to external events.

The Group considers losses caused by Operational Risks to be those such as economic losses, reputational damage, legal breaches, technological or security failures or degradation of business processes or impact on customers or employees.

The Group's operational risk management system is structured as a cyclical process of continuous improvement consisting of the following phases (Identification, Assessment/Measurement, Mitigation and Monitoring and Control).

3.7 Additional information

The "Risk Management Model" section of the Non-financial Statement provides further information on the principles of action and the main roles and responsibilities of the governing bodies and parties involved in the risk control and management process.

4. Outlook for 2024

The outlook for the coming quarters is of a gentle and gradual acceleration in economic activity within Spain, driven by a gradual improvement in the European and global context, the recovery of confidence and, looking further ahead to 2025–2026, less of an macroeconomic impact from the ongoing tightening of monetary policy.

In any case, GDP growth will be significantly lower than in 2023, as pre-pandemic levels of activity have already been exceeded.

Moreover, GDP growth has been slightly downgraded by the Bank of Spain in 2024 and 2025, owing, among other factors, to a less favourable outlook for future consumption developments.

Headline inflation is expected to remain on a slightly rising path in early 2024 and to resume a declining path from the second part of the year onwards. This outlook is largely determined by the expected trend in energy prices moving forward and is conditional (in an upward sense) on the authorities lifting the main measures in place to mitigate the effects of the inflationary upturn. Meanwhile, core inflation is expected to gradually retreat, given the likely decline in energy and food commodity prices and the downward trend in producer prices.

In the insurance context, the cost of claims in the Motor business is expected to be somewhat lower in 2024, albeit still high. The injury scale has been adjusted to 3.8% and rising repair costs are now beginning to slow.

This year, Linea Directa will continue its transformation into a multi-product, customer-centric, more commercially capable, digital and efficient company. These actions, coupled with the positive market momentum, should increase revenue growth across the various segments in which the Company operates.

The actions undertaken in 2023 and the technical measures adopted to reduce the impact of inflation and to reverse the trend in the claims ratio will lead to steady improvements.

Last but not least, efficiency and productivity will be key features of our roadmap as always, as we work to further improve our management ratios. Improved efficiency will allow us to grow and become more agile, while deploying our strategy with a greater impact, improving our costs structure, and offering better products at more competitive prices.

5. Events after the reporting period

There have been no events after the end of the accounting period that may affect the annual accounts or otherwise be of interest to users of the financial statements.

6. Environment – safety and personnel

Environment

Línea Directa Aseguradora operates in an industry that is not critical with respect to climate change. Moreover, it operates under a direct business model, without a network of offices throughout the country, which makes it a naturally more environmentally efficient company than other competitors in the sector.

The company is, however, aware that it operates in a key segment in the transition to a low-carbon economy, namely motor transport. With an ageing vehicle fleet and a more restrictive regulatory horizon, Línea Directa is positioning itself with a sustainable business strategy in order to meet the needs of stakeholders in the face of the uncertainties that arise in this regard. The company's activity combines the responsible management of its consumption and the launch of new products for new, less polluting forms of mobility. In addition, the company continues to make progress in the responsible management of its value chain and in the inclusion of ESG criteria in its investment portfolio.

In 2023, the company approved its 5th Sustainability Plan for the 2023-2025 period. The plan has the fight against climate change and decarbonisation among its main aims. As proof of Línea Directa's commitment to these aspects, the incentives of the CEO and the management team have been linked to specific actions defined in the Sustainability Plan, such as, for example, the publication of the first analysis of risks and opportunities in the face of climate change or the measurement of the Scope 3 carbon footprint.

In this regard, the Company's adherence to the Task Force on Climate-Related Financial Disclosures is essential within its strategy towards climate change. With this commitment, it undertakes to incorporate and report on governance, strategy, risk and opportunity management and climate change metrics and goals. In early 2024, the first report on risks and opportunities will be approved and published following the recommendations of the TCFD.

Climate change governance and management

Climate change is integrated into the Company through the Sustainability Plan, approved by the Board of Directors and monitored by the working groups that make up its governance structure, as well as through the policies that form the basis for progress in sustainability and climate change in the Company, and through its adherence to the initiatives of national and international organisations that demonstrate its commitment to the fight against climate change.

There are members of the management team in particular who have specific responsibilities in the fight against climate change: the People, Communication and Sustainability department and the Corporate Risk department.

Similarly, the Management committee, the Standing Risk committee and the Sustainability committee, deal with climate change issues to a greater extent than the departments above.

The Sustainability committee, made up of the Head of People, Communication and Sustainability, the General Secretary, the Head of Finance, the Head of Marketing and the Head of Services and Benefits, which meets at least three times a year, monitors aspects related to climate change and, in particular, has approved the first TCFD report published by Línea Directa in 2024.

The Company also runs a Sustainability Working Group, in which the areas of External Communication and Sustainability, Purchasing, Investor Relations, Corporate Governance, Space Management, Marketing and New Products, Risks, Services and Benefits, Quality, People and Internal Communication and Social Action are represented, and which proposes to the Sustainability committee the actions to be included in the Sustainability Plan and allows for regular, transversal and detailed monitoring of the status of the actions underway in said Plan.

The Company has thus implemented a structure, policy and actions that will serve to fight climate change, and which places it on the road to adapting to the new regulatory requirements that aim to achieve zero net emissions in the economy by 2050, both in its role as an insurer and in its role as an institutional investor.

Risks and opportunities in the face of climate change

Línea Directa recognises climate change as one of the most critical threats to the stability of the world's economic, social and geopolitical systems. For this reason, the company has joined the Task Force on Climate-related Financial Disclosures (TCFD), the initiative set up by the Financial Stability Board. The Company thus commits to incorporating the task force's climate-related financial disclosure recommendations.

In 2023, the company identified the impacts, risks and opportunities arising from climate change and established a governance procedure, strategy and associated metrics. In doing so, it has followed the TCFD Dissemination Recommendations Guide and aims to have a report approved and published in 2024.

Such report would describe the oversight and role of the company's Board of Directors, Board committees, Steering committees and Sustainability committees in managing climate risks and opportunities.

In addition, short-, medium- and long-term time horizons have been defined in which the identified risks and opportunities are set out. The impacts on business, strategy and financial planning are also set out, and resilience measures are described for two scenarios, one that exceeds 2°C and leads to an increase in the intensity and frequency of weather events, and the other in which a transition is made by keeping the temperature below 2°C in the long term.

The document will include a description of the process of identifying and assessing climate risks, managing them and integrating them into the company's risk map, as well as metrics related to risk and opportunities, setting targets in this regard. The document will also contain the calculation of emissions generated by the activity according to the GHG Protocol for Scopes 1, 2 and 3.

Línea Directa is committed to reporting on governance, strategy, risk and opportunity management and publishing metrics and targets regarding to climate change over the next years. To this end, the company has designed a roadmap to analyse the climate risks and opportunities, both physical and transitional, identified in the short, medium and long term, affecting both its operations and its value chain.

Carbon footprint

Línea Directa Group has been calculating its carbon footprint for over 12 years, and makes significant efforts year after year to improve the accuracy of its calculation and progressively reduce the sources of generation of greenhouse gas emissions included in its carbon footprint.

In previous years, calculations covered the following sources of emissions: Direct (fossil fuel consumption), Indirect (electricity consumption) and Induced (including travel, business trips, paper and water consumption).

In 2023, Línea Directa Group deepened the calculation of indirect emissions generated by the Company's own activity, in line with the provisions of the GHG Protocol for the calculation of Scope 3; as well as following the indications of the Accounting and Reporting Standard of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Línea Directa's Scope 3 is particularly relevant because it represents 99% of the group's emissions. The most significant emissions derive from purchases of products and services from suppliers (Category 1) and financed emissions (Category 15), i.e. from financial investments, in the Group's role as institutional investor.

Línea Directa Aseguradora has verified its 2022 carbon footprint created by all its emissions sources, including the three scopes for the first time, through an audit carried out by an independent third party, based on the GHG Protocol.

In addition, Línea Directa Asistencia annually prepares a calculation of the greenhouse gases emitted in the activity it provides on the road. The Subsidiary calculates the kilometres travelled annually by towing services, by rental vehicles and taxis provided to customers during the repair of their vehicle, by the verification services provided by surveyors, and by the collection and delivery services of replacement vehicles to customers. A total of 6,947 tonnes of CO2 were recorded in 2023, 4% less than in 2022.

The Company has again registered its carbon footprint with the Ministry for Ecological Transition and the Demographic Challenge in 2023, through the Spanish Climate Change Office (OECC). The Company also plans to offset Scopes 1 and 2 of its carbon footprint through absorption projects of different kinds.

Línea Directa has repeatedly set short-term targets in response to its roadmap for the decarbonisation of its activities. Its current Sustainability Plan sets a 5% annual reduction in Línea Directa Aseguradora's energy consumption, setting a similar reduction in the Group's Scope 1 and Scope 2 carbon footprints. This objective has been largely achieved, thanks to the measures adopted in 2023. The group has also set a first-time target of a reduction of 5% of Scope 3 emissions between 2022 and 2023.

The Sustainability Plan also includes the definition of a science-based emissions reduction target, following the recommendations of the SBTi, which will establish the decarbonisation roadmap for the Company both in its role as insurer and institutional investor.

Circular economy

In recent years, the Línea Directa Group has developed a set of actions that promote the circular economy, which is one of the main global challenges. This plan is based on three main pillars:

- The project, launched in 2016, aims to reduce paper consumption through the implementation of digital procedures. Customers can have all documents available digitally through the "Digital Policy", which is sent to the policyholder when the policy is taken out. Other measures that have helped to raise awareness among employees to save paper is the extension of the use of electronic signatures, present both in document-based relations with customers and in contracts with suppliers and employees, allowing each contract to have a specific digital file that reduces the need for paper.

- Use of sustainable materials, promoting responsible consumption of resources, through the use or recycled resources of more sustainable materials, for example, in home repairs, whenever technically feasible.
- Reducing waste generation and increasing the reuse, recycling or other recovery of the waste produced. In particular, both CAR Madrid and CAR Barcelona have obtained the "Towards Zero Waste" certificate, which indicates that more than 60% of the waste produced as a result of production activity has been subjected to treatment.

These three sets action, together with the technological changes implemented, have helped to gradually develop a cultural change in the Group, directly impacting environmental performance, in general, and waste management, in particular.

In the case of the CAR Madrid and CAR Barcelona repair shops, the subsidiaries have a strict waste management policy due to their activities and the type of materials they work with.

Biodiversity

Biodiversity is not a relevant aspect for Línea Directa Group, as it has the Company holds its headquarters on urban terrains, and does not have an impact on protected natural areas and/or biodiversity.

Línea Directa has carried out the analysis of the recommendations for the disclosure of risks and opportunities related to nature, and has not currently identified issues that may have an impact on this aspect, either positive or negative, nor that are relevant in the short or medium term for the Company.

The business segments Línea Directa operates in as an insurer do not include activities that could have a negative impact on biodiversity or any animal species.

In future years, the Company will evaluate the suitability of such an assessment, especially from the role of institutional investor. However, in order to be able to make a complete diagnosis, the Companies in which the Group is a shareholder need to make public their corresponding analysis of risks and opportunities related to biodiversity in the coming years.

Moreover, the heterogeneity of the Company's current value chain makes it difficult to obtain complete information related to the impacts on nature and, as a consequence, to carry out an exhaustive diagnosis of the risks and opportunities related to it.

The Company's activity combines the responsible management of its consumption and the launch of new products for new, less polluting forms of mobility. In addition, the Company continues to make progress in the responsible management of its value chain and in the inclusion of ESG criteria in its investment portfolio.

Meanwhile, as sign of its commitment to nature and the environment, Línea Directa Group supports the initiative promoted by WWF, "Earth Hour", whose aim is to mobilise individuals, companies and governments to reverse the loss of biodiversity in nature. In particular, the company actively collaborates with the actions promoted by this initiative and makes an annual contribution to it.

Adaptation to climate change

In recent years, the European Commission, in the context of the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development, commissioned a group of technical experts to develop the European Union (EU) strategy for sustainable finance, as part of its commitment to direct capital flows towards sustainable activities.

As a result of this strategy, in December 2021, the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and setting out the technical eligibility criteria that an activity must meet in order to contribute substantially to the objectives of "Climate Change Mitigation" and "Climate Change Adaptation".

In June 2023, the European Commission has laid out, by means of Delegated Acts, the technical criteria for the other four environmental objectives set, which are: "Water protection", "Circular economy", "Pollution prevention" and "Biodiversity and ecosystems", thus completing its green Taxonomy.

The Taxonomy establishes a set of harmonised criteria to determine in a homogeneous way whether an activity or investment is sustainable by making a substantial contribution to one of the environmental goals set out in the Regulation. The detailed definition of these criteria provides the basis for the development of standards or labels to assess the sustainability of a financial product.

In previous years, Línea Directa Group has been reporting its eligibility percentages for both its business activity, specifically its premiums, and its assets, i.e. its investment portfolio and its property investments. As of this year, the legislation requires the Company to report the percentages of its activity and investments aligned with the Taxonomy.

Indicators

Línea Directa Aseguradora has assessed both its

2023 activity and investments based on the methodology established by the Taxonomy. In this regard, the following indicators are reported:

Premiums. This indicator measures the proportion and amount of gross premiums written for the non-life and reinsurance business for activities identified as environmentally sustainable under the Taxonomy.

The company's activity corresponds to the activity "Non-life insurance: insurance against climate-related risks", corresponding to the contribution to the goal of Climate Change Adaptation.

KPIs related to underwriting activities have been calculated as the share of non-life gross premiums written corresponding to insurance activities that comply with the Taxonomy in relation to Non-Life gross premiums written.

Línea Directa procedures. Línea Directa has drawn up the eligibility and alignment of its premiums in the insurance areas it operates in. In this regard, the European Commission has presented Regulation (EU) 2020/852, which introduces which activities are sustainable from an environmental point of view.

Línea Directa has analysed the key underwriting performance indicator of its non-life insurance and reinsurance companies in accordance with Appendix X of Delegated Regulation (EU) 2021/2178 at the consolidated level, finding no significant risks, as these companies do not operate in areas that are not specific to the insurance activity. Both eligible and ineligible non-life insurance activities have been taken into account, as well as all subsidiaries in which the Company has a 100% interest.

The underwriting activity KPI shows what proportion of all non-life underwriting activities is composed of activities related to climate change adaptation carried out in accordance with points 10.1 and 10.2 of Appendix II to Delegated Regulation (EU) 2021/2139 on the European Union Climate Taxonomy.

Indicators have been developed to allow the Company to quantify the eligibility of each underwriting, ensuring traceability and the robustness of the data.

Eligibility. Due to recent modifications in the eligibility criteria, and coinciding with the first year of analysis of the Company's degree of alignment, Línea Directa has calculated the premium corresponding to coverages that contribute significantly to the achievement of the objective of adaptation to climate change (included in Appendix II of Delegated Regulation (EU) 2021/2139, as activities 10.1 and 10.2), precisely because they deal with damages caused by meteorological phenomena of great intensity, not covered by the Insurance Compensation Consortium, both in the Motor and Home branches.

Specifically, in the Motor segment, own damage and windscreen coverages have been looked at in this regard, and the impact on premiums of the claims incurred from events related to meteorological phenomena has been estimated. Estimates have been made using data from the net issued premium of the coverages, drawing up a risk premium and a net issued premium for atmospheric damage.

In the Home segment, the entire premium has been taken from the coverages of atmospheric phenomena and electrical damage, which insure against damages caused by high-intensity meteorological events.

In the Health segment, no specific coverages have been found to directly insure against damages to health resulting from climate change.

Alignment. In calculating alignment, the Technical Selection Criteria (STS) of the activity have been taken into account. For both the Motor and Home segments, the following criteria are met:

1. Underwriting models reflect the risks of climate change. The company does not only base its calculations on historical trends, but also takes into account expected trends and forward-looking projections included both in the ORSA and in the Task Force on Climate-related Financial Disclosures (TCFD). TCFD also includes impact management, risks and opportunities of climate change with projections between 5 and 10 years.
2. The TCFD prepared by the Company in 2023 sets out a climate change governance model, the management of climate change risks and opportunities, as well as the relevant strategy, objectives and metrics. It plans to have it approved and published during 2024.
3. Policyholders may see their premiums reduced if the insured case meets the criteria of lower exposure to atmospheric phenomena.
4. The renewal of the policies is annual and should a weather event take place, the Company will make the conditions to renew or maintain the coverage available at the time of renewal. Such conditions may be substantially modified according to historical climate events and their respective damages.
5. Policies will be subsidised if preventive measures are taken by the insured or if they have a lower risk in the face of adverse weather phenomena. These measures are reported in the relevant contracts.
6. Products are marketed with all the information

relevant to the coverage, including coverage against climate-related risks, informing both of measures beneficial to the customer and of optional coverages that may make their insurance more complete and avoid limited insurance.

7. Línea Directa Aseguradora is an insurance company operating in the Motor, Home and Health segments, and as such is not authorised by the competent bodies to underwrite facilities relating to activities in fossil fuels (oil, gas or coal).
8. Línea Directa collaborates annually with the CCS, ICEA, UNESPA and the DGS, making available information requested for analysis and research on issues of climate change and adaptation to it.
9. Línea Directa treats all claims incurred in accordance with the applicable legislation, taking into account the stipulated deadlines.

Compliance with DNSH. The Company's insurance activity does not come into conflict with any other environmental objective of the Taxonomy. Línea Directa is committed to mitigating climate change, implementing measures that reduce the impact on the environment. It does not insure any activity related to the extraction, transportation, refining and distribution of coal, gas or oil.

The Company's activity does not have a significant impact on water resources, the circular economy, pollution or the objective of protecting biodiversity. The company meets the criteria of the Do Not Signifcant Harm (DNSH).

Social safeguards. Línea Directa meets the minimal social safeguards set out in Articles 3 and 18 of the EU Taxonomy Regulation regarding human rights, corruption, taxation and fair competition. In this sense, a body of policies (Human Rights Policy, Anti-Corruption Policy, Fiscal Policy and its Code of Ethics, among others) determines the Company's corporate position on these matters.

The Company has Human Rights Due Diligence procedures, which affect employees, suppliers, customers, investors and society in order to prevent the violation of fundamental rights.

Línea Directa is also part of the United Nations Global Compact, which promotes the fight against child labour, forced labour and the protection of fundamental rights.

In addition, it has procedures to monitor and establish disciplinary measures in the event of criminal acts and carries out periodic training activities to make all corporate procedures and policies known among its professionals, especially among its senior management.

Línea Directa has not been convicted or sanctioned for human rights violations, corruption or bribery, tax evasion or for not respecting competition laws during the year 2023.

Investments. The proportion in total assets of exposures to activities identified as environmentally sustainable under the Taxonomy.

The indicator has been calculated using the market value of the positions on the balance sheet for each of the categories and on the total assets of Línea Directa Group as of December 31, 2023. All positions held by the Company in the portfolio, except for its stake in TIREA, are assigned a CNAE code.

- Elegible/non-elegible: the percentage of the portfolio in non-eligible is mostly due to investment, both in bonds and shares of financial institutions, and a minority of positions in motor, pharma, healthcare, consumer, commodities, etc., which are activities that have not yet been developed by Taxonomy.
- Debts and agencies include all portfolio positions in sovereign debt and other bonds in both domestic and supranational agencies.
- Listed and unlisted funds and investment companies have been considered exempt. As at 31 December, the company has a CNAE code assigned as a financial product and is therefore exempt.
- Derivatives include portfolio percentage.
- Property: most are for own use and have not been included in the numerator because they are not considered investments, and the rest of property investments do not meet the technical criteria set out in activity 7.7 of Delegated Regulation (EU) 2021/2139.

Diversity and equality

Línea Directa Group has its own Diversity and Inclusion policy approved by the Board of Directors, setting out the principles with which the Company operates in this area.

Diversity

In 2023, a Diversity Advisory committee was set up, made up of members of the Management committee and advised by a working group including employees at different levels of responsibility. The objective of the committee, which is led by the People department, is to approve the diversity strategy, as well as to ensure compliance with the established action plan.

During the year, the Company has also carried out different initiatives in order to promote diversity inside and outside the organisation.

- Training: the Company has trained key groups in HR management as well as technical experts from the back office on diversity and non-discrimination. This training is primarily aimed at professionals responsible for teams.
- Sensitisation and internal mobilisation: the company raises awareness among its employees about diversity. The celebration of European Diversity Month has been promoted among the workforce with different actions on the Employee Portal, as well as on the internal social network. In 2023, in the context of the UN Global Compact, employees have been offered a training video on diversity.
- External communication: Línea Directa publicises its diversity initiatives on social media, such as the renewal of the European Diversity Charter and the certification from Top Employers.
- Collaboration with other stakeholders: the organisation has collaborated with other companies, associations and working groups to foster and promote diversity and inclusion policies.

Equality

Línea Directa has an Equality Plan and an Equality, Inclusion and Non-discrimination Policy approved by its Board of Directors. It also has an equality technical team made up of experts in people management.

The Company also has a Harassment Prevention Protocol, publicly available to all employees, which sets out the principles of action in this area, as well as the procedure for reporting, handling and resolving these situations.

As part of its commitment to equality, non-discrimination and inclusion, the company is also a signatory to the following codes of conduct, networks of companies, sectors and foundations that promote all the principles set out here, including the United Nations Global Compact, Women's Empowerment Principles (WEPs), Target Gender Equality (TGE), and Top Employers. The company also has the following certificates and memberships: award given to companies for a "Society free from gender-based violence" promoted by the Spanish Ministry of Gender Equality, UNESPA Good Practice Guide on Gender Equality and Non-Discrimination, collaboration with the Fundación Más Familia (Efr), member of the EWI Sector Network, of the Código Eje&Con, a code of good practises in female talent in organisations and of MásHumano, a network of companies committed to implementing flexible working models. Due to the percentage of representation of women in the Company's senior management and Board of Directors, Línea Directa is also part of the Ibex Gender Equality Index of Spanish Stock Exchanges and Markets (BME)

Gender-based violence

The Company's chain of command receives annual training in the detection and prevention of gender-based violence, in collaboration with a specialised foundation. There are also two annual awareness-raising campaigns with various activities for the entire workforce, coinciding with 25 November (International Day for the Elimination of Violence against Women) and 8 March, International Women's Day.

For years, Línea Directa has been involved in a "School of Empowerment" through the company's volunteer group, where women who have been victims of gender-based violence are trained in how to prepare and conduct job interviews to help them find a foothold in the job market.

Talent attraction

Línea Directa Aseguradora is once again among the 50 companies with the best capacity to attract talent in Spain according to the Merco Talent ranking. In the last financial year, the company has moved up two positions, from
45th to 43rd. It has also renewed its Top Employers certification.

Línea Directa's talent attraction strategy aims to attract the best professionals to address the organisation's current and future challenges.

The focus of Línea Directa's employer brand strategy is the projection of an honest and transparent image of its projects and corporate culture. In a communication campaign translating as "make it big, make it Línea Directa", published on Social Networks throughout 2023, employees shared first-hand the projects in which the company is immersed and in which they are protagonists.

The Company has made a commitment to improve the digitalisation of the selection process, the implementation of advanced selection and analysis tools and the promotion of the new channels for attracting young talent created in 2022.

The Talent Attraction team maintains agile, approachable and highly personalised communication with each candidate. In line with this strategy, in 2023 the Company has launched new ways of attracting talent that are agile, efficient, flexible and focused on the candidate, promoting the use of technologies and data, innovative tools and social networks, which allows us to provide a human and unique experience.

In 2023, the Company also launched "always on" selection processes, allowing a continuous dialogue with candidates on topics that arouse their interest. Throughout this initiative, the information obtained is analysed to draw up a profile of the applicant and find out their motivations for joining Línea Directa. Moreover, the Company's presence in business schools, professional communities, universities, technology platforms, forums and blogs has been further promoted, always with the aim of enriching information and boosting the Company's notoriety in the process of attracting talent.

Talent management

During 2023, four challenges were laid out in the company's roadmap:

- Efficiency and cost-effectiveness
- Digital transformation
- Customer focus and multi-segment management (Motor, Home and Health).
- Greater capacity for creating business: marketing, analytics and technology.

This strategy has been accompanied by a new culture of professional development and personalised training for all the company's employees.

While in 2022 the Company focused on employee motivation through "Conversations on Development" with its managers and promoting self-learning through digital tools and training courses on @prende and LinkedIn Learning, in 2023 different initiatives have been implemented aimed at loyalty and a commitment to internal talent. These include a program to identify critical positions, identify potential talent, and set up accelerated development plans.

In addition, in order to align the strategy and culture of innovation, multidisciplinary innovation groups have been created in the organisation in which people with very diverse profiles and experiences participate.

Finally, in order to reinforce the professional development strategy, new training programmes have been created for team leaders to develop their strategic skills and knowledge of business management.

Línea Directa promotes various programmes to develop leadership capabilities in the chain of command. To this end, new management programs have been imparted to team leaders to align the Company's priorities with their professional development.

In 2023, two training programs were delivered through the Darwin Community: one in Strategic Management, in order to enhance the managerial and strategic skills of middle management, and another in Business Management for the new members of this group, which aims to train them in the main areas of management of the Company, providing them with an overview of the organisation and preparing them for new challenges.

Employee well-being

Although one of Línea Directa Group's main objectives in people management is the safety and health of its employees, it believes it is also important to address the broader concept of well-being. To this end, Línea Directa Aseguradora runs a programme specifically based on the principles of the International Labour Organization (ILO) and which follows the recommendations of the European Union on occupational health and safety. The company is also a signatory to the Luxembourg Declaration.

In this context, Línea Directa offers its employees the "Well-being to Be Well" programme, which encompasses actions focused on improving their physical, emotional and financial health.

Among the main measures and initiatives carried out during 2023 in this area, the extension of the employee vacation period by one day starting from 2024 stands out.

In order to measure the well-being of employees and 'take the pulse' of the organisation, a survey aimed at the entire workforce is taken every two years. In the latest one, conducted in 2023, the Company took its methodology a step further to be able to analyse the experience of its employees in a more personalised way, allowing the Group to draw conclusions by employee groups and according to their professional and life cycles at Línea Directa.

Remuneration

The Company has a total compensation platform available in the employee portal where employees can consult all the elements that are part of their remuneration package. The information includes fixed remuneration, variable remuneration linked to objectives and remuneration in kind, such as life and accident insurance, as well as the various social benefits and advantages they are eligible for as employees of Línea Directa, such as a flexible remuneration programmes and discounts on all the Company's products.

Due to the increase in the cost of living as a result of inflation in the last two years, Línea Directa

Aseguradora made a one-off extraordinary payment to all its employees in January 2023, with the exception of the management team, equivalent to 1% of their fixed salary, with a minimum of € 300.

In 2022, Línea Directa launched its first Share Purchase Plan aimed at employees. By joining this plan, employees may allocate part of their salary to the purchase of shares at a 5% discount, also benefitting from the advantages of flexible remuneration. The company has continued this programme during 2023. To this end, two training and advisory sessions were imparted in order to promote the financial education of the staff and ensure that employees understand this initiative before making their investment decision.

Pay gap

Línea Directa Aseguradora defends equal pay for women and men and carries out annual salary reviews with common criteria for both genders. Proof of this is that the total average remuneration of both genders is very similar and the pay gap at the end of 2023 was 3.1%.

Health and safety

In 2023, the Company updated its Occupational Risk Prevention and Well-being Policy, setting out the commitments on which it bases its management of occupational risk prevention, not only through strict compliance with the applicable regulations, but also through its commitment to ensuring the health and safety of the people who provide their services at Línea Directa.

Employee relations

In 2022, Línea Directa Aseguradora launched an organisational and strategic transformation that is key to the company's future. Paying attention to people's need and managing change with care has been vital in turning this process into new professional development opportunities for the people in the organisation.

The People and Communications department has been focused on accompanying employees and the chain of command through this process, working, during 2023, with the business areas to understand and address the specific needs of each team, ensuring a harmonious transition that respects the particularities of each one of them.

Special attention has also been paid to the emotional management of change, ensuring a constant presence of teams from the People department in all the Company's buildings. This physical presence not only facilitates communication and the resolution of doubts, but also underlines the organisation's commitment to being close to its employees during this process of change.

The Company also has set up various direct digital communication channels with employees through which information flows in all directions, thanks to the universally accessible employee channel and the personalised management of the People Care Team.

To this end, and as part of the process of digitalising communications with its employees, the Company launched the 'LiDiA' chatbot in 2022, a virtual assistant anchored in the navigation bar of the corporate intranet and programmed to answer employees' most important questions in conversation. In 2023, a proof-of-concept (PoC) has been launched to integrate this assistant with generative Artificial Intelligence and thus make the user experience more modern, effective and human through natural language.

Union representation

All employees of Línea Directa Group are subject to the collective bargaining agreement that applies in each workplace of the companies that make up the Group, with several union sections exercising their rights in accordance with the Organic Law on Freedom of Association.

Disability and accessibility

One of the key pillars of Línea Directa Aseguradora's action plan in the field of functional disability integration is the inclusion of employees with a disability certificate.

The company has set up different initiatives to cover this challenge, involving the management of the company's own talent, collaboration with specialist entities and participation in social projects aimed at promoting the employability of this group.

Meanwhile, all the workplaces of Línea Directa Group are accessible. In addition, the company works on communication and awareness about disability, both internally and externally. In 2023, the accessibility of the corporate website has been addressed to ensure universal access for all users.

The criteria adopted to provide greater accessibility to the Línea Directa Aseguradora website are based on the WCAG/WAI guidelines set by the World Wide Web Consortium (W3C), which is an international consortium that creates recommendations and standards that ensure the use and development of the Internet. The development of the Línea Directa Aseguradora website has therefore been based on compliance with the Accessibility Guidelines for content available on the WCAG 2.1 website of the W3C WAI at its AA level of requirement. A specialised consulting firm has been commissioned to carry out an accessibility audit according to the requirements of WCAG 2.1.

7. Research, development and innovation

Línea Directa Aseguradora is committed to research, development and innovation and has launched powerful initiatives in this area that the Group puts at the service of the business and its customers through unique insurance products, as well as of society as a whole through the research work carried out by Línea Directa Foundation in favour of road safety.

Innovation

Since its inception, the Company has had a strong culture of innovation as a basis for the development of insurance solutions and distinctive services that respond to new customer needs, giving it a competitive advantage.

In the last two years, Línea Directa has strengthened its innovation culture and processes. The Company has created the 10X Innovation Program, a corporate project with its own methodology that includes various innovation processes aimed at product differentiation and business growth.

In 2023, several innovation groups have been set up composed of employees identified for their potential talent. These groups aim to detect new areas of business opportunity working through the following phases: exploration, ideation, validation, and finally implementation. The employees involved in the Product Innovation programme have received training videos to learn the basic concepts in innovation methodologies and the creative process: *design thinking*, for trend analysis; strategic analysis applied to the generation of new business and value proposition setting; *lean start-up*, to generate a Minimum Viable Product and perform a rapid validation and learning of the prototype; and agile methodologies for the iterative and incremental implementation and development of new products.

This set of innovation methodologies seeks to understand the needs of customers quickly, validate prototypes of products and services, and finally introduce new products to the market in record time.

The Company also has a Product committee led by the Head of Marketing that sets up different strategic, operational and product approval sessions. Employees part of the Innovación 10X programme have been involved in each of these phases.

As a result of this culture and these processes of innovation, which are transversally present throughout the organisation, Línea Directa Aseguradora has been able to continue creating innovative products and services available to policyholders in its Motor, Home and Health segments throughout 2023, launching, for instance, "Car + Home Formula", the first step by an insurer in Spain towards the convergence of policies for the same family unit, and "Squatter free home", a comprehensive coverage against illegal occupation of housing, unique in the market.

Digital transformation

Innovation and digital transformation are two key levers in Línea Directa's corporate strategy. Along with the creation of new products that meet the emerging needs of customers, the Company has continued to make progress in the digitalisation of both its internal processes and the policyholder experience, seeking to boost its efficiency and offer a more agile and higher quality service to policyholders.

In this regard, it should be noted that throughout 2023 the Group has relied on Artificial Intelligence (AI) to expand and improve the digital services available to customers through the Company's mobile application and website. Through this state-of-the-art technology, Línea Directa already offers advanced functionalities for verification and registration of claims by users. This has allowed the Company to reduce its operational burden and increase the quality of service. Up to 75% of annual verifications are already carried out from digital images and the success rate in the digital registration of claims has risen to 96%.

The agility and usefulness that the Group's digital services provide means they have achieved a high penetration among the Company's customer base. At the end of 2023, more than 87% of policyholders interact with the Company through its digital channels and the volume of digital interactions exceeds those by telephone by 59%.

Service quality

The direct contact with customers that its business model allows it means Línea Directa Aseguradora is able to know first-hand the needs of policyholders, which is an extraordinary asset when it comes to promoting quality in all its processes.

Línea Directa Aseguradora monitors its net promoter score (NPS), which estimates the degree to which its customers and users would recommend the Company to others. This system has a measurement scale of 1 to 10 points, and only those policyholders who rate their experience with the company with a score of 9 or 10 are considered "promoters".

Línea Directa Aseguradora's global NPS in 2023 reached 29.16 points, a variation of 17.8 points compared to 2022, a decline caused by the tightening of underwriting in the face of the current market situation of inflation pressure and costs on insurance margins.

One of the main challenges experienced by the Quality area during the past year has been to adapt the measurement systems to the Company's new multi-product approach. It has been possible to define a set of indicators that, in addition to providing a joint reading of the KPIs, offers the possibility of knowing how a policyholder evaluates the process or service in question.

The year 2023 has also seen important developments in the Customer Experience Scorecard applied to home insurance benefits and has deepened the knowledge and analysis of the best practices in the market, always with the aim of enriching decision-making in the future.

In 2024, work will be done to extend the methodology on service provision to the rest of customer interactions, as well as to the prediction and early detection of alarms on the new perception indicators.

Research support

Línea Directa Foundation, a non-profit organisation that aims to fight road accidents, has become a true benchmark in the field in its ten years of experience. Set up in 2014, the foundation brings together the Company's long experience in the field of road safety and has four lines of action: research, awareness-raising, social action and training.

From the point of view of research, Línea Directa Foundation carries out several studies every year that analyse the most relevant aspects of accidents, always with the aim of raising awareness about the importance of maintaining responsible driving habits. These studies seek to offer a holistic view of the phenomenon of traffic and accidents, providing innovative approaches that help fight against road mortality and injuries. In 2023, the organisation completed and published three of these studies. The first among them, "Life in a second. Distractions and accidents on Spanish roads (2012-2021)", concludes that 1 in 3 fatal accidents in Spain is caused by distractions. The study "Getting there and back. X-ray of traffic accidents on holiday journeys in Spain (2012-2021)" recalls that, with five casualties per day, the summer months are the most dangerous time of the year for road safety, with a death rate 20% higher than the rest of the year. Finally, through the report "Safe Cars for All. Analysis of accidents from a gender perspective (2012-2021)", Línea Directa Foundation highlighted how, due to the lack of adaptation of vehicle safety tests to the female anatomy, women face twice the risk of suffering a serious brain injury and are 50% more likely to have a skull fracture in the event of a frontal impact than men.

The Foundation also runs a start-up acceleration programme, an activity it develops through the Entrepreneurs and Road Safety Award, a contest that finances projects that, due to their special relevance, can contribute to saving lives on the roads. The contest is endowed with a prize of € 20,000 net without carryover or conversion, as well as access to training and mentoring. At a later stage, the winner of the award will also be able to access financing rounds by Bankinter's Foundation for Innovation and IESE Business School.

8. Other significant information

8.1 The Línea Directa Aseguradora share

At year-end 2023, the Company's issued share capital amounted to € 43,536,673.60, comprising 1,088,416,840 fully subscribed and paid-up ordinary registered shares, all of the same class and series and each with a par value of € 0.04.

All outstanding shares carry the same dividend and voting rights and are represented by in book entry form. The shares are listed on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao (the Spanish stock exchanges).

The main stock market index to feature the Company's share is the IBEX Medium Cap, which ranks Spanish listed mid-cap companies.

The ISIN code of the Company's share is ES0105546008.

Share price performance

The share closed the 2023 financial year at 0.851 euros per share, a decrease of 17.54% since 2 January, the first day of trading in 2023.

At year-end 2023, a total of eight research houses followed the share, 75% of which recommended "hold" and 25% "sell", with an average target price of € 0.918.

The Línea Directa Aseguradora share	2023
Share price information	
Low (€)	0.786
High (€)	1.084
End of the period (€)	**0.851**
Number of shares	1,088,416,840
Treasury shares	377,583
Number of shares outstanding	1,088,039,257
Nominal value (€)	0.04
Average daily trading volume (shares)	607,961
Average daily trading volume (€)	623,500
Stock market capitalisation (€ million)	**926.242**
Ratios	
Profit per share (€) Book	-0.00
value per share (€)	0.29
Price/book value (times) PER (times)	3.0 x
RoAE (%)	n.m
Dividend yield (%)*	-1.4%
	— %

*Dividends charged to the financial year 2023 / share closing price for the year

Dividends

The Company has not distributed dividends against 2023.

Acquisition and disposal of treasury shares

On 29 April 2021, the date of the IPO, a total of 239,678 treasury shares were allotted to the Parent in the exchange for Bankinter shares.

On 12 May 2021, the Board of Directors approved an own-share buyback programme under the authorisation granted at the Company's Annual General Meeting held on 18 March 2021 and in accordance with market abuse regulations. This authorisation was duly communicated to the CNMV on the same day.

The Company has made successive acquisitions communicated to the CNMV to complete the share-based remuneration plan detailed in Note 21. The number of treasury shares acquired by the Parent during 2021 was 795,643 shares at an average price of € 1.57, representing 0.11% of issued shares.

The Group has also offered its employees two flexible share-based remuneration plans. The first, in November 2022, saw 224,000 shares acquired at an average price of € 0.99, of which 204,676 were delivered. And the second, in November 2023, saw 116,771 shares delivered.

At 31 December 2023, Línea Directa Aseguradora held 377,583 treasury shares, representing 0.035% of capital and amounting to € 321,323. Note 15 includes details on the composition and movement of equity.

8.2 Shareholding structure

At year-end 2023, Cartival held 19.896% of the shares, Bankinter 17.416%, Fernando Masaveu Herrero 5.381%, Norbel Inversiones 5.001%, Lazard Asset Management 3.195%, Brandes Investment Partners 3.002%, Candriam 2.720% and Fidelity International Limited 2.023%.

Línea Directa holds 0.035% in treasury stock.

The following table shows the composition of shareholders as at 31 December 2023:

Shareholding structure	2023
Cartival, S.A.	19.90%
Bankinter, S.A.	17.42%
Fernando Masaveu Herrero	5.38%
Norbel Inversiones, S.L.	5.00%
Lazard Asset Management	3.20%
Brandes Investment Partners, L.P.	3.00%
Candriam	2.72%
Fidelity International Limited	2.02%
Treasury shares	0.03%
Foreign institutional	14.35%
Domestic institutional	11.84%
Retail	15.14%

The foreign institutional tranche is led by the United Kingdom and the United States, with the composition as follows:

Foreign institutional tranche	2023
United Kingdom	40.95%
United States	29.74%
Luxembourg	9.49%
France	4.60%
Switzerland	4.35%
Norway	3.05%
Belgium	2.82%
Germany	2.60%
Other	2.40%

Consolidated Management Report (in thousand euros)

8.3 Relationship with the financial market

Following the listing of Línea Directa Aseguradora, S.A., it has been the Company's intention to follow best practices of good governance and the recommendations of the CNMV's Code of Good Governance, thereby strengthening its commitment to transparency, ensuring the full engagement of shareholders and investors and creating of long-term value. To succeed in these tasks, the Company considers it necessary to implement procedures to maintain adequate communication with all of its stakeholders.

In this regard, the Company has a Communication Policy in effect with shareholders, institutional investors and proxy advisors of Línea Directa (available on the website), which also includes the general policy regarding the communication of economic-financial, non-financial and corporate information through the Company's social networks and other communication channels.

In particular, the website for shareholders and investors is regularly updated to include information on CNMV filings, complete financial information, results, presentations, and information on shares.

The Statement of Non-Financial Information for the financial year 2023 has also been made available. With this document, Línea Directa Aseguradora reports on environmental, corporate governance, human resources, social and human rights issues relevant to the company in the context of its business activities.

In 2023, the Company webcast its published earnings on a quarterly basis, participated in 13 domestic and international conferences and forums, while also keeping daily contact with the investment community and thus bringing the reality of the business closer to shareholders and potential investors.

8.4 Average supplier payment period

In accordance with the provisions of Law 18/2022, listed commercial companies are required to publish their average supplier payment period, the monetary amount and number of invoices paid in a period shorter than the legal maximum period, as well as the ratio of those invoices to the total number of invoices and the total monetary amount of payments made to suppliers.

The payments made to suppliers in 2023 and 2022 are as follows. The average payment period to suppliers at the end of 2023 for Línea Directa Aseguradora was 20.80 days. The number of invoices and their monetary value are broken down for the year 2023:

	2023	2022
	Days	Days
Average supplier payment period	20.80	18.55
Ratio of transactions paid	20.81	18.51
Ratio of transactions outstanding	20.60	20.24
	Amount (in thousand euro)	Amount (in thousand euro)
Total payments made	340,996	334,881
Total payments outstanding	13,891	7,859
	Invoices	Invoices
Invoices paid within the legal limit	102,744	112,931
Percentage of total invoices	85.86%	90.58%
Total invoices	119,660	124,682
	Amount (in thousand euro)	Amount (in thousand euro)
Monetary volume within legal limit	314,136	278,227
Percentage of total monetary value of payments to suppliers	88.52%	81.18%
Total monetary value of invoices	354,888	342,740

9. Complaints, ombudsman and other non-financial information

The legal regulatory framework for financial services provides customers with the appropriate level of protection to ensure confidence in the functioning of the markets. Notably, Order ECO/734/2004, of 11 March, on customer care and ombudsman departments and services of financial institutions, requires insurance undertakings to have a customer care department or service, in order to attend to and resolve complaints and grievances presented by their customers wishing to exercise their legally recognised rights and interests.

The decision shall be reasoned and contain clear conclusions in respect of the request raised in each complaint or claim, based on the applicable contractual terms, rules on transparency and customer expectations, as well as good financial practices and usages.

In 2023, a total of 7,637 incidents were handled (5,809 incidents in 2022), 630 (8.25%) of which qualified as complaints (398 (6.85%) complaints in 2022) and 7,007 (91.75%) as grievances (5,411 (93.15%) grievances in 2022). Of the total, 21,02% related to Policy quoting and management, 66.39% to Accident management and 3.33% to the Roadside assistance service (2022: 20.86%, 69.48% and 3.10%, respectively).

The breakdown by type of case managed by the Group in 2023 and 2022 is as follows:

	2023		2022	
	Number	% of total	Number	% of total
Complaints	630	8.25%	398	6.85%
Grievances	7,007	91.75%	5,411	93.15%
Total cases handled	**7,637**	**100.00%**	**5,809**	**100.00%**

The breakdown by department of the cases generated by the Group in 2023 and 2022 is as follows:

	2023		2022	
	Number	% of total	Number	% of total
Quotations and policy management	1,605	21.02%	1,212	20.86%
Accident management	5,070	66.39%	4,036	69.48%
Roadside assistance service	255	3.34%	180	3.10%
Other	707	9.26%	381	6.56%
Total cases handled	**7,637**	**100.00%**	**5,809**	**100.00%**

The main issues raised by customers are listed below:

1. Rejection of damage claim following expert inspection
2. Delays in processing and repairing damage
3. Policy exclusions
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums

Of the total complaints and grievances received in 2023, 82.06% (82,10% in 2022) have been considered upheld and 39.86% admissible (38.13% in 2022).

Consolidated Management Report (in thousand euros)

In 2023, a total of 488 cases were heard by the Consumer Ombudsman (428 cases in 2022). A decision was handed down against the insured claimants in 56.15% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions issued against the policyholders' interests was higher than in the previous year, as in 2023 214 of the 488 decisions issued were favourable to the policyholder, while in 2022 they were 287 of the 428, with percentages of 43.85% and 67.05% and revealing a percentage difference between years of 23.20%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. It also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

10. Annual Corporate Governance Report, ICFR and Annual Report on Directors' Remuneration.

For the purposes of Article 538 of the Spanish Corporate Enterprises Act, the Management Report includes the Annual Corporate Governance Report (ACGR), Internal Control over Financial Reporting (ICFR) and the Annual Report on Director Remuneration (ARDR) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, all for the year ended 2023. Both reports are available and can be consulted in full on the website of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV) and on the corporate website.

SNFI

2023

CONSOLIDATED STATEMENT
OF NON-FINANCIAL INFORMATION

LÍNEA DIRECTA ASEGURADORA S.A.

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The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

Contents

LETTER FROM THE CHAIRMAN

The year 2023 has been characterised by great economic instability and political turbulence, significantly impacting global outlooks and growth. The inflationary process we have experienced over the last three years–caused, among other factors, by the serious geopolitical situation, the energy crisis and the economic consequences of the pandemic–has led to a tightening of monetary policy by the European Central Bank, raising interest rates to their highest levels in decades. The decision, which nevertheless seems to be bearing fruit in the fight against rising prices, has slowed down the euro area economy and aggravated the situation of many households and businesses, already stuggling with the upward trend in inflation.

Such a combination of highly complex and unpredictable circumstances has affected the behaviour of the main macroeconomic parameters. The euro area economy was clearly sluggish throughout the year, even registering a dip in Gross Domestic Product (GDP) of 0.1% in the third quarter, closing 2023 with an annual growth of 0.5%. In Spain, growth was higher, at 2.5%, although 3.3 percentage points lower than in 2022, which nonetheless reveals a clear deceleration in growth.

This situation, however, does not yet seem to affect the positive trend in employment; in 2023, the number of employed people in Spain increased by 783,000, compared to the previous year, bringing the active population of the country to 21.2 million workers. Developments in this area have been very positive. In the last 12 months, employment has grown by 3.8%, even if there is still a long way to go, with Spain's unemployment rate still being the highest in the European Union (11.76%).

In this environment of uncertainty, the insurance sector, which is characterised by a strong countercyclical nature, reached a premium volume of more than € 76.4 billion in 2023, 18% more than in the previous year, an increase caused by the strong momentum of the Life segment (+36.3%), which is highly exposed to rising interest rates. The Non-Life segment also grew, although much more moderately (+6.8%), and saw the Motor segment consolidate its growth (+6.6%) thanks to the gradual increase in premiums that the sector is experiencing as a response to growing costs and reduced technical margins.

We have also seen a slight recovery in the number of vehicle registrations (+16.7%), driven by an increased outflow of stock following the supply crisis, which is still in the process of being resolved. However, although the figures for new car sales seem very positive, the fact remains that sales are still extraordinarily low. During 2023, the number of registrations fell 24.5% below 2019 registrations, a dip which, together with inflation in the price of cars, continues to weigh on the industry's ultimate recovery. The situation is exacerbated by the rise in the price of money, which reduces the liquidity of individuals, their creditworthiness and their confidence to make large purchases. This is perhaps why leasing continues to grow as an alternative means of accessing a vehicle, aided by the legislative uncertainty regarding the future of motorisation. During 2023, leasing saw a 16.3% increase in business, in addition to the 16.5% seen the previous year.

The Home segment continued to grow at a steady rate (+6.4%), although its future faces some uncertainties: the fall in home sales, the rise in the cost of financing and the increase in weather-related damage may affect their future margins. Health insurance also continued to grow at a brisk pace (+6.6%), consolidating its position as a major asset in the Non-Life sector, to which it contributes volume, high premiums and diversification.

In this complex and fast-changing context, Línea Directa Aseguradora has faced one of the most challenging years in its history. The upturn in inflation continued to weigh on the net result for the year, but already in the third quarter there were signs of recovery stemming from the significant changes we are implementing. Línea Directa is prioritising profitable growth and remains firmly committed to digitalisation as a means of increasing efficiency in all its processes and reining in overhead expenses, increasing productivity and improving customer experience.

In 2023, the company achieved a premium volume of € 973.3 million, 2.8% higher than in the same period of the previous year, thanks to individualised premium adjustments, as well as growth in each of the segments in which it operates: Motor (+2.5%), Home (+4.0%) and Health (+4.5%), while the customer portfolio declined slightly (-4.2%) due to the moderate tightening of underwriting for some profiles, a measure that will improve profitability, reduce claims pressure and build a healthier company.

Profitability margins are still suffering from the impact of cost inflation and higher personal injury claims, resulting in a loss of -€ 4.4 million in 2023. However, by the second half of the year the company had already moved out of the red, posting a net profit of € 10.7 million for the second semester, a clear sign of improvement and an indicator that the foundations are being laid for a definitive return to profitability.

The improvement is the result of a significant reduction in the Combined Ratio, which in the second half of 2023 improved by 3.8 p.p. compared to the first half of the year, thanks to risk reduction, greater efficiency of processes and digitalisation. The company keeps a very strong balance sheet, with an excess over required capital of € 159 million and a Solvency Ratio of 180%.

The area of Corporate Governance has seen the company's Board of Directors continue to approve the company's policies in its various endeavours. In 2023, the Board approved policies in the areas of Prevention, Safety, Health and Welfare as well as Product Control and Governance, a solid step in Línea Directa's committed path towards building a sustainable, rigorous organisation aligned with all regulatory requirements. With a view to adapting to the Corporate Sustainability Reporting Directive (CSRD), which will increase reporting on non-financial information, during the past year Línea Directa has evaluated almost 300 suppliers and collaborators in the field of sustainability, which will allow it to gain greater knowledge of its value chain and work towards making it more sustainable, reporting on the impact of its activity on the environment.

The past year also saw the entry into force of the Sustainability Plan for the 2023-2025 period, which sets out the Group's roadmap in this area. The Plan, which is aligned with the United Nations sustainable development strategy, is structured according to the three ESG dimensions and includes 6 objectives, 15 strategic lines, and a total of 87 actions. Its objectives are ambitious: to generate business through a sustainable commercial offer, attract and nurture talent, promote a culture of sustainability, contribute value to shareholders, attract responsible investment, consolidate as a brand with an ESG reputation, and enhance the Group's social and environmental contributions.

The environmental component of the Plan incorporates numerous climate change mitigation actions with the aim of reducing emissions in the organisation and achieving NetZero by 2050. Línea Directa has launched numerous initiatives in this area, promoting responsible consumption, a circular economy, decarbonisation and a sustainable mobility and business model. The social component involves a wide range of actions in the areas of equality, diversity and respect for human rights, and shapes the company's wide-ranging contribution to society. Finally, through Good Governance, the company aims to ensure ethical management, not just in accordance with the law, but beyond it, seeking to meet the commitments made by the Group in full. For instance, the company continues to be a benchmark on relevant issues such as equality, with 57% of the Board of Directors, 58% of the members of the Management Team and 51% of senior management positions held by women.

I am convinced that this Plan, which has made good progress in its first year, will make Línea Directa Aseguradora an even more important player in the Spanish insurance market. Every year, the Group is included in the most important and relevant reputation monitors and certifications in Spain, such as MERCO Empresas, MERCO Responsabilidad ESG, MERCO Talento or Top Employer. In 2023, Línea Directa also climbed eight points in the Dow Jones Sustainability Index rating, moving closer to its goal of being recognised in this prestigious index as a global benchmark in sustainability.

The year 2023 saw two other important decisions made by Línea Directa. One, the preparation of the first report according to the parameters of the Task Force on Climate-Related Financial Disclosures (TCFD), an initiative promoted by the G20 Financial Stability Board with the aim of improving the disclosure of financial information of companies in the field of climate, which will be approved and published in 2024. And secondly, the company signed up to the UN Principles for Sustainable Insurance (PSI), which provide an essential framework for the industry to address environmental, social and governance risks and opportunities.

I would also like to emphasise once again the important work carried out by Línea Directa Foundation, which, in its ten years of history, has become one of the most recognised private institutions in the fight against road deaths, thanks to the social impact of its studies and important initiatives such as the Road Safety Journalism Award and the Road Safety and Entrepreneurs Award.

Since its creation, Línea Directa Aseguradora has been a great success story in the financial sector, and is firmly determined to continue building a future based on innovation and quality, with its great team of more than 2,400 professionals who, thanks to their rigour and talent, have made the company a benchmark in the sector. A track record and determination that will undoubtedly allow us to build a profitable and even more sustainable project in the future.

Alfonso Botín-Sanz de Sautuola

Chairman of Línea Directa Aseguradora

INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER

Patricia Ayuela, CEO of Línea Directa Aseguradora, takes stock in this conversation of the results obtained by the company in the current economic context. She looks at the progress made in the action plan announced at the 2023 Annual General Meeting, and points out the opportunities and growth levers for the organisation, as well as the Group's headways in digitalisation and sustainability.

Early last year, it was already apparent that 2023 would be a difficult year for the insurance sector due to the inflationary situation. What is your assessment of 2023?

The last two years have been among the most complex the insurance business has seen in a long time. Inflation led to a sharp rise in the cost of repairs and service provision in 2023, which meant a substantial increase in claims incurred and a significant deterioration in the margins of companies operating in the Non-Life segment, especially in the Motor insurance business. Although inflation gradually became more moderate, it remained at high levels throughout 2023.

What made the problem worse is that inflation arrived at a time when average premiums in the sector were at historically low levels, having been progressively reduced for 20 years. The combination of these two factors, a sharp increase in the cost of claims and low premiums, severely affected insurance margins in the sector and is what has led Línea Directa to record a negative net result in 2023.

At Línea Directa Aseguradora we put together an action plan that would improve our insurance margins and redress the situation. First, we carried out an individualised adjustment of prices related to risk for each customer and then we toughened underwriting requirements. This meant prioritising profitability over growth in customers. We are also adopting measures to reduce the cost of claims. Meanwhile, we continue to push for efficiency in our entire operation, relying increasingly on digitalisation. We seek to increase our cost differential with the sector. Ultimately, we are laying the foundations for future growth by keeping product innovation going, accelerating the digitisation of customer relationships, and focusing on service quality.

In short, it is a plan that we are implementing with full determination and which is already beginning to show results.

What progress has been made in the implementation of this plan?

In the second half of the year, we began to see the very first results in an improvement in our insurance margins. Thanks to measures taken in pricing and underwriting, and despite the fact that their impact on the accounts is not immediate, income from premiums earned is growing steadily in all our business segments. Meanwhile, initiatives in claims management allowed us to reduce costs from claims incurred by 8% in the second half of the year compared to the first half. As a result, the Group's combined ratio improved by 3.8 p.p. in the second semester, the improvement was particularly noteworthy in our Motor insurance business. Tight control of overhead expenses and increased efficiency in our operations have enabled us to further improve our Expense Ratio, which currently stands at 22.9%.

We have also managed to keep, in a complex environment, a solid Solvency Ratio of 180%, which is the basis for meeting our future commitments to our customers and shareholders.

So what can we expect from the company's performance in 2024 and what are the main challenges for the Group?

We have to be cautious because we are operating in a complex environment of enormous uncertainty and volatility. The economy is in a clear downturn. Inflation appears to be under control, but remains at elevated levels. Due to the effect of compound interest, the increase in prices compared to three years ago is very significant. In addition, there are risk factors, such as geopolitical tensions, that could lead to a further price rally. This means that 2024 will continue to be a challenging year for the whole economy, including the insurance sector.

Under these circumstances, we need to continue to move forward with our action plan. All the improvements achieved so far indicate that we are on the right track, but we need to persevere in implementing these measures – only by achieving a sustained level of profitability can we fulfil our growth ambitions. We have great strengths, the right strategy and the determination and commitment of the whole organisation to carry it out. I am convinced that, with all of this, we will progressively reach the level of results that Línea Directa is capable of generating.

Ultimately, our priority is to return to profitability. At the same time, we are preparing to grow faster once we achieve that balance.

What are the company's key drivers and strengths in achieving this growth?

Even at a time like the present, when we are prioritising profitability, we have demonstrated that we are still a very competitive company – demand for our products has performed extraordinarily well during 2023. This is due to the fact that we have a very competitive insurance offer. We are able pass on the efficiency derived from our direct business model to policyholders in average premiums lower than those of the sector, while maintaining very broad coverage and excellent service quality.

We have also developed a very strong product innovation culture, which increases our ability to stand out from the crowd. The insurance market is highly competitive, runs a certain risk of commoditisation and, as if that were not enough, major changes are taking place in people's habits and insurance needs. This presents insurers with the challenge of being relevant to customers. We need to be imaginative, innovative and bold to meet that demand. At Línea Directa, we have made a major effort to stay at the cutting edge with products and services that make sense to customers and bring value to them. For instance, in 2023 we took the first step by an insurer in Spain towards bundling policies, with our "Car + Home Formula" product, and we have launched the first complete and comprehensive insurance against squatting, "Carefree Home".

In the last two years, we have completely reorganised the company from a segment-based organisational model to a new one with a global view of customers and their insurance needs, based on a multi-segment approach. This is enabling us to increase our commercial efficiency, strengthen our recruitment and retention capabilities, and will be critical to our future growth and diversification.

One of the main developments of the year was the move to market health insurance under the Línea Directa brand. What is the reason for this decision?

We believed that the time had come to do so because the business segment had reached sufficient maturity. We already have an in-depth knowledge of the industry and we are able to remain competitive in a very mature market. Since the launch of our Health insurance in 2017, we have reached 117,000 policyholders and are opening up the market to people who have never taken out a health insurance policy before. This is the result of an innovative, digital, flexible commercial proposal, with one of the most comprehensive medical lists out there and a unique programme to promote healthy habits.

The Línea Directa brand is one of our main assets due to its strength and notoriety. By operating under it, our Health business segment will benefit from greater operational efficiency and commercial effectiveness.

Moreover, by operating Health under the Línea Directa brand, we are reflecting the company's new multi-segment strategy. As a result, the Group's policyholders will benefit from a comprehensive commercial proposition and a consistent customer experience across all channels.

All of this will contribute to the growth of our activity in the health sector, which is one of the fastest growing in the Spanish market and where we see a huge opportunity to diversify our business.

Línea Directa Aseguradora was a pioneer in the sale of policies online and has since consolidated its position as Spain's leading insurer in digitalisation. How are you approaching the Group's digital transformation and what benefits are derived from it for the company and its customers?

Due to our direct model, first implemented over the telephone and then over the internet, Línea Directa was born with a very powerful and advanced technological base that we have also applied in other areas – for instance, in underwriting. We have kept focusing on the digitalisation of all our processes, adopting innovative and disruptive technologies. Technology is a great way to simplify, optimise and streamline processes. It allows us to be more agile. It gives us the possibility to improve the customer experience, through a more direct and instantaneous service and more user-friendly and higher quality products. In short, it makes us more competitive.

We also see digital transformation as an opportunity to increase our relationship with our customers. Thanks to the fact that customers can now carry out virtually all of their insurance transactions via our website and mobile applications, these have reached a very high penetration rate. Today, more than 87% of policyholders interact with us through digital channels, and the number of their digital interactions with the company is 59% higher than the number of phone calls we receive. Such a significant volume of digital interactions is a commercial opportunity that we are already exploiting. We are expanding the digital functionalities of these channels, increasing the recurrence of our customer contact and further individualising our digital offer, among other initiatives.

You mentioned the importance of people in an increasingly digital world. What talent management challenges are posed by digital transformation and by the other global challenges companies are facing?

The business environment is becoming increasingly competitive and, to be successful, companies need to be ever more innovative, agile and efficient. We need to have the necessary talent, ready and committed, to meet these challenges and achieve our business objectives not only in the short term, but also in the medium and long term. We must therefore be able to attract and retain professionals with the necessary skills, and to promote the training and professional development of the people in the organisation.

At Línea Directa we have an attractive value proposition for people and, in 2023, we have also promoted the culture of professional development through a campaign called "Re-evoluciona", which seeks to encourage employees to acquire new professional development experiences, fostering self-learning and facilitating promotion through a talent management model.

These initiatives to attract and retain talent, together with our commitment to quality employment, the promotion of employee well-being and diversity and inclusion, are some of the objectives of our sustainability strategy.

In 2023, the Group launched its new Sustainability Plan for the 2023-2025 period. What have been the main developments in this first implementation?

We are a very ambitious company in our business objectives, but we are also ambitious about the way we achieve them. We have been integrating environmental, social and governance aspects into our management and business strategy for more than a decade, since the approval of our first three-year Sustainability Plan. The plan for the period 2023-2025 is very ambitious and represents a quantitative and qualitative step forward in this area.

In 2023 we have made great progress on a key issue for society as a whole, decarbonisation. We have continued to reduce our carbon footprint, specifically by 10% in the year. And, in keeping with our commitment of alignment with international best practices in measurement and reporting, we have already identified our risks and opportunities linked to climate change according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We are making clear progress on our roadmap to be a carbon neutral company by 2030 and with zero net emissions by 2050.

But we have also developed an ambitious strategy in relation to the other areas of sustainability, in addition to the environment. That is, the social and governance areas. We have been contributing to the first by promoting numerous measures for our customers, employees and society in general. And by placing value in the good governance practices that have taken us into prestigious indices such as BME's Ibex Gender Equality Index, we are contributing to the second.

When it comes to ESG, it is clear to me that the work required is like a long distance race, subject to a highly changing environment, which forces us to keep at it and continuously improve.

Línea Directa Foundation, which in 2024 celebrates its first ten years of activity, is a fundamental pillar of your sustainability strategy. How successful has it been?

The Foundation was born in 2014 with a core mission: help reduce the number of road accident victims.

As a specialist motor insurance company, we experience the problem of road accidents as our own, having witnessed many tragedies that shatter families and lives. For this reason, at Línea Directa we have always been aware that our social responsibility should not only be to help victims recover or compensate them financially, but that we should also pursue the ambitious goal of zero deaths in traffic accidents.

To this end, and under the slogan "Road safety. here and now", we are working on four lines of action that we were already promoting in the company even before we set up the Foundation. These are: awareness-raising, research, social action and training. One of our main initiatives in this area, the Road Safety Journalist Award, turned 20 years old in 2023. In this time, we have seen that, hand in hand with the media, we can positively influence driver behaviour.

Twenty years ago, 5,400 people died in road accidents in Spain each year, which meant that the road death rate was 25% higher than the EU average. Today, the number of road deaths has been reduced by a third and we are the fourth country in Europe with the lowest fatality rate. At Línea Directa we can proudly say that we have contributed to this great collective success together with the government, other institutions and, of course, the drivers themselves.

However, we should not be complacent nor think the objective has been achieved. In recent years, the number of fatalities has not only stagnated, but has risen slightly to over 1,700 accident fatalities per year. Together, we must be able to reach the goal of "zero deaths" on the road. Línea Directa will continue to work to promote good driving habits and improve road safety in Spain.

ABOUT THIS REPORT

INTRODUCTION

The Non-Financial Information Statement has been prepared in accordance with the provisions of Law 11/2018 of 28 December 2018 which amends the Commercial Code, the revised text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing of Accounts, in relation to non-financial information and diversity.

Additionally, the regulation concerning the European Taxonomy [Regulation (EU) 2020/852 and Commission Delegated Regulations 2021/2139 of 4 June and 2021/2178 of 6 July] has been taken into account.

The 2023 Consolidated Non-Financial Information Statement has been prepared in accordance with the contents set out in the applicable commercial regulations, which require the information to be presented under a reference reporting standard. The report has been prepared following the "With reference" option as defined in the GRI (Global Reporting Initiative) standards. The scope of each indicator is given in the indicator tables annexed to this report. With this document, Línea Directa Group reports on corporate governance, environmental, human resources, social and human rights issues relevant to the company in the context of its business activities.

Thus, it has been drawn up based on the principles of accuracy, balance, clarity, comparability, comprehensiveness, sustainability context, timeliness and verifiability. Furthermore, by preparing, publishing and distributing this report on an annual basis, Línea Directa Group makes it possible to compare it with previous years, so that stakeholders can objectively assess the changes in the main performance indicators.

MATERIALITY AND RELEVANT ASPECTS

The selection of the contents included in this report is based on, among other factors, the materiality analysis carried out in 2022 in the framework of the preparation of the Sustainability Plan 2023-2025. This analysis is based on the evaluation of external information sources (sustainability standards and international indices, industry competitors, industry reports and studies, academic and financial consultations, customers, suppliers and investors) and internal information sources (Group employees and management).

As a result of this process, it was also determined that the contents of Law 11/2018 relating to noise and light pollution, circular economy, food waste, biodiversity and impact on protected areas were not considered material, given the specificities of the sector and the Group's activities.

The emergence of COVID-19 significantly altered the quantitative data for the years 2020 and 2021, so comparability is affected by the exceptional nature of both years. The prioritisation of material issues was also significantly impacted. Therefore, when presenting information with a different temporal or organisational scope than in previous years, the nuances of such changes are described together with the data in question.

On the other hand, the Group's performance, for example in Corporate Governance, has been conditioned since the IPO in 2021, as a company listed on the Spanish continuous market.

SCOPE OF THE REPORT

The report therefore includes information on all the companies that comprise the Group: Línea Directa Aseguradora, S.A., Línea Directa Asistencia, S.L.U., Centro Avanzado de Reparaciones (CAR), S.L.U., Club Más Moto S.L.U., Ámbar Medline, S.L.U., LDActivos, S.L.U. and LDA Reparaciones, S.L.U., until its dissolution on 22 November 2023.

VERIFICATION OF THE REPORT

The quantitative and qualitative information included in the Non-Financial Information Statement has been independently verified on limited assurance by PwC (PricewaterhouseCoopers Auditores, S.L.). The scope and results of the independent verification are described in the Verification Report attached to this report as an Appendix. This report has been reviewed in accordance with the revised version of ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and with Performance Guideline No. 47 on Assurance Engagements of Non-Financial Information, issued by the Spanish Institute of Chartered Accountants (Instituto de Censores Jurados de Cuentas de España). In addition to the review carried out on the contents required by Law 11/2018, and which are referenced in the Appendix of Requirements of Law 11/2018 on non-financial information, the scope of the verification has been extended to a series of GRI indicators following the "With reference" option. Said contents can be found in the GRI Content Index Appendix.

Anyone wishing to view or complete the report may contact the External Communications and Sustainability department at the following email address: comunicación_externa@lineadirecta.es.

1. LÍNEA DIRECTA GROUP

PURPOSE, MISSION, VISION AND VALUES

LÍNEA DIRECTA, AN INSURER WITH A PURPOSE

Línea Directa Group's raison d'être is to meet its business objectives in closeness with people, working every day for its customers, shareholders and society in general, providing them with security and peace of mind in the face of unforeseen events, innovating to respond to their new needs and contributing to profitable and sustainable growth. All of this is spelled out in the company's purpose: "Innovate, protect and bring closer", which reflects the elements that identify the organisation and which are linked to the mission, vision and values under which it operates.

Innovate

Línea Directa's transformational spirit and its culture of innovation contribute to its proven ability to adapt with agility and flexibility to a changing environment and to respond to the present and future needs of its stakeholders.

Protect

The essence of Línea Directa's commercial and social activity as an insurance company is to be available when mishaps occur, mitigating their impact, while protecting the environment and contributing to the well-being of society. The company seeks to build relationships of trust with all its stakeholders, placing its knowledge, experience, quality of service, and innovation and technological capabilities at their service.

Bring closer

Línea Directa maintains a direct, close and transparent relationship with all its stakeholders, as a natural extension of the value and differentiation provided by its direct business model, which is reflected in its own unique organisational model, operations and culture.

Línea Directa Aseguradora burst into the market in 1995 with a 100% direct business model, launching a new form of insurance in Spain. Thanks to the inherent advantages of this operating model, a strong culture of innovation and increasing digitalisation of the organisation, the Group has experienced steady growth in its 28-year history, consolidating its position as one of the leading companies in the national market for direct insurance sales and earning its place at the forefront of the transformation of the insurance sector.

Línea Directa's history has been shaped by its ability to provide customers with unique, competitive and high quality products and services. In an increasingly disruptive world, and relying on its customer knowledge, innovation and quality service provision capabilities, Línea Directa Aseguradora continues to work every day to maintain its leadership in offering high-value, differential and increasingly personalised solutions in the fields of mobility, housing and health.

Línea Directa Group was also born with a strong technological base and the degree of digital transformation it has achieved over the years gives it a privileged position in the market. The company intends to put the advantages of its digitalisation at the service of its policyholders through an excellent customer experience by offering new, more direct communication channels, simple and agile processes and services, and by promoting digital tools as a point of contact with policyholders.

The commitments made by the company to its stakeholders are tied to the mission and vision under which it operates and are aligned with its corporate purpose.

Mission

Línea Directa contributes its expertise in direct response and places it at the service of its customers, employees, shareholders, suppliers and, therefore, society as a whole, generating wealth, safety and a more responsible and sustainable environment for people.

Vision

The Group's vision is to be at the forefront of innovation in the insurance sector, promoting values related to road safety, home safety, health, the environment and sustainability. Línea Directa aims to be the insurance company known for its respect for the groups it relates to, especially customers, employees, suppliers and society as a whole.

CORPORATE VALUES: THE IDENTITY OF A BRAND

The corporate culture of Línea Directa Aseguradora is built from the five values that guide all of its activities and the behaviour of its people.

- Respect for people: Listen to your colleagues and customers, this promotes teamwork and helps everyone do their best by appreciating the efforts and achievements of others.
- Spirit of self-improvement: Be creative and innovative, always making proposals and doing things better. Give, accept and encourage constructive criticism. All opinions are important.
- Enthusiasm: Always keep a positive attitude, work hard and have fun at the same time. Think of the customer as the recipient of your actions.
- Results-driven: Follow through on your commitments and be an example to those around you. Put good ideas into practice and make sure they are not just words.
- Clarity: Be simple. Be clear and sincere in your communication with others, simplify everything in your power. Share whenever you can.

MILESTONES AND AWARDS

JANUARY

- Línea Directa launches its joint offer of car and home insurance, the first step by an insurer in Spain towards the packaging or convergence of policies for the same family unit. "Car + home formula", the company's new marketing campaign, guarantees savings on the price of insurance and includes high-value cover for the joint contracting of car and home policies. With this commercial proposal, the company strengthens its position as a multi-segment insurance company and advances in its strategic objective of attracting and retaining policyholders.
- The insurer has been selected as a Top Employer company in the fourth consecutive year for its people management model. In this edition, the company has obtained an overall score of over 90%, standing out in areas such as ethics and integrity, business strategy, *employer branding* and the digitisation of human resources. In the last four years, the group has improved its score by 7%, which places the organisation in the ranks of excellence. The certification, awarded by *Top Employers Institute*, is based on the findings of the institute's HR Best Practices Survey, a survey that encompasses 6 areas of human resources made up of 20 different topics including people strategy, work environment, talent attraction, learning, wellness and diversity and inclusion, among others.
- Línea Directa Aseguradora launches "Mortgage Free", a special promotion with a 25% discount on Home insurance for customers who have finished paying off their mortgage. The company seeks to emphasise the competitiveness in terms of value for money of its Home insurance offer, which is characterised by flexible and modular multi-risk policies that adapt to the needs of each customer and the characteristics of each home, whether it is a flat or a single-family house, first or second home, so that the insured only pays for what they need.

FEBRUARY

- **Línea Directa begins offering its insurance through the CarnRoll used car sales platform**, a digital platform that allows you to purchase the car and at the same time access financing for its purchase as well as insurance at competitive rates. The platform, which seeks to cover the entire value chain, facilitating the entire acquisition process for the end user, has a stock of second-hand, pre-owned and reconditioned vehicles that have been inspected in more than 100 checkpoints and come with a one-year warranty.

- **The company presents its results for 2022, a year in which the Group broke its all-time record for premium income, exceeding € 946 million.** Línea Directa Aseguradora's premium income increased by 4.4% as turnover and customers grew in all business segments (Motor, Home and Health). In a year marked by record-high inflation impacting claims, the Group closed with a net profit of € 59.5 million. The total remuneration paid out to shareholders against the company's 2022 earnings amounts to € 0.049 euros gross per share, approximately € 53.6 million in total, equivalent to a 90% *pay out*.

- **"Stop Incivility. 'Keyed cars': a look at road vandalism in Spain"**, is the study carried out by Línea Directa focusing on road incivility. According to the report, intentionally causing damage to a car and fleeing the scene of an accident are two behaviours that already account for 40% of the no-fault reports in Spain (22% for vandalism and 18% for hit-and-run drivers). The result is that 12.3 million drivers (45%) claim to have suffered vandalism to their cars on occasion and 11.7 million (43%) have found their car damaged without the responsible party having left their details.

MARCH

- In a context of changing employment trends on a global scale, **Línea Directa Aseguradora has consolidated its position as one of the 50 companies with the greatest capacity to attract and retain talent in Spain.** The company's commitment to internal talent and its professional development, employee well-being and its flexible working model have enabled the Group to move up two positions in the Merco Talento 2022 ranking to 43rd place.

- **Línea Directa wins the LinkedIn Talent Awards in the *Learning Champion* category for its self-learning project.** The company has launched a campaign to promote a culture of professional development called Re-Evoluciona, which seeks to motivate employees to gain new professional development experiences, encourage self-learning and facilitate professional growth through an internal talent management model. To this end, the entity has set up a learning ecosystem made up of several digital platforms that allow employees to self-manage their training, and provides them with training itineraries that enable them to advance in the skills necessary for their professional growth.

- **At the Annual General Meeting, Patricia Ayuela outlines an action plan to boost the Group's results**, where improving the technical margin, boosting efficiency and enhancing profitable growth are set as strategic priorities. The shareholders of Línea Directa Aseguradora approve by majority the resolutions submitted to the Annual General Meeting, such as the management of the Board and the allocation of profits for 2022, including the distribution of dividends.

APRIL

- **Línea Directa Aseguradora adopts the four Principles for Sustainable Insurance (PSI)**, the largest joint initiative of the UN and the global insurance industry to promote innovative insurance solutions that contribute to sustainable economic and social development. In this way, the organisation demonstrates its commitment to integrating environmental, social and governance (ESG) criteria into its strategy and activity, to raising awareness of ESG issues among customers and business partners and to collaborating with governments, regulators and other stakeholders to promote broad action in this area.

- **Línea Directa extends its Respira policy to electric motorbikes as part of its 'Tomorrow's mobility' strategy.** This policy, initially launched in 2016 for pure electric cars and later extended to plug-in hybrids, includes coverage and services adapted to the specificities of this type of sustainable vehicle, such as battery or recharging cable theft, or travel assistance in the event of battery discharge.

- **Start-up Engidi wins the 9th edition of Línea Directa Foundation's Road Safety and Entrepreneurs Award.** The award seeks to recognise and promote road safety entrepreneurship by supporting and funding innovative ideas that help to combat road accidents and improve the post-accident treatment of victims. Engidi designs and manufactures IoT electronic equipment that can be integrated into the Personal Protective Equipment (PPE) of workers such as road construction and maintenance workers and connect with drivers to prevent accidents and roadkill and drastically reduce the number of road fatalities.

MAY

- Línea Directa Foundation, in collaboration with Centro Zaragoza, presents the study **"Life in a second. Distractions and accidents on Spanish roads (2012-2021)".** This report recalls that in the last decade there were 238,000 victim-causing accidents and 6,200 deaths as a result of distractions, which together with speeding and alcohol and drug consumption make up the so-called "accident triangle" on the road. The study concludes that although the number of distraction-related accidents has decreased significantly between 2012 and 2021, their fatality rate has risen by 52% as a result of speeding, which aggravates accidents of this type.

JUNE

- **Línea Directa includes in its home insurance full coverage against illegal occupation of the home.** The product, unique in Spain due to the breadth of its coverage, includes up to € 10,000 in legal assistance by the company and legal costs (lawyer, solicitor, expert witness, notary fees, court costs and fees) to recover the home, as well as financial compensation for expenses in re-fitting the home, from utilities, loss of rental income and other costs.

- **Línea Directa Aseguradora climbs eight places to 40th position in the Merco Empresas y Líderes 2023 ranking of companies with the best reputation in Spain.** In the last two years, the insurer has climbed 14 places thanks to its positioning among stakeholders as a large multi-segment insurer, its customer vision and focus on innovation, its leadership in the field of digital transformation and its commitment to sustainability.

- **Línea Directa Foundation awards the prizes for the 20th edition of the Road Safety Journalism Award.** A reference among journalism competitions in Spain, the award recognises the work of road safety information professionals, always with the aim of encouraging responsible driving in society as a whole. In the 20th edition, the winners are Leticia Núñez, Isabel Martín and Patricia Corral, from Diario de Burgos, in the Press & Online Media category; Ana Corbatón, from Cadena SER, in Radio, and Esperanza Calvo, from Telecinco, in the Television category. The winner of each category receives € 10,000 tax-free. The Solidarity Award goes to the Guttmann Institute of Neurorehabilitation, and the the Honorary Award goes to DGT's Traffic and Road Safety Magazine. During the awards ceremony, the Foundation singles out El País, Televisión Española, Onda Cero and Radio Nacional de España for being the media that, over the 20 editions of the competition, have won the prize on the greatest number of occasions.

JULY

- With the aim of encouraging the purchase of vehicles equipped with advanced driving assistance systems (ADAS), associated with greater safety and lower accident rates, **Línea Directa launches a promotion which translates to "ADAS Campaign", whereby it will offer a improvement of up to 35% in the price of insurance for new car insurance policies, provided that the car to be insured incorporates any of these technologies.**

- Línea Directa foundation presents the study **"Getting there and back. X-ray of traffic accidents on holiday journeys in Spain (2012-2021)",** prepared in collaboration with FESVIAL. The report warns that summer is the most difficult time of the year for driving. During the last decade, there have been 5 casualties per day during the summer season, a rate 20.5% higher than in non-holiday periods and significantly higher than other public holidays.

AUGUST

- On the occasion of the long weekend of 15 August, one of the most dangerous of the year in terms of road safety in Spain, Línea Directa Foundation launches an information campaign based on its report "Getting there and back. X-ray of traffic accidents on holiday journeys in Spain (2012-2021)". In the last decade, around 7,500 accidents were recorded during this long weekend, with almost 200 fatalities, around 20 per year.

SEPTEMBER

- Línea Directa presents the study "Spaniards on the 'squatting' of housing in Spain. Opinion, concerns and proposals", compiled based on the results of 1,700 surveys conducted throughout Spain. The study concludes, among other things, that 1 in 4 Spaniards (24%) believe that there is a "medium or high" chance that their home will be "squatted" and 77% believe that this phenomenon has become a social problem in Spain.

- Línea Directa announces that it will sell its Health insurance under its own brand to boost the company's multi-segment strategy. Since Línea Directa Group started operating in Health in September 2017, it has positioned itself as a strong competitor in the market and has reached 110,000 policyholders. The company has decided that, as of 24 September, it will market the policies of the Health segment, managed until now under the Vivaz brand, under the Línea Directa brand. The decision allows the Group's Health insurance segment to benefit from the leadership and potential of the Línea Directa brand, and takes the company a step further in its strategy as a multi-segment insurer, enabling customers to benefit from a comprehensive commercial proposition and a consistent customer experience across all channels. This will enable the company to optimise its advertising strategy, increase its commercial efficiency and boost customer loyalty, thus contributing to the Group's growth and diversification.

OCTOBER

- Línea Directa Aseguradora presents its results for September showing an improvement in its margins and a net profit of € 0.9 million in the third quarter of the year as a result of the pricing, underwriting and claims management efficiency measures implemented during 2023. Premium income in the first nine months of the year increased by 3% year-on-year to € 731.9 million, as turnover grew in all business segments.

NOVEMBER

- Línea Directa Foundation presents the study "Safe Cars for All. Analysis of accidents from a gender perspective (2012-2021)". The report, carried out in collaboration with Centro Zaragoza and the Institute of Technological Research at Comillas Pontifical University, analyses the accident rate for each gender and the official accident figures for men and women over the last 10 years. The report also evaluates passenger safety by carrying out a computerised crash test that reproduces a frontal collision in identical circumstances for both genders. One of the main findings of the study is that female drivers are 17% more likely to die and twice as likely to suffer a serious brain injury than male drivers because vehicle design is based on men's anatomy.

- Línea Directa Aseguradora and IESE Business School hold the 1st Insurance Revolution Investment Forum for start-ups with solutions impacting customer experience and digital services in the insurance sector. During the event, a total of seven projects selected for their business model, stage of development and scalability were presented to the Senior Management of Línea Directa Aseguradora and the IESE Business Angels and Family Offices Network.

- The mental health study "Understanding or brooding over our emotions. An analysis of the silent strategies that bring us closer to or move us away from emotional well-being", elaborated by the Health insurance segment of Línea Directa, concludes that rumination is behind 40% of anxiety problems in the Spanish population and 30% of those of depression. The report, prepared jointly with the expert in emotional intelligence Ruth Castillo-Gualda and the specialist in anxiety and stress intervention Juan Ramos-Cejudo, both professors at the Faculty of Health of the Camilo José Cela University (UCJC), looks closely at different strategies that move people closer to or further away from greater emotional well-being.

DECEMBER

- With the aim of promoting road safety among the Group's employees and strengthening the awareness and empathy of the company's claims management specialists, Línea Directa Foundation organises a Road Safety Day at Línea Directa Aseguradora. During the event, organised in collaboration with RACE Foundation and AESLEME, the insurer's staff are able to experience the reality of a traffic accident through simulators of rollover, impact and driving under adverse circumstances and under the influence of alcohol and drugs, as well as to hear the testimony of a seriously injured person in a traffic accident.

- Línea Directa Aseguradora presents the study "Household and dogs", which analyses the socio-demographic trend in pet ownership, the possibility of accidents, responsibilities and the impact of the new Animal Welfare Law. According to the findings of the report, 3 out of 10 dogs in Spain are still uninsured, despite the forthcoming entry into force of the new regulations and 10% of owners admit that their dogs have attacked people or other animals on some occasion.

MAIN FIGURES 2023

ECONOMIC FIGURES IN MILLIONS

€973.3 Mn
premiums written

€792.7 Mn Motor	€149.4 Mn Home
€30.4 Mn Health	€0.78 Mn Other

PBT (Profit before tax)*	-6,5 M€
Net profit*	-4,4 M€

NUMBER OF CUSTOMERS 3.32 Mn

* Consolidated profit before tax and net profit data under IFRS 17 & 9. Under IFRS 4, PBT is -€ 13.8M and net profit is -€ 9.8M.

GOOD GOVERNANCE

57%
% WOMEN ON THE BOARD

57 %
% INDEPENDENT DIRECTORS

7
No. OF DIRECTORS

STAFF DATA

No. OF EMPLOYEES
2,488

58%
WOMEN

42%
MEN

42
AVERAGE AGE

9.9
AVERAGE YEARS ON STAFF

68%
INTERNAL PRO-MOTIONS
(of which 53% were women)

90,4%
STAFF HAVE RECEIVED TRAINING

Employees

Permanent contracts	99.5%
Women in senior management positions	58%
Women in positions of responsibility*	51%
Pay gap	3.1%
Empleados en voluntariado corporativo	169

* Positions of responsibility include the Management Committee and the middle managers.

Collaborators

92%

LOCAL SUPPLIERS

Customers

NPS (Net Promoter Score)	29.16
NSS (Net Satisfaction Score)	33.67
Digital customers	87.4%
Calls answered	11.12 M
Average discount to health customers for positive habits	45.15€
Number of consultations to the tele-medicine and medical service online chat	40,542

Society

Direct and indirect taxes borne and passed on	€221.5 Mn

Consolidated Management Report (in thousand euro)

Environment	
Renewable electricity (Línea Directa Aseguradora)	100%
Percentage of self-generated electricity (Group)	14%
Reduction of energy consumption (Group)	4%
Reduction of paper consumption (Group)	6%
Reduction of emissions (Group: scopes 1 and 2)	10%

Línea Directa Foundation	
Start-up projects received for the Entrepreneurs and Road Safety Award	50
Projects presented for the XX Journalism Road Safety Award	2,003
Number of news items generated by Road Safety studies	815

Sustainable finance	
Percentage of eligible premiums according to the taxonomy	2.1%
Eligible investment portfolio according to EU Taxonomy by turnover	14.1%
Eligible investment portfolio according to EU Taxonomy by CapEx	12.7%
Percentage of premiums aligned with the taxonomy	2.1%
Aligned investment portfolio according to the EU Taxonomy by turnovercio	2.3%
Eligible investment portfolio according to EU Taxonomy by CapEx	4.5%
ESG risk of the investment portfolio	20.43%

Consolidated Management Report (in thousand euro)

BUSINESS ENVIRONMENT

The Spanish insurance sector has maintained solid revenue growth in its main business segments in a context of economic slowdown, while high levels of inflation have, for yet another year, continued to affect the results and profitability ratios of companies specialising in general insurance.

MACROECONOMIC SCENARIO

In 2023, the global economy has continued to recover from the impacts of the pandemic and the conflict in Ukraine, albeit **with growth slowing down as the year progressed**. Contributing to this slowdown has been a loss of steam in the services sector, combined with weakness in manufacturing activity; tighter financial conditions stemming from tight monetary policies; and high inflationary pressure, with a rebound in energy prices.

World gross domestic product (GDP) increased by 3.1% during the year, according to estimates by the International Monetary Fund (IMF), compared with an increase of 3.5% in 2022, with differences between the main geographical areas. The United States recorded stronger than expected growth, the euro area showed some stagnation throughout the year and China's economy, although it grew at 5.2%, is far from its pre-pandemic pace.

A SLOWING ECONOMY

GDP growth in %

	2022	2023	2024*
World	3.5%	3.1%	3.1%
Euro area	3.3%	0.5%	0.9%
United States	1.9%	2.5%	2.1%
China	3.0%	5.2%	4.6%

*IMF forecast. January 2024 World Economic Outlook

Outlooks may be affected by geopolitical tensions. The war in Ukraine and an extension of the Gaza-Israel conflict could lead to a scenario of further price escalation, especially in food, commodities and energy.

Inflation, which reached 8.4% in 2022, eased to 6.8% in 2023, reflecting monetary policies, and is expected to continue to decelerate progressively. Central banks have signalled that **interest rate hikes** have come to an end and there is even speculation about the first rate cuts in 2024, although they are expected to remain at restrictive levels for a longer period than initially anticipated.

Other risk factors for global economic performance include a more pronounced slowdown in China and the levels of public debt and deficits in some countries.

SPAIN

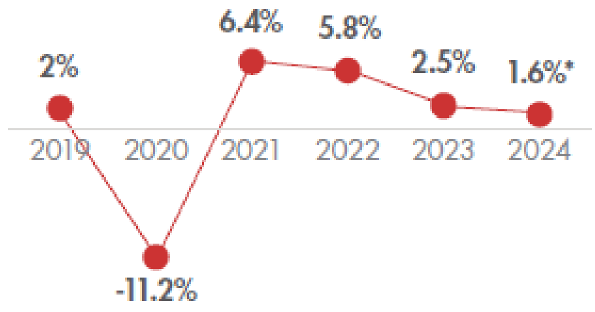
The Spanish economy in 2023 once again posted a growth differential with respect to the euro area, with GDP growing 2.5%, driven by the dynamism shown by domestic demand thanks to the increase in both public and household consumption. The labour market had a relatively robust showing, with a record number of employed persons (21.2 million) and the unemployment rate standing at 11.76%.

Despite this stronger performance in comparison with the rest of the world, the Spanish economy is no stranger to the global context of a generalised slowdown. Banco de España forecasts that, compared to a positive trend of 2.5% in 2023 and 5.8% in 2022, the Spanish economy will grow at a rate of 1.6% in 2024.

Consolidated Management Report (in thousand euro)

SPANISH ECONOMY

Annual change in GDP (%)



*Banco de España forecast "Macroeconomic projections of the Spanish economy (2023-2026): Banco de España's contribution to the Eurosystem's December 2023 joint forecasting exercise"

This slowdown is, according to the institution, due to a slowdown in the external environment and a less favourable outlook for future developments in consumption by households.

The general **Consumer Price Index (CPI)** stood at 3.1% at the end of December last year. In annual average terms, it eased from 8.4% in 2022 to 3.5% in 2023. Nonetheless, core inflation remained above headline inflation throughout the year, with an annual average rate of 6%. Banco de España forecasts that the CPI will continue to ease progressively, reaching 3.3% by the end of 2024 and falling to 2% in 2025.

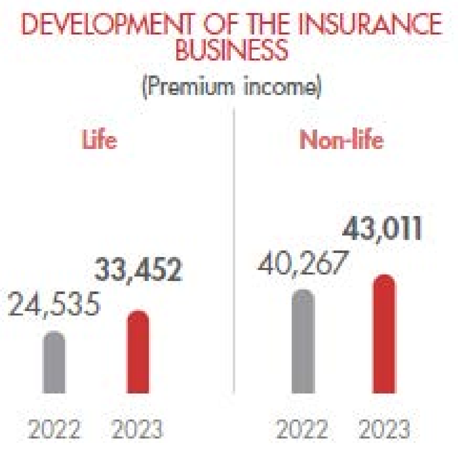
CONSUMER PRICE INDEX

*Banco de España forecast "Macroeconomic projections of the Spanish economy (2023-2026): Banco de España's contribution to the Eurosystem's December 2023 joint forecasting exercise"

INSURANCE SECTOR TRENDS

The performance of the insurance business in 2023 has been marked by developments in the economy and, in particular, by the effect of monetary policies and high levels of inflation. While the sector has recorded **solid and symmetrical premium income growth** in its two main segments, Life and Non-Life, the performance in terms of profitability has been different between the two. **Non-life, and in particular Motor insurance, continues to be negatively impacted by the increase in average repair costs and injury rates.**

The sector's premium income amounted to € 76,463 million for the year, 18% more than in 2022, driven mainly by the Life business, whose turnover grew by 36.3% to € 33,452 million, thanks to the rise in interest rates. Non-life revenues increased by 6.8% to € 43,011 million, intensifying the growth rate of 2022 (+4.7%), according to data from Investigación Cooperativa de Entidades Aseguradoras (ICEA).



All the main Non-Life segments recorded significant growth in terms of revenues.

Motor, which is the leading general insurance segment with 28% of total Non-Life turnover, improved its revenues by 6.6% to € 12,108 million. The positive development was mainly due to the increase in average premiums in the industry in response to the narrowing of insurance margins and, to a lesser extent, to the increase in the number of insured vehicles.

The recovery of dealer stocks after the global supply problems experienced in previous years has boosted passenger car registrations. Over the past year, these grew by 16.7% to 949,359 vehicles, still below the pre-Covid-19 pandemic levels, according to Faconauto data. The insured fleet set a new record level, with 33.4 million insured vehicles (+1.5%), according to data from the FIVA (which is the Spanish insured vehicle registry).

In 2023, the industry continued to be hampered by high repair costs, which affected profitability.

In addition, the injury rate rose by 8.5%. As a result, the combined ratio of the insurance sector as a whole was above 100% during the year, according to ICEA (the statistical and research service for the Spanish insurance sector).

The Home and Health segments again recorded outstanding growth, despite the economic slowdown and the effects of monetary policy.

The tightening of financial conditions as a result of the rise in interest rates led to a fall in house sales of more than 9% in 2023, according to data at the end of November, the latest data available from INE (Spanish National Statistics Institute). Despite this, rate adjustments and the increase in home insurance penetration allowed the Home insurance segment to increase premium income by 6.4%, to € 5,475 million, a growth 0.8 percentage points higher than that recorded in 2022.

The Health segment showed some slowdown compared to the previous year, with a premium volume growth of 6.6%, to more than € 11.2 billion. Thus, despite the slowdown in the entry of new policyholders linked to the economic cycle and the effect of inflation on household incomes, this business segment now represents more than 26% of the total Non-Life insurance turnover, second only to Motor.

From a profitability standpoint, Non-Life technical profit or loss was impacted by the escalation in average repair and service costs, which mainly affected the Motor segment. Net interest income in the general insurance business, on the other hand, improved, driven by higher returns on investments thanks to interest rate hikes.

In this context, Línea Directa Aseguradora, with a customer portfolio of 3.3 million policyholders, recorded € 973.3 million in premium income, a 2.8% increase, thanks to the growth of income in all its business segments. In line with the Group's strategy of profitable growth, Motor improved its revenues by 2.5%, Home by 4.0% and Health by 4.5%.
As has been the general trend in the sector, the company's results were affected by the inflationary situation, resulting in a net loss of € 4.4 million, driven also by an increase in claims. In any case, in the second half of the year the Group recorded a net profit of € 10.7 million, reflecting the positive effect that the underwriting and claims management efficiency measures implemented by the company had on its margins.

BUSINESS MODEL

THE LÍNEA DIRECTA BRAND

The Línea Directa brand is one of the company's most important strategic assets. The brand also reflects the identity and essence of the company: a unique and successful way of doing insurance, with strength, leadership and values. Since its launch in 1995, Línea Directa Aseguradora has maintained a direct relationship with its customers through simple and fresh communication. This, together with its capacity for innovation and the digitalisation of its processes, has enabled the company to consolidate its position as one of the leading insurers in the Spanish market and to become a large multi-segment organisation.

Línea Directa Asegurador was born 29 years ago marketing a single product -car insurance- and with a direct business model, operating exclusively by telephone. Today it is a **multi-segment insurer specialising in the Motor, Home and Health segments**, where it keeps running its **direct business model**, allowing its more than 3.3 million customers to engage directly with the company via telephone and the Group's digital channels.

Línea Directa Aseguradora's objective has always been to put the customer first. Prior to 1995, insurance sales were almost exclusively made through intermediary channels. Línea Directa Aseguradora then burst into the market with its direct business model, having no branch networks, and marking a turning point in the sector, **because it passes on to the customer** part of the savings it obtains through its operating model, without having to reduce the scope nor quality of its services.

The direct model involves both a different way of relating to customers and different organisational, operational and cultural characteristics. This, in turn, brings with it a number of qualities that make it highly competitive: a strong strategic alignment, state-of-the-art technological support and extraordinary flexibility to respond more efficiently and nimbly to the needs of the business and its customers.

All of this translates into advantages for customers in terms of proximity, unique products, quality of service and competitive prices, which the company describes in the claim **"El valor de ser directo"** [the value and boldness of being direct]. Línea Directa's proposal met with an excellent response from the market, and the company *broke even* in only four years and in less than ten years it reached its first million customers, despite operating in only one business segment.

Introducing and developing the direct model entailed a complete overhaul of the dominant distribution channels to date, as well as a radical new way of approaching society. Línea Directa devised a **different advertising communication strategy, simple and far removed from the archetypes** used in the sector up to that time. To this end, it promoted fresh, dynamic, flexible advertising, especially aimed at mass media, which, using a somewhat humorous tone, highlighted the advantages of the direct model for the customer with the aim of connecting them to the brand.

Currently, Línea Directa Aseguradora has consolidated its position as one of the **largest advertisers in the country** according to Infoadex and one of the Spanish insurance brands with **the highest advertising recall** according to the IOPE Advertising Awareness study compiled by Kantar TNS.

The disruption in advertising is the result of the **strong culture of innovation** that characterises Línea Directa Group and which encompasses marketing, processes and product development. Initially specialising in car insurance, the Group began to operate in the Home segment in 2008 and in 2017 launched its Health segment, always loyal to the premise of offering **differential and competitive insurance solutions**.

Línea Directa aims to cover all the insurance needs of customers.

The organisation was born with an advanced technological base as one of the pillars of its direct model. In 1999, four years after the launch of its operations, Línea Directa became the first insurance company to distribute policies over the internet. Its strong commitment to technology

and the absence of cross-channel conflict has given the Group a **great advantage in the digital arena**. Currently, more than 87% of the company's customers are digital, the digital interactions of policyholders are 59% higher than telephone contacts and the insurer already relies on technologies such as artificial intelligence (AI) to offer higher quality, more agile and direct insurance and services, improving user experience.

A large multi-segment insurer

Línea Directa Aseguradora is one of the 13 leading Non-Life insurance companies in Spain thanks to its position in the Motor segment, in which it is the 5th largest insurer in the country in terms of turnover, and its growing activity in the Home and Health segments, in which it is ranked 13th and 24th respectively. Building on this diversification, the company aims to consolidate its position as a large multi-segment insurer.

This entailed, in 2022, a reorganisation of the corporate structure, consolidated in 2023, shifting from a segment-based organisation to a global vision of customers and their needs. The organisation went from being divided by business segments to being structured in two customer-focused areas: on the one hand, the Commercial area, responsible for attracting new business based on brand leadership, a multi-segment commercial proposal, product innovation and strategic alliances; and on the other, the Portfolio area, responsible for fostering a more continuous and closer relationship with customers, strengthening and securing the long-term loyalty of policyholders.

In 2023, this new approach translated into the Group's commercial proposals such as "Car+home formula", which allows policyholders to take out car and home policies together, benefiting from more competitive prices and free additional coverage. This is the first step by an insurer in Spain towards the bundling or merging of policies for the same family unit.

In September 2023, in line with its multi-segment strategy, the company began to market its Health insurance, which until then had been managed under the Vivaz brand, under the Línea Directa brand. The Health segment can now benefit from the strength and potential of the Group's iconic brand, leader in notoriety in the Spanish insurance market, and policyholders can access a comprehensive commercial proposal and a homogenous customer experience in all channels. As a result, the company will be able to optimise commercial efficiency and increase customer loyalty, thus contributing to the Group's growth and diversification.

Corporate communications

The External Communication and Sustainability department has designed an ambitious Corporate Communication Plan, which, through a strategy combining earned media and own channels, reports to the company's stakeholders and to society as a whole the company's financial results, its corporate and business strategy, its performance in sustainability and the remarkable activity of Línea Directa Foundation in the promotion and defence of road safety.

The Communication Plan includes careful monitorisation of the news items generated by the company, analysing their subject matter, tone, space, duration, audiences and equivalent advertising values, in order to evaluate its scope and results.

In 2023, the company and Línea Directa Foundation issued 31 press releases and presented 7 reports on road safety and topics of general interest relating to cars, housing and health. Additionally, its main spokespersons, including the CEO, have been interviewed and have participated in numerous forums. The impact achieved with all these actions has been: 5,926 news items, of which 81.5% were published on the internet, 13.7% in printed press, 2.7% was heard on the radio and 2.0% was seen on television.

Línea Directa Aseguradora has also set up its own channels of communication with its stakeholders and the public, including the Group's corporate accounts on the main social media sites, a corporate blog and a blog for Línea Directa Foundation, in addition to the corporate website, the company's commercial website and the Foundation's website.

With a strategy based on organic growth, dynamic communication and the creation of a stable and participative community around the brand's values, by the end of 2023 the company had 463,379 followers on its Facebook, Twitter, Instagram, LinkedIn and TikTok accounts, making it one of the insurers with the largest social media following and generating the most activity on these sites. The Group's blogs, which focus on providing relevant and useful information for theublic and highlighting the activities of the insurer and its Foundation, received 59,495 visits, an average of 4,958 per month.

PUBLIC LEADERSHIP	2021	2022	2023
Number of news items	8,340	7,203	5,926
Audiences reached (millions)	3,208	2,039	1,831
Press releases made	43	44	31
Merco Companies	54	48	40
Merco Talent	45	43	*
Merco ESG Responsibility	55	60	62
Recognitions	8	7	8
Followers on social media	434,395	461,661	463,379

*2023 ranking not available

Its corporate communication strategy enables the organisation to fulfil its **commitment to transparency and to position itself according to its brand attributes**, revealing the coherence between its words and actions. Year after year, Línea Directa Aseguradora is included in the main reputation monitors in Spain, such as **Merco Companies** (40th place), **Merco Talent** (43rd in 2022, latest ranking available) or **Merco ESG Responsibility** (62nd place).

STRATEGY

Línea Directa Aseguradora operates a business strategy that, guided by the mission, vision and corporate purpose of the Group and in conjunction with its sustainability strategy, seeks profitable and sustainable growth that generates value for its shareholders, customers, employees, suppliers and society in general. This strategy is based on the pillars that define and differentiate Línea Directa Group from its competitors and is adapted to meet the present and future challenges and opportunities arising from market circumstances.

El valor de ser directo

Línea Directa Aseguradora started its activity in 1995 with a business model based on disintermediation and direct distribution. As a result of the advantages of this model for both the company and its customers, which the Group summarises with the claim **"El valor de ser directo"** [the value and boldness of being direct], the company quickly became a success story in the Spanish insurance market.

The organisation operates through the telephone and digital channels, without branch networks and with **all its operations centralised** in its headquarters in Tres Cantos (Madrid), which translates into greater efficiency. **Technical rigour**, **innovation** in marketing and products, as well as advanced **digitalisation** in processes add value to the model, making Línea Directa Group more competitive, and enabling it to offer customers comprehensive products and an extraordinary quality of service at more competitive prices.

Profitable growth and operational efficiency

Throughout its 29 years of activity, Línea Directa Aseguradora has sustained a profitable and organic growth in customers and income, which has allowed the company to **rank 13th among Non-Life insurance groups in Spain** in terms of income from premiums.

With an insurance portfolio of more than 3.3 million customers, the Group's premium income at the end of 2023 stood at € 973.3 million, driven by the growth in turnover of the three business segments in which it operates – Motor, Home and Health. In a context of continued inflation that has led to a sharp deterioration in the margins of the insurance sector as a whole, Línea Directa's strategy has been to prioritise **profitable growth through excellent risk selection and an adaptation of rates** to the risk of each customer at the current time.

The company relies on a **subscription and pricing model** that allows it to offer each customer a **personalised price** and adapt its products and rates to particular circumstances.

The Group's strategic priority in the current market environment is to improve insurance margins through various channels: **adjusting premiums and underwriting standards to current risks, optimising claims management and continuously increasing efficiency** through strict control of overhead expenses and productivity gains, supported in particular by the increasing digitalisation of its processes.

Product innovation

Línea Directa Group aims to maintain profitable and sustained growth through the generation of new business, increasing the loyalty of the portfolio and focusing its entire strategy on the customer.

To this end, it seeks to cover all customers' insurance needs through a highly competitive offer, based on insurance policies with broad and unique coverage, a high quality of service and an excellent user experience thanks to its digital service range.

Proximity to customers, a culture of innovation and agility intrinsic to the company's business model give Línea Directa Aseguradora a great capacity to adapt and respond to changes in the habits and insurance needs of customers with specific and differential products in the areas of Motor, Home and Health.

Throughout 2023, Línea Directa launched innovative products, such as "Car + home formula", the first step by an insurer in Spain towards the packaging of policies for the same family unit, by offering car and home insurance together; "Mortgage free", a home insurance specifically designed for people who have finished paying their mortgage, and "Concern free home", the first complete and comprehensive cover against illegal occupation of the home.

In recent years, the company has also been committed to being at the forefront, from the point of view of adapting the insurance offer, to the paradigm shift that is taking place in mobility with the boom in sustainable vehicles, personal mobility vehicles (PMVs) and new formulas for use and ownership such as leasing. In 2023, the company extended its Respira (breathe) policy, the insurance policy for electric and plug-in hybrid cars with specific coverage for these vehicles launched in 2016, to electric motorbikes. Meanwhile, Línea Directa offers its insurance through CarnRoll, a digital platform for the sale of used vehicles with financing and insurance included. And, in order to encourage the renewal of the vehicle fleet and promote road safety, the company launched the ADAS Campaign with discounts on policies for vehicles that incorporate an advanced driving assistance system. This is in addition to other commercial innovations launched by the company in recent years in this field such as Call it X, the first insurance with car included, and Safe&Go, a specific policy for users of scooters and other PMVs.

Product innovation has been part of the company's culture and DNA since its origins and is transversal to the entire organisation, increasing the Group's competitive advantage in today's highly disruptive environment.

Digitalisation

Because of its direct business model, which requires a strong technological base, since its inception Línea Directa Aseguradora has been at the forefront of the sector in the field of digitalisation. The company continues to make progress in its digital transformation with the aim of becoming more efficient and offering a better service.

To this end, the company has been improving and evolving the developments already achieved, while implementing new technologies that contribute to optimising the management of its processes. Digitalisation contributes to improving customer experience, serving policyholders at any time and place and making useful products and services available to them, as well as enhancing digital channels as a customer relationship point, thus increasing commercial opportunities.

Throughout 2023, Línea Directa has extended the digitalisation of its internal processes, , increased the range of digital services offered to its customers through the mobile application, and optimised claims management.

Relying on the use of advanced technologies such as artificial intelligence (AI), the company already applies natural language processing to the administration of claims, insulating the customer from the complexity of the company's processes. This has enabled it to reduce the operational burden and errors in managing digital claims, streamlining the process and improving user experience. And also due to the improvements achieved with AI, 75% of Línea Directa's annual verifications are now carried out digitally, allowing the Group to increase the efficiency of this process and move towards automatic damage assessment without human intervention.

Through this advanced digitalisation process, Línea Directa Aseguradora aims to offer customers the same functionalities through digital channels as through the telephone, in a simple, practical and agile way. Policyholders can now carry out most of the procedures related to their policies through the Línea Directa App and website, such as contracting, registering accident reports and following them up. A positive customer experience has translated into a high degree of penetration of digital services, with more than 87% of policyholders now interacting with the company through digital channels, and interactions through digital channels outnumbering contacts over the phone by 59%.

Línea Directa's strategy of efficiency through digitalisation encompasses the entire organisation and all its processes, from underwriting and claims management to its relationship with suppliers and ways of working among employees. In this regard, and also based on AI, the company has developed an internal chat called LiDiA that offers personalised answers to the most common queries of the Group's employees. This allows these queries to be dealt with in an automated way and allows the entity's People Care teams to focus on those tasks of greatest value to the employee.

Business segments

Línea Directa was created in 1995 as a *joint venture* between Bankinter and Royal Bank of Scotland, focusing on the direct sale of motor insurance. Over the years, the company has diversified its business lines to become a multi-segment company, currently operating in the Motor, Home and Health segments. This growth has made Línea Directa Aseguradora the 13th largest Non-Life insurance company in terms of premium volume (according to ICEA, the Spanish insurance industry's statistics and research service), with a turnover of more than € 973.3 million and 3.3 million policyholders.

Motor insurance

Motor insurance is the core business of the Group. At the end of 2023, this segment accounted for 81% of the company's premium income, with revenues of € 792.7 million, and 74.5% of the insured portfolio, with more than 2.47 million customers, making Línea Directa Aseguradora the 5th largest insurer in the segment by premium volume at the end of 2023.

The company offers a comprehensive and personalised range of policies for cars, motorcycles, personal and commercial vehicles for individuals as well as large companies, SMEs and the self-employed. Its direct business model, focus on innovation and in-depth market knowledge enable it to offer differentiated coverage and services tailored to each type of customer.

The company's product range now extends from classic policies (All Risks, All Risks with Excess, Extended Third Party and Third Party) to differential policies such as Super Third Party, which extends third party guarantees to cover the policyholder's own losses under certain circumstances. The company also offers special cover for accidents involving animals or the option of choosing between repair and compensation for some claims. Línea Directa Group operates in the segment with two other independent brands: Penélope Seguros, created in 2012 with cover specially designed for women, and Aprecio, an insurance policy aimed at motorbike users.

Home insurance

The Home segment, which started operations in 2008, has become a real engine of growth and diversification for Línea Directa. With a premium turnover of € 149.4 million and more than 727,000 homes insured, this business segment already contributes 15% of the Group's income and 22% of its customer portfolio.

In a context where mortgage loans and home insurance are closely linked, Línea Directa markets a product based on flexibility and price competitiveness, in which the customer only pays for what they need, an attribute that has enabled the company to achieve a high level of growth, placing it 13th in the ranking of home insurance companies in terms of business volume.

In recent years, the Group has strengthened its home insurance range through alliances with companies in other sectors. The aim is to give its customers access to other housing-related services on advantageous terms, to attract new policyholders and to promote energy efficiency in homes.

New developments in 2023 include the launch of its comprehensive coverage against squatting, which has seen a high penetration among new customers.

Health insurance

At the end of 2017, Línea Directa Aseguradora began operating in the Health insurance business segment under the Vivaz brand, as part of the company's strategy to diversify its business. In just six years and operating in a very mature and concentrated market, the Group has gained 117,000 policyholders and € 30.4 million in revenues, making it one of the 25 largest health insurers in Spain.

The insurer's organic growth in this sector is driven by its 100% digital approach, the simplicity and flexibility of its customer experience, the competitiveness of its premiums and the breadth and quality of its medical team, which, in alliance with DKV, comprises 51,000 professionals and 1,000 health centres and hospitals.

The company pays particular attention to preventive medicine and the promotion of healthy lifestyles among policyholders and the public in general, in the belief that prevention is the best way to maintain health. For example, the Group enables its customers to benefit from preventive diagnostic tests without having any symptoms. The company also encourages its policyholders to adopt healthy habits such as walking at least 10,000 steps a day, sleeping at least 7 hours a night and eating well. These habits can lead to significant discounts on insurance renewal for customers of up to € 200.

At the end of 2023, the app that monitors adherence to these healthy habits had more than 19,000 registered users.

During 2023, app users recorded an average of 219,500 steps per person per month and a total of 42 million hours of sleep, resulting in an average discount of € 45.15 per customer.

A major milestone in this business was achieved in 2023. As part of the company's multi-segment strategy, Health insurance is now marketed directly under the Línea Directa brand. Selling products under the main brand, which is the best known in the wider insurance sector, is intended to strengthen customer loyalty and support the growth and diversification of the organisation. It will also allow the company to offer customers a comprehensive and homogeneous customer journey, enhancing synergies and cross-selling opportunities.

This rebranding has not resulted in any change to the coverage or terms and conditions for customers, who will continue to have the same access to the medical directory and the rest of the company's services through the app, as well as continuing to be included in the rewards programme for maintaining healthy habits.

At an operational level, the company handled a total of 40,542 chat and videoconferencing requests in 2023, compared to 42,872 the previous year. Some of the most requested online consultations are with general practitioners, nutritionists, paediatricians and gynaecologists.

Línea Directa Asistencia

Línea Directa Asistencia is the Group's subsidiary specialising in verification, appraisal and travel assistance services. The company operates through a network of thousands of employees throughout Spain, providing vehicle and personal assistance 24 hours a day, 365 days a year. In 2023, Línea Directa Asistencia provided more than 624,500 roadside services nationwide.

In addition, thanks to the agreements with the European partners of Astrum Alliance, the world's leading association of travel assistance companies, it can offer this service to Spanish and foreign customers, both inside and outside Spain, 24 hours a day, every day of the year, in Spanish, English, German and Portuguese, for both the vehicle and its occupants in the event of a breakdown, accident or theft.

Línea Directa Asistencia offers innovative mobility and roadside assistance solutions through its own team and a wide and experienced network of partners. These services include:

- Digital towing. Customers can use the app to request a tow truck in less than 30 seconds. The app uses GPS geolocation to pinpoint the location of the customer and their vehicle, allowing real-time tracking of the route taken by the assistance vehicle and the estimated time of arrival. The company also offers the Facetruck service, through which, with the aim of increasing security in the provision of services, the customer receives a photo and details of the crane operator and can communicate with them by message.

- Instant replacement vehicle. At the time of assistance, our towing staff will bring a replacement vehicle to the scene to allow the customer to continue their journey while their damaged vehicle is removed.

- Photo verification. It allows the customer to assess the damage to the vehicle remotely by sending photos via their mobile application, avoiding a trip to the garage. This process is completed by on-site verifications carried out by an extensive national network of verifiers across Spain.

- Mechanical assistance. The company offers policyholders professional advice on mechanical issues, on-site repairs, assistance, and a comprehensive maintenance service to keep servicing up to date. Línea Directa Asistencia has a group of highly qualified mechanics who are able to diagnose the breakdown on the phone, send information to the operator for on-site repair or determine whether a tow truck is required. This group is supported by predictive technology that can identify the complexity of the problem before the call reaches an agent.

- Mobility services. Línea Directa Asistencia offers replacement vehicles and the transfer of the car to the Spanish Technical Vehicle Inspection (ITV).

The breadth and excellence of the company's partner network guarantees a service with a high level of customer satisfaction. Línea Directa Asistencia's service is rated "excellent" by 7 out of 10 respondents, with an average towing time of 31 minutes and 44% of repairs carried out on the spot.

Línea Directa Asistencia also acts as an emergency call centre in the different Spanish Autonomous Communities. If the e-call device in the accident vehicle is activated, specialists from the Group's subsidiary will contact the customer to manage the emergency. If communication is not possible, Línea Directa Asistencia alerts the emergency services, informing them of the accident and its location, reducing the time it takes to receive medical attention.

Advanced Repair Centre (CAR)

In addition to an extensive network of collaborators consisting of 1,000 body shops, mechanics and laminated glass workshops , Línea Directa Aseguradora runs two state-of-the-art workshops of its own, as well as its own Advanced Repair Centres (CAR) in Madrid and Barcelona. These workshops offer a comprehensive service to customers, from the initiation of the report to the repair of the vehicle, always under the Group's high standards of quality, commitment and excellence.

The two Línea Directa Aseguradora workshops carried out a total of 17,207 repairs in 2023. Of these, CAR Madrid, in operation since 2008, was responsible for 9,850 repairs (-0.2%), and CAR Barcelona, established in 2018, handled 7,357 of the claims (+ 1.6%).

The knowledge and information gathered by the two centres has enabled the Group to significantly increase its repair knowledge and innovation, improve quality and reduce claims costs. CAR workshops are able to manage all their internal and external processes 100% online, allowing customers to carry out a wide range of operations via the channel, such as changing their appointments, requesting a replacement vehicle or checking the status of their repair, among others.

All this has resulted in an excellent rating by users. The NSS (Net Satisfaction Score or satisfaction index for purchasing products or services) of CAR Barcelona and CAR Madrid was 42.86% and 43.67% respectively at the end of 2023, compared to 30.14% for non-cooperating repairers.

CAR also has its own fleet of courtesy cars, which are made available to customers free of charge until the repair is completed.

LDA Reparaciones

As part of the reorganisation of the company's supply processes, LDAReparaciones will cease to operate as a partnership in December 2023.

Sustainable products

For years, Línea Directa Group has been committed to sustainability, and this is reflected in its three-year sustainability plan, which runs until 2025.

The plan includes 87 specific actions in 15 action areas for the period 2023-2025, is aligned with the Sustainable Development Goals (SDGs) and is integrated into the company's strategy.

On the commercial side, the Group has developed and launched various products and services that, in addition to meeting the business and growth objectives of each of the three segments in which it operates (Motor, Home and Health), aim to have a positive impact on society and the environment.

Póliza Respira (Breathe Policy)

In the Motor segment, Línea Directa offers the Respira policy, the first insurance policy specifically designed for zero-emission vehicles (including plug-in hybrids). The company ended the year with more than 26,400 electric and plug-in hybrid vehicles in its portfolio and a market share of 10.1% of new registrations in this car segment.

Llámalo X (Call it X)

In response to the uncertainty caused to consumers by the restrictions on the most polluting vehicles and the rise of new forms of mobility and ownership, Línea Directa began marketing in 2020 "Llámalo X", the first all-risk insurance that includes the car at a fixed monthly price, including maintenance and taxes.

This solution, which has been very well received at the launch of each of the promotions, regularly includes environmentally friendly vehicles. By year-end 2023, "Llámalo X" had more than 2,600 car-inclusive policies.

ConducTOP

Línea Directa customers have at their disposal the ConducTOP mobile application, a programme that analyses the driving style of its users with the aim of making it safer and, therefore, more sustainable. The app takes into account the smoothness of cornering and braking, acceleration and adherence to speed limits, as well as concentration at the wheel. Policyholders with the highest scores accumulate points and discounts that can be exchanged for products and services at Cepsa petrol stations. At year-end 2023, the App had accumulated 66,578 downloads in the Android and IOS stores.

ECO-labelled replacement vehicles

The Advanced Repair Centres (CAR), Línea Directa's own state-of-the-art workshops, offer a wide range of eco-labelled replacement vehicles that run on LPG (Liquefied Petroleum Gas), a propulsion system with almost zero CO2 emissions.

Night Assistance for Young People

Also in the area of sustainable insurance, Línea Directa Asistencia runs the Night Assistance for Young People service, which provides night-time transport for customers under the age of 26 if they have consumed alcohol or feel unwell. This service, which is completely free of charge, covers both the driver and their vehicle. The aim of this initiative, which is unique in the sector, is to prevent risky situations for a group particularly exposed to road accidents.

Safe&Go

In recent years, mobility in Spanish cities has undergone profound changes. Urban planning based on pedestrianisation, restrictions on internal combustion vehicles and a change in the mentality of new generations, who are more reluctant to buy cars, have encouraged new ways of getting around, including personal mobility vehicles (PMVs), such as electric scooters and bicycles.

Aware of this new reality, Línea Directa Aseguradora launched Safe&Goin September 2021, the first 100% digital insurance for users of all types of personal mobility vehicles (PMVs), from scooters and electric bikes to skateboards, skates, segways, unicycles and hoverboards.

Safe&Go can be taken out at the customer's request to cover just one trip, under the concept of "on/off insurance", on a pay-per-use basis, or for a whole year. Users can activate and deactivate their insurance via the Safe&Go app and only pay for the actual time of each trip. Pay-per-use has a flat rate of 2 cents per minute. There are three different annual packages, depending on the level of coverage, ranging from € 18.35 for the most basic product to € 38.96 for the most comprehensive product.

Safe&Go not only covers damage caused to third parties, but can also cover physical damage suffered by users themselves, and even legal defence. In addition, in the event of an accident, the insurance app will pinpoint your location, which can reduce emergency response times and get you help quickly.

The main novelty of this product is that, unlike the traditional model of car insurance, Safe&Go insures not the vehicle but the person and their mobility, avoiding administrative formalities such as vehicle registration and guaranteeing sustainable and safe mobility.

Hogar Despreokupado (concern free home)

In 2023, Línea Directa Aseguradora added to its multi-risk insurance "Hogar Despreokupado", a unique cover in Spain that protects homeowners against the legal and economic consequences of illegal occupation of their homes.

The policy, which has been very well received commercially, includes up to € 10,000 of legal assistance from the company and legal costs (lawyer, solicitor, expert witness, notary fees, court costs and fees) to get your home back, as well as financial compensation for the cost of repairing the damage and other costs.

The product covers the repair of the property, with the option of the service being carried out by Línea Directa's tradesmen, with no financial limit, or the reimbursement of € 5,000 if the insured organises the work themselves.

They will also be compensated with € 300 per month for six months for the water, electricity and gas bills of their main residence; € 800 per month for six months for loss of rental income; € 800 per month for six months if they need alternative accommodation. The cover also includes up to € 7,500 for damage to third parties caused by the squatters.

Digitalisation and sustainable processes

Digitalisation is not only an opportunity to increase the efficiency of all production processes, but also a great opportunity to increase savings in energy resources and to redeploy human capital to valuable functions. For this reason, almost 5 years ago, Línea Directa approved a Digitalisation Plan that has led to great progress in this area.

Currently, 56% of the company's policyholders' car accident claims are opened through digital channels and 57.2% of tow trucks are requested through the Línea Directa app, which means not only a great improvement in customer experience, but also a reduction in the number of calls and the use of resources.

Línea Directa's home customer base is also making progress in going digital, and in the year, 48.2% of claims were opened through digital channels. The company has continued to digitalise its processes and services with the aim of streamlining them through artificial intelligence (AI).

The company is already using WhatsApp as a communication channel with customers, making it easier for them to manage their appointments with the repair shop, request a free replacement car, send photos for damage assessment, request a pick-up and delivery service or even check the status of the repair.

Awareness and sustainability

Another way of promoting sustainability is to put the company's knowledge and experience at the service of society as a whole. For this reason, every year, either directly or through Línea Directa Foundation, the company tries to provide information, raise awareness and promote prevention in certain areas, mainly related to health, home and road safety.

At the beginning of the year, Línea Directa Aseguradora presented the study "STOP INCIVILITY. 'Keyed cars': a look at road vandalism in Spain" which analyses the impact of uncivic behaviour towards other people's vehicles. More than 12 million Spaniards report that their car has been vandalised, mainly by scratching the paintwork, damaging rear-view mirrors and breaking windows. In addition, around 850,000 drivers admit to deliberately damaging another car. The most common reasons are 'personal revenge' because the damaged vehicle was 'badly parked' or 'because it was new'.

In the second half of the year, Línea Directa Aseguradora published its report "Spaniards on the squatting' of housing in Spain. Opinion, concerns and proposals", which concluded that one in four Spaniards believe there is a medium or high probability of their home being occupied, and 77% believe that this phenomenon is already a social problem in Spain. Between 2018 and 2022, cases of squatting in Spain increased by almost 40%, with more than 75,000 cases over the period.

In the area of health, the company published the study "Understanding or brooding over our emotions. An analysis of the silent strategies that bring us closer to or move us away from emotional well-being". One of the key findings of the report is that rumination, or dwelling on problems, is one of the typical responses to adverse situations that keeps people away from emotional well-being. In fact, it is the variable that explains the greatest problems of anxiety and depression in the Spanish population, accounting for 40% of the clinical symptoms of anxiety and 30% of those of depression.

Finally, in the Home segment, the study "From pets to pids: Spain's new Animal Welfare Law" was published at the end of the year. The study, which also analysed attitudes and the impact of the Animal Welfare Law on pet owners, found that 3 out of 10 dogs in Spain are uninsured and 10% of owners admit that their dogs have attacked people or other animals on occasion.

SUSTAINABILITY MANAGEMENT

SUSTAINABILITY GOVERNANCE

For Línea Directa Aseguradora, sustainability is currently one of the pillars of its strategy and is promoted transversally in all areas of activity, for which it has its own system of governance overseen by the Board of Directors and the Group's senior management.

The Board of Directors is the body responsible for approving the Sustainability Master Plans and setting their monitoring metrics, as well as approving and ensuring compliance with policies related to ESG dimensions, in particular the Sustainability Policy.

To this end, it relies on the Appointments, Remuneration and Corporate Governance Committee, which is responsible for overseeing the company's social, environmental and governance practices. The committee also monitors the Group's strategy and Sustainability Plan, assesses its degree of compliance and reviews its policies.

The Sustainability Committee reports to the EC through the People, Communication and Sustainability Directorate. This committee, which meets at least three times a year, is made up of the heads of the key functions that are closely linked to the company's ESG strategy and that drive compliance with the plan in their area.

A Sustainability working group has also been set up, made up of the heads of the business areas with the greatest influence on sustainability strategy: External Communication and Sustainability, Corporate Governance, Investor Relations, Services and Benefits, Risks, Product Innovation, Quality, Procurement, Space Management, People and Social Action. The Working Group is led by the Head of External Communication and Sustainability. This group, which meets monthly, ensures the implementation of the various actions and projects at both corporate and business level, and monitors the targets set out in the Sustainability Plan.

MATERIALITY ANALYSIS AND INDICATORS

Línea Directa Group carries out a materiality analysis every three years to identify the main environmental, social and governance issues that serve as a framework for action in the preparation of its Sustainability Master Plan, which is also drawn up every three years.

This materiality analysis of Línea Directa Group has been carried out based on the weighting of all the ESG issues that are predominant in global trends and commitments, analyst requirements, reporting standards and frameworks, as well as stakeholder expectations for the short, medium and long term. In addition, interviews were conducted with the CEO and the Management Committee, which helped to identify issues of internal relevance.

The results of this exercise were captured in a materiality matrix, which forms the basis of the 2023-2025 Sustainability Plan and has two differentiated axes:

- Business relevance, which reflects the impact of the identified issues on the achievement of the organisation's strategic objectives.
- External relevance, which reflects the importance of the issues in terms of stakeholder expectations and the global context, non-financial reporting standards and analyst and investor requirements.

In 2023, Línea Directa updated this materiality matrix, taking into account the methodological requirements for materiality analysis in the new versions of the GRI standards.

Sources used

The company has used various sources of information to identify and weigh materiality issues. The following sources were consulted in order to identify external materiality issues:

- Reporting norms and standards: Spanish Law 11/2018 on non-financial information and diversity, the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), and the materiality map of the Sustainability Accounting Standard Board (SASB).

- Sustainable Development Goals (SDGs)
- Recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD)
- ESG investment analysts: S&P
- World Economic Forum (WEF) Global Risks Report
- Macro trends report by the World Business Council for Sustainable Development (WBCSD)

To complete the external prioritisation, consultations were also held with various stakeholders, including suppliers, investors and customers.

Having identified all potentially material issues for the company, an internal prioritisation of these issues was developed in consultation with Senior Management, taking into account their perception of the importance of each ESG issue in relation to its impact on the business, people and the planet.

The result was a list of material non-financial issues related to the company's operations that have a significant impact on its performance and the decisions of its stakeholders. These issues will be addressed in the company's three-year Sustainability Plan.

The following matrix shows the most relevant issues for the company and the level of importance given to each issue by external stakeholders, according to the assessment carried out.

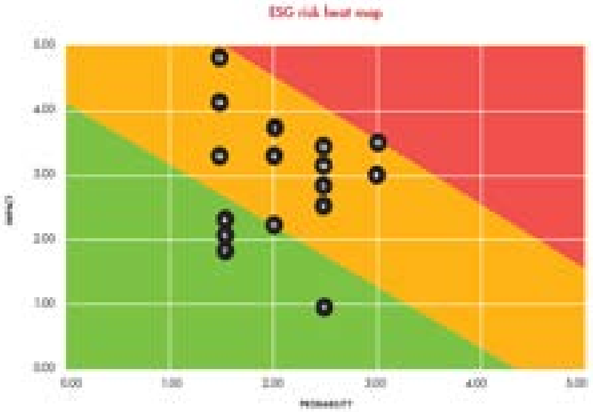
RANKING OF MATERIAL ISSUES

1	Fight against climate change and decarbonisation.	Promote the integration of climate issues into the company's objectives, management and business development.
2	Responsible investment	Promote the integration of ESG criteria into the company's investment decision-making.
3	Diversity and equality	Ensure a diverse and inclusive work environment where everyone is and feels treated with respect and fairness.
4	Sustainable products	Encourage the design and marketing of products that promote the transition to a more sustainable economy.
5	Ethics, compliance and risk management	Ensure exemplary behaviour in terms of ethics and compliance by all those who make up Línea Directa and manage risks proactively.
6	Information security	Ensure the security of infrastructure and systems by applying best practices in security and privacy.
7	Quality and customer satisfaction	Build trusting relationships with customers and ensure a quality experience.
8	Health, safety and well-being of professionals	Ensure optimal health, safety and welfare conditions for professionals.
9	Attraction and loyalty of the best talent	Manage talent responsibly and support their development and motivation through attraction and retention policies.
10	Digitalisation	Focus on efficiency and innovation in business development using digitalisation as a lever.
11	Responsible supply chain	Extend the company's ESG commitments to third parties (suppliers, partners, allies, etc.).
12	Transparency and dialogue with stakeholders	Set up mechanisms for listening and dialogue, and be transparent both internally and externally.
13	Environmental management and responsible consumption	Seek efficiency in the use of resources and minimise the company's environmental impact.
14	Social contribution	Contribute positively to society through the use of the company's capabilities and response to priority needs.

Integration of ESG material issues into the ESG risk map

The Corporate Risk area regularly analyses the risks that may impact the business, including ESG dimensions. Based on this analysis, an assessment of the company's key risks is made and the corresponding prevention and mitigation measures are identified in order to obtain an assessment of the residual risk.

In this respect, the company has defined the ESG risks and the management model, processes, relevant regulations and the methodology, which is a qualitative assessment that helps to identify the events that pose the most imminent threat. This methodology is regularly reviewed to facilitate the transfer of information between the areas responsible for the risks and the Risk Management department.



Línea Directa Group's ESG risk map is divided into 3 pillars, each of which contains 5 essential blocks, which in turn are divided into 16 levels representing 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).

The material issues identified in the analyses of dialogues with stakeholders and consultations on the most relevant issues for the business from an internal perspective show a correlation and alignment with the risks identified in the company's ESG risk map. In fact, the three most relevant issues identified in these analyses correspond to risks in the climate dimension (risks 1-4), in diversity and equality (risk 5) and in responsible investment (risk 12).

CATEGORY	FACTOR	No.	CAUSES/RISK EVENTS
ENVIRONMENTAL	Environment and climate change	1	Non-compliance with sectoral environmental and/or climate regulations/best practices
		2	Lack of adaptation of products to the effects of climate change
		3	Failure to include climate change risks in the estimation of different financial and risk ratios
		4	Lack of or poor integration of an environmental operational efficiency strategy
SOCIAL	Employees	5	Lack of promotion of diversity and equal opportunities
		6	Lack of attention to employee development and well-being
		7	Non-compliance with fundamental human and labour rights
	Customer	8	Customer experience
		9	Lack of or inadequate contribution to the needs of the social environment
GOVERNANCE	Relationship with third parties	10	ESG risks in the supply chain
		11	ESG risks in the relationship with other third parties
		12	Failure to make a responsible investment
	Governance, ethics and transparency	13	Inadequate corporate governance structure and practices
		14	Cases of corruption, fraud, bribery and tax non-compliance
		15	Information protection and security
		16	Weaknesses in communication and relationship with supervisors

Consolidated Management Report (in thousand euro)

Focusing on the main material issues

CLIMATE CHANGE AND DECARBONISATION

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 nature of the business impact of this material issue would mainly be the cost of claims related to climate change.

Línea 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.

Línea 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.

Línea 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. Línea Directa therefore has risk mitigation initiatives in place.

With regard to the management of emissions from its operations, Línea 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

Línea 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.

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. 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 Línea Directa would generate a social cost of USD 60,810 and the value chain footprint for 2023 would generate USD 6.9 million.

SUSTAINABLE INVESTMENT

Línea Directa has an investment portfolio of almost € 900 million, consisting mainly of government and corporate bonds (81%) and, to a lesser extent, equities (7%), investment funds (6%) and real estate (6%).

The company has a Sustainable Investment Policy, which it uses as the starting point in defining the principles and commitments that integrate environmental, social and corporate governance (ESG) factors in investment decisions.

Morningstar's Sustainalytics tool currently monitors the Company's portfolio sustainability or ESG risk score, which is 20.8 points; in terms of ESG dimensions, the portfolio scores 3.2 points for the environmental dimension, 8.9 points for the social dimension and 7.6 points for the governance dimension. This result covers 87% of assets under management.

The effect of this material issue is a potential impact on the Group in the event of future financial market adjustments for assets of companies with exposure to fossil fuels such as coal, oil or gas. As we have seen, the portfolio has very low exposure to these sectors of activity, but there is a need to monitor them and push for accompanying climate change commitments.

This material issue has implications for the company's ESG investment strategy and position on underwriting and investing in coal and oil and gas activities.

In 2024, the Sustainable Investment Policy will be updated to identify new opportunities and clarify time horizons for possible exclusions and restrictions for those cases that are considered high risk for the company, as well as setting targets in the roadmap towards decarbonisation of the investment portfolio.

In addition, in 2023, the first TCFD (Task Force on Climate-related Financial Disclosures) report was prepared for approval and publication in 2024, enabling the integration of climate change risks into the company's ESG risk map, including a specific report to assess this potential impact.

Metrics and goals

Meanwhile, Scope 3 emissions for 2022 were calculated during the year, covering the 15 GHG Protocol categories (where Category 15 analyses the emissions of the investment portfolio). The calculation yielded a result of 197,852 tonnes. This operation will serve as a metric to measure the climate impact of the portfolio's sustainability strategy and will be integrated into the company's emissions reduction and decarbonisation roadmap.

In 2023, the variable remuneration of Identified Staff (consisting of directors, senior executives and employees whose professional activities have a significant impact on the company's risk profile) included the 2022 Scope 3 Carbon Footprint measurement action, with a focus on the impact on the investment portfolio.

Social impact

Responsible investment represents both a positive opportunity to create new markets in emerging sectors, and a potential negative impact through the risk of exposure to securities that are not aligned with the environmental objectives developed by the European Commission through the Climate Taxonomy as part of its Sustainable Finance Plan.

Managing the investment portfolio in a sustainable way is in line with the EU's strategy for the environment and society as a whole. Global macro trends, reporting standards, analysts, the UN framework, regulation and stakeholders have all rated this issue as highly relevant.

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. For this purpose, the social cost of carbon has been calculated: using the IMF's International Minimum Carbon Price (IMCP) of USD 75, the carbon footprint of Category 15 would generate a social cost of USD 16.3 million.

Diversity and equality

The materiality exercise revealed that diversity and equality is the third most important materiality issue for the company. In order to address it, Línea Directa has drawn up a public policy that includes a set of principles and commitments that serve as a statement of its position on the care, promotion and protection of these fundamental values for society.

Diversity refers to those aspects or characteristics that make each person different and unique. Línea Directa, through a culture of respect for people, is committed to diversity and integrates it in the processes of selection, recruitment, training, promotion and remuneration, taking into account only performance criteria or professional experience when making its professional decisions, in order to avoid any form of discrimination.

Diverse teams provide a competitive advantage by enriching perspectives, facilitating cost optimisation, better attracting and managing talent, and increasing the effectiveness of problem-solving decision-making strategies.

A Diversity Committee was set up in 2023 to ensure compliance with the commitments made in the Diversity Policy. The directors who make up the committee are responsible for the areas of: Technical, Portfolio and Office of the General Secretary The role of the committee is to monitor this issue on a regular basis and to analyse the necessary indicators in the application of the Diversity and Inclusion Policy. The Board is responsible for approving and monitoring the level of compliance to ensure that the policy is implemented.

The establishment of the Diversity Advisory Committee and the Diversity Working Group was one of the objectives of the 2023 Sustainability Plan, as a first step in responding to an issue identified as material. The objective was achieved in September with the establishment of the body, as well as its governance, periodicity, composition and functions.

Positive social impact

The impact of diversity is positive, as it strengthens cultural values within the organisation, enhances the company's reputation, promotes the attractiveness and retention of talent, and increases employee innovation, productivity and creativity.

The measurement of the return on investment in diversity will always be linked to the value that different actions directly contribute to the bottom line. This requires an understanding of what the strategic objectives of the diversity initiative are. At Línea Directa, Diversity focuses on guaranteeing a respectful and inclusive work environment, in order to promote workforce management that covers both the improvement of employability and talent management. Accordingly, the behaviour of indicators related to the workforce will be observed in order to define action plans adapted to each case.

In addition, and because diversity fosters a greater capacity for innovation by assembling teams with different skills, the relevant ROI metrics will include indicators that measure performance in terms of the number of innovative projects or new products, or performance in terms of the economic benefits derived from these new products.

A material issue for stakeholders

Global initiatives such as the Global Compact or regulations such as the Non-Financial Reporting and Diversity Act, which requires companies to include information on diversity in their Non-Financial Information Statement, are key to understanding the dimension that this issue has taken on. Sources interviewed both internally and externally, including investors, employees and suppliers, give it a very high rating as an asset to the business.

This component impacts the entire operation of the company and the organisation as it is a transversal value that also affects the perception of the customer and the way of working with suppliers. In this sense, it has an impact on society as a whole.

SUSTAINABILITY STRATEGY

Línea Directa has been integrating sustainability into its operations and culture for more than 10 years, through various three-year sustainability plans, with the aim of generating value for the organisation and the different stakeholders identified.

Thanks to this approach to sustainability, Línea Directa has been able to respond more directly and flexibly to the challenges facing the company and society, as well as taking advantage of new business opportunities arising from advances in sustainability.

In this regard, the company has approved its 5th Sustainability Plan, which constitutes the roadmap for the three-year period 2023-2025 in environmental, social and governance (ESG) matters. The vision of the 5th Sustainability Plan is to lead the Línea Directa Group towards sustainable growth, promoting ESG dimensions within the company and positioning its direct model as the best asset for its stakeholders.

The plan consists of almost one hundred actions aimed at achieving a series of objectives defined through the materiality exercise carried out. These objectives include integrating sustainability into product and service innovation, adding value in response to analyst and investor demands for sustainable business, and anticipating compliance with EU sustainability legislation.

In line with the multidisciplinary approach to sustainability, the company has developed the strategic lines of each ESG component according to the material issues identified.

The plan contains fundamental innovations that have enabled the company's strategy to be adapted to the needs arisen after its IPO. The Dow Jones Sustainability Index rating was one of the criteria used to draw up the plan, given the interest shown by investors in the company, invited to participate actively in 2022.

This approach has already started to pay off, with the company achieving a significant 8-point improvement in performance in 2023 compared to the previous year, providing momentum for the coming years.

Environment

Línea Directa Aseguradora's direct business model, with all operations centralised in a single head office, naturally gives the company greater environmental efficiency than its peers.

The Group operates in a key sector for the transition to a low-carbon economy, both as an institutional investor and in its role as an insurer. It has a responsibility towards society's needs in this area. A case in point is, for example, sustainable mobility.

Línea Directa responds to the expectations of its stakeholders through the responsible management of its operations, the innovation of more sustainable products and services, the responsible management of its value chain and the inclusion of ESG criteria in its investment portfolio.

Three major blocks of action stand out in this component:

- **Sustainable business generation**

Design and development of products and services that promote sustainable mobility practices, improve the liveability and energy efficiency of homes, and enhance people's well-being and health.

- **Climate roadmap**

The company has a climate strategy that follows the recommendations of the TCFD and has defined a roadmap for decarbonising both its own operations and its investment portfolio.

- **Eco-efficient management and circular economy**

Línea Directa promotes the efficient use of resources by reducing consumption, generating its own renewable energy and systematising waste management.

Society

Línea Directa is aware of its direct impact as an insurer, as a generator of employment and as a social actor. It is a responsible Company, committed to social progress and involved in the communities in which it operates.

The following blocks of action stand out in this component:

- **Diversity, equality and human rights**

The company promotes a just society, responds to the values of equality, diversity and guarantees respect for human rights in its activities and relations with its stakeholders.

- **Talent**

Línea Directa implements best practices in terms of attraction, loyalty, retention, well-being, diversity, safety and health in the workplace.

- **Fostering the social strategy**

The company promotes its social strategy through strategic alliances, internal programmes and through Línea Directa Foundation, which focuses on road safety. Combating social exclusion and promoting healthy lifestyles are also among the company's social priorities.

Good governance

Governance is a material issue for Línea Directa. The company adopts the recommendations of good governance with regard to the composition and functioning of its governance system and continuously and progressively incorporates the best practices identified in the market.

Ethics, good governance and values are an integral part of the Group's culture and are applied in all its activities and processes, such as transparent reporting, responsible marketing of its products, financial investment strategy and supply chain management.

Four main areas of action stand out in this component:

- **Responsible and quality marketing**

The company promotes responsible and accessible marketing of products and services and customer care to the highest quality standards.

- **Corporate governance, ethics, compliance and risks**

Línea Directa strengthens its corporate governance model, develops an ESG risk map and has an ethics channel and a human rights due diligence process.

- **Responsible investment and underwriting**

The company's investment strategy is in line with ESG best practices and is in support of its efforts towards sustainable underwriting.

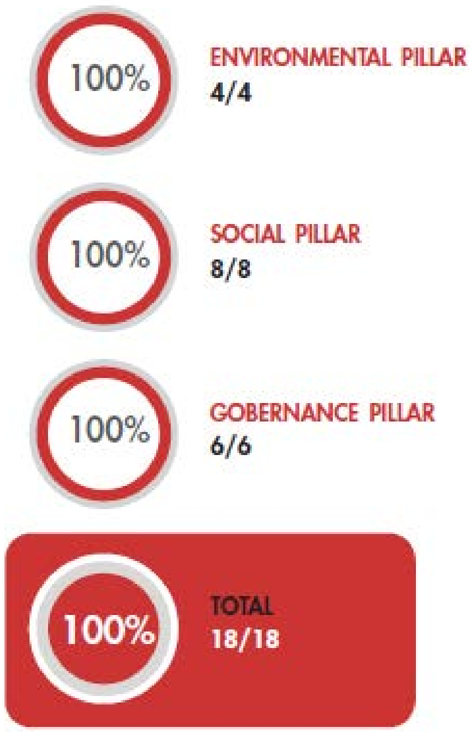
- **Responsible supply chain**

The company integrates ESG supply chain management into its operations.

Compliance with the sustainability strategy

The 5th Sustainability Plan 2023-2025 for the year 2023 has achieved an annual compliance rate of 100% in its first stage, demonstrating the commitment of both the professionals who make up the company and Senior Management. In 2023, 34% of employees' variable compensation was linked to the achievement of planned key actions. In addition, 30% of the variable remuneration of the CEO and the management team is also linked to the achievement of the key actions of the 2023 Sustainability Plan.

Compliance with the 2023 Sustainability Plan



Compliance with the 2023 Sustainability Plan

COMMITMENT TO SDG

The company has positioned its sustainability strategy in line with the Sustainable Development Goals (SDGs), which were adopted by the United Nations in 2015 as a universal call to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity.

Línea Directa plays different roles in its business development: as an insurer, as an employer, as an investor, as a partner and collaborator, and as a social actor.

In this way, the Línea Directa Aseguradora Group has incorporated objectives that make a fundamental contribution to 12 of the 17 SDGs as part of its Sustainability Plan for the three-year period 2023-2025:

SDG 3. Health and well-being

Línea Directa Group is firmly committed to health, offering society the opportunity to take out different types of health insurance and encouraging its policyholders to adopt healthy habits in terms of exercise, diet and sleep. In addition, in 2023 it carried out a mental health study as a sign of its commitment to people's emotional well-being and to raise awareness of a problem that affects many people in Spain: mental health.

Meanwhile, Línea Directa Group has an ambitious social plan for its employees, which includes several lines of action: prevention, physical activity, rest, emotional wellbeing, financial wellbeing and nutrition.

It is worth highlighting its work in reducing the number of deaths and injuries caused by road accidents through the promotion of road safety by Línea Directa Foundation, as well as the dissemination of information to raise awareness of possible risks in the home, helping to protect against them.

SDG 4. Quality education

Aware of the importance of training and learning in improving and accelerating the transformation process in which it is immersed, the company has put in place a powerful training programme based on a self-learning model for its professionals, with the aim of responding to the changing needs of the environment, keeping its professionals up to date at all times and advancing their development with tailor-made programmes.

Línea Directa Foundation is also committed to training different groups in road safety. In December 2023, a road safety awareness campaign was conducted at the company's facilities for its more than 2,300 professionals.

SDG 5. Gender equality

Diversity, equality and inclusion are part of the company's culture, ensuring equal opportunities regardless of gender, race, religion or nationality.

The company has a Human Rights Policy and a Diversity and Equality Policy, which was strengthened with the creation of the Diversity Advisory Committee in 2023.

SDG 7. Affordable and clean energy

In recent years, Línea Directa Group has installed solar panels to generate its own electricity at its main work centres. Currently, 9% of the energy consumed, including gas, is self-generated.

In addition, all the electricity consumed by Línea Directa's facilities comes from renewable sources.

SDG 8. Decent work and economic growth

The company is firmly committed to creating quality jobs and developing internal talent, as described in the Talent Management section of this report.

Through Línea Directa Foundation, the company also carries out various activities to promote entrepreneurship and help communities prosper.

SDG 9. Industry, innovation and infrastructure

Línea Directa Group also wants to be at the forefront of the digitalisation of the insurance sector, facilitating society's transition to an increasingly digital world. To this end, it develops channels and

products to promote digitalisation and participates in technological innovation forums.

Similarly, the company's innovative spirit is committed to intra-entrepreneurship, through training and focus groups made up of professionals from different sectors, as well as collaboration with start-ups specialising in road safety, through the "Entrepreneurs Award" organised by Línea Directa Foundation.

SDG 10. Reducing inequalities

Línea Directa Group is also committed to the social and economic inclusion of all people, especially people with disabilities, mainly through corporate volunteering, collaborating with various NGOs. The company also pays particular attention to talent development, ensuring that there is no discrimination.

SDG 11. Sustainable cities and communities

Línea Directa Group is strongly committed to new forms of mobility and, in particular, to sustainable mobility. The Safe&Go insurance product and the work carried out in recent years by Línea Directa Foundation to raise awareness of road safety are two examples of Línea Directa's ambition in this area.

SDG 12. Responsible consumption and production

Línea Directa Group is not an intensive producer of waste, but it has established policies and objectives for the correct management of waste and its subsequent recycling.

In 2023, the Advanced Repair Centres renewed their 'Towards Zero Waste' certification, which requires that more than 60% of waste generated be recovered or sent for recycling.

SDG 13. Climate action

The section on the environmental component details the actions that Línea Directa is taking to combat climate change, as well as the progress made in 2023 in identifying risks and opportunities related to climate change, in line with the recommendations of the TCFD.

The company carries out various tasks in this area, such as calculating its carbon footprint, setting reduction targets and offsetting its Scope 1 and 2 emissions. The company has also developed an ISO 14001 certified environmental management system and an ISO 50001 certified energy efficiency system.

SDG 16. Peace, justice and strong institutions

Línea Directa Group contributes to this objective by pursuing the integrity and enforcement of compliance with the relevant regulations and disseminating them in its partnerships with external organisations and institutions.

Through Línea Directa Foundation, it regularly studies and analyses aspects of driving behaviour, contributing to the dissemination and awareness of the importance of safe driving.

The Foundation also has an active platform for reporting the most dangerous points on Spanish roads. Every two years Línea Directa prepares the Fraud Barometer, to prevent, detect and prosecute these bad practices with significant consequences for customers and for society in general.

SDG 17. Partnerships for the goals

Línea Directa Group believes that it is essential to work with other entities, so it develops alliances with other companies in order to achieve its business objectives. It also carries out many other corporate volunteering activities in collaboration with specialised organisations and NGOs. Moreover, the company forms alliances with institutions and organisations with which it shares common interests.

Finally, each year it holds the Collaborators Award, to recognise the best suppliers for the work they do for the company.

DIALOGUE WITH STAKEHOLDERS

Due to its status as a listed company from 2021, Línea Directa Group has carried out a review of its strategy with stakeholders for 2023. This has been an opportunity to redefine stakeholders and specify how the company will respond to their expectations in its relationship with them. This relationship basically takes two forms, economic or social, either derived from the company's products and services, or from its performance in different areas, and should be understood in a bidirectional way. Compliance and varying degrees of stakeholder engagement can affect the achievement of the company's strategic objectives, hence their relevance.

As a result, the stakeholder map was updated in 2023, prioritisation was reviewed and a strategy and commitments in relation to stakeholders were established. In addition, dialogue and communication channels have been updated to ensure better listening and adaptation to stakeholder expectations in order to facilitate success in achieving various medium- and long-term objectives.

Stakeholder map update

The stakeholder map has been developed using our own methodology, based on analysis supported by a range of sources. It also draws on the expertise of the Sustainability Working Group and the Sustainability Committee. The methodology includes the following actions:

- Identification of stakeholders
- Prioritisation according to relevance and materiality
- Establish communication commitments, channels and targets to meet expectations according to their level of criticality.

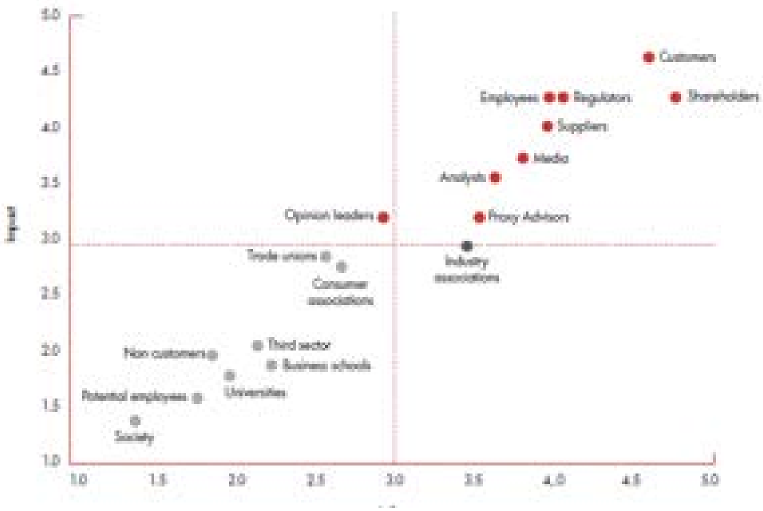
Stakeholder prioritisation

The company has developed a more comprehensive list of stakeholders than in previous years in order to better differentiate their expectations and be able to shape its communication objectives accordingly. Prioritisation techniques were applied to this set in order to distinguish their degree of importance to the business and thus define a more efficient strategy.

The following criteria have been taken into account in prioritising stakeholders:

- Their degree of direct or indirect relationship with the company.
- Their degree of actual or potential influence on the decision-making and implementation of actions in the company, with high, medium and low ratings.
- Their degree of prevalence in the relationship with the company, according to criteria of power, legitimacy and urgency.

Below is a graph showing all identified stakeholders, their direct or indirect relationship, their degree of influence and their degree of prevalence. Finally, an influence impact matrix was created, which cross-references the assigned degree of influence with the assessment of the potential or actual ability to influence the company. The result is the following matrix:



Dialogue channels

The Stakeholder Map and Matrix allow for better targeting of resources according to the importance and needs of each stakeholder group, ensuring appropriate channels for them to be informed, to participate and be consulted on relevant issues, and to cooperate in various Company activities. They are also key allies in creating real and effective value for the company itself and for society as a whole.

Línea Directa Group has established the following commitments and communication channels with its stakeholders, summarised below:

STAKEHOLDERS	RESPONSIBLE AREAS	COMMUNICATION CHANNELS
SHAREHOLDERS	Finance Office of the General Secretary	AGM / CNMV Website / Investor Relations / Corporate Website / Results presentation /
DIGITAL	Quality & Customer Experience Marketing Portfolio Services and Benefits	Customer Surveys / Commercial / Mass Media / Website Customer / Apps / Call Centre
REGULATORS & PUBLIC ADMINISTRATION	Office of the General Secretary	Reports / Meetings
SUPPLIERS	Finance Services and Benefits	Web Purchasing / Portal for Collaborators / Contacts with Networks
EMPLOYEES	People, Communication and Sustainability	Intranet Multichannel
MEDIA	People, Communication and Sustainability	Corporate Website / Press Office / Results presentations / Press conferences
ANALYSTS	Finance People, Communication and Sustainability	Investor Relations / Non-Financial Information / ESG Questionnaires
PROXY ADVISORS	Office of the General Secretary	Reports / Meetings
OPINION LEADERS	People, Communication and Sustainability	Mass Media / Social Media
CONSUMER ASSOCIATIONS	Quality & Customer Experience People, Communication and Sustainability	Email / Surveys and questionnaires
TRADE UNIONS	People, Communication and Sustainability	Multichannel
BUSINESS SCHOOLS	People, Communication and Sustainability	Multichannel / Línea Directa Foundation
THIRD SECTOR	People, Communication and Sustainability	Multichannel
UNIVERSITIES	People, Communication and Sustainability	Multichannel
NON-CUSTOMERS	Marketing	Web comercial / Mass media / RRSS
POTENTIAL EMPLOYEES	People, Communication and Sustainability	Corporate Website / Social Media / Forums / Presentations
SOCIETY	People, Communication and Sustainability	Corporate website / Social Media / Blogs / Línea Directa Foundation

2. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

Línea Directa has set up a corporate governance system based on compliance with current legislation, the recommendations of the Code of Good Governance of the National Securities Market Commission (CNMV) and the best market practices expected by investors, analysts and proxy advisors.

The Board of Directors of Línea Directa Aseguradora is the supreme body responsible for the management, direction and representation of the company, and has the power to adopt all corporate resolutions, with the exception of those powers reserved for the Annual General Meeting.

In particular, the Board determines the overall policies and strategies of the company, including approving, setting and monitoring strategy and risk management policies, including those relating to sustainability and climate change.

The Board of Directors has two advisory committees that report to the Board, make proposals to it and advise it on decision-making.

- The Appointments, Remuneration and Corporate Governance Committee is the committee responsible for, among other things, monitoring the company's sustainability strategy, practices and targets, assessing their level of compliance and reviewing the company's sustainability policy. It also ensures that Línea Directa's environmental and social practices are in line with the policies and strategy approved by the Board of Directors.

  In this context, the Committee has reviewed and proposed to the Board for approval the current Sustainability Plan 2023-2025, as well as all policies related to sustainability and climate change management.

  This Committee is also responsible for determining the guidelines, criteria and reference standards that should govern the preparation of the Non-Financial Information Statement, as well as for reviewing, validating and reporting to the Board of Directors on this process, considering the information received from the Audit and Compliance Committee and the completeness of the information.

  In general, the Committee should review and validate the sections of any corporate report, whether mandatory or voluntary, that have an impact on sustainability.

  Likewise, the Committee is the body competent to determine the remuneration of the members of the Board, Senior Management and those persons who carry out professional activities that may have a relevant impact on the assumption of risks by the company. In this context, the Committee has proposed to the Board the inclusion of ESG metrics for the accrual of the Executive Committee's variable remuneration, both short and long term.

- The Audit and Compliance Committee is responsible, among other things, for knowing, monitoring and evaluating the Group's financial and non-financial risk control and management systems (including operational, technological, cybersecurity, legal, social, environmental, political and reputational risks), reviewing the company's risk map and making proposals to the Board.

  The Committee has reviewed the company's ESG risk map, which includes risks related to climate change, and proposed its approval and monitoring by the Board.

  With regard to the oversight of ESG risks, the Board's Rules and Regulations provide for the possibility of joint meetings of the two Committees at the request of the Chairman or a majority of its members.

  With respect to the Non-Financial Information Statement, this Committee is responsible for overseeing the preparation and presentation process, reporting on this process and on the completeness and clarity of the information to the Nomination, Remuneration and Corporate Governance Committee.

It also manages the process of selecting and engaging the independent assurance provider responsible for verifying non-financial information and proposes its appointment to the Board.

The day-to-day management of the company and the implementation of the decisions taken by the Board of Directors are the responsibility of the internal organisation led by the Chief Executive Officer and the Executive Committees.

The main committees involved in monitoring and controlling the organisation's sustainability activities and risks are as follows:

- Management Committee: It is made up of the heads of the various business units and is responsible for reviewing and monitoring key initiatives and projects of particular interest, including those in the area of sustainability.

- Standing Risk Committee: It is responsible for facilitating and monitoring the implementation of effective risk management practices in the Group through the reporting of risks identified. In this regard, it is responsible for the management and monitoring of all risks (including ESG risks), their key risk indicators (KRIs) and action plans, ensuring that an appropriate level of internal control is in place, consistent with the risk appetite set by the Board, the Group's standards and compliance with applicable regulations.

- Sustainability Committee: It is responsible for developing and proposing the objectives of the Sustainability Plan to the Nomination, Remuneration and Corporate Governance Committee for submission to the Board and receives the regular report from the Sustainability Working Group.

There are also other specific committees that analyse, monitor and, where appropriate, take decisions on specific issues, such as the sustainability of an investment (discussed by the Investment Committee) or the sustainable characteristics of a product (discussed by the Product Approval and Monitoring Committee).

Internally, the Corporate Risk department is responsible for the overall management, control and supervision of the risks that the Group may incur in (including ESG and climate change risks), after identifying these risks together with the other corporate areas. To this end, it draws up the risk map, coordinates the necessary prevention and mitigation measures and reports periodically to the Audit and Compliance Committee, all in accordance with the Group's Risk Management Policy.

The People, Communication and Sustainability department is responsible for proposing, coordinating and implementing the necessary measures in the organisation to implement the sustainability strategy set by the Board of Directors and reports to the Appointments, Remuneration and Corporate Governance Committee. In this way, it promotes the integration of ESG criteria across all areas of the business.

There is also a Sustainability Working Group with representation from the following areas External Communication and Sustainability, Purchasing, Investor Relations, Space Management, Corporate Governance, Internal Communication and Social Action, Employee Attraction, Compensation and Relations, Services and Benefits, Product Innovation and Corporate Risks are represented, which proposes to the Sustainability Committee the actions to be included in the Sustainability Plan and allows for regular, transversal and detailed monitoring of the status of the actions underway in the Sustainability Plan.

CORPORATE INFORMATION

The information contained in the Non-Financial Information Statement covers Línea Directa Group as a whole, which is made up of the following companies:

The Parent Company, Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros.

Subsidiaries wholly owned by the Parent Company:

*LDAReparaciones, S.L.U. (terminated in December 2023)

SHARE CAPITAL

The share capital is distributed as follows:

Share capital	€ 43,536,673.60
No. of shares	1,088,416,840 ordinary shares
Nominal value	€ 0.04 PER SHARE
No. of voting rights	1,088,416,840 votes (1 share = 1 vote)

Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021. Since 20 September of the same year, the company has been listed on the IBEX Medium Cap.

SHAREHOLDER STRUCTURE

SIGNIFICANT HAREHOLDERS	% ownership in share capital (direct and indirect)
Cartival, S.A.	19.90%
Bankinter, S.A.	17.42%
Fernando Masaveu	5.38%
Norbel	5.00%
Lazard Asset Management	3.20%
Brandes	3.00%
Candriam	2.72%
Fidelity International Limited	2.02%
OTHER	
Treasury shares	0.03%
Members of the board with non-significant holding	0.05%
Free Float	41.28%

Consolidated Management Report (in thousand euro)

CORPORATE BODIES

The main governing bodies of Línea Directa Aseguradora are as follows:

Annual General Meeting

The Annual General Meeting is the sovereign body of the company. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say.

The Regulations of the Annual General Meeting, approved in March 2021 on the occasion of the company's IPO, govern all aspects relating to the holding and conduct of the Annual General Meeting.

The Annual General Meeting was held on 30 March 2023 to discuss matters relating to financial year 2022. The shareholders of the company met both in person and online, with a quorum of 77.81%.

The Meeting adopted key agreements of both financial and non-financial nature:

- In the area of finance, the Financial Statements were approved with more than 99.9% of the votes and the allocation of profit was approved with 99.8% of the votes.
- In the non-financial area, the Non-Financial Information Statement was approved with 99.8% support.
- In the area of governance, three resolutions on the remuneration of the Board were submitted to the shareholders for approval, with more than 99%Vvoting in favour.

The company offers the possibility of consulting the details of the quorum for each of the resolutions in the Annual General Meeting section of the corporate website.

Shareholders were able to participate in the Annual General Meeting either in person or by electronic voting and proxy. From the moment the meeting was convened, the Electronic Shareholders' Forum was made available to them as required by regulations, and the event was broadcast live on the company website, as recommended by the CNMV's Good Governance Code and the proxy advisors. The Annual General Meeting was certified as a sustainable event by an independent expert of recognised prestige who audits compliance with good sustainability practices.

Board of Directors

SIZE AND STRUCTURE

As set forth in the Bylaws, the Board of Directors shall have a minimum of 5 and a maximum of 15 directors. As at the date of this report, the Board of Directors of the company is composed of 7 directors, in particular:

BOARD MEMBERS	LEGAL CATEGORY	POSITION
Alfonso Botín Sanz de Sautuola y Naveda	Proprietary (represented shareholder: CARTIVAL, S.A.)	Chairman
Patricia Ayuela de Rueda	Executive	Chief Executive Officer
Fernando Masaveu Herrero	Proprietary	Member
Ana María Plaza Arregui	Independent	Member
Elena Otero-Novas Miranda	Independent	Member
Rita Estevez Luaña	Independent	Member
John de Zulueta Greenebaum	Independent	Member

Pablo González-Schwitters is the non-director Secretary of the Board of Directors.

Consolidated Management Report (in thousand euro)

DUTIES

The Board of Directors is the body responsible for the administration, governance and representation of the company, in accordance with the duties attributed to it by law, the Bylaws and the Rules and Regulations of the Board of Directors. The latter have been amended in 2023 to distribute ESG competences between committees.

In 2023, 10 Board meetings were held, with an attendance rate of 100%. The main measures enacted by the Board of Directors include the following:

- Approving and monitoring the Group's strategy or business plan.
- Preparation of the documents and reports necessary for the participation and adoption of resolutions by shareholders at the Annual General Meeting.
- Adopting and updating the necessary internal regulations, particularly regarding sustainability and risk management.
- Reviewing and approving the company's financial and non-financial information, as well as that required by insurance regulations, to be communicated to regulators and the market.
- Supervising the committees.
- Appointing members of the Executive Committee, reporting to the Chief Executive Officer and interacting regularly with Senior Management.
- Drawing up the matrix of competencies for the directors.
- Approving a Succession Plan for key positions in the business to ensure an orderly and planned transition, when required.
- Continue developing the Board's knowledge update programme, launched in 2022.

The term of office of the members of the Board of Directors is four years and they may be re-elected for the same term.

INDIVIDUALISED ATTENDANCE RATIO

The level of attendance per director in 2023 was as follows:

DIRECTOR	Board of Directors	Audit and Compliance Committee	Appointments, Remuneration and Corporate Governance Committee
Alfonso Botín-Sanz de Sautuola y Naveda	10/10	7/7	6/6
Patricia Ayuela de Rueda	10/10	N/A	N/A
Fernando Masaveu Herrero	10/10	N/A	N/A
Ana María Plaza Arregui	10/10	7/7	N/A
Elena Otero-Novas Miranda	10/10	7/7	N/A
Rita Estevez Luaña	10/10	N/A	6/6
John de Zulueta Greenebaum	10/10	N/A	6/6

Consolidated Management Report (in thousand euro)

SELECTION: INDEPENDENCE AND DIVERSITY

The purpose of the Board of Directors Selection Policy is to establish the principles, procedures and criteria that the Board of Directors of Línea Directa will take into account in the processes related to the appointment, re-election or succession of members of the Board of Directors, all in accordance with the applicable regulations and best corporate governance practices.

One of the main aims of this policy is to create a body whose composition ensures a healthy diversity of opinions, perspectives, experiences and professional backgrounds. his includes an appropriate level of gender diversity, with a preferential target for board membership of the under-represented gender and a number of female directors constituting at least 40% of its members, in addition to other types of diversity, including race or ethnicity, nationality or cultural origin, subject to the vital principle of merit and suitability.

Another vital principle of the Director Selection Policy is that the number of independent directors constitute a sufficient majority of the Board and that the number of executive directors be kept to the minimum necessary.

At the date of this report, the following data on the independence and diversity of the Board of Directors are noteworthy and exceed the ratios recommended by the CNMV's Code of Good Governance:

Percentage of independent directors	57%
Percentage of women	57% on the Board - Included in the Ibex Gender Equality Index 58% of the Management Team
Skills matrix	Yes
Nationalities	Two
Average age	55 years (from 47 to 75 years of age)

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ASSESSMENT

As recommended by the CNMV's Code of Good Governance and required by the Rules and Regulations of the Board of Línea Directa, the evaluation of the functioning of the Board of Directors and its Committees during the financial year 2023 was carried out by an independent external expert (Georgeson, a specialist corporate governance consultancy).

The main conclusions of the evaluation are included in the Annual Corporate Governance Report, which is published on the company's website and on the website of the CNMV.

REMUNERATION

Directors' remuneration in 2023 has been determined in accordance with the provisions of applicable law, the company's Bylaws and the Directors' Remuneration Policy.

At the Annual General Meeting held on 30 March 2023, the following three resolutions relating to the remuneration of the Chief Executive Officer were approved by more than 99% of the votes cast:

- The inclusion of an indicator that adjusts the annual variable remuneration according to the results of Línea Directa Group.
- Approval the delivery of shares as part of the annual variable remuneration for 2022 and for the remainder of the term of the Directors' Remuneration Policy.
- Approval of a long-term variable remuneration plan payable in shares of the company and in cash, designed for the CEO, the members of the Management Team and other key or relevant persons of the company.

The Directors' Remuneration Policy is valid until 2025 and is permanently available on the corporate website.

Consolidated Management Report (in thousand euro)

In addition, the Annual General Meeting approved the 2022 Annual Report on Directors' Remuneration on a consultative basis, with more than 94% of shareholders voting in favour, demonstrating their support for the practical application of the policy.

The Remuneration Policy is inspired and underpinned by the following principles:

- It provides for remuneration based on prudent and effective risk management. In this respect, the Policy approved in 2022 includes an express mention of sustainability risks.
- It is aligned with the long-term interests of the company.
- It applies an appropriate ratio between fixed and variable components.
- It rewards the level of responsibility borne by the directors without compromising their independence.
- It guarantees equality, avoiding any type of discrimination, and expressly recognises equal remuneration for positions of equal value.
- It provides flexibility, including mechanisms to deal with exceptional situations as provided for under prevailing laws.
- It ensures transparency, by simplifying the description, calculation methods and conditions of the remuneration components and making them known and public.
- It is consistent with the principles on which the general remuneration policy for all Línea Directa Aseguradora employees is based.

The remuneration system is generally composed of the following components:

- In their **capacity as Directors**, and in connection with their supervisory and collegial decision-making functions, the members of the Board of Directors receive a fixed annual fee and attendance fees for attending meetings of the Board of Directors and the committees of which they are members.

  The maximum annual remuneration of all directors in their capacity as such shall not exceed € 1,500,000.

- As an **Executive Director**, the Chief Executive Officer also receives an annual remuneration consisting of a fixed part and a variable part depending on the achievement of pre-determined objectives.

  In relation to annual variable remuneration, the following good governance practices have been applied since 2022:

  - 50% will be paid in cash and **50% in shares**, conditional upon approval by the General Shareholders' Meeting, under the terms provided by article 219 of the Corporate Enterprises Act.
  - The shares received as variable remuneration may not be transferred for a period of 3 years ("holding period").
  - Their accrual will be linked to the fulfilment of financial and business targets, with a weighting of 70%; **and non-financial targets, with a weighting of 30%**.
  - Payments resulting from the termination or expiry of the contract **may not exceed an amount equal to two years of the total annual remuneration** of the executive director at the time of termination of the contract, including amounts

- not yet vested in long-term savings schemes and amounts paid as a result of the non-competition clause.

In addition, a modification linked to the "pay for performance" principle has been introduced for the year 2023, consisting in the introduction of an indicator that adjusts pay according to the degree of compliance with the financial and non-financial objectives set annually, multiplying the remuneration by degree of compliance with these objectives – a factor of between 0.5 and 1.5, according to a compliance scale approved by the Board of Directors. With regard to the annual variable remuneration for 2023, the Board of Directors proposed, and the Annual General Meeting approved with more than 99% of the votes cast, that the adjusting indicator be derived from the Group's consolidated profit before tax.

The Chief Executive Officer's variable remuneration will in all cases be subject to the adjustments provided for in the Policy (including the 40% deferral over 3 years, *malus* clauses, *clawback* clauses, etc.).

The Chief Executive Officer also participates in the extraordinary variable remuneration plan in shares approved in 2021 for the members of the company's management team, as a result of the listing of Línea Directa's shares on the stock exchange, and in the long-term variable remuneration plan 2023-2025, payable in shares of the company and in cash, approved by the last Annual General Meeting.

With regard to social wellness systems, the CEO is the beneficiary of a long-term defined benefit savings system and maintains these rights recognised in a collective unit linked life insurance policy, arranged by Línea Directa Aseguradora.

The details of this remuneration and the conditions governing its collection are set out in the Annual Report on Directors' Remuneration 2023, which is published on the company's website and on the CNMV's website.

Committees

The Board of Directors has two advisory committees:

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
Ana María Plaza Arregui	Chairwoman	Independent
Elena Otero-Novas Miranda	Member	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary
Pablo González-Schwitters Grimaldo	Non-board Secretary	

Percentage of independent directors	67%
Percentage of women	67%
Number of meetings in 2023	7
Attendance ratio	100%

The members of the Audit and Compliance Committee as a whole, and in particular its Chairman, have been appointed on the basis of their knowledge and experience in accounting, auditing and risk management, both financial and non-financial. Comprehensive information about the Committee's members can be found on the corporate website.

Consolidated Management Report (in thousand euro)

The Audit and Compliance Committee's main responsibilities include the following:

- Reporting to the Annual General Meeting through its Chairman on the state of control of the company and the activities of the Committee during the financial year.
- Proposing to the Board for submission to the Annual General Meeting the appointment, re-appointment or replacement of the external auditors and their terms of engagement. Ensuring the external auditor's independence and monitor compliance with the audit contract.
- Learning about, monitoring and assessing the preparation process and integrity of financial and non-financial information, control and management systems for financial and non-financial risks related to the company and, where applicable, the Group (including operational, technological, cybersecurity, legal, social, environmental, political, reputational and corruption risks).
- Regarding the Non-Financial Statement:
  - Supervising the process of drawing up and presenting non-financial information relating to the company and its Group, reporting on this process and on the completeness and clarity of the information to the Appointments, Remuneration and Corporate Governance Committee (because it is the latter who will propose it to the Board for formulation).
  - Managing the process of selecting and engaging the independent auditor responsible for verifying non-financial information and proposing their appointment to the Board.
  - Liaising with the independent auditor to obtain information on their work and reporting to the Appointments, Remuneration and Corporate Governance Committee.
- Pre-reporting to the Board of Directors on all matters required by law, e.g. related party transactions to be approved by the Board of Directors.
- Overseeing and reviewing the company's compliance system.
- Monitoring and promoting compliance with the company's Internal Rules of Conduct for the Securities Market, the Code of Ethics and, in general, the company's own rules of conduct, as well as monitoring and promoting the procedure for confidential whistleblowing by stakeholders.

On the occasion of the convening of the AGM, the annual report of the Committee on its activities during 2023 was made available to shareholders on the company's website.

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The Appointments, Remuneration and Corporate Governance Committee, made up of the following members:

MEMBER	POSITION	LEGAL CATEGORY
John de Zulueta Greenebaum	Chairman	Independent
Rita Estevez Luaña	Member	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	Member	Proprietary

Pablo González-Schwitters Grimaldo	Non-board Secretary	

Percentage of independent directors	67%
Percentage of women	33%
Number of meetings in 2023	6
Attendance ratio	100%

The Appointments, Remuneration and Corporate Governance Committee's main responsibilities include the following:

- Proposing the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
  - Assessing the balance of skills, capacity, knowledge, diversity and experience required on the Board.
- Reporting to the Annual General Meeting, through its Chairman, on the Committee's activities during the year, as appropriate.
- Proposing to the Board the remuneration policy for the directors and their individual remuneration, the individual remuneration of the executive directors and, where appropriate, of the external directors for the performance of duties other than that of directors, and other terms of their contracts.
- Proposing the remuneration policy for senior management, including the general managers or those who perform senior management duties under the direct supervision of the Board. Determine the remuneration of members who, although not part of the top management, carry out professional activities that may have a relevant influence on the company's risk-taking.
- Overseeing the corporate governance of the company.
- Monitoring the company's sustainability strategy and practises by assessing their level of compliance and reviewing the company's sustainability policies and ensuring that they are aligned with value creation.
- Collecting information on the identification, assessment and supervision of ESG (environmental, social and governance) risks carried out by the Audit and Compliance Committee, with the possibility of holding joint meetings.
- Setting out the guidelines, criteria and reference standards that should govern the process of drawing up the non-financial statement, reporting to the Board on such matters. Reviewing, validating and reporting to the Board of Directors on the non-financial statement prior to its drafting, considering the information received from the Audit and Compliance Committee on the preparation process and the integrity of the information.

- Reviewing and validating the relevant sections of any corporate report, whether mandatory or voluntary, that relates to sustainability.

On the occasion of the convening of the AGM, the annual report of the Committee on its activities during 2023 was made available to shareholders on the company's website.

Executive committees

Línea Directa Aseguradora has the following executive bodies:

Executive committee and Steering committee, consisting of all members of the management team, which as of February 2024 are as follows:

MEMBER	POSITION
Patricia Ayuela de Rueda	Chief Executive Officer
Pablo González-Schwitters	General Secretary
Carlos Rodríguez Ugarte	Chief Financial Officer
Diego Ferreiro Sánchez	Commercial Director
Isabel Guzmán Lillo	Head of Services and Benefits
Mar Garre del Olmo	Head of People, Communications and Sustainability
Eva del Mazo Fernández	Portfolio Director
Olga Moreno Sanguino*	Head of Quality and Customer Experience
Ana Sánchez Galán	Head of Technology
Antonio Valor García	Head of Marketing
Juan José Álvarez Fernández	Chief Technical Officer
Inmaculada Aldea Málaga	Chief Risk Officer

* Head of Health until February 2024, when the functions of the segment were integrated into other areas.

The main task of the Executive committee is the weekly control and active monitoring of the business and its key indicators, as well as the progress of the business plan as approved by the Board of Directors.

The Executive committee decides on the main issues of the company and on initiatives and projects of special interest.

The Projects committee, made up of the above-mentioned members of the management team and the Head of Digital Transformation, is responsible for monitoring strategic projects requiring IT development and determining their prioritisation according to the status of compliance with the business plan.

The Reserves and Claims committee is a body for information, discussion and decision-making in all areas relating to claims management and the adequacy of reserves as determined by the Board and its committees. It consists of the Chief Financial Officer, the Head of Services and Benefits, the Chief Technical Officer, the Chief Risk Officer and the Head of Actuarial Function.

The Investment committee, composed of the Chief Executive Officer, the Chief Financial Officer and the Heads of Investment and daily portfolio management. Its role is to ensure that the day-to-day management of investments is carried out in accordance with the investment objectives and policies set by the Board of Directors. This committee reports to the Board of Directors at least on a quarterly basis.

The Standing Risk committee is responsible for facilitating and monitoring the implementation of effective risk management practices in the Línea Directa Group through reporting on the front lines. It is headed by the Head of Corporate Risk and comprises the Heads of Internal Control over Financial Reporting, Data Quality, Risk Management and Internal Control, Regulatory Compliance and Actuarial Function.

Product Approval and Monitoring committee, which ensures compliance with the product control and governance policy.

It is made up of the Head of Marketing, the Chief Technical Officer, the General Secretary, the Chief Risk Officer, the Chief Financial Officer and the Chief Commercial Officer.

The Sustainability committee is responsible for drawing up the Sustainability Plan submitted to the Board of Directors, supervising and monitoring compliance, setting priorities, taking executive decisions and promoting initiatives to ensure the implementation of the sustainability plan approved by the Board of Directors. It is composed of the Head of People, Communication and Sustainability, the Chief Financial Officer, the Secretary General, the Head of Marketing and the Head of Services and Benefits. Within this committee, and specialised in the social component, is the Diversity Advisory committee, which monitors compliance with the commitments made in the Diversity Policy.

ETHICS AND TRANSPARENCY

CORPORATE POLICIES

The Group's internal regulations, and in particular its corporate policies, allow the main concepts, actions and practices set out in the applicable regulations, the Code of Ethics or in various guides and recommendations for good practice of various kinds. In this way, they provide a framework for action and define the minimum general principles and criteria for the management of the Group's key organisational areas and risks.

Throughout this report, reference is made to various policies applicable in different areas (Risk Management, Financial and Tax Management, Corporate Governance, etc.). We highlight here the main policies that, among others, contribute to sustainable governance:

- The Sustainability Policy, which sets out the commitments and responsible practices that serve to develop the Group's sustainability strategy, assuming a proactive approach in this area and following the Sustainable Development Goals (SDGs).
- The Environmental Management and Climate Change Policy, which sets out the principles for minimising the environmental impact of the Group's activities and adapting to the effects of climate change.
- The Responsible Procurement Policy, which defines the appropriate measures to optimise the impact of the Group's purchasing and contracting decisions and ensures the suitability of the suppliers with whom it works, in accordance with the values, principles and codes of conduct set out here, the Code of Ethics and the Group's Code of Conduct for Suppliers.
- The Human Rights Policy, which is intended as a guide for the protection and respect of human rights. Línea Directa Group is committed to respecting and promoting human rights in its own actions and through its value chain.
- The Equal Opportunities Policy, which enshrines the development of employment relations based on equal opportunities, non-discrimination and respect for diversity.
- The Diversity and Inclusion Policy, which aims to create a work environment where there is diversity of skills, experience, knowledge, background, nationality, age, sexual orientation and gender, and where all people are treated with respect and fairness.
- The Prevention, Safety, Health and Well-being Policy, through which the company expresses its commitment to the health, prevention of occupational risks and well-being of all its employees, in accordance with legal requirements and based on the principle of protection of life, integrity and health.
- The Social Contribution Policy, which reflects the Group's commitment to sustainable development and the progress of the communities in which it operates.

The details of the above policies, as well as all the internal regulations adopted by Línea Directa Group that form the basis of its corporate governance system, can be consulted on the company's website.

CODE OF ETHICS

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 maintaining and promoting strong ethical principles that guarantee compliance with the law and the trust of customers, shareholders, employees, suppliers and other stakeholders.

The Code of Ethics of Línea Directa Group sets out to establish the general guidelines that should govern the conduct of employees of Línea Directa Aseguradora S.A. and its subsidiaries, in the performance of their duties and in their commercial and professional relations, in accordance with the laws and ethical principles of the company. The values contained in this Code of Ethics are the basic principles which underpin the commitments made by Línea Directa Aseguradora to their shareholders, partners, customers, suppliers, employees and communities.

The Code of Ethics is the main axis for the development of corporate values and contains the models and guidelines of behaviour to be followed by all the Group's employees. It specifies and disseminates to all the organisation's employees and stakeholders the values of Línea Directa Aseguradora as set out by its highest governing body and its management. The Code was approved by the Board of Directors in January 2011, updated in October 2018 and revised in 2021 to implement the necessary amendments relating to its newly acquired status as a listed company.

Línea Directa Aseguradora's Code of Ethics includes commitments to environmental and social issues, respect for human rights, the fight against corruption and bribery, equal treatment and opportunities and non-discrimination. The Code is not intended to cover all situations that may arise in the course of professional activity, but rather to establish guiding principles and minimum standards of behaviour that should guide the people who make up Línea Directa in their professional activities.

Its scope extends to all subsidiaries of Línea Directa Aseguradora and their employees and managers in the performance of their duties and responsibilities and in all professional areas in which they represent the company. Meanwhile, Línea Directa Foundation adopted its own Code of Ethics in November 2019, which essentially follows the same general principles.

Línea Directa Aseguradora also has a Code of Conduct for Suppliers to which all collaborators must adhere.

All Group employees receive training on the Code of Ethics upon joining the Group, which is regularly reinforced with various training and informative activities. The latest employee 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.

The Code of Conduct for Suppliers develops the principles set out in the Code of Ethics of Línea Directa Group, and applies to its relations with suppliers. It also incorporates principles contained in other documents or standards, such as the Sustainability Policy or the Human Rights Policy, through which Línea Directa undertakes to integrate the principles of responsibility and sustainability in the management of its supply chain.

A new version of the Code of Conduct for Suppliers, aligned with the ten principles of the Global Compact and with the Group's ESG risk commitments, was approved in January 2023.

The new Code of Conduct for Suppliers incorporates a number of measures to improve due diligence in the company's supply chain in areas such as environment, health and safety. To this end, sections "Respect for people" and "Respect for the environment" have been developed to integrate the principles of responsibility and sustainability in the management of the supply chain.

Compliance with this document is mandatory for all bidders in procurement processes and is included in all commercial contracts, so that all Línea Directa suppliers are obliged to comply with it, subject to proportionality depending on the supplier. In addition, 228 employees with regular contact with suppliers received training on the Code of Conduct for Suppliers, and all new recruits received training on the Code of Ethics as they joined the company.

In 2023, as part of the company's commitment to responsible marketing, Línea Directa has adhered to the UNESPA Guide to Good Practices on Transparency in Insurance Marketing, which deals with the general principles that should govern the marketing of insurance by insurance companies in any form of sale.

ETHICS CHANNEL

Línea Directa Group has an Internal Information System, the Ethics Channel, which allows any employee to report, with the necessary guarantees, any irregularity detected in relation to the Code of Ethics, the Code of Conduct for Suppliers, or any other violation of current legislation, as well as to ask questions about its application.

The general principles and procedures governing the management of the Ethical Channel are set out in the Ethical Channel Policy, approved by the Board of Directors of Línea Directa Aseguradora on 20 April 2023, with the aim of ensuring that anyone who, in the course of their work or professional activities, discovers a violation of the rules or an act contrary to the rules, can report it with the necessary guarantees.

In 2023, 20 communications were received through the Ethics Channel, of which 5 were investigated in accordance with the procedure set out in the Ethics Channel policy, including one case of harassment, which was investigated in accordance with the harassment protocol. However, none of these communications have resulted in a formal complaint. In 2022, 10 communications were received, of which only one related to non-compliance.

The Ethics Manager completed his review and took the appropriate action. Both the Ethical Channel and the Policy are accessible on Línea Directa Aseguradora's corporate website.

TAX PRACTICES

The Tax Strategy of Línea Directa Group, approved by the Board of Directors in 2019 and updated in January 2024, includes the objectives, principles, good tax practices and the monitoring and control of tax risks in the organisation, always with the aim of ensuring responsible compliance with tax regulations. The Tax Strategy encompasses all the companies that make up the Group. It is published on the Group's website and is promoted in accordance with its social relevance, the interests of its stakeholders, the business strategies of its companies and the trust of the communities in which it operates. Línea Directa Aseguradora promotes a climate of goodwill, transparency, cooperation and reciprocity in its relations with tax authorities.

The Board of Directors of Línea Directa Aseguradora also approved the Group's Corporate Tax Policy in 2020, which was reviewed and updated in April 2023 and is published on the company's website. This policy constitutes a non-delegable power of the Board itself and is implemented through the Office of the General Secretary and the Tax Advisory department.

The main objective of this policy is to establish the principles and the system of rules of action and tax conduct that govern the activity of the Group's companies, as well as to determine the control elements that make it possible to prevent the commission of tax offences.

This Policy forms part of the Fiscal Risk Management and Control System in order to assess these types of risks in a responsible manner and based on set criteria, thereby preventing and reducing the risks and allowing it to define, review and achieve its tax compliance objectives.

The Audit and Compliance Committee, in accordance with the provisions of its regulation, monitors the effectiveness of the tax risk control and management system. In addition, as part of the supervisory functions of the Board of Directors, the Tax Advisory department reports once a year on tax contributions, on the main tax issues arising during the year and on the main matters affecting the Group, including ongoing proceedings and inspections. In this regard, no tax risk materialised during 2023 that could affect business targets.
The company is committed to promoting the good tax practices described in its strategy with the aim of reducing tax risks and preventing conduct likely to generate them.
These good practices include the Group's willingness to cooperate fully with tax authorities in providing information or assisting in the detection, investigation and resolution of fraudulent practices.
Since 2021, Línea Directa Group has adhered to the Code of Good Tax Practices promoted by the Spanish government. The code includes recommendations to ensure legal certainty in the application of the tax system, mutual cooperation based on good faith and legitimate trust, and the application of responsible tax policies under the oversight of the Boards of Directors. Línea Directa Group is also represented in the UNESPA Tax Commission, as well as in other tax forums of interest to the sector.
Neither the company nor its subsidiaries have a presence or activity in countries classified as tax havens, as stated in the company's Tax Strategy and Policy.
Línea Directa Group has not received any public subsidies or aid during 2023. No subsidies or aid was received in 2022 either.

COUNTRY	COMPANY	MAIN ACTIVITY	Number of employees		Net turnover by country (k€)		Profit/(loss) before tax (k€)		Corporate income tax payable (k€)		Corporate income tax paid (k€)	
			2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Spain	Línea Directa Aseguradora, S.A.	Insurance agents and brokers										
	Línea Directa Asistencia, S.L.U.	Activities related to transport by land										
	Centro Avanzado de Reparaciones (CAR), S.L.U.	Motor vehicle maintenance & repair										
	Club Más Moto, S.L.U.	Other associated activities Not included elsewhere	2,500	2,505	926,266	959,872	83,531	-6,580	19,235	-2,157	-6,255	-2,550
	Ámbar Medline, S.L.U.	Insurance agents and brokers										
	LDActivos, S.L.U.	Renting of property for own account										
	LDA Reparaciones , S.L.U.	Other associated activities Not included elsewhere										
Portugal	Línea Directa Aseguradora, S.A.	Insurance agents and brokers	0	0	80	87	31	33	0	0	0	0
		TOTAL	**2,500**	**2,505**	**926,346**	**959,959**	**83,562**	**-6,547**	**19,235**	**-2,157**	**-6,255***	**-2,550****

* Includes the Corporate Income Tax paid in 2022 as well as the amounts returned by the Spanish Tax Agency (AEAT) in relation to the Corporate Income Tax for the years 2020 and 2021, resulting in a negative balance.

**Includes the Corporate Income Tax refunded in 2023 in relation to the Corporate Income Tax for the year 2022.

*** No actual opening in Portugal

**** The 2022 data has been restated under the IFRS17 accounting standard.

FIGHT AGAINST CORRUPTION AND BRIBERY

Línea Directa Group's crime prevention model is founded on the following bodies:

- The Board of Directors is the body responsible for promoting a preventive culture based on zero tolerance for behaviour contrary to the Code of Ethics, breaches of external and internal regulations and criminal acts. It is also responsible for adopting and implementing an effective monitoring and control model for the prevention of these risks.
- The Audit and Compliance Committee is the highest body responsible for overseeing and monitoring the implementation of the Criminal Compliance Policy.
- The Compliance Function is headed by the Chief Compliance Officer (CCO) and carries out its functions in collaboration with the representatives of the business areas, the Compliance Committee and the Standing Risk Committee, and reports to the Audit and Compliance Committee.
- The Regulatory Compliance Committee is made up of the heads of the specialist and cross-functional compliance functions, i.e. Tax Advisory, Legal Advisory, Occupational Risk Prevention, Corporate Governance, Data Protection Office and Human Resources. Its function is to support the Regulatory Compliance department in order to ensure that its criminal risk prevention tasks are properly completed.
- The People Management department is responsible for the internal training of employees and the application of the disciplinary system in the event of violations of the Criminal Compliance Policy, the provisions of the Code of Ethics and the Group's internal regulations.

All Línea Directa Group companies and, specifically, all persons forming part of them, must guide their actions and decision-making based on the highest ethical standards, respecting and complying with the internal regulations applicable to them.

Línea Directa Group has key internal rules on which the internal control and crime prevention structure is based, among which the following stand out:

- Group Code of Ethics
- Code of Conduct for Suppliers
- Ethics Channel Procedure
- Regulatory Compliance Policy and its Management System
- Criminal Compliance Policy
- General Data Protection Policy
- General Security Policy
- Risk Management Policy
- Internal Audit Control
- Internal Audit Policy
- Internal Fraud Procedure
- Equality Plan
- Environmental and Energy Efficiency Policy

Anti-corruption and bribery prevention measures

Línea Directa Group is firmly committed to complying with all the rules for preventing and combating corruption, as set out in the organisation's Code of Ethics and its Anti-Corruption Policy.

This commitment extends to all the organisation's employees, managers and directors, as well as to all the company's stakeholders.

The company approved an Anti-Corruption Policy in 2021, which was updated and replaced by the Integrity Policy approved on 25 January 2024. Through its Integrity Policy, Línea Directa Group reaffirms its commitment to zero tolerance towards any form of corruption and, to this end, develops a set of principles that establish the framework for action to ensure strict compliance with the regulations on the prevention and combating of fraud and corruption, as well as the monitoring of the highest standards of integrity in professional activity. One of the most important measures of this policy is a procedure for receiving gifts, which defines Línea Directa Aseguradora's policy regarding gifts and presents from third parties. Anything that does not meet the requirements of this procedure is raffled off among all employees at a charity market at the end of the year.

There were no significant allegations of corruption and bribery in 2023 or 2022.

Fight against money laundering

Línea Directa Group is not a mandatory subject in relation to the prevention of money laundering and terrorist financing, as established in Article 2 of Law 10/2010 of 29 April, as it operates in the Non-Life insurance business, so it is not relevant to elaborate on this issue.

DATA PROTECTION

Línea Directa Group scrupulously respects the provisions of the General Data Protection Regulation 2016/679 (GDPR) and Organic Law 3/2018 on the Protection of Personal Data and Guarantees of Digital Rights in its relations with its customers, employees and suppliers, as well as in the confidentiality of its operations.

The organisation has a **Data Protection and Governance Framework**, a dedicated team and a data protection officer. It also has a **Privacy Policy** whose main line of action is the adequate protection of customers' personal and confidential data. All Línea Directa Group employees must ensure compliance with the general principles of action in this area, as set out in the General Data Protection Regulation.

Línea Directa Group, as the responsible party, complies with the **Transparency Principle**, informing customers, employees and suppliers of the processing of personal data that it carries out, the legitimate bases of the different processing operations, where and how to exercise their rights of access, rectification, cancellation, opposition, portability and restriction of the recipients of their data, and how to contact the Data Protection Officer. The Group also ensures at all times that **personal and transaction data** are transmitted through **appropriate, reliable and secure** channels, preserving their integrity and confidentiality. The company has put in place a **procedure** for awarding and contracting with suppliers, modifying the clauses and progressively regularising the contracts in force.

Meanwhile, all **employees** are expected to attend a compulsory course on privacy and data protection, and all contracts include a clause with basic information on data processing and where to obtain more detailed information on the processing carried out by Línea Directa Group.

During 2023, the **Data Protection Office** updated its training content, particularly reinforcing content regarding its principles and the exercise of rights, among other issues.

As part of this update, members of the **Data Protection Office** team have been actively involved in this training and have recorded employee videos with the aim of explaining the regulations to everyone in the company. These training videos cover topics of particular interest, such as some of the relevant resolutions issued by the Spanish Data Protection Agency and other regulatory bodies.

Similarly, in 2023, the **Data Protection Office** team held several **training sessions** for the main persons responsible for the processing of the company's personal data, in order to detail, explain and clarify any doubts that may arise with regard to the information that must be provided when initiating a new processing operation or modifying an existing one. The aim is to enable the Data Protection Office to study and carry out the corresponding risk analyses and to have the necessary information at its disposal.

On the occasion of Línea Directa Aseguradora's adherence to the **Spanish Data Protection Agency's (AEPD) Digital Pact for the Protection of Individuals** in 2021, various actions were continued in 2023 with the aim of promoting and strengthening transparency and disseminating good practices in the processing of personal data. Among these, it is worth highlighting the AEPD's various publications on data protection and on "Digital Violence against Women and Girls", both internally to its staff and externally on its social media channels.

In addition, several privacy-related circulars containing recommendations on the implementation of security measures in customer communications have been published internally on the corporate intranet. With these measures, we continue to implement a privacy culture in the organisation, integrating privacy into all business processes, not only to identify and prevent risks, but also to create and contribute value.

Throughout 2023, changes have been made to the wording of the first level of information in the Privacy Policy to encourage its updating and to improve the transparency and clarity of the information provided to customers.

In addition, **annual audits** are carried out to verify compliance with the published procedures, in accordance with the obligation to correctly identify policyholders and provide them with the appropriate information relating to the processing of personal data. The results of the audit revealed a high rate of compliance.

In 2023, Linea Directa Group has not been subject to any sanctions regarding **Data Protection**.

In 2023, Linea Directa Aseguradora suffered a **security breach** from an external source, which was duly reported to the AEPD and to the customers affected. After analysing the breach, the data protection authorities determined that the information provided by the company has been sufficient, and the case has been closed without any further action on their part.

In 2024, the Data Protection Office will continue to promote actions derived from the Group's commitment to the **Digital Pact of the Spanish Data Protection Agency**, as well as informing and disseminating among employees all publications, news and contents that, due to their scope and importance, may be of interest to the organisation. It will also periodically review the Privacy Policies and internal procedures related to data protection in order to comply with the applicable regulations.

CYBERSECURITY

Cybersecurity is a real priority for a company that operates without office networks and exclusively by phone and internet. For this reason, Línea Directa Aseguradora has in place an Information Security Management System designed to prevent, confront and respond to any cyber threat.

Línea Directa Aseguradora's Security Management System guarantees the principles of integrity, availability and confidentiality, for which the company has a cybersecurity team that, during the last financial year, has developed the following lines of work:

- **Development of the external Security Operations Centre (SOC)** to provide it with reactive capabilities.
- **Acquisition of a new Security Information and Event Management (SIEM) solution** to improve security monitoring of all assets and detect anomalous access patterns.
- **Enhancement of the security of digital assets** with strong internet exposure.

In addition, the company has continued to **train employees** through **training videos available at the @prende**platform from Línea Directa's Training department.

Penetration testing

In 2023, Línea Directa carried out a series of pentests, or intrusion tests, to identify and assess the potential security vulnerabilities of assets with high Internet exposure, as well as their possible extent. In this way, the O365 environment and its internal infrastructure, a wide range of Lotus Notes portals and resources, the Vivaz website and the Vivaz Activity and Vivaz Management Apps and the Artemis web portal and infrastructure have been reviewed.

Other key assets such as the company's commercial website, the Penelope website and app, the Safe&Go website and mobile app and the ConducTop app were also analysed.

Security breach

In 2023, Linea Directa Aseguradora suffered a security breach from an external source. Once detected, the company informed both the Spanish Data Protection Agency (AEPD) and the affected customers. This breach, which was the subject of a proper investigation, has now been closed and is on file. During the last financial year, Línea Directa was not subject to sanctions in the field of data protection.

General Cybersecurity Strategy

Línea Directa's General Cybersecurity Strategy has four key pillars:

1. Protection against cyber risks:

- Assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks, including from *cloud computing* environments.
- Continuous development of protection mechanisms for information systems and communications networks.
- Evaluation and improvement of disaster recovery mechanisms.
- Third-party risk management.

2. Culture of cybersecurity and privacy in the company:

- Awareness-raising measures in the organisation
- Training and education activities for employees
- Obtaining security certifications

3. Cybersecurity from the outset:

- Integrate cybersecurity into the lifecycle of new initiatives to ensure their protection from the outset, and implement controls and measures accordingly.
- Assess cybersecurity when procuring technological solutions and contracting technological services.

4. Cybersecurity assessment and audit and adaptation to the changing situation

- Specialised team of mixed composition (internal and external) for the permanent review of cyber threats
- Establishment of controls from the outset.
- Integration of cyber risks in the company's risk map.
- Performance of internal and external controls and self-tests.
- Regular reporting to the company's governing bodies.

CONTRIBUTIONS TO ASSOCIATIONS

Since its inception, Línea Directa Group has shown a firm commitment to society and, in particular, to the development of the insurance sector, being a member of the leading associations in the geography of its activity, which is Spain.

The Corporate Governance department has among its objectives the management and global monitoring of the memberships to associations or groups of influence to which the company belongs or is interested in joining. It also defines the governance and executive responsibilities for each membership, both in approving membership and in monitoring performance.

In these monitoring processes, the company assesses whether the positions of the associations in which it wishes to participate are in line with its positions on various issues, including digitalisation, human rights, talent management, climate change and the Paris Agreement, sustainable business generation, etc.

In the event that there are significant differences between Línea Directa's position and that of the various associations in which it participates, the company will work to bring its position closer to that of the respective association through its participation in the committees in which it is represented.

In 2023, Línea Directa has allocated its contributions among associations and stakeholders as follows:

	2020	2021	2022	2023
Groups of influence, representation of interests or similar.	0	0	0	0
Companies, organisations or political candidates at a local, regional or national level	0	0	0	0
Industry associations	122,473	114,712	126,632	136,122
Other expenses associated with political influence	0	0	0	0
Total contributions	**122,473**	**114,712**	**126,632**	**136,122**

A must for a sustainable partnership

Línea Directa is a member of UNESPA, the Spanish Insurance Association, and is also associated with ICEA, an organisation that works with the sector to provide information and data that allow us to understand the changes in the insurance industry from different perspectives. It also seeks to encourage the training of professionals in the sector.

Both partnerships are aligned with the global sustainability agenda, which is underpinned by initiatives such as the United Nations Sustainable Development Goals, the Paris Agreements and the European Green Pact. In order to fulfil this purpose, ICEA and UNESPA have started a new collaboration for the elaboration of sectoral statistics in the field of sustainability.

In 2023, Línea Directa joined the United Nations PSI sectoral initiative, which involves a series of commitments closely linked to the company's sustainability strategy:

- Integrating environmental, social and governance issues (ESG issues) relevant to the insurance business into the company's decision-making process.
- Collaborating with customers and business partners to raise awareness of environmental, social and governance issues, as well as managing risk and developing solutions.
- Collaborating with governments, regulators and other key stakeholders to promote broad-based action across society on environmental, social and governance issues.
- Reporting and showing transparency by publicly and regularly disclosing progress in the implementation of the Principles.

Consolidated Management Report (in thousand euro)

GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

HUMAN RIGHTS POLICY

Línea Directa Group has a firm commitment to human rights, which it promotes both in the development of its commercial activity and in its relationship with all its stakeholders: employees, customers, suppliers and society in general.

Línea Directa Aseguradora is a member of the Spanish network of the United Nations Global Compact and is committed to incorporating the UN Guiding Principles on Business and Human Rights into its activities, for which it has a Human Rights Policy approved by the Board of Directors since 2020 and applicable to all the Group's subsidiaries.

The Policy is intended to serve as a guide in protecting and respecting these rights, preventing their violation and reflecting the company's commitment to international, local and industry standards, such as the UN Global Compact, the UN Principles for Responsible Investment and the UN Principles for Sustainable Insurance. In addition to describing how this protection is implemented in its operations, the Policy also outlines Línea Directa's commitments in its operations as an insurer, to its professionals as an employer and to suppliers as a business partner.

In its role as an employer, the company is committed to upholding the human rights of its employees and promoting the principles of fair and favourable working conditions and non-discrimination, as well as complying with the provisions of the relevant ILO core conventions.

In order to strengthen its position on non-discrimination and equal opportunities, Línea Directa became a member of the Diversity Charter, a European Commission project within the framework of the non-discrimination regulations.

In terms of the supply chain, the company relies mainly on domestic suppliers, which allows fir better understanding their human rights practises while supporting local development. As part of the supplier approval process, suppliers must accept the Supplier Code of Conduct, which includes several sections on respect for human rights and labour legislation.

HUMAN RIGHTS DUE DILIGENCE

In order to meet regulatory trends, the requirements of supervisors and analysts and the commitments assumed by the company, Línea Directa Aseguradora has carried out its first due diligence exercise in the area of human rights.

The objective of Línea Directa's due diligence process (and that of its monitoring and reporting) is to be in line with best practices in human rights and to meet the requirements of different ESG analysts, serving as support for the measurement of social impacts, regulated by Law 11/2018 on Non-Financial Information and Diversity, which transposes EU Directive 2014/95 and establishes a framework for human rights analysis.

The following international frameworks have been taken into account for the due diligence procedure, most of which are also included in the company's Human Rights Policy:

- The International Bill of Human Rights of the United Nations (UN).
- The ILO Declaration on Fundamental Principles and Rights at Work, as well as its core conventions (including freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation).
- The OECD Guidelines for Multinational Enterprises
- The European Convention on Human Rights
- The EU Action Plan for Human Rights and Democracy 2020-2024

Línea Directa is firmly committed to the application of other national and international human rights standards, always with the aim of expanding its commitment in this area and integrating them into its risk management, decision-making and governance processes in its operations and in its relations with its stakeholders.

This commitment will also enable the company to promote transparency in all its policies and procedures and to engage with customers, industry and other stakeholders to share best practice in this area, address common issues and offer real solutions.

PURPOSE OF THE PROCEDURE

Línea Directa Aseguradora's human rights due diligence process includes the identification of potential human rights violations based on the Company's commitments.

The commitments made cover five dimensions of the company: as an employer, as an insurer, as an investor, as a collaborator and partner and in relation to its environment.

The identification of risk events goes hand in hand with the delimitation of actual or potential negative impacts and defines the criteria to be considered in order to facilitate their assessment, prioritisation and management. The process was defined and developed with the involvement of an independent third party and the key areas responsible for each of the five dimensions.

Assessment

The risk event assessment process is carried out based on Línea Directa Aseguradora's risk analysis methodology, in order to ensure uniformity of criteria. The methodology also defines how to assess the impact, likelihood and severity of each event.

Human rights due diligence is conducted at least every three years.

This methodology will be used to identify potential human rights risks in operations, the value chain, business-related activities and new business relationships such as mergers, acquisitions or joint ventures.

Parameters taken into account

Once the impact and likelihood variables have been assessed, the severity of each risk event is determined, allowing the company's human rights risk map to be drawn up.

Due diligence in detail

A categorisation of potential human rights violations has been carried out taking into account each of the dimensions of Línea Directa Aseguradora's Human Rights Policy: as an employer, as an insurer, as an investor, as a collaborator and partner and in relation to its environment.

IMPACTO	PROBABILITY
Company involvement	Country
Magnitude	Sector
Reversibility	Level of coverage or control environment

The following guidelines were also used:

- UNEP-FI's guide to environmental, social and governance (ESG) risk management in general insurance business and the PSI or Principles for Sustainable Insurance.
- The International Finance Corporation's Guide to Human Rights Impact Assessment and Management.

ROLES

	As an employer	As a collaborator and partner	As an insurer	As an investor	In relation to its environment
ISSUES	Equal treatment in people management Fair working conditions Freedom in the workplace The environment and workplace Information security and data protection	Processes of supplier approval, registration and contracting Risk control and mitigation mechanisms	Responsible marketing Accessibility and discretion in products and services Data processing	Investment in companies and countries Building partnerships	Promotion of human rights in the environment

Key elements to consider

For each of the risk events included in this document, we have contextualised what the threat may be, the stakeholders that would be affected and the link to Línea Directa Aseguradora's Human Rights Policy.

This means:

Description of the risk event and its link to human rights (main and related). The following aspects have been taken into account: forced labour, human trafficking, child labour, right of association, right to collective bargaining, equal pay, discrimination and right to the environment.

- Stakeholders affected by each risk event: customers, employees, suppliers and/or the public.

In this exercise, the following vulnerable groups have been considered in each of the dimensions indicated in the policy: women, children, migrants, contractors, local communities. Attention has also been paid to the older population from the point of view of product design and marketing, and to people with disabilities from the same point of view and also from the point of view of integration into the company's workforce.

- Linking each risk event to commitments defined and included in the Human Rights Policy
- Risk mapping frequency: the company's risk map is reviewed on a regular basis as each risk is reviewed at least once a year. The mapping of these risks is carried out jointly by the Corporate Risk area and the area responsible for the management of each threat.

For each of the above dimensions, we have mainly analysed the responsibilities, processes, practices, training, channels, reporting, alliances and initiatives that Línea Directa Aseguradora carries out to mitigate or remedy risk events.

REPORTS OF BREACHES OF HUMAN RIGHTS

Línea Directa Group has a whistleblowing channel for reporting breaches of the Code of Ethics, which is freely accessible to all employees and is completely anonymous and confidential. It also has a harassment protocol aimed at preventing inappropriate situations that could hinder the normal development of the company and that could lead to moral, sexual or gender harassment or discriminatory treatment.

In 2023, one complaint of possible human rights violations was received, relating to a case of harassment or unacceptable behaviour, which, after being confirmed by the relevant investigation, led to appropriate disciplinary action. In 2022, one such complaint was also received and followed the same procedure.

RISK MANAGEMENT MODEL

Línea Directa Group is exposed to a wide range of risks arising from its activity and numerous external factors that may affect the continuity of its business, its strategy, its reputation and its financial objectives. For this reason, it has a management model applicable to all Group companies which, in addition to identifying potential risks, includes a set of principles and regulated procedures for the entire organisation.

The activity of the companies that make up Línea Directa Group is also subject to a series of risks that may affect their reputation, objectives and strategy. To ensure that all risks are properly identified, measured, managed and controlled, Corporate Risk Management has set up a cross-functional management system. The organisation has a set of predefined operating principles and procedures that are systematically applied to all Group companies.

PRINCIPLES OF ACTION

In order to identify, measure, manage and control the most relevant risks, Línea Directa Group follows the following principles of action:

- Promote a culture of risk management: risk management is a management responsibility and an integral part of all organisational processes. A culture of risk management should be maintained in every decision made, regardless of the area in which it is made.
- Independence: at the operational level, appropriate segregation of duties and coordination mechanisms between business units and risk monitoring and control units must be ensured.
- Integral management: the entities of the Línea Directa Group must identify, measure, manage and control all the risks they are significantly exposed to, establishing the appropriate policies, procedures, structures and means for each of them. To this end, the Risk Map is a tool that provides an overview of the most significant risks to which the organisation is exposed.
- Transparency: appropriate channels should be maintained to support the communication of internal information so that any threat can be identified as early as possible to avoid or mitigate its impact.
- Review and constant improvement of risk management: the adequacy, suitability and efficiency of risk management will be periodically reviewed and evaluated. The opportunities for improvement that may arise internally from learning from reported incidents, or externally, from the availability of new tools and knowledge that can improve risk management should also be looked at.
- Compliance with internal regulations: the values and standards of conduct reflected in the Code of Ethics, in particular the commitment to upholding the law, and the principle of "zero tolerance" towards the commission of illegal acts and fraud as set out in the Regulatory Compliance Policy must be observed at all times.

The organisational structure of risk management and control is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units.

Responsibilities

The roles and responsibilities of the various governing bodies of the company, as well as those of the parties involved in the risk control and management process, are strictly defined.

- The Board of Directors of Línea Directa is responsible for defining the general risk policy, which serves as a framework for other specific policies for each type of risk, ensuring a homogeneous application in all areas and subsidiaries of the Group. In addition, it is responsible for risk appetite setting and risk monitoring, ensuring that identified risks are properly monitored and managed. On an annual basis, the Board of Directors or the Audit and Compliance Committee set risk tolerance limits and approves changes in the thresholds of key risk indicators (KRIs).

- The **Audit and Compliance Committee** is responsible for overseeing the effectiveness of the company's internal control, internal audit and risk management systems. This committee is informed by the heads of the Internal Audit and Corporate Risk (Risk Management and Internal Control, Actuarial and Regulatory Compliance roles and ICFR) in relation to the most significant risks included in the entity's Risk Map, as well as the status of the recommendations issued and the performance of the Key Risk Indicators (KRI).

- **Internal Audit** is responsible for executing the Internal Audit Plan, which includes overseeing the risk management system. The Risk Map should be used to align the work of Internal Audit with the organisation's strategy and to carry out the annual audit planning.

- The **Risk Management, Actuarial, Compliance and ICFR functions** are responsible for:
    - Ensure the proper functioning of risk management and control systems and, in particular, that all significant risks that may affect the company are properly identified, managed and quantified.
    - Playing an active role in drawing up the risk strategy and in important decisions around risk management.
    - Ensuring that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.
    - Periodically assessing the adequacy and effectiveness of controls (defined as measures to mitigate the impact of identified risks) and make recommendations to the officers responsible for the risks - recommendations that will be turned into action plans.
    - Regularly reporting to the Management Committee - and, as often as deemed appropriate, to the Standing Risk Committee - on the status of the company's risks, and on any possible risks that could emerge and the status of all recommendations arising from testing.

The risk management functions are equipped with adequate reporting systems and controls to ensure compliance with this policy and the way they function is described in the specific policies for each type of function.

- The **Standing Risk Committee** is responsible for facilitating and monitoring the implementation of effective risk management practices for all risks to which the company is exposed, including ESG risks.

- The competencies and organisation of the specific committees are set out in the Línea Directa Aseguradora S.A. Governance System.

- **Senior Management** is responsible for creating a culture and organisational structure that promotes effective risk management. The heads of the business and support areas must remain aware of the risks in their area of activity and manage them in a way that is consistent with their functions, powers and responsibilities, while also implementing the necessary measures for risk management.

- The **business and support areas** are responsible for detecting and reporting the risks that may arise in the course of their activities, and for managing them, in coordination with the areas that make up the Risk function.

Línea Directa has internal control processes and an effective risk management system that complies with applicable regulations and is in line with best practises in the sector.

MANAGEMENT STRUCTURE

In order to exploit synergies and optimise dialogue with the first line of defence, a Corporate Risks department was created in 2022, bringing together the following functions:

- The Risk Management and Internal Control function
- The Actuarial function

- Regulatory Compliance
- Internal Control of Financial Information.
- Data Quality

Its mission is to provide a risk map that highlights current and emerging threats to the business and to ensure an effective control environment that strengthens the long-term sustainability of the business.

To this end, Línea Directa Group has set up different levels of management or "defences" to ensure that facing each type of risk there is:

- A management unit directly responsible for its day-to-day or current management, acting as the first line of defence.
- A structure of committees, each of which is responsible for identifying, managing and reporting risks to the organisation's governing bodies, and in which the management units report and report specific decisions. As a result of their membership and functions, these committees have executive functions in that they make decisions relating to the risks that they manage.
- Control functions as the second line of defence; i.e. the Risk Management, Actuarial and Compliance functions and ICFR.
- A supervisory function as the third line of defence, i.e. the Internal Audit function.

This structure guarantees:

1. That there is adequate control, management and reporting of all risks at the various levels of "defence".
2. That control and reporting is vertical and transversal, through both dependent entities and independent control functions.
3. That there is adequate scalability of reporting, control and decision-making.
4. That responsibility, knowledge and control of risks is carried out at different levels up to the highest level of governance.

Following its IPO, Línea Directa Group is obliged to ensure compliance with European Union regulations by adopting International Financial Reporting Standards.

To this end, the Internal Control over Financial Reporting Department was created in 2021, wit the objectives of identifying and determining the relevant financial information that must be subject to internal control over financial reporting (ICFR), as well as the processes required for its preparation, under a defined materiality criterion and taking into account all reported and published financial information.

The ICFR is part of internal control and is the set of processes that the Board of Directors, the Audit Committee, Senior Management and relevant employees carry out to provide reasonable assurance regarding the reliability of financial information disclosed to the markets.

The Internal Control over Financial Reporting department, which is responsible for the effective implementation of ICFR and its proper monitoring, continued to work on identifying, reviewing and documenting the relevant information processes included in ICFR, designing and implementing controls over the above information and establishing a periodic report to the Audit and Compliance committee on the operating effectiveness of the controls for each quarterly financial statement, in addition to establishing a review process by the external auditor.

IDENTIFIED RISKS

Identified risks are grouped into the following categories:

- Non-Life underwriting risk
- Health risk (disease underwriting)
- Market and concentration risk

- Financial, credit and counterparty risks, including contingent liabilities and other off-balance sheet risks
- Operational risks, including technological and cybersecurity risks
- Legal risk (regulatory and compliance)Financial reporting risk (ICFR)
- ESG risks (environment, social and governance)
- Reputational risk
- Strategic risk
- Emerging risks

The governing bodies receive information at least quarterly on the main risks to which the institution is exposed, the capital resources available to manage these risks and compliance with the limits set out in the risk appetite.

The Corporate Risk team, together with the other areas of the company, periodically analyses the risks that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an evaluation is made and prevention and mitigation measures are identified to obtain the residual risk assessment. A number of significant materialisations have been identified:

- Claims incurred due to atmospheric damage (significant, although lower than in 2022)
- A drop in the NSS indicator

Corporate Risk has set up a communication channel on the intranet so that any employee can report potential risks or materialisations.

The main risks that may have an impact in the medium to long term are the following:

Cyber attacks

In a connected world, IT security and preventive measures against increasingly professionalised cybercrime are of crucial importance. In this respect, cyber-attacks are one of the company's main concerns in the area of risk management, as a security breach can seriously affect business continuity, trust and reputation. For this reason, Línea Directa has a strategy in this area, in which it applies a comprehensive vision of the processes involving different areas of the company and critical suppliers, allowing it to centralise efforts and reinforce response and recovery systems and protocols.

In addition to the specific security measures described in the specific section on cybersecurity, the company has a cyber-risk policy that covers the possible consequences of this type of event.

Business continuity and crisis response

Over the last fifteen years, we have witnessed a succession of crises that have stressed and destabilised the global economy. Events such as the subprime mortgage crisis, the COVID-19 pandemic, the serious geopolitical situation, extreme weather events, energy crises or the inflationary process have been experienced for the first time on a global scale.

The depth and seriousness of these events have increased the sense of threat for mass consumer companies, which has led Línea Directa to implement a specific Business Continuity Plan that guarantees a strong response capacity in the event of major unforeseen events.

Consequences of climate change

Climate change has increased the frequency and severity of catastrophic events resulting from adverse weather events, leading to a significant increase in claims expenses. Moreover, their increasing intensity and virulence make it difficult to manage them in a timely manner and can deteriorate the service provided to the insured, as well as affecting the company's results.

To mitigate this risk, Línea Directa Aseguradora has set up specific procedures for the management of these claims, as well as an accumulation reinsurance programme that provides coverage for claims that exceed a certain amount due to their severity and are not covered by the Insurance Compensation Consortium. In this type of reinsurance, the claims costs of the event that exceeds the priority set in the contract are ceded, the claims costs being understood as the sum of all individual claims affected by an event that meets the conditions set in the contract.

With the exception of 2019, when no catastrophic events were recorded, such events have become commonplace and their average cost has increased significantly over the last two years.

Historically, these events have tended to be concentrated in coastal areas, so the company has carried out an atmospheric damage guarantee study for homes within 30km and 10km of the coast for the following geographical areas:

- Catalonia
- Levante: Valencia, Murcia and the Balearic Islands
- Andalusia
- North: Galicia, Asturias, Cantabria and the Basque Country

It has also been observed that these events are no longer exclusively located on the coast, as they are increasingly occurring in inland areas, and the study will be extended to include these areas in future years.

On the other hand, in relation to the goal of net zero emissions by 2050, Línea Directa Aseguradora has in place its Sustainability Plan 2023-2025, which aims to promote sustainable growth based on ESG dimensions and position its direct model as its best asset in the face of the opportunities and challenges posed by the next three years.

In addition, the design of appropriate controls and key risk indicators (KRIs) has been promoted to support the Audit and Compliance committee.

The consequences of geopolitical crises

The tense economic and geopolitical environment has contributed to higher inflation. The tightening of monetary policy and the slowdown in major economies will have an impact on insurance markets. After 20 years of steady market pressure on average motor premiums, the industry has seen an increase in average rates over the past year, but the inflationary environment continues to have a negative impact on margins and profitability.

On the other hand, the direct model, characterised by direct contact with the customer and the strategic orientation of the organisation, is a great asset in adapting to the current economic circumstances, as it offers significant advantages in terms of cost control, stability of supply systems, efficiency and specialisation of processes. In addition, the direct model allows for greater fraud detection and control, as the fewer intermediaries in the claims management chain, the easier it is to control, detect and prevent potential fraudulent actions.

The responses in financial markets is also having an adverse impact on the valuation of risky assets. Although the company maintains a prudent portfolio in terms of financial instruments (government and corporate bonds), there are risks associated with the capital markets, such as interest rate movements or the equity market, which could be exacerbated in the current situation of high uncertainty.

Talent risk

People are a fundamental asset in creating a sustainable, profitable and efficient business. Línea Directa Aseguradora promotes people management based on respect, ethics, equal opportunities, non-discrimination and diversity.

In addition, Línea Directa has implemented strong policies to attract, develop and retain talent to provide the organisation with the skills and knowledge necessary to achieve its strategic objectives. For this reason, a strategy has been set up during 2023 to strengthen the company's position as a benchmark employer brand through attractive, modern and digital communications.

Línea Directa has in place a specific Talent Attraction strategy that allows it to meet its business and service needs in a highly volatile environment, based on the following principles:

- Attraction
- Selection
- Integration
- Loyalty

On the other hand, Línea Directa seeks to increase the value of the assets it offers as an attractive place to work. This strategy is based on projecting a real and transparent image of the culture and life in the company, and is built on the principles of the Employee Value Proposition, in which each candidate and each person is unique.

The company has a specialised recruitment team that treats each process individually. The added value this team provides lies in the fact that it strategically creates an experience for candidates, allowing them to get to know the company, their future area of work and their colleagues, and then providing them with the necessary technological tools and the necessary training for the performance of their duties.

Another way of strengthening candidate loyalty is to ensure consistency between the experience of the recruitment and selection process and the process of integration into the company; for Línea Directa, integration is a key moment in which the importance of people and their contribution to the organisation is valued.

The company has also set up talent communities that nurture specific talents in each functional area, develop their own training programmes and share knowledge and experience regardless of their place in the organisation. In addition, the company nurtures leadership in its Darwin, Crece and Smile communities; it nurtures analytical capabilities in its Pi community; and management efficiency through the implementation of the Agile methodology in project management.

Regulatory changes

Increased regulatory pressure is forcing Línea Directa to comply with the requirements and restrictions imposed by new legislation, adapt its processes and systems, and strengthen its legal teams. The expected regulatory changes in the area of sustainability and climate change could have a significant impact on companies.

Línea Directa has developed different measures to mitigate this risk. Firstly, it has a bulletin of regulatory and legal news, which includes regulatory projects, relevant criteria issued by the main supervisors and other news of importance that may affect or be of interest to the institution. In addition, the Management team is promptly informed of the changes and their potential impact on the business, and awareness programmes are conducted throughout the organisation on the new regulations and the risks they may entail.

The company also has other tools in place, such as the Regulatory Radar, which analyses regulatory changes and their potential impact, and helps to drive the implementation of measures to ensure that these changes are incorporated into processes and operations.

During 2023, the following policies have been updated:

- Code of Conduct for Suppliers
- Internal Audit Policy
- Reinsurance Policy
- Tax Policy
- Procurement Policy and Relationship with the Statutory Auditor
- Línea Directa Group Ethics Channel Policy
- Health, Prevention, and Well-being Policy

- Internal Regulations Management Policy
- Actuarial Function Policy
- Underwriting Policy
- General Risk Policy
- Operational Risk Management Policy
- Brand Policy

Provisioning risks

The company's reported reserves for payment of claims and related expenses are estimates based on actuarial calculations, statistical models and projections made individually by the Services and Benefits team on the basis of available information. To address the risks associated with provisioning, the following controls are in place: monitoring the development of reserves in the monthly Claims Incurred committee, annual review of the calculation of technical provisions by the statutory auditor, and a calculation of technical provisions by an independent expert as a counterpart to internal calculations.

However, there is a risk of underfunding caused by changes in the applicable legal provisions and the economic environment.

Digitalisation and emerging technologies

The pace of change brought about by digitalisation and new technologies is rapid, which can lead to a risk of not being able to respond to customer demands in an agile and effective manner, as well as a risk arising from the lack of scalability of the company's technology.

Línea Directa promotes the digitalisation and automation of those processes which, by their nature, can do without human supervision, always with the aim of allocating the talent and training of its team of people to the resolution of those procedures in which they can contribute real value. For this reason, in addition to having teams specialised in technological innovation and in the design and development of new products, Línea Directa has a Digital Transformation department that provides a unique, strategic and transversal vision of this process, and implements various measures aimed at improving customers' digital experience.

A LOOK AT 2023

In 2023, Corporate Risks continued to work on efficiency improvements, including the following initiatives:

- The integration of all control functions into a single management system (SAP GRC 100).
- The development of procedures and methodological documents that ensure a unified treatment of risk by the different functions of the company. The work is coordinated across all second line of defence functions to understand the cross-impact of the different regulations that apply to each risk. This coordination includes the Internal Audit function, with whom information is shared to enhance both the identification and improvement of controls.
- Consolidation of the risk map (Solvency II and Sustainability oriented). All control environments have been strengthened and 80% of planned mitigation has been achieved. In this regard, a new strategy has been launched in order to align Risk Maps with the DGSFP's supervision priorities for the years 2023-2025. This year, work has focused on the monitoring of market conduct and the protection of customers' rights.
- Updating risk indicators and building a new KRI scorecard for rapid reporting and decision-making.
- Specific training for risk teams to prepare them for new challenges and facilitate the integration of control functions. A 28% of staff in Corporate Risk have obtained a risk management certification (COSO, CISA and Regulatory Compliance) and the Actuarial function has received training in the IFRS17 standard.

- In terms of corporate training, specific training on the calculation of the statistical provision in relation to reserve adequacy risk was provided to directors who requested it. In the area of compliance, the CAR workshops in Madrid and Barcelona have received training. And a training video specifically looking at the penal code is available for the managers and coordinators of Línea Directa.

GOALS FOR 2024

The objectives and main lines of work for 2024 are as follows:

- Assessing the risks associated with the company's new products.
- Assessing the residual criticality of all the company's risks, for which it will be necessary to review the internal control processes with a view to extending the scope of monitored controls.
- Developing a map of strategic and emerging risks, with details of their control environments.
- Developing, together with the People, Communication and Sustainability area, the SCIINF (Internal Control System for Non-financial Information).
- Actively collaborating in the application for the Dow Jones Sustainability Index.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT (ESG)

The company has defined the management model, processes, regulations concerned and methodology for ESG risk management. This is a combined model methodology that provides a qualitative assessment with its own KPIs that help to identify risks that could be considered a more immediate threat. The methodology is monitored periodically to facilitate the transmission of information between the areas responsible for risks and Línea Directa's Risk Management department. On the other hand, work is carried out to monitor the mitigating measures or controls identified in each area, to analyse their effectiveness through the evidence that can be provided, to update their control environment and, consequently, risk assessment. If any improvements are identified, appropriate action plans are put together.

Línea Directa Group's ESG Risk Map contains the risks to which the company is exposed, divided into the three ESG axes looked at from the 5 main business dimensions, and in turn subdivided 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 Línea Directa Group is not in a critical sector in terms of climate change, which is one of the main categories of ESG risks, the company is aware of this issue and promotes and encourages responsible management in this area. To this end, it has specific policies and measures, detailed in the section of this document on environmental management, enabling it to manage the use of resources efficiently in order to minimise the company's impact on the environment.

On the social front, Línea Directa Group has protocols and specific measures to stimulate the potential and development of its employees, encouraging diversity and inclusion, offering the best solutions to maintain employability and promoting safety in the workplace and the health of employees, as set out in the section on social and staff-related issues. In product design, current market trends, such as electric, hybrid or alternative combustion cars, are also taken into account.

Finally, on the governance front, the company has laid out measures for supplier approval mechanisms; a corporate governance structure that meets all regulatory and best practice requirements; zero tolerance for bribery and any illegal activity as reflected in the Code of Ethics and other internal policies; as well as all information and data security measures implemented in the organisation.

In connection with human rights due diligence, risks have been identified as detailed in the following table:

RIKS CATEGORY		RISK DESCRIPTION
Insurance risks	1	Lack of physical or digital accessibility to the products and services offered (adapted websites, etc.)
	2	Potential discrimination in access to insurance (products and services) due to biases (low income, vulnerable groups) or other reasons (ethnicity, disability, religion)
	3	Advertising campaigns or messages that infringe on the right to equality and the principle of non-discrimination on grounds of gender, disability, race, etc.
	4	Inadequate processing of customers' personal information
	5	Failure to offer products and services appropriate to the needs and/or type of customer
	6	Marketing of products and services that could violate human rights
Employer risks	7	Discrimination in hiring, promotion, retirement or dismissal processes within the company on the grounds of gender, disability, race, religion, age, illness or any other discriminatory grounds
	8	Lack of physical or digital accessibility to the workplace (offices)
	9	Lack of management of harassment in the workplace
	10	Allowing a pay gap or discriminatory pay differential between employees of the same rank and category
	11	Preventing employees from expressing needs or opinions and/or practising religion
	12	Forbidding workers from joining together and defending their common interests (placing barriers to joining trade unions and striking - prejudice from superiors, penalties in career development)
	13	Improper handling of employees' personal data
	14	Allowing changes in the working conditions of (or dismissal of) employees after reporting pregnancy
	15	Not granting or limiting the stipulated maternity/paternity leave
	16	Failing to comply with stipulated provisions of pensions, life insurance, health insurance and unemployment insurance
	17	Failing to secure guaranteed income during an employee's medical leave
	18	Absence of stipulated breaks or insufficient time for breaks including the absence of digital disconnection outside legally or conventionally established working time (not respecting rest periods, leave and holidays, as well as personal and family privacy)
	19	Inadequate protection of workers' health and safety

Consolidated Management Report (in thousand euro)

RIKS CATEGORY		RISK DESCRIPTION
Investor risks	20	Investing in companies that may cause damage to World Heritage sites or other protected areas
	21	Investing in companies or countries that may be linked to practices likely to impact on human rights
	22	Investing in companies in controversial sectors whose practices are environmentally damaging
Risks for collaborators, partners and partnerships	23	Not contracting or disassociating from a supplier for religious reasons
	24	Hiring suppliers that do not ensure minimum health and safety conditions for their employees
	25	Hiring suppliers that do not ensure freedom of association for their employees
	26	Hiring of suppliers operating with personnel under the age set by ILO and/or national legislation
	27	Hiring suppliers who do not pay their workers at least the minimum wage
	28	Hiring suppliers who engage in any form of modern slavery (forced or compulsory labour, withdrawal of employee documentation)
	29	Hiring suppliers that engage in discriminatory practices towards their employees
	30	Hiring suppliers that engage in practices that are harmful to the environment and are precursors of climate change
	31	Partnering with organisations that may cause damage to World Heritage sites or other protected areas
	32	Building alliances with organisations that may engage in discriminatory, anti-equality or anti-human rights practices
	33	Partnering with organisations that engage in environmentally damaging practices and are precursors of climate change

Consolidated Management Report (in thousand euro)

Emerging risks are new risks that are developing or, by their very nature, changing. These risks are characterised by a low probability of occurrence with indications of growth and significant long-term impact should they materialised.

Exponential development of Artificial Intelligence Category: technology

An exponential pace of technological development will bring about unpredictable transformations and an era of unprecedented change. In this context, there is a risk that the company will not be able to adapt to such environments, or, more specifically, that superhuman artificial intelligences will emerge that are beyond control, a phenomenon known as technological singularity.

The accelerated development of new digital technologies raises ethical concerns about their implementation, such as privacy, attribution of responsibility or biases in data processing. External artificial intelligence can be disruptive to the insurance business because it also lacks the resources, human and technological capacity to identify and detect unethical situations that impact the business.

The most significant impacts observed are the following:

- Having to adapt the business model to new customer preferences (new forms of contact, more efficient self-service, etc.)
- Having to adapt to new privacy and data protection regulations

The actions that Línea Directa is taking to mitigate this situation are as follows:

- Ensuring that new product developments and the work of the Innovation Committee incorporate the impact of AI and its consequences on the business model in their analysis.
- Connecting to think tanks, forums, alerts or newsletter subscriptions to keep up to date. Carrying out audits on benchmarking and gaps.
- Implementing 'defensive' algorithms to counteract 'unethical' external effects
- Monitoring through Línea Directa Group's Regulatory Radar, in order to identify any changes in applicable legislation in this area.

Self-driving car Category: environmental, social, economic and technological

The self-driving car is a vehicle capable of performing all driving functions between an origin and a destination without the need for human intervention at any point, beyond indicating the start and end point of the journey.

The use of this type of vehicle generates a type of accident rate unknown to the company and the sector, as well as the cover to which an insurance company is liable in a market that is increasingly oriented towards a sustainable and technological mobility.

There are currently no self-driving cars on the market in Spain, although there are several projects under development. On the other hand, current legislation does not allow the driver to give up control of the steering wheel at any time, so self-driving cars would not be allowed in Spain today, even if technology made it possible. In some US states, such as California, the use of semi-autonomous driving that involves letting go of the car's controls is permitted.

There are also European countries where the deployment of self-driving transport, such as taxis, is being considered, and where developers are allowed to test self-driving cars on roads open to traffic.

The most significant impacts observed are the following:

- Uncertainty about the legislation applicable to the use of this type of technology in vehicles in Spain. Possible legal loopholes and uncertainties due to the lack of an exhaustive analysis of the casuistry, which does not allow us to define with certainty the possible responsibilities, such as for the use of scooters (local ordinances, regional laws, etc.).

• Uncertainty about the coverages with which to insure the vehicle, as well as the determination of the scope of liability of insurance companies, the vehicle manufacturer, or the software designer.

• Uncertainty as to whether software and AI developed by third parties behaves ethically, or whether what is developed by a third country should be applied in Spain or in the EU.

• Adapting infrastructures in the national territory (traffic lights, beacons, ...) to improve current accident rates

• Financial losses derived from not adapting to changing consumer preferences or not meeting new business demands by failing to assimilate the changes arising from an acceleration of digital transformation

The actions that Línea Directa is taking to mitigate these risks are as follows:

• Training and study in algorithms, analysis of autonomous mobility and statistical models of new mobility variables (infrastructure, black boxes...) for the development of the new business. Línea Directa currently markets insurance for vehicles with ADAS, and uses the learning obtained from the accident behaviour of this type of technology to apply it to self-driving vehicles.

• Constant monitoring through Línea Directa Group's Regulatory Radar to identify any legislative changes applicable to the company's sphere of activity.

Ageing population Category: social and economic

The population of the European Union is undergoing a general ageing process. This is reflected in the main statistical indicators such as the share of the population that is elderly, the old-age dependency ratio and the median age. In fact, the proportion of people over 65 in the population has risen from 16% in 2001 to 21% in 2020, an increase of 5 percentage points in two decades. Furthermore, if we look at the 80+ age group, their share will be almost 6% in 2020, whereas in 2001 it was only 3.4%, i.e. it has almost doubled over this period.

Meanwhile, the census of driving licences of the Directorate General of Traffic (DGT) reveals that in Spain there are already more than 27 million drivers, of which almost 16% are people over 65 years of age, equivalent to more than 4 million people. According to the latest data from the Spanish Directorate-General for Traffic (DGT), of the 1,273 victims of road accidents on interurban roads in 2022, 283 were over 65 years old. On urban roads, the results are no better: of the 473 fatalities in this category, 184 were also over 65 years of age, representing 39% of the total, the largest group of victims.

An ageing of the population, coupled with the consequent loss in purchasing power and more restrictive regulations on driving after a certain age, poses a risk with unknown long-term social and economic impacts. As a result, demand for insurance may decline as the proportion of this age group increases in a few years' time, although the advent of self-driving cars may mitigate this risk.

The most significant effects we have observed from this risk are as follows:

- Changes in the mobility consumption basket in search of cheaper alternatives to the personal car.
- Regulatory restrictions (age, physical condition...) and declining need for insurance.
- Uncertainty about the accident rate in relation to the physical conditions of the elderly population Applicable to all business segments: Motor, Home and Health.
- New 'young' customer profiles related to people from other countries who are gradually moving to Spain.
- The actions that Línea Directa is carrying out to mitigate the situation:
- Understanding the needs of the 'older' population: mobility safety, home automation, personal services (companionship, home repairs, etc.) and health.

- Understanding new 'young' customer profiles from other countries that are offsetting the ageing of Spain's population.
- Constant monitoring through Línea Directa Group's Regulatory Radar, with the aim of identifying any new or existing changes in the relevant legislation, whether in the area of data protection or regulatory developments, among others.

EXTERNAL RISK AUDITS

When looking at underwriting risks, the company uses an independent external consultant to review the calculation of technical provisions with the greatest impact. The scope of the audit includes the technical provisions in the Motor and Home business segments, as well as the premium provisions under Solvency II in the same business segments, because these provisions, which represent the bulk of the reserve and premium risks, are part of the underwriting risk.

This independent external audit is a best practice that the company has been implementing for more than ten years, prior to the entry into force of Solvency II. The aim is to provide greater certainty to the Board of Directors as to the adequacy of the provisions made.

Since the entry into force of Solvency II and since the Actuarial department was created, it has been responsible for coordinating these audits and analysing any differences that may arise between the company's reserves and the alternative calculation developed by the consultant. Because the process is independent from the area responsible for the calculation of the company's technical provisions, its architecture provides greater independence to the analysis.

The internal control over financial reporting (ICFR) system is in line with the requirements of the Spanish Securities Market Commission (CNMV) to review the internal control over financial reporting in listed companies. The external audit strengthens the transparency and quality of the public information on ICFR provided to the securities markets, facilitates the comparability of the information published by different companies and promotes convergence with countries in our environment where it has been deemed necessary to involve the external auditor in the review of information on ICFR. PricewaterhouseCoopers Auditores, S.L., in its capacity as the Group's statutory auditor, carries out an annual review of the content of the information disclosed to the market as part of the control model of the financial reporting system.

3. ENVIRONMENT

ENVIRONMENT

Línea Directa Aseguradora operates in an industry that is not critical with respect to climate change. Moreover, it operates under a direct business model, without a network of offices throughout the country, but with a centralised model, which makes it a naturally more environmentally efficient company than other competitors in the sector.

The company is, however, aware that it operates in a key segment in the transition to a low-carbon economy, namely motor transport. With an ageing vehicle fleet and a more restrictive regulatory horizon, Línea Directa is positioning itself with a sustainable business strategy in order to meet the needs of stakeholders in the face of the uncertainties that arise in this regard. The company's activity combines responsible consumption management with the launch of new products for new, less polluting forms of mobility. In addition, the company continues to make progress in the responsible management of its value chain and in the inclusion of ESG criteria in its investment portfolio.

In 2023, the company approved its 5th Sustainability Plan for the 2023-2025 period. The plan has the fight against climate change and decarbonisation among its main aims. As proof of Línea Directa's commitment to these aspects, the incentives of the CEO and the management team have been linked to specific actions defined in the Sustainability Plan, such as, for example, the publication of the first analysis of risks and opportunities in the face of climate change or the measurement of the Scope 3 carbon footprint.

In this regard, the company's adherence to the Task Force on Climate-Related Financial Disclosures is essential within its strategy towards climate change. With this commitment, it undertakes to incorporate and report on governance, strategy, risk and opportunity management and climate change metrics and goals.

In early 2024, the first report on risks and opportunities will be approved and published following the recommendations of the TCFD.

In response to climate change, the company is focusing its activities on a combination of responsible consumption management and the launch of new products for new forms of cleaner mobility. In addition, the company continues to make progress in the responsible management of its value chain and in the inclusion of ESG criteria in its investment portfolio.

CLIMATE CHANGE GOVERNANCE AND MANAGEMENT

The Board of Directors of Línea Directa Aseguradora is the supreme body responsible for the management, direction and representation of the company, and has the power to adopt all corporate resolutions, with the exception of those powers reserved for the Annual General Meeting.

In particular, the Board determines the overall policies and strategies of the company, including approving, setting and monitoring strategy and risk management policies, including those relating to sustainability and climate change.

Climate change is processed by the company through the Sustainability Plan approved by the Board of Directors and monitored by the working groups that make up its governance structure; it is also processed through the policies that lay the foundations for progress on sustainability and climate change within the company, and through its participation in initiatives of national and international organisations that demonstrate the insurer's commitment to the fight against climate change.

There are members of the management team in particular who have specific responsibilities in the fight against climate change:

- The People, Communication and Sustainability department is responsible for proposing, coordinating and implementing the necessary measures in the organisation to implement the sustainability strategy approved by the Board of Directors and reports to the Appointments, Remuneration and Corporate Governance Committee. In this way, it promotes the integration of ESG criteria across all areas of the business.

- The Corporate Risk department is responsible for the overall management, control and supervision of the risks that the Group may incur in (including ESG and climate change risks), after identifying these risks together with the other corporate areas.

Similarly, the Management committee, the Standing Risk committee and the Sustainability committee, deal with climate change issues to a greater extent than the departments above.

The Sustainability committee, made up of the Head of People, Communication and Sustainability, the General Secretary, the Head of Finance, the Head of Marketing and the Head of Services and Benefits, which meets at least three times a year, monitors aspects related to climate change and, in particular, has approved the first TCFD report published by Línea Directa in 2024.

The company also runs a Sustainability working group, in which the areas of External Communication and Sustainability, Purchasing, Investor Relations, Corporate Governance, Space Management, Marketing and New Products, Risks, Services and Benefits, Quality, People and Internal Communication and Social Action are represented, and which proposes to the Sustainability committee the actions to be included in the Sustainability Plan and allows for regular, transversal and detailed monitoring of the status of the actions underway in said Plan.

The company has thus implemented a structure, policy and actions that will serve to fight climate change, and which places it on the road to adapting to the new regulatory requirements that aim to achieve zero net emissions in the economy by 2050, both in its role as an insurer and in its role as an institutional investor.

RISKS AND OPPORTUNITIES IN THE FACE OF CLIMATE CHANGE

Climate change poses a major threat to the stability of global economic, social and geopolitical systems. This situation has generated a great deal of market interest in the strategies companies are adopting to both reduce emissions and create value for their investors, and to help curtail the risk of a systemic financial shock to the economy from climate change.

For this reason, Línea Directa has joined the Task Force on Climate-related Financial Disclosures (TCFD), the initiative set up by the Financial Stability Board. By joining this initiative, the company commits to incorporating its climate-related financial disclosure recommendations.

The TCFD is a global trend in climate change reporting, which provides an effective response to analysts and investors and is becoming widely accepted among regulators at national and global level as the best practice for reporting on climate performance.

In 2023, Línea Directa identified the impacts, risks and opportunities arising from climate change and established a governance procedure, strategy and associated metrics. In doing so, it has followed the TCFD Dissemination Recommendations Guide and aims to have a report approved and published in 2024.

Such report would describe the oversight and role of the company's Board of Directors, Board committees, Steering committees and Sustainability committees in managing climate risks and opportunities.

In addition, short-, medium- and long-term time horizons have been defined in which the identified risks and opportunities are set out. The impacts on business, strategy and financial planning are also set out, and resilience measures are described for two scenarios, one that exceeds 2°C and leads to an increase in the intensity and frequency of weather events, and the other in which a transition is made by keeping the temperature below 2°C in the long term.

The document will include a description of the process of identifying and assessing climate risks, managing them and integrating them into the company's risk map, as well as metrics related to risk and opportunities, setting targets in this regard. The document will also contain the calculation of emissions generated by the activity according to the GHG Protocol for Scopes 1, 2 and 3.

Línea Directa is committed to reporting on governance, strategy, risk and opportunity management and publishing metrics and targets regarding to climate change over the next years. To this end, the company has designed a roadmap to analyse the climate risks and opportunities, both physical and transitional, identified in the short, medium and long term, affecting both its operations and its value chain.

ENCOURAGING THE FIGHT AGAINST CLIMATE CHANGE

Both the CEO and Senior Management have incentives included in their annual variable that are linked to compliance with the triennial Sustainability Plan. These incentives include annual intermediate targets.

For 2023, the company set a target to reduce energy consumption by 5% compared to 2022, which should have a direct impact on reducing emissions. This target for 2023 is included in a broader medium-term objective, which aims to reduce consumption (natural gas and electricity) by more than 15% in 2025 as compared to 2022.

A target related to the climate impact of the company's value chain was also included. To this end, an assessment of suppliers in terms of emissions has been carried out, which will serve to draw up a first diagnosis of the situation. Data has been collected from more than 150 suppliers of the company and 120 related to suppliers in the Services and Benefits area.

A quarterly incentive for the back-office was also included, with climate impact measures such as the development of a guide to promote sustainable mobility and more sustainable travel habits among employees.

MANAGING CLIMATE RISKS AND OPPORTUNITIES

Climate risks are part of and affect risk categories already identified and defined by Línea Directa Group in its environmental, social and governance (ESG) Risk Map. The organisation already has processes in place to manage them, from the point of view of issues such as underwriting and reinsurance. These processes, which are supported by the Group's policies and procedures and are aligned with current legal and regulatory requirements, are tailored to the specific nature of climate risks.

The assessment and analysis of risks related to climate change involves Línea Directa's entire value chain, both its own operations and its upstream and downstream activities.

TYPES OF CLIMATE RISKS

Línea Directa Aseguradora constantly evaluates the factors that may affect its business and financial situation in order to manage them appropriately. Climate change risks, divided into **physical and transition risks**, mainly involve an increase in extreme weather events, regulatory changes, technological disruptions and changes in business models.

Physical risks

Among the physical impacts of climate change, Línea Directa has looked at both those related to one-off disruptions (**acute physical risks**) and those related to long-term changes in weather patterns (**chronic physical risks**).

From an insurance point of view, **acute physical risks** imply an increased frequency and severity of extreme weather events, such as cyclones, hurricanes, floods and droughts. In contrast, **chronic physical risks** have long-term impacts, such as changes in rainfall patterns, rising average temperatures and sea levels, or prolonged periods of heat or drought. Both cases can have financial implications, such as direct damage to assets or indirect impacts resulting from supply chain disruption.

Transition risks

The transition to a low-carbon economy to mitigate the effects of climate change is leading to far-reaching economic, regulatory, technological and social changes that may affect the strategy, business model and investment policies of insurance companies. Línea Directa has identified transition risks and classified them in four areas:

- Market risks, which include changes in the population's consumption habits, such as a greater propensity to consume certain goods and services at the expense of others, as in the case of electric and fossil-fuelled vehicles.
- Reputational risks, which can arise from a company's inadequate contribution to the transition to a low-carbon economy and lead to a change in the way it is perceived by its stakeholders.
- Technological risks, which refer to the impact on organisations of technological innovations that underpin the transition to a low-carbon economic system, displacing old ones and causing loss of competitiveness, increased production and distribution costs, or changes in consumer demand for products and services.
- Legal or political risks relate to the impact of existing regulations, the emergence of new regulations or changes in public policy aimed at limiting actions that may exacerbate the adverse effects of climate change.

Time horizons: towards 2050

Línea Directa is developing and analysing scenarios to anticipate the possible positive and negative impacts arising from different risks and opportunities, including those inherent to global warming and its secondary effects. In 2023, the company assessed various stress scenarios over a time horizon that reflects the progress of climate change over time. The Group has used its own methodology, taking into account the time horizons defined by the European Insurance and Occupational Pensions Authority (EIOPA) as well as scenarios modelled by bodies such as the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGSF).

Given the complexity of designing and assessing long-term stress scenarios, where impacts need to be assessed under assumptions and over longer time horizons than those commonly used in financial risk assessment and strategic planning, we have divided the assessment of all climate change risks and opportunities into three different time horizons:

- Short term: less than 5 years
- Medium term: between 5 and 10 years
- Long term: beyond 10 years

Scenarios envisaged under climate change

In order to identify and develop the risks and opportunities arising from climate change, Línea Directa has looked at different climate scenarios qualitatively. The scenarios used include those relating to transition risks and physical risks and that meet two additional conditions:

- That at least one scenario from the transition risks category looked at temperatures rising by 1.5 °C and that it be a disorderly scenario. The analysis focused on the NGFS scenarios assuming both orderly and abrupt change (Net Zero 2050 and Divergent Net Zero).
- That scenarios include mixed RCP and SSP scenarios modelled by the IPCC, and that at least one scenario looked at temperatures rising under 2ºC (SSP1-2.6) and that at least one scenario looked the most stressful physical risks (SSP5-8.5).

A STRATEGY TO BUILD RESILIENCE AGAINST THE IMPACTS OF CLIMATE CHANGE

Línea Directa has drawn up a strategy to address identified risks and opportunities in accordance with the TCFD recommendations guide. The strategy includes measures to address market and regulatory changes that may take place in the insurance sector; it also sets out strategic lines to model climate risks, promoting a circular economy and diversified reinsurance with solvency guarantees. The strategy also includes adopting new technical profiles to ensure compliance with the requirements of an increasingly demanding transition scenario.

Moreover, the Sustainability Plan includes a roadmap for this purpose, and will incorporate measures with short and medium term targets, with a time horizon of less than 5 years.

Emission reduction targets

The 2023-2025 Sustainability Plan aims to reduce the company's emissions by reducing energy consumption and paper and plastic waste by 15% by 2025 compared to 2022. This will result in a significant reduction in the carbon footprint.

The Sustainability Plan also includes a calculation of full Scope 3 emissions, including the 15 categories set out in the GHG Protocol. The company has reviewed the 2022 calculation and will re-run the exercise to set absolute and intermediate reduction targets in line with SBTi, confirming a potential pathway to full decarbonisation by 2050.

Internal carbon price

Línea Directa sees the implementation of an internal carbon price as an essential tool to drive the transition of its operations towards a low-carbon economy, to anticipate possible regulatory changes in this regard, to increase energy efficiency and to move towards an investment portfolio committed to reducing carbon emissions. It therefore included this measure in its Sustainability Plan 2023-2025.

To this end, the company has started by estimating the social cost of the impact of its carbon footprint and of its efforts in supporting the transition to electric and hybrid vehicles.

In doing so, it used the International Carbon Price Floor (ICPF) set by the International Monetary Fund in its report "Proposal for an International Carbon Price Floor Among Large Emitters". The report, published in June 2021, estimates a price of USD 75 per tonne of carbon in high-income countries.

It was then estimated that the carbon footprint of Línea Directa's Scope 1 and 2 emissions have a social impact of USD 60,810. For Scope 3 emissions associated with the value chain, the impact rises to USD 6.9 million.

In contrast, the social impact of specific products for the underwriting of electric and hybrid vehicle risks is very positive, avoiding up to USD 2.35 million in social costs.

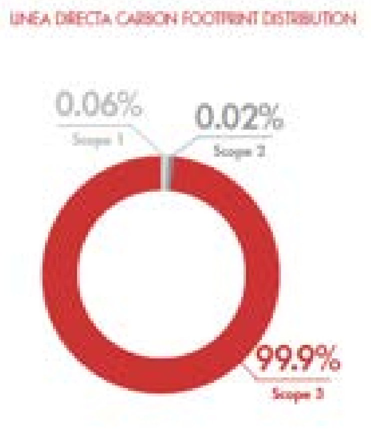
CARBON FOOTRPINT

Línea Directa Group has been calculating its carbon footprint for over 12 years, and makes significant efforts year after year to improve the accuracy of its calculation and gradually reduce the sources of greenhouse gas emissions in its carbon footprint.

In previous years, calculations covered the following sources of emissions: Direct (fossil fuel consumption), Indirect (electricity consumption) and Induced (including travel, business trips, paper and water consumption).

In 2023, Línea Directa Group perfected its calculation of indirect emissions generated by its own activity following the provisions of the GHG Protocol for the calculation of Scope 3, as well as the indications of the Accounting and Reporting Standard of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Línea Directa's Scope 3 is particularly relevant because it represents 99% of the Group's emissions. The most significant emissions derive from purchases of products and services from suppliers (Category 1) and financed emissions (Category 15), i.e. from financial investments, in the Group's role as institutional investor. The results for Scope 3 for the year 2023 will be released in the company's first TCFD report to be published in 2024.



2022 CARBON FOOTPRINT VERIFICATION

Línea Directa Aseguradora has verified its 2022 carbon footprint created by all its emissions sources, including all three scopes for the first time, through an audit carried out by an independent third party and based on the GHG Protocol.

In addition, Línea Directa Asistencia calculates annually the greenhouse gases emitted in the services it provides on the road. The subsidiary takes into account the annual mileage of towing services, rental cars and taxis provided to customers while their vehicle is being repaired, the inspection services provided by surveyors and the collection and delivery of replacement vehicles to customers. A total of 6,947 tonnes of CO2 were recorded in 2023, 4% less than in 2022.

2022 CARBON FOOTPRINT RECORDING AND OFFSETTING

The company has again registered its carbon footprint with the Ministry for Ecological Transition and the Demographic Challenge in 2022, through the Spanish Climate Change Office (OECC).

The company also plans to offset Scopes 1 and 2 of its carbon footprint through a series of absorption projects.

CARBON FOOTPRINT REDUCTION TARGETS

Línea Directa regularly sets short-term targets in line with its roadmap for decarbonising its operations. The Sustainability Plan currently in force foresees a 5% annual reduction in Línea Directa Aseguradora's energy consumption, and consequently a similar reduction in the Group's Scopes 1 and 2 carbon footprint. This objective has been largely achieved, thanks to the measures adopted in 2023. The Group also set a first-time target of a reduction of 5% of Scope 3 emissions between 2022 and 2023.

In addition, the Sustainability Plan includes the definition of a science-based emissions reduction target, following the recommendations of the SBTi initiative, which will set the decarbonisation roadmap for the company in its roles as both an insurer and an institutional investor.

ENVIRONMENTAL MANAGEMENT SYSTEM

CERTIFICATION

Línea Directa Aseguradora has implemented an Environmental Management System, certified under the UNE-EN ISO 14.001:2015 standard, to monitor and centrally manage energy consumption, water consumption, waste production and other aspects of environmental performance in the workplaces occupied by 100% of its employees. the company has also implemented an Energy Management System, certified under the UNE-EN ISO 50.001:2018 international standard, which guarantees a lower environmental impact by reducing energy consumption.

Both certifications are renewed annually, allowing for the annual identification of new regulatory requirements and risks associated with these management systems.

These management systems also allow the planning and implementation of measures and strategies for the most effective control and management of all resources, with the ultimate aim of minimising the environmental impact and reducing the environmental costs arising from the company's activities.

ECO-EFFICIENCY AND SUSTAINABLE USE INDICATORS

In its last two sustainability plans, Línea Directa Group set targets to reduce energy consumption and improve the efficiency of its facilities.

Moreover, 100% of the electricity consumed in 2023 by the Group's parent, Línea Directa Aseguradora, comes from renewable sources and 14% is self-generated by photovoltaic systems in the Group's own facilities.

Similarly, the company has placed an emphasis on avoiding unnecessary consumption of materials such as paper in its operations.

The measures taken have led to a reduction in paper consumption in 2023 to one third of what was consumed in 2019.

Waste generation is a sub-item of the environmental management and responsible consumption category. For Línea Directa, the correct separation of its waste to facilitate recycling is a key objective.

In the CAR Madrid and CAR Barcelona repair shops, various measures to reduce energy consumption and the associated environmental impact continue to be implemented. At CAR Madrid, the solar panels became fully operational in June 2022, and by 2023 they were already self-generating 12% of the electricity consumed in the building.

CAR Barcelona is located in a high-efficiency building with LED lighting, high-efficiency compressors and energy-efficient paint booths. The fleet of replacement vehicles has been renovated in both centres, paying special attention to the reduction of emissions and improved safety features.

In 2023, LDA Reparaciones, the Group's subsidiary that services the Home segment, replaced the fleet of vehicles used by its professionals (in home assistance services) with vehicles that are less harmful to the environment.

To encourage employees also make this transition, the company has developed a carbon footprint reduction plan that applies to both the company's carbon footprint and the carbon footprint of individual employees. Its measures include car-sharing schemes, the promotion of public transport, the publication of a guide to improving employees' mobility habits and the provision of several electric vehicles for employees to use during the working day. The number of charging points available to employees has been increased to 16 to facilitate the use of plug-in vehicles for commuting to work.

WASTE MANAGEMENT

To manage the waste generated, there are waste collection points at each plant and office, clearly signposted so that all employees are able to separate organic waste, paper waste and packaging.

All waste resulting from business activity is managed by authorised waste managers, with the aim of carrying out final waste recovery treatments so that the resources used have a second life.

CIRCULAR ECONOMY

In recent years, Línea Directa Group has developed a set of actions that promote a circular economy, which is one of the main global challenges in this regard. The company's plan is based on the following three main pillars:

- A project, launched in 2016, aiming to reduce paper consumption through the implementation of digital procedures. Customers can have all their documents available digitally through the "Digital Policy", which is sent to the policyholder when the policy is taken out. Other measures that have helped to raise awareness among employees to save paper is the extension of the use of electronic signatures, present both in document-based relations with customers and in contracts with suppliers and employees, allowing each contract to have a specific digital file that reduces the need for paper.
- Using sustainable materials, promoting responsible consumption of resources, through the use or recycled resources of more sustainable materials, for example, in home repairs, whenever technically feasible.
- Reducing waste generation and increasing the reuse, recycling or other recovery of the waste produced. In particular, both CAR Madrid and CAR Barcelona have obtained the "Towards Zero Waste" certificate, which indicates that more than 60% of the waste produced as a result of production activity has been subjected to treatment.

The above three lines of action, together with the technological changes implemented, have helped to gradually develop a cultural change within the Group, which has a direct impact on environmental performance in general and waste management in particular.

In the case of the CAR Madrid and CAR Barcelona repair shops, the subsidiaries have a strict waste management policy due to their activities and the type of materials they work with.

BIODIVERSITY

Biodiversity is not a relevant issue for Línea Directa Group, as it is located in urban areas and does not have an impact on protected natural areas and/or biodiversity.

Línea Directa has carried out an analysis of the recommendations for the disclosure of risks and opportunities related to nature, and has not currently identified issues that may have an impact on this aspect, either positive or negative, nor that are relevant in the short or medium term for the company.

The business segments Línea Directa operates in as an insurer do not include activities that could have a negative impact on biodiversity or any animal species.

In future years, the company will evaluate the suitability of such an assessment, especially from the role of institutional investor. However, in order to be able to make a complete diagnosis, the companies in which the Group is a shareholder need to make public their corresponding analysis of risks and opportunities related to biodiversity in the coming years.

Moreover, the heterogeneity of the company's current value chain makes it difficult to obtain complete information related to the impacts on nature and, as a consequence, to carry out an exhaustive diagnosis of the risks and opportunities related to it.

The company's operations combine responsible consumption management with the launch of new products for new, less polluting forms of mobility. In addition, the company continues to make progress in managing its value chain responsibly and integrating ESG criteria into its investment portfolio.Meanwhile, as sign of its commitment to nature and the environment, Línea Directa Group supports the initiative promoted by WWF, "Earth Hour", whose aim is to mobilise individuals, companies and governments to reverse the loss of biodiversity in nature. In particular, the company actively participates in the activities promoted by this initiative and makes an annual contribution to it.

ADAPTATION TO CLIMATE CHANGE

The aim of the EU taxonomy is to steer capital flows towards sustainable activities, with the main challenge for companies being the adaptation of their business model towards a low-carbon economy.

REGULATORY CONTEXT

In recent years, the European Commission, in the context of the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development, commissioned a group of technical experts to develop the European Union (EU) strategy for sustainable finance, as part of its commitment to direct capital flows towards sustainable activities.

As a result of this strategy, in December 2021, the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and setting out the technical eligibility criteria that an activity must meet in order to contribute substantially to the objectives of "Climate Change Mitigation" and "Climate Change Adaptation".

In June 2023, the European Commission has laid out, by means of Delegated Acts, the technical criteria for the other four environmental objectives set, which are: "Water protection", "Circular economy", "Pollution prevention" and "Biodiversity and ecosystems", thus completing its green Taxonomy.

SUSTAINABLE ACTIVITIES

The Taxonomy establishes a set of harmonised criteria to determine in a homogeneous way whether an activity or investment is sustainable by making a substantial contribution to one of the environmental goals set out in the Regulation. The detailed definition of these criteria provides the basis for the development of standards or labels to assess the sustainability of a financial product.

PREVIOUS SITUATION

In previous years, Línea Directa Group has been reporting its eligibility percentages for both its business activity (specifically its premiums) and its assets. As of this year, the legislation requires the company to report the percentages of its activity and investments aligned with the Taxonomy.

REPORTING METHODOLOGY

In order to provide this information in the most accurate and reliable way, Línea Directa has defined an internal methodology differentiating between the two indicators:

- In assessing insurance premiums, the company has followed the various steps set out in the regulations:
    - Assessment of compliance of the activity with the technical criteria for substantial contribution
    - Applying the Do No Significant Harm (DNSH) principle to ensure that the activity aligned with the Adaptation to Climate Change objective does not harm other environmental objectives.
    - Finally, the company must ensure that its business is conducted in accordance with basic social and human rights standards.
- In assessing the investment portfolio, the company has used data published by other listed companies in which it holds shares or corporate bonds. This analysis, which will be completed in the coming years, corresponds to the entry into force of the obligation for financial institutions to report their percentage of alignment with the Taxonomy.

ACCOUNTING CRITERIA USED AS A REFERENCE

The ratio of eligible activities according to in Article 8(2) of Regulation (EU) 2020/852 has been calculated as "eligible activity" = A/B

Where A is, in each case:

- **Insurance premiums:** is the part of gross premiums written deriving from insurance related to economic activities that meet the eligibility or alignment criteria of the Taxonomy.
- **Investment portfolio:** is the portion of the company's assets (equity, bonds, debt, real estate, etc.) that meet the eligibility or alignment criteria of the taxonomy.

Where B is, in each case:

- **Insurance premiums:** gross Non-Life premiums written as per the profit and loss account as disclosed in Note 17 to the 2023 financial statements.
- **Total assets in the balance sheet:** total on-balance sheet exposures excluding exposures to central governments, central banks and supranational issuers.

INDICATORS

Línea Directa Aseguradora has assessed both its 2023 activity and investments based on the methodology set by the Taxonomy. In this respect, we report the following indicators:

Premiums

Proportion and amount of gross premiums written in Non-Life and reinsurance business from activities identified as environmentally sustainable according to the Taxonomy.

The company's activity corresponds to the category "Non-Life insurance: insurance against climate-related risks", pertaining to the contribution to the Climate Change Adaptation objective.

KPIs related to underwriting activities have been calculated as the ratio of gross Non-Life premiums written corresponding to eligible underwriting activities according to the taxonomy to total gross Non-Life premiums written.

Procedure adopted by Línea Directa

Línea Directa has drawn up the eligibility and alignment of the premiums it derives from the insurance areas it operates in. In this regard, the European Commission has presented Regulation (EU) 2020/852, which introduces which activities are sustainable from an environmental point of view. Línea Directa has analysed the key underwriting performance indicator of its Non-Life insurance and reinsurance companies in accordance with Appendix X of Delegated Regulation (EU) 2021/2178 at the consolidated level, finding no significant risks, as these companies do not operate in areas that are not specific to the insurance activity. Both eligible and ineligible Non-Life insurance activities have been taken into account, as well as all subsidiaries in which the company has a 100% interest.

The underwriting activity KPI shows what proportion of all Non-Life underwriting activities is composed of activities related to climate change adaptation carried out in accordance with points 10.1 and 10.2 of Appendix II to Delegated Regulation (EU) 2021/2139 on the European Union Climate Taxonomy.

Indicators have been developed to allow the company to quantify the eligibility of each underwriting, ensuring the traceability and robustness of data.

Eligibility

Due to changes in eligibility criteria from previous years, and coinciding with the first year the degree of alignment is analysed, Línea Directa has calculated the premiums it derives from insurance of activities that contribute significantly to achieving the objective of adapting to climate change (activities 10.1 and 10.2 of Appendix II to Delegated Regulation (EU) 2021/2139, included as such because they cover damages caused by bad weather not covered by the Insurance Compensation Consortium, in both the Motor and Home segments).

In the Motor segment, own damage and windscreen coverages have been looked at in this context, estimating the impact on premiums of claims incurred from events related to meteorological phenomena. Estimates have been made using data from net premiums written for these coverages, drawing up a risk premium and a net premium issued for atmospheric damage.

For the Home segment, all premiums derived from insurance against atmospheric phenomena and electrical damage, covering damage caused by high-intensity meteorological events, have been included. In the Health segment, no specific coverages have been found to directly insure against damages to health resulting from climate change.

Alignment

In calculating alignment, the company has taken into account the Technical Selection Criteria (STS) of the activity. For both the Motor and Home segments, the following criteria are met:

1. Underwriting models reflect the risks of climate change. The company does not only base its calculations on historical trends, but also takes into account expected trends and forward-looking projections included both in the ORSA and in the Task Force on Climate-related Financial Disclosures (TCFD). TCFD also includes impact management, risks and opportunities of climate change with projections between 5 and 10 years.

2. The TCFD prepared by the company in 2023 sets out a climate change governance model, the management of climate change risks and opportunities, as well as the relevant strategy, objectives and metrics.

3. Policyholders may see their premiums reduced if the insured case meets the criteria of lower exposure to atmospheric phenomena.

4. The renewal of the policies is annual and should a weather event take place, the company will make the conditions to renew or maintain the coverage available at the time of renewal. These conditions are subject to substantial changes depending on the history of weather events and the damage they cause.

5. Policies will benefit from discounts if preventive measures are taken by the insured or if they have a lower risk in the face of adverse weather phenomena. These conditions are described in the relevant contracts.

6. Products are marketed providing all the information relevant to the coverage, including coverage against climate-related risks,

informing both of measures beneficial to the customer and of optional coverages that may make their insurance more complete and avoid inadequate insurance levels.

7. Línea Directa Aseguradora is an insurance company operating in the Motor, Home and Health segments, and as such is not authorised by the competent bodies to underwrite activities in fossil fuels (oil, gas or coal).

8. Línea Directa collaborates annually with the CCS, ICEA, UNESPA and the DGSFP, providing information requested for analysis and research on issues of climate change and adaptation.

9. Línea Directa treats all claims incurred in accordance with the applicable legislation, taking into account the stipulated deadlines.

Compliance with DNSH

The company's insurance activity does not come into conflict with any other environmental objective included in the Taxonomy. Línea Directa is committed to mitigating climate change, implementing measures that reduce its impact on the environment. It does not insure any activity related to the extraction, transportation, refining and distribution of coal, gas or oil.

The company's activity does not have a significant impact on water resources, the circular economy, pollution or the objective of protecting biodiversity. The company meets the criteria of the Do No Signifcant Harm principle (DNSH).

Social safeguards

Línea Directa meets the minimal social safeguards set out in Articles 3 and 18 of the EU Taxonomy Regulation regarding human rights, corruption, taxation and fair competition. A body of policies (Human Rights Policy, Anti-Corruption Policy, Fiscal Policy and its Code of Ethics, among others) shapes the company's position on these matters.

The company has human rights due diligence procedures in place, covering employees, suppliers, customers, investors and the public, in order to prevent the violation of fundamental rights.

Línea Directa is also part of the United Nations Global Compact, which promotes the fight against child labour, forced labour and the protection of fundamental rights.

In addition, it has procedures in place to monitor and establish disciplinary measures in the event of criminal acts, and carries out periodic training activities to make all corporate procedures and policies known among its professionals, especially among its Senior Management.

Línea Directa has not been convicted or sanctioned for human rights violations, corruption or bribery, tax evasion or for not respecting competition laws during the year 2023.

Economic activities (1)	Substantial contribution			Absence of material injury ("No material injury")					
	Absolute premiums, year t (2)	Proportion of premiums, year t (3)	Proportion of premiums, year t-1 (4)	Climate change mitigation (5)	Water and marine resources (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum guarantees (10)
	thousands€	%	%						
A.1. Non-Life insurance and reinsurance underwriting activities that comply with the Taxonomy (environmentally sustainable)	20,711.05	2.10%	Not applicable in 2023	S	S	S	S	S	S
A.1.1 Of which, reinsured	0.00	— %	Not applicable in 2023						
A.1.2 Of which, arising from reinsurance business	0.00	— %	Not applicable in 2023						
A1.2.1 Of which, reinsured (retrocession)	0.00	— %	Not applicable in 2023						
A.2 Non-Life insurance and reinsurance activities eligible under the Taxonomy, but not environmentally sustainable (non-taxonomy compliant activities)	0.00	— %	Not applicable in 2023						
B. Non-Life insurance and reinsurance activities not eligible under the Taxonomy	952,570.00	97.90%	Not applicable in 2023						
Total (A.1 + A.2 + B)	**973,281.04**	**100%**	**Not applicable in 2023**						

1. Motor gross written premiums have been calculated on the basis of the risk premium, taking into account the loss ratio for the financial year 2023 related to atmospheric phenomena.
2. In determining the eligibility and alignment of the gross premiums written for the Home segment, the premium corresponding to insurance covering atmospheric phenomena and electrical damage has been removed from the income statement.

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Asset taxonomy

Línea Directa Group has prepared the ICR of its assets according to the Taxonomy using templates from Appendixes X and XII to Delegated Regulation (EU) 2021/2178, taking into account its amendments.

In the regulatory context of the European Taxonomy, the proportion of the Group's investments directed at financing activities that comply with the Taxonomy or are related to these activities (as a proportion of total investments), has been calculated over of turnover and of investments in fixed assets or CapEx.

For this purpose, all consolidated balance sheet assets have been identified and included in the denominator, excluding exposures to central governments, central banks and supranational issuers. Among the assets included in the denominator are exposures to:

- financial and non-financial companies not subject to Articles 19a and 29a of Directive 2013/34/EU, (outside the NFRD and inside the EU)
- non-EU financial and non-financial companies from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU (Outside the NFRD and outside the EU)
- financial and non-financial companies subject to Articles 19a and 29a of Directive 2013/34/EU
- derivatives
- other counterparties and assets (including deposits, own and investment property, intangible assets, etc.)

The numerator includes the proportion of exposures which:

- comply with the taxonomy towards financial and non-financial companies subject to Articles 19a and 29a.
- are not investments related to life insurance contracts where the investment risk is borne by the policyholders and which are intended to finance or are related to activities falling within the Taxonomy.
- conform to the Taxonomy vis-à-vis other counterparties and assets.

In the alignment exercise, 100% of the investments have been taken into account, excluding those categories not included in the Taxonomy. As there are no off-balance sheet assets, the total assets covered and the total assets under management are equal, i.e. 100% coverage.

To calculate the alignment and eligibility of exposures to financial and non-financial companies within the NFRD, primary data sources were used, analysing all information published by these companies in non-financial information reports in 2023, reporting on the 2022 financial year.

It was not possible to calculate the aligned percentage of the portfolio of investment funds due to a lack of information in this respect. Línea Directa has investment funds that include listed companies, debt and venture capital. In these cases, no information on the underlying assets is available.

Regarding property, most of the buildings are for own use and have not been included in the numerator because they are not considered as investments, and the remaining investment property does not meet all the technical criteria for activity 7.7 as set out in Delegated Regulation (EU) 2021/2139.

Finally, we include information on fossil gas and nuclear activities according to the disclosure requirements of Delegated Regulation (EU) 2022/1214. The following tables provide information on the exposures of portfolio companies engaged in fossil gas and nuclear energy activities.

Table: Ratio of investments of insurance or reinsurance companies directed to the financing of activities which comply with the Taxonomy, or are linked to these activities, to total investments.			
The weighted average value of all investments of insurance or reinsurance companies directed towards the financing of economic activities which comply with the Taxonomy or are linked to these activities, in relation to the value of the total assets covered by the key performance indicator, with the following weights for investments in companies:		The weighted average value of all investments of insurance or reinsurance companies oriented towards the financing of economic activities which comply with the Taxonomy or are linked to these activities, with the following weights for investments in companies:	
In terms of turnover: %	2.3%	In terms of turnover [monetary value]:	€ 16,788,428
In terms of investments in fixed assets: %	4.5%	In terms of investments in fixed assets [monetary value]:	€ 32,669,969

The percentage of assets covered by the key performance indicator in relation to the total investments of insurance or reinsurance undertakings (total assets under management), excluding investments in sovereign entities		The monetary value of the assets covered by the key performance indicator, excluding investments in sovereign entities	
Coverage ratio: %	100%	Coverage: [monetary value]	€ 730,786,933
Additional and supplementary disclosures: breakdown of the denominator in the key performance indicator			
The percentage of derivatives relative to total assets covered by the key performance indicator X%	0.8%	The monetary value of derivatives [monetary value]	€ 5,908,568
The share of exposures to financial and non-financial companies not subject to Articles 19a and 29a of Directive 2013/34/EU in the total assets covered by the key performance indicator:		Value of exposures to financial and non-financial companies not subject to Articles 19a and 29a of Directive 2013/34/EU:	
Non-financial companies:	0.4 %	Non-financial companies [monetary value]:	€ 2,997,210
Financial companies:	— %	Financial companies [monetary value]:	— €

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The share of exposures to non-EU financial and non-financial companies from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU in the total assets covered by the key performance indicator:		Value of exposures to non-EU financial and non-financial companies from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:	
Non-financial companies:	6.9%	Non-financial companies [monetary value]:	€ 50,514,378
Financial companies:	7.2%	Financial companies [monetary value]:	€ 52,289,292
The share of exposures to financial and non-financial companies subject to Articles 19a and 29a of Directive 2013/34/EU in the total assets covered by the key performance indicator:		Value of exposures to financial and non-financial companies subject to Articles 19a and 29a of Directive 2013/34/EU:	
Non-financial companies:	13.7%	Non-financial companies [monetary value]:	€ 100,360,961
Financial companies:	24.1%	Financial companies [monetary value]:	€ 175,928,734
The share of exposures to other counterparties and assets in total assets covered by the key performance indicator: X%	46.9%	Value of exposures to other counterparties and assets [monetary value]:	€ 342,787,791

The share of investments of insurance or reinsurance companies, other than investments related to Life insurance contracts under which the investment risk is borne by policyholders, which are directed to finance activities which comply with the Taxonomy or are linked to these activities: X%	— %	Value of investments of insurance or reinsurance companies, other than investments related to Life insurance contracts under which the investment risk is borne by policyholders, which are directed to finance activities which comply with the Taxonomy or are linked to these activities [monetary value]:	— €
Value of all investments that finance economic activities that are not eligible under the Taxonomy in relation to the value of total assets covered by the key performance indicator:		Value of all investments that finance economic activities that are not eligible under the Taxonomy:	
In terms of turnover: %	85.9%	In terms of turnover [monetary value]:	€ 627,766,768
In terms of investments in fixed assets: %	87.3%	In terms of investments in fixed assets [monetary value]:	€ 638,132,409
Value of all investments that finance economic activities that are eligible under the Taxonomy, but do not comply with it, in relation to the value of total assets covered by the key performance indicator:		Value of all investments that finance economic activities eligible under the Taxonomy, but which do not comply with it:	
In terms of turnover: %	11.8%	In terms of turnover [monetary value]:	€ 86,231,737
In terms of investments in fixed assets: %	8.2%	In terms of investments in fixed assets [monetary value]:	€ 59,984,556

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Additional and supplementary disclosures: breakdown of the numerator in the key performance indicator

The share of taxonomy-compliant exposures to financial and non-financial corporations subject to Articles 19a and 29a in total assets covered by the key performance indicator:		Value of taxonomy-compliant exposures to financial and non-financial companies subject to Articles 19a and 29a:	
Non-financial companies:		Non-financial companies:	
In terms of turnover: %	2.3%	In terms of turnover [monetary value]:	€ 16,677,146
In terms of investments in fixed assets: %	4.5%	In terms of investments in fixed assets [monetary value]:	€ 32,576,037
Financial companies:		Financial companies:	
In terms of turnover: %	0.0%	In terms of turnover [monetary value]:	€ 111,282
In terms of investments in fixed assets: %	0.0%	In terms of investments in fixed assets [monetary value]:	€ 93,932

The share of investments of insurance or reinsurance companies, other than investments related to Life insurance contracts under which the investment risk is borne by policyholders, which are directed to finance activities which comply with the Taxonomy or are linked to these activities:		Value of investments of insurance or reinsurance companies, other than investments related to Life insurance contracts under which the investment risk is borne by policyholders, which are directed to finance activities which comply with the Taxonomy or are linked to these activities:	
In terms of turnover: %	— %	In terms of turnover [monetary value]:	— €
In terms of investments in fixed assets: %	— %	In terms of investments in fixed assets [monetary value]:	— €
The share of taxonomy-compliant exposures to other counterparties and assets in the total assets covered by the key performance indicator:		Value of taxonomy-compliant exposures to other counterparties and assets in relation to the total assets covered by the key performance indicator:	
In terms of turnover: %	— %	In terms of turnover [monetary value]:	— €
In terms of investments in fixed assets: %	— %	In terms of investments in fixed assets [monetary value]:	— €

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Breakdown of the numerator of the key performance indicator by environmental goal				
Activities that comply with the Taxonomy, provided that social safeguards and absence of significant harm are assessed as positive:				
1) Climate change mitigation	In terms of turnover: %	1.9%	Transition activities: A % (turnover; CapEx)	— %
	CapEx: %	3.9%	Facilitating activities: B % (turnover; CapEx)	— %
2) Adaptation to climate change	In terms of turnover: %	0.2%	Facilitating activities: B % (turnover; CapEx)	— %
	CapEx: %	0.2%		
(3) Sustainable use and protection of water and marine resources	In terms of turnover: %	— %	Facilitating activities: B % (turnover; CapEx)	— %
	CapEx: %	— %		
4) Transition to a circular economy	In terms of turnover: %	— %	Facilitating activities: B % (turnover; CapEx)	— %
	CapEx: %	— %		
5) Pollution prevention and control	In terms of turnover: %	— %	Facilitating activities: B % (turnover; CapEx)	— %
	CapEx: %	— %		
6) Protection and restoration of biodiversity and ecosystems	In terms of turnover: %	— %	Facilitating activities: B % (turnover; CapEx)	— %
	CapEx: %	— %		

Appendix XII

Table 1: Activities related to nuclear and fossil gas energy

Activities related to nuclear power		
1	The company undertakes, finances or is involved in the research, development, demonstration and deployment of innovative power generation facilities that produce energy from nuclear processes with a minimum of fuel cycle waste.	YES
2	The company undertakes, finances or is involved in the construction and safe operation of new nuclear facilities for the production of electricity or process heat, including for urban heating or industrial processes such as hydrogen production, as well as their safety upgrades, using the best available technologies.	YES
3	The company undertakes, finances or is involved in the safe operation of existing nuclear facilities for the production of electricity or process heat, including for urban heating or industrial processes such as the production of hydrogen from nuclear energy, as well as their safety upgrades.	YES
Activities related to fossil gas		
1	The company undertakes, finances or is involved in the construction or operation of power generation facilities that produce electricity from gaseous fossil fuels.	YES
2	The company undertakes, finances or has exposures to the construction, renovation and operation of combined heat/cold and power plants using gaseous fossil fuels.	YES
3	The company undertakes, finances or has exposures to the construction, renovation and operation of heat generation facilities producing heat/cooling from gaseous fossil fuels.	YES

Table 2: Taxonomy-compliant economic activities (denominator)

	Economic activities	Amount and share (information should be presented in monetary amounts and in percentages)											
		CCM + CCA				Climate change mitigation (CCM)				Climate change adaptation (CCA)			
		In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	Turnover (%)	CapEx (%)
1	Amount and share of Taxonomy-compliant economic activity as defined in section 4.26 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
2	Amount and share of Taxonomy-compliant economic activity as defined in section 4.27 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
3	Amount and share of Taxonomy-compliant economic activity as defined in section 4.28 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
4	Amount and share of Taxonomy-compliant economic activity as defined in section 4.29 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 39,814	€ 16,180	— %	— %	€ 39,814	€ 16,180	— %	— %	€ 0	€ 0	— %	— %
5	Amount and share of Taxonomy-compliant economic activity as defined in section 4.30 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 15,782	€ 10,787	— %	— %	€ 15,782	€ 10,787	— %	— %	€ 0	€ 0	— %	— %
6	Amount and share of Taxonomy-compliant economic activity as defined in section 4.31 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR.	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
7	**Amount and share of other Taxonomy-compliant economic activities not mentioned in rows 1 to 6 in the denominator of the applicable ICR**	**€ 730,731,337**	**€ 730,759,966**	**100%**	**100%**	**€ 730,731,337**	**730,759,966 €**	**100%**	**100%**	**€ 0**	**€ 0**	**— %**	**— %**
8	**Total applicable ICR**	**€ 730,786,933**	**€ 730,786,933**	**100%**	**100%**	**€ 730,786,933**	**730,786,933 €**	**100%**	**100%**	**€ 0**	**€ 0**	**— %**	**— %**

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Table 3 Taxonomy-compliant economic activities (numerator)

	Economic activities	Amount and share (information should be presented in monetary amounts and in percentages)											
		CCM + CCA				Climate change mitigation (CCM)				Climate change adaptation (CCA)			
		In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	Turnover (%)	CapEx (%)
1	Amount and share of Taxonomy-compliant economic activity as defined in section 4.26 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
2	Amount and share of Taxonomy-compliant economic activity as defined in section 4.27 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
3	Amount and share of Taxonomy-compliant economic activity as defined in section 4.28 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
4	Amount and share of Taxonomy-compliant economic activity as defined in section 4.29 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
5	Amount and share of Taxonomy-compliant economic activity as defined in section 4.30 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
6	Amount and share of Taxonomy-compliant economic activity as defined in section 4.31 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable ICR.	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %	€ 0	€ 0	– %	– %
7	Amount and share of other Taxonomy-compliant economic activities not mentioned in rows 1 to 6 in the numerator of the applicable ICR	€ 16,788,428	€ 32,669,969	100%	100%	€ 16,788,428	€ 32,669,969	100%	100%	€ 0	€ 0	– %	– %
8	Total amount and share of Taxonomy-compliant economic activities in the numerator of the applicable ICR	€ 16,788,428	€ 32,669,969	100%	100%	€ 16,788,428	€ 32,669,969	100%	100%	€ 0	€ 0	– %	– %

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Table 4: Economic activities eligible under the Taxonomy but which do not comply with it

	Economic activities	Amount and share (information should be presented in monetary amounts and in percentages)											
		CCM + CCA				Climate change mitigation (CCM)				Climate change adaptation (CCA)			
		In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	In terms of turnover: (%)	CapEx (%)	In terms of turnover:	CapEx:	Turnover (%)	CapEx (%)
1	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.26 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
2	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.27 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
3	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.28 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
4	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.29 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 470,109	€ 40,514	1%	— %	€ 470,109	€ 40,514	1%	— %	€ 0	€ 0	— %	— %
5	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.30 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 24,831	€ 10,822	— %	— %	€ 24,831	€ 10,822	— %	— %	€ 0	€ 0	— %	— %
6	Amount and share of economic activity eligible under the taxonomy but not compliant with it according to section 4.31 of Appendixes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %	€ 0	€ 0	— %	— %
7	**Amount and share of other economic activities eligible under the taxonomy but not conforming to it and not mentioned in rows 1 to 6 (above) in the denominator of the applicable RCI**	**€ 85,736,797**	**€ 59,933,219**	**99%**	**100%**	**€ 85,736,797**	**€ 59,933,219**	**99.0%**	**100.0%**	**€ 0**	**€ 0**	**— %**	**— %**
8	**Amount and share of economic activities eligible under the Taxonomy but not conforming to it in the denominator of the applicable ICR**	**€ 86,231,737**	**€ 59,984,556**	**100%**	**100%**	**€ 86,231,737**	**€ 59,984,556**	**100%**	**100%**	**€ 0**	**€ 0**	**— %**	**— %**

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Table 5 Economic activities not eligible under the Taxonomy

	Economic activities	Amount and share (information should be presented in monetary amounts and in percentages)			
		In terms of turnover:	CapEx:	Turnover (%)	CapEx (%)
1	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.26 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 0	€ 0	— %	— %
2	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.27 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 0	€ 0	— %	— %
3	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.28 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 35,626	€ 42,768	— %	— %
4	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.29 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 0	€ 0	— %	— %
5	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.30 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 0	€ 0	— %	— %
6	**Amount and share of the economic activity referred to in row 1 of Table 1 that is not eligible under the Taxonomy according to section 4.31 of Appendixes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable ICR**	€ 0	€ 0	— %	— %
7	**Amount and share of other economic activities not eligible under the Taxonomy and not mentioned in rows 1 to 6 (above) in the denominator of the applicable ICR**	**€ 627,731,142**	**€ 638,089,641**	**100.0%**	**100.0%**
8	**Amount and share of economic activities not eligible under the Taxonomy in the denominator of the applicable ICR**	**€ 627,766,768**	**€ 638,132,409**	**100%**	**100%**

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4. PEOPLE AND TALENT

PEOPLE AND TALENT

ALIGNMENT OF THE ORGANISATION WITH THE STRATEGY

In 2023, a new organisational structure was implemented in the company in line with the organisation's guiding principles: operational efficiency and profitability, digital transformation, a focus on customers and multi-segment management. This new organisation will help leverage internal strengths and respond nimbly to market challenges.

In this context, the performance management system has taken on particular importance as a key tool for developing talent and achieving commercial and sustainability goals.

PROMOTING INTERNAL TALENT IN THE ORGANISATIONAL STRUCTURE

The main organisational changes implemented at Línea Directa in 2023 have responded to the company's objective of becoming a large multi-segment insurer with a unified approach to the customer. To this end, new business and support teams have been created equipped with cross-cutting innovation, new alliances and online sales. The Actuarial technical teams and the Modelling, Administration and Accounting functions have also been centralised.

Similarly, the company is committed to the development and growth of a specific team to lead its digital transformation process, which will become an essential asset for improving efficiency and customer experience. This area has thus grown by 38% by 2023.

Meanwhile, in line with the year's strategic priorities, a reorganisation of Services and Benefits has been implemented, involving both middle management and the area's own management. The aim of the restructuring is to improve service quality, cost control and process efficiency.

In 2023, new talent attraction and selection programmes and new succession plans have been designed, in line with the new Talent Management strategy. Meanwhile, 17% of staff have been involved in organisational changes, either in their functions, in an area move or in a change of manager within their department.

CARE AND SUPPORT FOR PEOPLE

In this context of organisational change, change management has been key to the transformation of the company. It has been vital to develop good strategy in internal communications, training and development to give confidence and stability to all departments. In this regard, a range of support actions have been implemented to ensure that each Línea Directa employee feels supported when taking on new functions. This support begins on the first day, with an ad hoc programme and collaboration designed for each new employee, and ends after employees leave the company, under the offboarding model, according to which the People Care team listens to employees ending their time at Línea Directa, with the aim of identifying areas for improvement.

During 2023, Línea Directa's People and Communications team focused on offering employees opportunities for growth and ensuring the health of professionals in the company, with an emphasis on prevention, emotional health and psychosocial risk management. It also continued to build a unique employee experience, with a wide range of corporate benefits and perks.

In this context, the People Care team, which is dedicated to the care and well-being of employees and the development of various programmes and measures to meet their needs, has become very important. When it comes to communicating with employees, the company has powerful digital tools at its disposal, such as the employee service channel or LidIA, the artificial intelligence chatbot that can be used to ask questions or make requests.

DIVERSITY AND EQUALITY

DIVERSITY

Línea Directa Group has its own Diversity and Inclusion Policy approved by the Board of Directors, setting out the principles with which the company operates in this area. The principles set out in this Policy are:

- Ensuring a culture of respect for people and diversity-friendly behaviour among employees and suppliers.
- Guaranteeing fair selection, recruitment, training, promotion, remuneration and severance processes for employees.
- Promoting the inclusion of the most vulnerable groups, facilitating their proper integration into the company and ensuring a respectful working environment.
- Fostering a culture of diversity and inclusion backed by programmes, activities and action protocols that facilitate the integration of all employees.

This Policy also sets out the company's key commitments regarding generational, functional, cultural, gender and sexual orientation diversity. At Línea Directa, the principles of diversity are also applied in the development of other policies such as in its Talent, Equality and External Selection and Recruitment Procedures, as well as in the filling of its internal vacancies.

Línea Directa is a member of the European Diversity Charter promoted by the European Commission, through which private institutions and organisations contribute to creating an environment and society more diverse and respectful with diversity, in line with the European anti-discrimination directives. In 2023, the Charter was renewed, and this has meant the adoption of the following principles:

- To respect the fundamental principles of equality.
- To promote behaviour that respects the right to inclusion of all people, regardless of their profiles in the work environment and in society.
- To recognise the benefits of including cultural, demographic and social diversity in the organisation and implement concrete measures to promote a working environment free from prejudice in employment, training and promotion.
- To promote anti-discrimination programmes for disadvantaged groups.

In terms of talent attraction and recruitment procedures, the company has a selection procedure and a recruitment procedure in place to ensure that all of its processes observe the following:

- That they are respectful of equal opportunities and promote non-discrimination on the basis of race, colour, gender, marital status, world view, political opinion, nationality, religion or any other personal, physical or social condition.
- That they include all professionals who match the required profile and ensure that selection is based on objective criteria in terms of knowledge, skills, attitudes and values and that all applicants are treated equally throughout the process.
- That they help young people in getting their first job, through scholarship schemes and other arrangements.
- That they promote the recruitment of people with disabilities who are affected by or at risk of social exclusion, thus favouring socially acceptable employment.
- That they provide candidates with a competitive job offer based on a remuneration proposal commensurate with their experience, a challenging environment that respects equal opportunities and an appropriate work-life balance.

Diversity Advisory Committee

A Diversity Advisory committee was set up in 2023, made up of members of the Management committee and advised by a working group including employees at different levels of responsibility. The objective of the committee, which is led by the People department, is to approve the diversity strategy, as well as to ensure compliance with the established action plan.

The company's diversity strategy is based on 4 fundamental pillars:

- Generational diversity: getting different generations to work together and integrate, bringing the best of themselves to their teams. The company will ensure the development of young and senior talent across the organisation, two key levers to attract diverse, skilled and innovative talent that brings knowledge, experience and new ideas.
- Functional diversity: promoting the integration of people with physical, sensory or functional disabilities into the workplace, creating work environments conducive to their professional development and working with organisations that promote this.
- Gender diversity: ensuring equal treatment and opportunities for women and men, creating the necessary conditions to guarantee that all persons have equal opportunities of access to positions of responsibility. The company also works to ensure that all uniqueness is respected, including sexual orientation, gender identity and gender expression.
- Cultural diversity: celebrating multiculturalism, differences of race, religion or belief, habits, language and thought, so that they are not perceived as a barrier but as an opportunity for people to move forward together. Línea Directa is a company where differences in education, skills and preferences contribute to the growth, innovation and commitment of its employees.

The main tasks of Línea Directa's Diversity Committee include drawing up a Diversity Action Plan, establishing KPIs for monitoring, creating a Diversity Map and raising awareness among the workforce.

Diversity initiatives at Línea Directa

In 2023, the company has carried out different initiatives in order to promote diversity inside and outside the organisation.

- Training: The company has trained key groups in People management as well as technical experts from the back office on diversity and non-discrimination. This training was primarily aimed at professionals responsible for teams.
- Sensitisation and internal mobilisation: The company works to raise employee awareness of its Diversity Policy and has promoted the celebration of European Diversity Month among the workforce, holding various activities on the employee platform, as well as on its internal social network. In 2023, in the context of the UN Global Compact, employees have been offered a training video on diversity.
- External communications: Línea Directa publicises its diversity initiatives on social media, such as the renewal of the European Diversity Charter and the certification from Top Employers.
- Collaboration with other stakeholders: the organisation has collaborated with other companies, associations and working groups to foster and promote diversity and inclusion policies.

EQUALITY

Línea Directa has an Equality Plan and an Equality, Inclusion and Non-discrimination Policy approved by its Board of Directors. It also has an equality technical team made up of experts in people management.

The main commitments included set out in the Equality Plan are as follows:

- Equal access to employment, recruitment and termination.

- Promotion and professional development based on individual merit and achievements.
- Remuneration policies in accordance with the above principles.
- Training as a specific tool for the development of objectives in this area, fostering co-responsibility and the reconciliation of professional, personal and family life for Línea Directa employees.
- Communications and advertising as a channel for transmitting values, participation and mutual commitment.
- Prevention of occupational risks, taking into account the gender perspective, especially in relation to psychosocial risks, including harassment.

The principles and lines of action of the Equality, Inclusion and Non-discrimination Policy are as follows:

- Promote equal opportunities based on the commitment of senior management by creating models to attract and retain talent in the company regardless of gender.
- Ensure transparency and dissemination of this policy and related documents to raise awareness of gender equality at all levels.
- Foster a culture of flexibility that favours a balance between work and private and family life, while guaranteeing quality employment regardless of the gender of employees.

Línea Directa also has a Harassment Prevention Protocol in place, publicly available to all employees, and which sets out the principles of action in this area, as well as the procedure for reporting, handling and resolving these situations. These are some of the main measures taken to promote equality:

- Mandatory chapters on equality, diversity and inclusion in training and leadership programmes.
- Confidential whistleblowing channel in the event of a breach of the principles that accredit the company as a Family-Responsible Company (EFR) and in the event of possible breaches of the Code of Ethics. In addition, Línea Directa has a special channel for reporting harassment, with full guarantees of confidentiality.
- Package of particular measures and time off to adapt and reconcile family situations with work commitments.
- Specific campaigns to raise awareness of equality issues, such as the one carried out internally on the occasion of the International Women's Day (8 March) or the launch of the Diversity Committee of the EWI Network (Empower Women in Insurance) of which Línea Directa is a member.

In addition to the Equality Policy and the Anti-Harassment Protocol, Línea Directa is committed to training as the main tool to encourage respect for diversity and equality in the organisation.

As a result, in 2023 we have continued to provide training plans on equality, gender-based violence and diversity for team leaders and technical recruitment staff, as well as awareness-raising days for the entire workforce.

Línea Directa supports the principle of equal pay for women and men for work of equal value, through measures and mechanisms of pay transparency that complement the current legislation. It has an up-to-date ad hoc job evaluation model in place and bases its remuneration model on sound parameters of fairness.

Gender equality commitments

As part of its commitment to equality, non-discrimination and inclusion, the company is a signatory to the following codes of conduct, networks of companies, sectors and foundations that promote all the principles set out herein:

- United Nations Global Compact, a UN initiative that encourages companies to align their strategies and operations with 10 universal principles, including on human

- rights and labour standards. Línea Directa also actively participates in the accelerator programme promoted by Global Compact Spain (UN).
- Women's Empowerment Principles (WEPs), an initiative launched by UN Women and the Global Compact to promote gender equality in business.
- Target Gender Equality (TGE), also supported by the UN, with the aim of boosting the presence of women on company boards and in executive management positions.
- IBEX Gender Equality, an index promoted by Bolsas y Mercados Españoles (BME) that measures the presence of women in management positions and on the Board of Directors of Spanish companies.
- Top Employers, an international seal that recognises the company as one of the best employers in the country. The seal analyses human resource management practises, including those related to equality and diversity.
- Award given to companies for a "Society free from gender-based violence" ("Sociedad Libre de Violencia de Género"), promoted by the Ministry of Gender Equality.
- The UNESPA Good Practices Guide on Gender Equality and Non-Discrimination, which provides a catalogue of actions and measures that are considered good practices in the field of gender equality in the sector.
- Fundación Más Familia (EFR), through which Línea Directa is audited annually by Lloyd's Register, looking at the Equality Plans and Policies, related measures, actions and specific protocols, with particular attention to the Harassment Prevention Protocol, as well as indicators and reports from the Equality Technical Team.
- EWI sector network, a network of companies in the insurance sector of which Línea Directa has been a member since its foundation. Its aim is to promote the presence of women in the management bodies of companies in the sector. The company participates by promoting work groups in talent attraction and selection.
- Eje&Con Code of good practices regarding female talent in organisations.
- MásHumano, a network of companies committed to implementing flexible working models based on co-responsibility, productivity and humanity as principles of sustainability.

Gender violence

The company's chain of command receives annual training in the detection and prevention of gender-based violence, in collaboration with a specialised foundation.

There are also two annual awareness-raising campaigns with various activities for the entire workforce, coinciding with 25 November (International Day for the Elimination of Violence against Women) and 8 March (International Women's Day).

For years, Línea Directa has been involved in a School of Empowerment, through the company's group of volunteers, which trains women victims of gender violence to prepare and conduct job interviews, with the aim of facilitating their integration into the labour market.

TALENT ATTRACTION

Línea Directa Aseguradora is once again among the 50 companies with the best capacity to attract talent in Spain according to the Merco Talent ranking. In the last financial year, the company moved up two positions in the ranking, from 45th to 43rd place. It has also renewed its Top Employers certification, making it a benchmark in this field.

Línea Directa's talent attraction strategy, under the slogan "Línea Directa DNA" (Agile, Different, We care about people – DNA for the slogan's acronym in Spanish), aims to attract the best professionals to meet the company's current and future challenges. To this end, it is important to consider the people perspective when defining the business strategy in order to identify the talent required in the short, medium and long term.

The focus of Línea Directa's employer brand strategy is the projection of an honest and transparent image of its projects and corporate culture. In a communication campaign translating as "make it big, make it Línea Directa", published on social media throughout 2023, employees shared first-hand the projects in which the company is immersed and in which they are protagonists.

The company has made a commitment to improve the digitalisation of the selection process, the implementation of advanced selection and analysis tools and the promotion of the new channels for attracting young talent created in 2022. In this regard, Línea Directa is committed to the use of different communication channels (digital and telephone, including WhatsApp) and social media.

The Talent Attraction team maintains agile, approachable and highly personalised communication with each candidate. In line with this strategy, in 2023 the company launched new ways of attracting talent that are agile, efficient, flexible and focused on the candidate, promoting the use of technologies and data, innovative tools and social media channels, allowing it to provide a human and unique experience.

In 2023, the company also launched "always on" selection processes", allowing a continuous dialogue with candidates on topics that capture their interest. Throughout this initiative, the information obtained is analysed to draw up a profile of the applicant and find out their motivations for joining Línea Directa. Moreover, the company's participation in business schools, professional communities, universities, technology platforms, forums and blogs has been pushed further, always with the aim of enriching information and boosting the company's notoriety in the process of attracting talent.

NEW RECRUITMENTS AND TALENT POLICIES

The experience for new recruits begins with the Attraction Plan and the positioning of the company as an ideal place to work, continues with the selection process, and ends with the onboarding programme. This process is accompanied by personalised support and a specific training plan to make the recruit feel like a part of Línea Directa Group from day one.

Línea Directa focuses on segmented and specialised searches through different channels to position the company and attract talent. It is present on the most important portals, on the job boards of the main business schools in the country, on social networks such as LinkedIn and TikTok and on the website 'Un Futuro Asegurado' of Estamos Seguros, a sectorial project to attract talent promoted by UNESPA, the business association of the insurance sector.

In 2023, the organisation has welcomed 34 new employees in strategic areas such as Technology, Digital Transformation, the Technical area, Finance, Risk Analysis, Compliance, People and Communication and Marketing. In addition, the Commercial and Customer Service Teams are continuously reinforced.

To recruit commercial talent, two campaigns were launched on social media to communicate the company's strengths under the creative concept that translates as "Let's Be Direct", with a dedicated landing page for candidates to upload their application quickly and easily.

In attracting general talent, Línea Directa has a specific policy in place in which the following principles stand out:

- Making the incorporation of each individual an experience that allows the new arrival to integrate and get to know the company culture through a mixed onboarding process (online and face-to-face).
- Keeping the focus on the search for professionals who are core to the company, such as STEM profiles, who are able to meet the new challenges of digital transformation by implementing the latest developments.
- Continuing to provide the business units with well-qualified sales staff with high standards in their customer relationships.

Redefining a candidate's journey

In 2022, the company redefined the candidate journey map, which in 2023 has allowed it to identify those touch points that are key to generating a differentiating experience.

In addition, candidate satisfaction measurement has been incorporated through questionnaires that allow us to understand the perception of the new employee and also measure their level of satisfaction with the selection and recruitment process.

THE SIGNIFICANCE OF ONBOARDING AT THE START OF THE JOURNEY

The onboarding of back office staff includes the following key milestones, which are followed up on:

- Before joining, the candidate is in permanent contact with the person from the Human Resources selection team who has been in charge of the recruitment process. They also have access to an App that guides them during their first month of work, providing them with practical information (car parks, cafeterias, etc.) and corporate information that will help them in their integration process.
- During the first few days, they are guided through a welcome programme where they meet the people with whom they will interact professionally in their day-to-day work.
- Follow-up surveys are conducted 3 and 6 months after the candidate joins the company to identify areas for improvement and to gather information about the onboarding process.
- The new employee is interviewed regularly by the Talent Development team to assist them during the incorporation process and to solve any problems that may arise.

For front office employees, i.e. those who have direct contact with customers in the call centre, onboarding includes specific insurance training. The aim is for them to be ready to serve customers from all business segments: Motor, Home, and Health, with an customer-specific and personalised programme.

Young talent and STEM

Young talent and STEM (Science, Technology, Engineering and Mathematics) are key for Línea Directa Aseguradora.

As a result, the organisation took on 54 interns last year, many of whom were gaining their first work experience. Of these, 15 are STEM profiles.

The company is also launching numerous initiatives to raise awareness among this audience:

- Scholarship programmes at universities and business schools to provide students with internships at the company.
- Presence at trade fairs and universities with presentations by the heads of the various departments, including Technology, Actuarial, Finance, Marketing and Digital.

- Reinforcement of the TikTok channel and strong presence on social media, following a talent attraction strategy launched in 2022 and reinforced in 2023 with specific campaigns to raise awareness among younger audiences. With this strategy, the company aims to bring its hallmarks, such as its values, working environment, commitment to sustainability and professional development programmes, closer to the STEM community. The company's TikTok account had reached 22,300 followers by the end of 2023.
- New avenues of collaboration with Vocational Training and Dual Vocational Training Centres, through agreements with these institutions in order to forge a link between vocational training and professional practice. In 2023, vocational training students were welcomed at our offices on open days to introduce them to the company.

Once recruits are integrated into the organisation, they are involved in the Young Talent Programme through, consisting of:

- Meeting points between trainees and middle management where trainees can share their experiences and learn first-hand about new developments in the organisation.
- Focus groups: in 2023, trainees were included in working groups to gather information on how to improve their experience as trainees at Línea Directa and better address their motivations and priorities.
- Participation of trainees in the meetings of the rest of the organisation: As a new feature in 2023, trainees were included in the CEO's communications and training sessions for the Pi and Agile talent communities, and were presented with Christmas hampers at an event exclusively for them.

TALENT MANAGEMENT

NEW CONSOLIDATED STRATEGY

During 2023, four challenges were laid out in the company's roadmap:

1. Efficiency and cost-effectiveness
2. Digital transformation
3. Customer focus and multi-segment management (Motor, Home and Health)
4. Greater business capacity: marketing, analytics and technology

This strategy has been accompanied by a new culture of professional development and personalised training for all employees.

STRENGTHENING THE CULTURE OF DEVELOPMENT AND COMMITMENT TO INTERNAL TALENT

The new environment and the new organisational roadmap require agility in adapting to change and in promoting team motivation and development. To this end, in 2023, we have continued to promote a professional development campaign that translates as "Re-evolve" and is based on three key pillars:

- Motivating employees through team leaders, to set goals and challenges for new professional development experiences.
- Placing the focus on self-learning so that, with the help of the company, each person in the organisation can draw up their own roadmap and training plan.
- Encouraging internal job mobility and promotions through a model for identifying potential talent within the organisation.

While in 2022 the company focused on employee motivation through "Conversations on Development" with its managers, and promoting self-learning through digital tools and training courses on @prende and LinkedIn Learning, in 2023 different initiatives have been implemented aimed at loyalty and a commitment to internal talent. These include a programme to identify critical positions, identify potential talent, and set up accelerated development plans.

In addition, in order to align the strategy and culture of innovation, multidisciplinary innovation groups have been created in the organisation in which people with very diverse profiles and experiences participate. Finally, in order to reinforce the professional development strategy, new training programmes have been created for team leaders to develop their strategic skills and knowledge of business management.

Identifying potential talent and setting a career development plan

Talent Management teams have played an important role in identifying potential talent. This means identifying, together with the Management Committee, key positions in the different areas and selecting talent to fill these strategic positions in the short, medium and long term.

The objectives of this plan, implemented in 2023, are as follows:

- Identifying talent pools and helping them in their professional development so that they can take on positions of greater responsibility.
- Identifying critical positions that give the company a competitive advantage and mapping the risks to them.
- Ensuring that critical knowledge remains in the organisation.
- Filling vacancies with greater agility and boosting the movement of internal talent.

Potential is identified in collaboration with team leaders through performance assessments. To this end, middle management has been provided with the necessary tools to standardise the criteria for identifying potential throughout the company, helping leaders make decisions on possible growth paths for identified individuals.

Meanwhile, the skills needed to fill critical positions have been identified and training and development plans have been designed to develop these skills in people with potential for career growth.

Boosting internal innovation and design thinking

In the organisation's roadmap, digital transformation and innovation play a key role. This is why the company runs the 10X Innovation Programme, a business project with its own methodology that includes various innovation processes aimed at product differentiation and business growth.

In 2023, several innovation groups have been set up composed of employees identified for their potential talent. These groups aim to detect new areas of business opportunity working through the following phases: exploration, ideation, validation, and finally implementation. The employees involved in the 10X Product Innovation Programme have received training videos to learn the basic concepts in innovation methodologies and the creative process: Design Thinking, for strategic analysis applied to new business creation and value proposition; Lean Start Up, for minimum viable product creation and rapid prototype validation and learning; and Agile methodologies for implementation and iterative and incremental new product development.

This innovation methodology aims to quickly identify customer needs, validate them through prototyping products and services, and bring new products to market in record time.

The company also runs a Product committee led by the head of Marketing that sets up different strategic, operational and product approval sessions. Employees participating in the 10X Innovation Programme have been involved in all these phases.

LEADERSHIP, A KEY PILLAR IN THE ORGANISATION'S FUTURE

Línea Directa promotes various programmes to develop leadership capabilities in its chain of command. To this end, new management programmes have been introduced for team leaders to align the company's priorities with their professional development.

In this respect, the main challenges faced by middle management in the company were as follows: improving strategic thinking, communicating and involving their teams in business goals, driving digital change, putting the customer at the centre of decisions, ensuring the commitment and alignment of their teams, developing new skills in their departments and designing new strategies in their areas of action, paying attention to the market context and the business' priorities.

In order to meet these challenges, two training courses were held in 2023. Via the Darwin Community: one in Strategic Management, in order to enhance the managerial and strategic skills of middle management, and another in Business Management designed for the newer members of this community to train them in the main areas of management of the company, providing them with an overview of the organisation and preparing them for new challenges.

TRAINING AND SELF-LEARNING

In a key year like 2023, marked by a new internal organisation, training programmes to develop employees' skills and knowledge are particularly important. The main projects, aimed at improving customer experience and responding to the company's strategic needs, included:

- Multi-segment oriented training: In 2023, the Commercial Area has been consolidating multi-segment sales, so all training projects have been continued to promote commercial talent in this area.
- Comprehensive processing: in 2023, the Motor and Home claims handling teams have been trained to understand all stages of a claim, from opening to resolution, providing a comprehensive view of the claim and improving customer service.
- Customer experience programme in the Smile Community (call centre supervisors): a training course was given to all Línea Directa call centre supervisors to improve the customer journey and understand the needs of customers.
- Customer orientation programme for the Home Claims area
- Global Regulatory and Sustainability Plan for the entire organisation through the @prende platform, which includes information on the new regulatory requirements, as well as the company's key milestones and achievements in this area.
- Self-Learning Model and Learner Awards: For yet another year, the culture of self-learning has been promoted at all levels with an internal catalogue available on the @prende intranet and training courses via LinkedIn Learning. To recognise employees and encourage this culture of self-learning, the second edition of the Learner Awards was held in 2023.

Pi & Agile Talent Communities

Línea Directa Aseguradora's Talent Communities are made up of professionals with similar skills and functions who follow specific training programmes to develop their skills and knowledge. The aim is to help these professionals succeed in their roles, achieve their goals and develop professionally to take on new challenges, add value and contribute to the success of the business.

In addition to the Darwin and Crece communities, the Pi and Agile communities have become particularly important in 2023:

Pi Community The Pi community is made up of all the analysts at Línea Directa, a critical group for digital transformation and data management. During 2023, these professionals have worked on increasing their knowledge of statistics and improving their skills in their professional field. The community meets every four months in face-to-face sessions to discuss different analytical trends with external experts from academia and business, as well as with reference people from the company to share best practices. In addition, an analytical skills course has been developed for the Pi Community and for technology employees. This course has a programme for the development of new tools that process information more efficiently.

Agile community. The Agile Community is made up of Process and Technology teams and aims to optimise the delivery of new projects and improve customer service through Agile methodologies. In 2023, the Remember Agile programme has been developed to recall the key concepts of the methodology and share experiences, successes and failures to generate learning and improve the efficiency of technology projects. Finally, the content of the Minimum Viable Product has been further developed to make the implementation of technology projects more efficient.

PERFORMANCE MANAGEMENT

Línea Directa Aseguradora continuously evaluates the performance of all its professionals in order to support their professional development, measure their contribution to the company's strategy and identify their strengths and areas for improvement.

GOAL SETTING

The company's strategic goals are set by the CEO in the performance management model. The head of each area then sets the strategic objectives by which their area will contribute to the achievement of the company's goals. These serve as the basis for setting individual targets for each employee so that all professionals can measure their contribution to the company's strategic goals.

At this stage, the individual development action plan linked to each employee's competency profile is also defined.

ONGOING PERFORMANCE MONITORING

Once the 2023 goals had been defined, employees held "development meetings" with their line managers, using a specific methodology developed by the Human Resources department and on the use of which the entire chain of command was trained. These conversations are designed to foster a culture of development and talent, and to identify and develop the skills and knowledge necessary for employees' professional growth.

In the front office areas of the company, these conversations take place on a regular monthly basis, while in the corporate areas they take place on a semi-annual or annual basis and, in some cases, on a quarterly basis.

PERFORMANCE APPRAISAL

To conclude the cycle, a multidimensional assessment of competence development is carried out by the team leader and the employee. The team leader assesses team members' individual objectives, development action plan, competency profile and commitment, and gathers information to identify those within his team who have the potential to take on new responsibilities. At the same time, each employee self-assesses their own competences.

Once these assessments have been completed, the manager holds a performance meeting with each team member to discuss their results and achievement of objectives, and to provide personalised feedback on their performance and development. This meeting is also an opportunity for the employee to share their objectives or goals within the organization. In 2023, Línea Directa Aseguradora carried out a performance evaluation of 98% of its employees.

EMPLOYEE WELL-BEING

WELLNESS PROGRAM "WELL-BEING TO BE WELL"

Although one of Línea Directa Group's main objectives in people management is the safety and health of its employees, it believes it is also important to address the broader concept of well-being. Línea Directa runs a specific programme based on the principles of the ILO (International Labour Organisation) and the recommendations of the European Union on health and safety at work. The company is also a signatory to the Luxembourg Declaration.

In this context, Línea Directa offers its employees the "Well-being to Be Well" programme, which encompasses actions focused on improving their physical, emotional or financial health.

Throughout 2023, Línea Directa has held the following sessions:

- Activations through LíneaGram (internal social network) where employees share healthy experiences and act as wellness ambassadors within the company.
- Healthy physical activity and rest challenges through the Activity App, aimed at customers, employees and non-customers alike.
- Webinar on healthy living and prevention with an expert in the field.
- General mindfulness course for staff and access on the @prende platform to all sessions held in 2022 and 2023.
- Webinar on psychological care in childhood and early youth with an expert whose aim is to prepare employees for the most important stages of their children's lives, when the foundations of personality are consolidated.
- A back-to-back face-to-face workshop on two consecutive days, organised in different buildings so that all employees could attend in different groups.
- Celebrations of World Health Days and World Mental Health Day, with training provided by an expert in the field.
- Publication of the report "Understanding or brooding over our emotions: Analysis of the silent strategies that bring us closer to or distance us from emotional well-being" developed by the company's External Communications team in collaboration with two prestigious psychologists and professors from the Faculty of Health of the Camilo José Cela University (UCJC). A press conference was held for the media and the report was also circulated on social media.
- Participation in the second edition of the Santander Golf & Sport Olympics, finishing third in various categories.
- As part of the company's wellness and health programme, the Caring for People programme was launched for business team leaders. Delivered by a clinical psychologist specialising in occupational health, this programme helps managers recognise emotional situations, take the emotional temperature of their teams and learn to take care of themselves in order to be able to take care of others. This is psychosocial training as part of the company's commitment to the emotional well-being of its employees.

The wellness programme also includes flu vaccination campaigns on company premises, where employees are vaccinated on request whenever doses are available. Also included in the programme is the "Online Doctor" benefit, which is available to more than 500 employees and allows them to use the online medical chat service of the Línea Directa health insurance free of charge.

Similarly, Línea Directa continued to offer special prices on health insurance for employees and their families through its flexible remuneration programme.

Other benefits and activities include participation in popular races and sports tournaments, discounts at gyms, healthy menus, healthy and gluten-free products in all vending machines, healthy Christmas hampers, relaxation rooms, health awareness campaigns, special medical check-ups and discounts on physiotherapy, among others.

Línea Directa's employee wellness offer is accompanied by a strong communication plan linked to the actions to motivate employees to take up the challenge of improving their health. The programme also offers a range of different digital and exclusive content on emotional balance, available on the company's internal training platform (@prende).

Financial wellness initiatives

Línea Directa's wellness programme also addresses the financial well-being of its professionals through information and training programmes, as well as access to employee benefits related to their personal finances.

In collaboration with Bankinter, the company provides information on this topic to all new employees during the induction process and organises regular financial training sessions for all employees.

In particular, Group employees have access to webinars delivered by financial experts, focusing on credit, savings and investment products, including mortgages, investment funds and pension plans. As part of this, the company has developed a digital training space ("School of Finance") with training content on this topic. In the year under review, intensive work was carried out on savings and financial advice at home, and employees received advice on investments and share purchases, including the Línea Directa Aseguradora share purchase plan, through the "Broker" academy. Also during the year, a programme was developed to bring the financial sector closer to employees and their families, reducing knowledge gaps and facilitating access to different financial products.

As part of this focus on the financial well-being of employees and on the advantages of being an employee of Línea Directa Aseguradora, Línea Directa Aseguradora professionals who are customers of Bankinter's 6007 Virtual Banking Office can participate in the profits generated by the office each year. Once a year, during "Bonus Day", 50% of the profit generated is distributed among employees. In 2023, the employee members of the office received more than € 47,400 corresponding to 2022 benefits.

During 2023, Línea Directa Aseguradora has developed a new employee benefit related to financial wellness. Tax Down is an application that provides the company's professionals with a digital service to file their tax returns simply and efficiently, with a 30% discount.

Work-life balance

Both Línea Directa Aseguradora and Línea Directa Asistencia are certified by the Fundación Más Familia as family-friendly companies with a B+ Proactive level.

The Fundación Más Familia's EFR label recognises Spanish companies that have made a firm commitment to work-life balance through their own work-life balance management model, which certified companies must develop internally. In the case of Línea Directa, its model is independently audited by the consultancy DNV.

The most recent audit, which was completed in October 2022, analysed the more than 130 measures the company has in place to promote work-life balance, structured around five principles:

1. Quality in employment
2. Flexibility in space and time
3. Employee family support
4. Professional development
5. Equality of opportunities

Línea Directa is particularly committed to supporting the families of its employees and has implemented a series of measures related to maternity, paternity and the care and support of family members in special situations. In this regard, the company has its own special leaves of absence, in addition to those provided for by law, to help employees and their immediate families at particularly important times in their lives.

- Employees are entitled to 16 weeks of paid parental leave, in addition to 15 working days of breastfeeding leave, as established by Royal Decree-Law 6/2019 of March. The company supplements the salary of its employees during this type of leave by paying the difference between the benefit the employee receives from social security and the full salary, so employees receive the same salary as if they were working.
- In addition, Línea Directa offers 5 days of breastfeeding leave within 12 months of returning to work, instead of the 9 months after the birth of the child required by law. With this measure, the company encourages the use of this leave and gives employees greater flexibility in accessing it.
- To support breastfeeding, all company buildings have rooms equipped with refrigerators for this purpose.
- Línea Directa Aseguradora has agreements with nurseries close to its workplaces so that the Group's employees can use them under advantageous conditions, including significant discounts and timetables adapted to their working day.
- The company provides employees with leave to care for and accompany dependent family members, including paid leave. In addition, employees can access special permits to accompany family members with oncological diseases to chemotherapy and radiotherapy sessions, as well as to certain diagnostic tests.

As part of its commitment to the work-life balance of its employees, Línea Directa Aseguradora has developed a system of flexible working hours. Employees who are not in direct contact with customers have one hour's flexibility at the time of entry and, consequently, at the time of exit. This measure cannot be applied to call centre staff, as they must adhere strictly to planned schedules to ensure good customer service.

During 2023, and as an additional measure to improve the work-life balance, Línea Directa has added an extra day to its employees' holidays from 2024.

All information related to these work-life balance policies is available to the Group's professionals through the employee portal, and they can contact Línea Directa's Customer Service Department with any queries they may have. During 2023, the company has focused on disseminating EFR's actions both internally (Internal Communications) and externally (External Communications).

Flexiwork

To further facilitate work-life balance, Línea Directa Aseguradora has implemented a flexible working model that allows all employees to work from home
six days per month. This has enabled the company to optimise working hours and gain agility and efficiency, while enhancing its employee wellness strategy, with the ultimate goal of achieving its medium and long-term business and corporate goals.

Employee wellness survey

Línea Directa Aseguradora places people at the centre of all its decisions, which means that it is necessary to establish a relationship between the company and its employees that creates an atmosphere of trust, in which all employees feel that they are valued and listened to.

This relationship is shaped by the Group's corporate values and is based on proximity and transparency; the pulse of the organisation is taken every two years through a survey of the entire workforce. In the latest one, conducted in 2023, the company took its methodology a step further to be able to analyse the experience of its employees in a more personalised way, allowing the Group to draw conclusions by employee groups and according to professional and life cycles at Línea Directa.

DIGITAL DISCONNECTION POLICIES

As a company aware of its responsibilities towards family and society, Línea Directa Group organises the working hours of its employees so that they can reconcile their personal and professional lives. To this end, it relies on the autonomy and flexibility derived from the new ways of working offered by new technologies.

In this regard, Línea Directa, in addition to adhering to the Insurance and Reinsurance Agreement with regard to digital disconnection, has an Internal Digital Disconnection Policy that was created with the aim of reinforcing this commitment.

This policy expressly recognises the right of employees not to respond to business communications outside working hours, except in cases of legitimate urgency, and team leaders are encouraged to avoid such communications. In fact, the newly introduced technological systems include, for example, warnings that it is not advisable to send messages outside working hours.

The digital tools available to the Group's employees enable them to work collaboratively, regardless of whether they work in person or remotely, and the company has taken special care to ensure that the right to digital disconnection is maintained in this situation. To this end, regular training and awareness-raising activities have been carried out in recent years to optimise the organisation of work, focusing on respect for employees' agendas and schedules, as well as on planning and information on the need for and advisability of attending meetings and recommendations for limiting their duration. Meanwhile, workshops on time management on digital platforms and awareness-raising actions on the appropriate use of technological tools were organised, all with the aim of avoiding the risk of computer fatigue.

REMUNERATION

TOTAL REMUNERATION

The insurance sector is characterised by the generation of stable and quality employment, and is currently one of the ten sectors in Spain that best remunerates its professionals. At Línea Directa Aseguradora, the total remuneration programme is one of the levers for retaining talent in the organisation.

The company has a total compensation platform available in the employee portal where employees can consult all the elements that are part of their remuneration package. The information includes fixed remuneration, variable remuneration linked to objectives and remuneration in kind, such as life and accident insurance, as well as the various social benefits and advantages they are eligible for as employees of Línea Directa, such as a flexible remuneration programmes and discounts on all the company's products.

The variable remuneration of the Group's professionals is determined by the monthly, quarterly and annual incentive programme, which is linked to the achievement of the company's objectives, the area's objectives and the professional development of each employee. Through this incentive plan, professionals can achieve targets beyond 100% and receive a very attractive variable compensation on top of their fixed salary.

In addition to the instruments required by current legislation, this total remuneration platform is an example of the company's commitment to the principle of transparency in remuneration, the main purpose of which is to ensure the effective application of the principle of equal treatment and non-discrimination in remuneration between women and men.

ONE-OFF SPECIAL PAYMENT TO EMPLOYEES FOR INFLATION

Due to the increase in the cost of living as a result of inflation in the last two years, Línea Directa Aseguradora made a one-off extraordinary payment to all its employees in January 2023, with the exception of the management team, equivalent to 1% of their fixed salary, with a minimum of € 300.

SOCIAL BENEFITS

All Línea Directa employees have life and accident insurance from the moment they join the company, with an insured capital of € 27,000 for employees with temporary or internship contracts. For all other employees, the sum insured is the result of multiplying the basic full-time salary by three taken to the next higher multiple of
30,050. In addition, the insured capital covers the contingencies of death and disability and is doubled in the event of death resulting from an accident.

DEFINED CONTRIBUTION INSURANCE

Línea Directa has in place a savings and retirement plan through which the company makes an annual defined contribution for each employee, thereby honouring its commitment to reinforcing the retirement pensions of employees.

In addition to the normal retirement contingency, this system also covers death and disability of any kind and allows the consolidation of rights accumulated in the collective insurance for professionals who have been with the company for at least three years.

EMPLOYEE SHARE PURCHASE PLAN

In 2022, Línea Directa launched its first share purchase plan aimed at employees. By joining this plan, employees may allocate part of their salary to the purchase of shares at a 5% discount, also benefitting from the advantages of flexible remuneration. The company has continued this programme during 2023.

Two financial literacy training and counselling sessions were held to help employees understand the initiative prior to making an investment decision.

CORPORATE BENEFITS

Línea Directa offers its employees an attractive package of corporate benefits and advantages that strengthen employee loyalty and invite them to get to know the company's products in depth. The most relevant of these include:

- Favourable conditions when taking out insurance in all the company's lines of business, as well as free access to medical consultations without the need to take out health insurance. Family members of Group employees also benefit from favourable conditions when taking out the Group's Motor and Health insurance policies.
- Flexible remuneration programme through which employees can contract different services and products of personal and family utility such as health insurance, childcare, public transport passes and daily meals.
- Advances and loans. Línea Directa offers its staff the possibility to apply for advances and loans for special cases that go beyond the applicable legal provisions.
- Advantages and discounts on financial products. Through a partnership agreement, the company offers its employees benefits and discounts on financial products as well as advice. All employees with an account contracted with the partners entity (Bankinter) enjoy an annual distribution of the benefits associated with their financial products with this bank.
- Support for language and specialised training. Línea Directa employees have access to language scholarships that allow them to study or raise their level in various specialised language academies. Similarly, employees who are pursuing official specialised studies related to the company's activities or to a possible future activity may be eligible for financial assistance in addition to the portion paid by the company.
- Advantages portal which any employee can access from their personal device and where they can obtain important discounts and benefits in leisure, culture, cuisine, fashion, travel, etc.
- Línea Directa Renting. Since 2018, the company runs a programme through which employees can lease premium brand vehicles at a discount on the market price together with Línea Directa's comprehensive insurance.
- Access to the purchase of second-hand vehicles at below-market prices.
- Legal advice. All Línea Directa employees have this service free of charge, thanks to an agreement between the insurer and one of the main providers of legal advice.
- Christmas hamper, choosing the products it contains. The hampers also represent a contribution by the company to a foundation that supports the employability of people with disabilities.

The benefits plan is complemented by other measures, bringing the total to more than 130 benefits, actions and measures that Línea Directa offers its employees. All these benefits and advantages are audited through the external audit process that Línea Directa, as a family responsible company (EFR), must pass each year to maintain this certification.

PAY GAP

Línea Directa Aseguradora defends equal pay for women and men and carries out annual salary reviews with common criteria for both genders. Proof of this is that the total average remuneration of both genders is very similar and the pay gap at the end of 2023 was 3.1%.

To calculate this adjusted gap, employees are grouped into clusters consisting of people performing similar duties or performing a similar job.

The gap in each cluster is identified and, to determine the overall gap, it is weighted by the number of people in each cluster. The gap calculation is performed on a month-by-month basis to ensure that each person is compared with their peers monthly. The calculation formula is as follows:

$$\text{Brecha salarial ajustada} \quad \sum_{n=1}^{N} \frac{\textit{Brecha en cada clúster} \times \textit{Nº de empleados en clúster}}{\textit{Nº total empleados}}$$

The gap in each cluster is calculated as follows:

$$\text{Brecha salarial} = \frac{\textit{Retribución media hombres} - \textit{Retribución media mujeres}}{\textit{Retribución media hombres}}$$

HEALTH AND SAFETY

One of the main objectives of people management in Línea Directa Group is to ensure the safety and health of employees. Línea Directa has joined the Luxembourg Declaration, promoted by the European Network for Workplace Health Promotion since 2017, in which it commits itself to accepting and implementing the basic objectives of workplace health promotion and to aligning its strategies with the principles of this declaration.

Línea Directa also has a welfare programme that is based on the principles of the International Labour Organisation (ILO) and complies with European Union (EU) recommendations on health and safety at work.

UPDATE OF THE OCCUPATIONAL RISK PREVENTION POLICY

The assessment of risks and hazards in the work environment is crucial for the design of risk control activities and the management of the prevention system.

In 2023, the company updated its Occupational Risk Prevention and Well-being Policy, setting out the commitments on which it bases its management of occupational risk prevention, not only through strict compliance with the applicable regulations, but also through its commitment to ensuring the health and safety of the people who provide their services at Línea Directa.

These commitments include the periodic review of working conditions, the replacement of hazardous elements, the identification of external and internal factors affecting health and safety, the provision of medical surveillance that respects privacy, the adaptation of work to individual conditions, the continuous training and awareness-raising of staff, the promotion of physical and emotional well-being and the organisation of emergency teams with annual drills.

In addition to these commitments, the policy sets out a number of objectives. The first of these focuses on setting quantitative targets to improve occupational safety, covering incidence rates, number of absences, average duration of absences, frequency and severity rates. Other objectives include ensuring the health of employees through medical check-ups and wellness campaigns, developing training in the prevention of occupational risks, implementing emergency plans, promoting employee participation and consultation, ensuring proper coordination of business activities with suppliers working in Línea Directa's work centres, and ensuring that suppliers comply with standards. In addition, a pre-audit for ISO45001 certification will be carried out, with a particular focus on the supervision of top management and governing bodies.

In 2023, in addition to updating this policy, initiatives will be launched to improve psychosocial health through mindfulness and emotional management campaigns as part of the company's wellness plan. Similarly, in the area of occupational risk prevention, theoretical and practical training in first aid, fire fighting and evacuation of designated emergency personnel has been reinforced.

In terms of the number of accidents at work, Línea Directa has a lower accident rate than the sector as a whole. In 2023, there were 22 accidents, the same as in the previous year. Accidents in 2023 were in itinere and work is being carried out on road safety training and information for employees through training videos to prevent accidents and raise awareness, in addition to organising a Road Safety Day for its employees at Línea Directa's facilities.

STUDY OF PSYCHOSOCIAL FACTORS

In 2023, work has been carried out on various action plans based on the Psychosocial Factors Study prepared in 2022, which arose from a survey of employees with the aim of ensuring the health and emotional well-being of the workforce. The results have highlighted the points most valued by the people in the organisation and the areas for improvement.

In 2023, the company focused on measures for employees. The following stand out:

- With a view to improving emotional well-being, the wellness programme has included specific actions related to emotional well-being, such as a mindfulness course, back workshop, publication of a study on emotional rumination with renowned psychologists and employee talks with specialists.

  Of particular relevance is the workshop for business coordinators and supervisors, which focuses on caring for people from a psycho-emotional perspective. Under the guidance of an expert in the field, teams leaders in Línea Directa will receive training aimed at accompanying people, understanding their emotional state and finding solutions that will help the whole team to work in an environment of trust and security.

- Regarding the organisation of awareness campaigns, campaigns on equality, diversity and harassment prevention were carried out, the latter targeting coordinators and supervisors.

- To encourage consultation and participation of employees in matters relating to their work and the functioning of the organisation, these following measures have been circulated more widely: internal quality survey, employee climate and experience survey, performance evaluation, EFR certificate, regular area meetings and meetings with the CEO to inform staff about the company's strategy and business results.

HEALTH AND SAFETY COMMITTEE

Línea Directa Aseguradora is equipped with the necessary resources to support and advise the company in the adoption of the relevant preventive measures.

The company takes charge, with its own resources, of the preventive specialities of Occupational Safety, Occupational Hygiene and Ergonomics and Applied Psychosociology provided for in the specific regulations on the prevention of occupational risks, through a senior technician who holds the post of head of Occupational Risk Prevention at Línea Directa. The preventive speciality of Health Surveillance is contracted out to an external prevention service. The in-house prevention service assumes responsibility for maintaining appropriate coordination with the external prevention service and with the external specialist advisors who may be commissioned to implement specific prevention measures.

EMPLOYEE RELATIONS

In 2022, Línea Directa Aseguradora launched an organisational and strategic transformation that is key to the company's future. Paying attention to people's needs and managing change has been vital in turning this process into new professional development opportunities for the people in the organisation.

In this context, employee relations have been based on close attention to people, supporting employees at times when they need it most, but also implementing specialised training programmes, promoting multidisciplinarity and strengthening the expertise of teams to prepare them to successfully meet the challenges of change.

Moreover, in order to increase both productivity and staff well-being, the company has opted for flexibility in its working model, introducing a mixed system that combines presence in the offices with remote working modalities, allowing the company's employees to manage their time and workspace effectively.

Finally, the measurement of employee experience has been changed to a new, more sophisticated survey system that helps us to understand the mix of facts and perceptions that influence a better employee experience. The aim is to gain a better understanding of the level of engagement in relation to each employee's life and career cycle. This was a key project in 2023, as were the technological innovations implemented in employee relations and communications through the use of artificial intelligence.

PEOPLE CARE AND CHANGE MANAGEMENT

Organisational and cultural change management has been particularly relevant to 2023. The shift to a multi-segment approach has been a challenge and an opportunity for growth and development for everyone in the organisation. The People area has played a central role in preparing the Business and Service and Benefits areas for this transformation, providing specialised training and promoting a multidisciplinary approach to strengthen the expertise and skills of the teams.

Throughout this transformation, which is fundamental to the future of the company, the People and Communications area has focused on supporting employees and the chain of command along the process. To this end, 2023 has worked with the business units to address the specific needs of each team and to ensure a harmonious transition that respects their particularities.

Special attention has also been paid to the emotional management of change. The proximity of the People area to the business means that it is actively involved at critical moments. Línea Directa is very committed to the emotional wellbeing of its employees and is aware that change can create uncertainty. For this reason, a permanent presence of the People teams has been established in all the company's buildings. This physical presence not only facilitates communication and the resolution of doubts, but also underlines the company's commitment to being close to its employees during this process of change, demonstrating its availability to support them at all times.

FOCUS ON FLEXIBILITY

Línea Directa Aseguradora's employees have access to appropriate digital tools, which are a strategic tool for promoting work flexibility and employee wellbeing. With these technologies, the company promotes an agile and adaptable working environment, implementing a blended working system that combines in-office presence with flexible or remote working, taking into account the different needs and working styles of each team.

In managing this system of flexibility, the Group's employees have access to the company's IT systems. This autonomy reinforces Línea Directa's vision of creating a working environment based on trust and individual responsibility. Employees, in close collaboration with their managers and teams, are able to adapt their work environment to optimise their time and well-being.

In addition, following specialist remote leadership training delivered during and after the Covid-19 pandemic, known internally as DigitLeads, managers are leading mixed face-to-face and remote teams, effectively managing the different realities imposed by the flexible model.

DIALOGUE WITH EMPLOYEES

The company has set up various direct digital communication channels with employees through which information flows in all directions, thanks to the publicly accessible employee channel and the management of the People Care team.

The Group has set up various internal communication channels:

- The "Online Employee" platform. This is a space designed for employees to easily and quickly access information of interest, such as their personal space, management tools, company news and corporate social applications.
- A fortnightly newsreel in video format, summarising the key company milestones during the period. The content is of particular interest in the areas of sustainability, business, innovation, culture and employee benefits. The videos are short and light-hearted, making them easy to watch.
- Mailings and email communications with campaigns aimed at all employees or segmented by groups according to communication needs.
- A network of screens installed in the transit areas of all workstations. These screens reinforce corporate messages, campaigns published in other formats and welcome new employees.
- The “En Línea y en Directo” [online and live] corporate chat, that is universally accessible and allows instant communication with all employees through this direct, one-way channel.
- Collaborative spaces for virtual meetings, collaborative projects or sharing and working on files simultaneously.

'LidIA', Línea Directa's artificial intelligence chatbot

As part of the process of digitising employee communications, in 2022 the company launched the 'LidIA' chatbot, a virtual assistant on the company's intranet programmed to answer employees' key questions in a conversational manner. In 2023, a proof-of-concept (PoC) has been launched to integrate this assistant with generative Artificial Intelligence and thus make the user experience more modern, effective and human through natural language.

This proof of concept was carried out throughout the year by the People and Communication teams, as well as the Architecture specialists in the Technology area. A roadmap for HR projects has been drawn up, developing short and long term frameworks and a change management plan that addresses the adoption of artificial intelligence by considering not only processes and technology, but also people.

At a technical and project level, a website was developed connected to the Azure Open AI technology, focusing on defining the content to be addressed by the AI, in line with everything that already exists in the company's employee portal, as well as the tone of voice that the artificial intelligence of 'LidIA' should have, so that it is consistent with the communication style and culture of Línea Directa.

Once this project has been successfully validated in a virtual environment, the goal for 2024 is to unify internal information to standardise it with artificial intelligence and to integrate 'LidIA' into other areas of the company's operations, streamlining not only communication but also business processes.

MEASURING THE EMPLOYEE EXPERIENCE

Línea Directa Aseguradora has taken another step forward in measuring employee experience. Previously, the company had conducted surveys in different cycles (one-off and annual) to gauge the mood of the organisation at a particular point in time. In 2023, we worked on a holistic and sophisticated measurement project that allows us to draw conclusions by type of employee, according to their life cycle in the organisation and their personal and professional reality, among other criteria.

This model seeks to identify which moments are key in the employee's relationship with the company and how they affect their commitment and motivation. In a time of change management such as the present, this will enable the People area to configure specific and adaptable action plans based on this knowledge, thus helping to achieve better business results.

This project has been implemented based on four fundamental pillars:

- Diagnosis: the first step was to diagnose the current experience of Línea Directa's professionals and analyse the different archetypes of the company's employees. A benchmarking exercise was carried out to determine the company's positioning and to identify action plans that are easy to implement and have a high impact (quick wins).
- Strategy: align the voices of employees with the needs and goals of the Group and the marketplace. This allows us to build a relationship model and redesign the employee experience by identifying where we need to focus.
- Transformation: define the action plan to improve the employee experience at key moments in the organisation and in line with the organisation's strategic objectives.
- Measure to understand development: recurrent measurement of experience through taking individual pulses or carrying out global measurements. This allows us to create an employee experience dashboard with key indicators and access for the HR department and employee experience managers.

UNION REPRESENTATION

All employees of Línea Directa Group are subject to the collective bargaining agreement that applies in each workplace of the companies that make up the Group:

- In Línea Directa Aseguradora, the Insurance and Reinsurance Agreement.
- In Línea Directa Asistencia, the Collective Agreement of Offices.
- In CAR Barcelona, the Barcelona Metalworkers' Agreement.
- In CAR Madrid: the Madrid Metalworkers' Agreement.
- In Línea Directa Reparaciones, the Madrid Construction Collective Bargaining Agreement until July 2023.

The Group has several union sections exercising their rights in accordance with the Organic Law on Freedom of Association.

Information and consultations with employees (opinion surveys, EFR postbox, psychosocial risk assessment, etc.) are of utmost importance for the company to know how employees perceive their working conditions and to be able to implement appropriate action plans if necessary.

DISABILITY AND ACCESSIBILITY

DISABILITY

Línea Directa's firm commitment to diversity, inclusion and, in particular, to the integration of people with functional disabilities, has a long history and has enabled the company to win prestigious awards and certifications over the years. Today, this commitment has evolved to adapt to the new legislative framework on sustainability, to integrate it into the ESG axes and to respond to the new social and economic context.

One of the key pillars in this area is the inclusion of employees with a disability certificate. With this goal in mind, in 2009 Línea Directa launched the No Limits programme, which addresses diversity in the workplace from four perspectives: attracting talent with different abilities, highlighting internal diversity, developing and participating in social inclusion projects and contributing to the employability of this group through special employment centres (CEE).

The programme includes a guide or tutor who guarantees a working environment and a welcoming process adapted to the needs of the employee, who also receives a grant of € 1,500. The guide also advises and accompanies people enrolled in the programme through the procedures, guaranteeing them confidentiality throughout the process. In this way, Línea Directa promotes the integration of people with different abilities from the moment they join the company, ensuring their participation in the company and the development of their talents.

The programme also includes technical aids to remove or reduce physical barriers and professional advice from specialist agencies such as the Randstad Foundation. No Limits includes the You Add Plan, which offers advice to all employees who have a family member with a disability.

Línea Directa collaborates with other foundations and associations in various projects for the socio-occupational integration of people with disabilities, for which it has a network of volunteers who offer their knowledge, experience and time to design and run employment workshops. For example, the company offers work placements to young people with disabilities from the Aprocor Foundation and organises inclusive leisure activities, such as charity markets where the products are made by specialised centres.

In addition to No Limits, Línea Directa has other corporate volunteering programmes that enable it to work with groups at risk of social exclusion:

- For more than 10 years, Línea Directa has been contributing to the employment of people with disabilities by working with special employment centres.
- Línea Directa has joined the Companies for Equality, Diversity and Inclusion initiative as a Promoter Company, promoting good practices in this area and disseminating the different initiatives of this group.

At the end of the year, the Línea Directa Group was employing 39 people with some form of disability, representing 1.6% of the workforce. In 2022, the entity had 39 employees with a disability, representing 1.54% of the workforce in that year.

ACCESSIBILITY

All the workplaces of the Línea Directa Group are accessible. In addition, the company works on communication and awareness about disability, both internally and externally. In 2023, the accessibility of the corporate website has been addressed to ensure access for all users. https://www.lineadirectaaseguradora.com

The criteria adopted to improve the accessibility of the Línea Directa Aseguradora website (https:// www.lineadirectaaseguradora.com) are based on the WCAG/WAI guidelines of the World Wide Web Consortium (W3C), an international consortium that develops recommendations and standards to ensure the use and development of the internet.

In this sense, the development of the Línea Directa Aseguradora website has been based on compliance with the W3C-WAI WCAG 2.1 Web Content Accessibility Guidelines, in its AA level of requirement. A specialist consultancy was commissioned to carry out an accessibility audit in accordance with the requirements of WCAG 2.1.

5. SOCIETY

SOCIETY

Línea Directa Aseguradora was founded 28 years ago with strong values of responsibility, involved in the communities in which it operates and committed to the progress of society.

COMMITMENT TO ROAD SAFETY

The main social contribution from Group is made by Línea Directa Foundation, which covers research, dissemination, training and social action in the field of road safety.

In 2023, Línea Directa Foundation published three road safety studies with a strong media impact and carried out road safety training for the company's employees.

INSURANCE SECTOR

Línea Directa Group actively participates in insurance sector organisations such as ICEA, which is dedicated to research, statistical studies, training and consultancy applied to the insurance sector, and UNESPA, the association that represents the insurance sector in society.

At an international level, Línea Directa joined, in early 2023, the United Nations Principles for Sustainable Insurance (PSI) initiative, which provides a global action plan to develop and scale the innovative insurance and risk management solutions needed to promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities.

The amount allocated by the company to support these sectoral initiatives was € 136,121 in 2023, and € 126,632 in 2022.

OTHER CONTRIBUTIONS

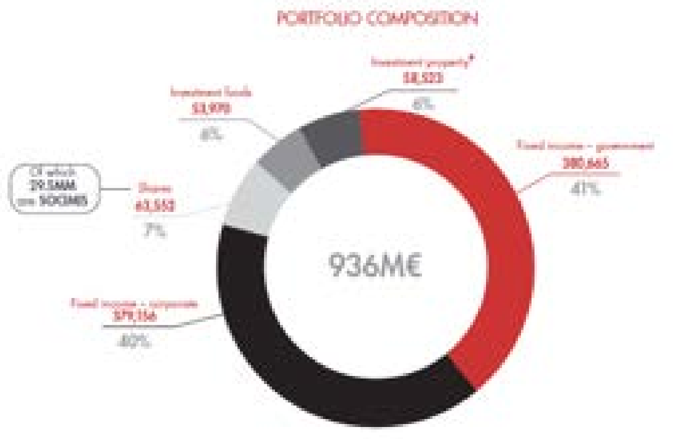
Línea Directa Group, as a sign of its commitment to society, has contributed € 572,164 to foundations and non-profit organisations, mainly for investment in the community and to a lesser extent for charitable donations and commercial initiatives. These contributions totalled € 658,061 in 2022.

Línea Directa also promotes the social commitment of its employees by supporting activities carried out through corporate volunteering in collaboration with various foundations, associations and NGOs.

SUSTAINABLE INVESTMENT

Insurance companies, as an integral part of the financial system, have an obligation to society by virtue of their role as investors and the ultimate destination of the capital flows they manage.

Línea Directa's asset portfolio, valued at € 936 million at year-end 2023, is regularly evaluated against environmental, social and governance (ESG) criteria and published quarterly with the company's financial results. This information is taken from the Sustainalytics tool provided by Morningstar, one of the benchmark companies in its segment. This tool facilitates the automated management and monitoring of ESG investments and helps to integrate sustainability issues into investment decisions.



* Off-balance sheet capital gains on investment property and property for own use amount to € 31 million before tax.

Línea Directa's investment and divestment decisions are governed by the principles set out in its Sustainable Investment Policy, approved by the Board of Directors in mid-2022. In this policy, the Group actively promotes the integration of these criteria in its investment decisions, limiting its participation as an investor in organisations, projects or products that may encourage or cause serious breaches due to their economic activity being linked to controversial sectors or being related to fossil fuels.

The company's sustainable investment strategy has been shaped by the European Commission's strong commitment to sustainable finance in recent years. This has led it to consider ESG issues in its investment policies and even in the definition of commitments to limit exposure to some controversial sectors. It has also helped to define a roadmap for decarbonising investment portfolios.

At the same time, the regulatory pressure from the reporting requirements arising from the entry into force of the Taxonomy Regulation on the investment portfolios of financial institutions poses an additional challenge. This is due to the highly demanding criteria that companies face when assessing the degree of alignment of their activity with the Taxonomy. Línea Directa's report in this regard is included in the chapter "Adaptation to climate change". However, the lack of public disclosure from unlisted companies and the staggered timetable for listed companies poses an even greater challenge for financial institutions, as the relevant information is not always available.

LÍNEA DIRECTA FOUNDATION

After nearly two decades of fighting road accidents, Línea Directa Aseguradora created its own foundation in 2014 to further strengthen its commitment to safe and sustainable mobility. 10 years after its creation, Línea Directa Foundation has become a true reference in the field of road safety, promoting numerous initiatives to combat a tragedy that every year forever marks the lives of thousands of people in Spain.

INTRODUCTION

In 2024, Línea Directa Foundation, a non-profit organisation which, under the slogan "Here and Now" is dedicated to the fight against road accidents, celebrates its 10th anniversary. The Foundation, which has already become a benchmark in the field, draws on the Línea Directa's long experience in road safety. It works on four fronts: Research, Dissemination, Social Action and Training, through which it promotes and develops powerful initiatives with great social impact.

Among them we find numerous studies that analyse the most relevant aspects of accidents, always with the aim of raising awareness about the importance of maintaining responsible driving habits. These studies seek to offer a holistic view of the phenomenon of traffic and accidents, providing innovative approaches that help fight against road mortality and injuries.

Línea Directa organises each year the Road Safety Journalism Awards, one of the leading competitions in the Spanish journalistic field which, year after year, recognises those journalistic works which, due to their originality and quality, can make a decisive contribution to raising awareness among drivers of the need to drive responsibly.

The event, which celebrated its twentieth edition in 2023, also honours institutions, foundations and organisations that have made outstanding contributions to the fight against road accidents, as well as the careers of prominent journalists and media professionals who have dedicated their careers to informing, investigating and raising awareness of road safety in society.

Línea Directa Foundation also promotes a programme of start-up accelerators, an activity it carries out through its Road Safety and Entrepreneurs Award, a competition that funds projects that, due to their particular relevance, can contribute to saving lives on Spain's roads. In addition, the Foundation carries out numerous training and social action activities in collaboration with other foundations, organisations and institutions in Spain.

Thanks to its strong commitment to road safety and despite its young age, the Línea Directa Foundation has been recognised by the government with important awards, including the Silver Cross of the Order of Merit of the Civil Guard and the Bronze Medal for Road Safety, awarded by the Spanish Ministry of the Interior and Directorate-General for Traffic (DGT).

* Teodoro García-Egea was a member of the Board of Trustees of Línea Directa Foundation until March 2023.

RESEARCH

Since its creation ten years ago, Línea Directa Foundation, in collaboration with leading institutes, foundations and universities, has carried out important studies aimed at making Spaniards aware of the risks involved in driving. Each year it focuses on three issues which, because of their interest and importance, represent a major challenge for all organisations and administrations committed to ending road deaths.

In 2023, Línea Directa Foundation has published **3 studies** that have had a strong impact on the media, with **more than 800 news appearances** and a **cumulative audience of more than 398 million.**

"Life in a second. Distractions and accidents on Spanish roads (2012-2021)"

Distractions are one of the great challenges in the fight against road accidents. One of the main conclusions of this report is that **1 in 3 fatal accidents** in Spain is caused by a **lack of concentration while driving**. In the last decade, **238,000 accidents** caused by distracted driving were recorded in Spain, resulting in **6,200 deaths**. Incidents are also becoming more lethal, with the **fatality rate** increasing by **52%** over the period.

Distractions are generally caused by one of three leading causes, according to the reports: **absent-minded driving, tiredness and looking at the surroundings.** However, Spaniards admit to another reason, which is not usually mentioned in these documents and which is ultimately decisive: **the use of the mobile phone**. In fact, almost half of drivers (48%), equivalent to **13 million drivers**, say they **do not use a hands-free option in their phone** while driving.

Getting there and back. X-ray of traffic accidents on holiday journeys in Spain (2012-2021)

The second study of the year, presented in July 2023 to coincide with the forthcoming **summer holiday traffic** received a great deal of media coverage due to its surprising findings. Over the last decade, **165,000 accidents involving casualties have been recorded** on long journeys during the summer months, resulting in more than **3,300 deaths and 234,000 wounded**, amounting to **5 deaths per day**, making summer the most dangerous time of year for road safety, **with a fatality rate 20% higher** than the rest of the year.

The report was accompanied by a survey, the results of which revealed some surprising findings: **more than half of drivers** admit to **speeding** during their summer journeys and some **6 million** (23%) admit to **drinking alcohol** at rest stops.

Safe cars for all. Analysis of accidents from a gender perspective (2012-2021)

The Foundation's third study in 2023 highlighted a serious historical problem: **passive safety tests have so far failed to take into account the female anatomy**. In fact, only three dummy models have been used in crash tests: a 95th percentile male, a 50th percentile male and a 5th percentile female, which is a rescaling of the female body. In response to these findings, **Línea Directa Foundation**, in collaboration with the Comillas Pontifical University, has developed a computerised crash test with two 50th percentile models for men and women, with some surprising conclusions: in a frontal impact, **women are twice as likely to suffer a severe brain injury** and **50% more likely** to suffer a skull fracture.

Moreover, seat-belt design fosters the "submarining" effect for female drivers: slippage in the seat that can cause significant internal injuries due to the pressure of the lower band on the stomach.

DISSEMINATION

Línea Directa Foundation's Road Safety Journalism Award is one of the most recognised initiatives in Spanish journalism. The competition, which celebrated its 20th edition last year, aims to encourage the publication and dissemination of reports and articles on road safety, always with the aim of promoting road safety among drivers.

In 2023, the Línea Directa Foundation Road Safety Journalism Award celebrated its 20th edition at the Gran Teatro Príncipe Pío in Madrid. The competition rewards the best journalistic works published and broadcast in Spain in the written press, online media, radio and television, with a net prize of € 10,000 for each category.

The Foundation also presented the Solidarity Award for Road Safety, an annual prize of € 10,000 net awarded to organisations, institutions and foundations that have distinguished themselves through their commitment and initiatives in the fight against road deaths. Finally, the Foundation also presented the Honorary Road Safety Journalism Award, which recognises the career of an information professional or media outlet in this field.

The winners, chosen from more than 2,000 entries, were Leticia Núñez, Isabel Martín and Patricia Corral from Diario de Burgos (written press and online media), Ana Corbatón from Cadena SER (radio) and Esperanza Calvo from Telecinco (television).

The Solidarity Award went to the Institut Guttmann for Neurorehabilitation, a leading hospital in the field of brain health, which aims to improve the prevention and outcomes of the treatment of nervous system pathologies, often caused by road traffic accidents. The Honorary Journalism Prize was awarded to DGT's Revista Tráfico y Seguridad Vial for its great work in the field of public information for almost 40 years.

The components of the Jury of the 20th edition were:

- Pere Navarro, Director General of Transport. Chairman of the Jury.
- María del Pilar González de Frutos, President of UNESPA (Spanish Association of Insurance and Reinsurance Companies) from 2003 to 2023.
- Pere Macias, Chairman of the Commission for Road Safety of the Chamber of Deputies during the 2011-2015 legislature.
- Pedro Guerrero, Chairman de Bankinter.
- Carlos Franganillo, Journalist and presenter of the 2nd edition of the Telediario de La 1 (TVE).
- Ángel Carreira, Journalist and political correspondent for ANTENA 3 NOTICIAS.
- Leticia Iglesias, Journalist and presenter of Informativos TELECINCO.
- Helena Resano, Journalist and presenter of Informativos de LA SEXTA
- Juan Antonio Marrahí, Journalist for LAS PROVINCIAS, and winner in the 19th edition of the Road Safety Journalism Prize under Written Press and Online Media.

TRAINING AND SOCIAL ACTION

Línea Directa Foundation's research and dissemination aim to promote road safety knowledge in society and to serve different groups that, due to their vulnerability, require a relationship based on cooperation and mutual learning. As part of its social action, the Foundation also organises the annual Road Safety and Entrepreneurs Award, a competition that promotes entrepreneurship in the field of road safety.

Training and social action are two of the main lines of action of Línea Directa Foundation, with the aim of disseminating the most relevant aspects of accidents, as well as their causes and consequences. These lines of action seek to respond to the needs and concerns of different associations and groups which, because of their vulnerability, require a relationship based on cooperation, awareness and mutual learning.

In 2023, Línea Directa Foundation held the Línea Directa Road Safety Day, the aim of which was to disseminate safe driving habits among the company's employees, for which purpose it made available to the entire workforce four simulators that recreated various driving situations. For example, the company's employees were able to experience a 360° rollover, as well as an impact simulator that simulates a collision with a fixed object at low speed. In addition, through a variety of fun activities and computer simulations, employees were able to see the main effects of alcohol and drugs on drivers and what it is like to drive in adverse weather conditions.

The day was rounded off with two presentations by psychologists from AESLEME (Association for the Study of Spinal Cord Injury) to the company's personal injury specialists, in which they stressed the need to promote empathy and closeness with the injured and their families.

Road Safety and Entrepreneurs Award

Catalonian start-up Engidi wins the 9th edition of Línea Directa Foundation's Road Safety and Entrepreneurs Award. This Barcelona-based technology firm designs and manufactures IoT electronic devices that can be included in the PPE (Personal Protective Equipment) worn by workers operating in highly dangerous environments. Its ACRUX model is designed to improve the safety of road construction and maintenance workers by connecting them with drivers of road vehicles to prevent accidents and run-overs.

The contest is endowed with a prize of € 20,000 €net without carryover, as well as access to training and mentoring. At a later stage, they will also be able to access financing rounds organised by Bankinter's Foundation for Innovation and IESE Business School.

The second placed start-up at this edition was Sevillian firm, KOMOBI, which forms part of the Livelink Ventures group. The Andalusian start-up presented a smart device that features a dual anti-theft alarm system, GPS tracking, route recording, race telemetry and 24/7 roadside assistance. The system alerts the emergency services in the event of an accident, facilitating the exact location of the rider and thus reducing the time it takes to attend to those affected.

The 5 finalists of this edition presented their proposals in an elevator pitch format to a jury of eight renowned professionals from the business world, the entrepreneurial ecosystem and public administration:

- Jorge Ordás, Deputy Director General for Mobility Management and Technology of the DGT.
- Clara Gutiérrez, Managing Partner at BRAIN VC Fund.
- Juan Roure, Professor of Entrepreneurship at IESE Business School.
- María Jesús Magro, Managing Director of the PONS Foundation.
- Marisol Menéndez, CEO of Bilakatu and of #WomenInTechSpain and start-up consultant.
- José Carlos Huerta, Director of Analysis on the Venture Capital Programme at the Bankinter Innovation Foundation.
- Carlos Rodríguez Ugarte, CFO of Línea Directa Aseguradora.
- Mar Garre, Managing Director of Línea Directa Foundation.

Social media

At the end of 2023, Línea Directa Foundation had a community of 4,570 followers on Facebook, Twitter and YouTube, 3.6% more than the previous year, a growth achieved without recruitment campaigns.

By promoting and developing these channels, Línea Directa Foundation is committed to immediate, transparent and agile communication with the public, always with the aim of continuing to promote safe driving habits in society. Its blog, dedicated to current events, but also to innovation and the history of road safety, is therefore one of the main communication tools for communicating the main issues in this field to the public.

CORPORATE VOLUNTEERING

The Línea Directa Group offers its employees the opportunity to join its network of volunteers, called "Conmovedores Línea Directa", whose aim is to promote social and environmental commitment and involvement, and to carry out actions with a high environmental impact. Corporate Volunteering was launched in 2009 and currently has 169 volunteers.

Since 2022, the social action of Línea Directa Aseguradora has been effectively integrated into the sustainability strategy under the name "Línea Directa Movement". This terminology is intended to make social action visible and comprehensive, and to provide a framework for corporate volunteering. It also seeks to make a call to action with the aim of involving more people in the community. The volunteering network aims to incorporate social action and sustainability programmes that address all the solidarity concerns of the company's employees.

All Conmovedores volunteer activities are aligned with the UN Sustainable Development Goals, with priorities in the areas of inclusion, children, equality, sustainability, health, transparency, diversity and the elderly.

This year, volunteering has focused on actions targeting children, young people and adults at risk of social exclusion, people with disabilities, women in situations of gender-based violence and the elderly, in particular to reduce the digital divide for the elderly; it brings added value to communities, strengthens organisational culture internally and enables the development of new competences, skills and sensitivities in the participating volunteers and in their professional environment.

The Group uses the Aplanet tool to document, quantify and categorise social action initiatives according to the type of activity carried out and the resources allocated, enabling it to measure the contribution and impact of its social action on society.

Inclusion volunteering

INTEGRA FOUNDATION - EMPOWERMENT SCHOOL

No. of volunteers: 10

No. of beneficiaries: 86

Volunteer hours: 32

During the year, volunteers from Línea Directa Aseguradora conducted 8 employment workshops and job preparation days as part of the Integra Foundation's Empowerment School job placement programme, focusing on these moments of truth in the job search:

- "Coping with the job interview"
- "Practising the job interview"
- "Group dynamics"
- "The interview: mistakes and successes"

In these workshops, examples and role plays were used to analyse and deal with the different situations that can arise during a job interview, both individually and in a group.

The beneficiaries of the Integra Foundation are people with disabilities, groups at risk of exclusion and women in situations of gender-based violence.

INTEGRA FOUNDATION - INTEGRATECH

No. of volunteers: 12

No. of beneficiaries: 10

Volunteer hours: 28

This action, carried out in collaboration with the Integra Foundation, consisted of a training workshop for people at risk of social exclusion with the aim of reducing their digital divide and improving their employability.

The training took place over two full days, during which volunteers from Línea Directa Aseguradora shared their knowledge of digital issues with the participants.

NORTE JOVEN ASSOCIATION

No. of volunteers: 6

No. of beneficiaries: 20

Volunteer hours: 21

Línea Directa Group works with the Norte Joven association by carrying out corporate volunteering actions to help young people between 16 and 25 years old who are at risk of exclusion or vulnerability prepare for working life and integration into society. In April, company volunteers held a job preparation day with two workshops, one to simulate personal job interviews and a group dynamics workshop. These workshops are part of the training programme these young people receive at the association. Based on the feedback and assessments from the interviews, the supervisors of these young people work with them individually on the aspects that will help them achieve full social and professional inclusion.

INTEGRA FOUNDATION - INTERNATIONAL WOMEN'S DAY

No. of volunteers: 13

No. of beneficiaries: 43

Volunteer hours: 12

On International Women's Day, 8 March, Línea Directa group organised a day of three different activities for a group of women in a situation of gender violence:

- Employment workshop in which job interviews were practised through role-playing and each volunteer interviewed each participant for about 15 minutes.
- Group dynamics with feedback from volunteers
- Listening in on sales department calls for one hour, each listener standing next to a sales manager, watching and listening as the call is made and the customer is dealt with.

ADOPT A GRANDPARENT - SHOWCOOKING

No. of volunteers: 18

No. of beneficiaries: 1

Volunteer hours: 20

A new activity with 'Adopt a Grandparent' in 2023 was a cooking workshop where the company's employees learned to make torrijas with a very experienced cook: Grandma Asun, from Adopt a Grandparent. Participating employees learnt culinary tricks of the trade and at the same time helped out.

With this action, the network of volunteers promotes the integration of the elderly by drawing attention to the personal journey of the grandmother who accompanied the Línea Directa Aseguradora staff during the session.

ADOPT A GRANDPARENT - THE POWER OF A LETTER

No. of volunteers: 67

No. of beneficiaries: 67

Volunteer hours: 22

For Christmas 2023, the company launched an initiative with Adopt a Grandparent to provide companionship to elderly people in nursing homes.

The initiative consists in a digital platform through which Línea Directa employees can send letters to different grandparents in Spain who will be spending Christmas alone, making them happy at this time of year.

BOTÍN FOUNDATION - THINKXSOCIAL

No. of volunteers: 2

No. of beneficiaries: 14

Volunteer hours: 32

Línea Directa Aseguradora has participated in the first interdisciplinary meeting between different marketing, advertising and communication professionals, with the aim of helping non-profit organisations to reach out to "Generation Z".

The project, organised by the Botín Foundation, brought together more than 14 NGOs and foundations. From Línea Directa, two marketing and communication professionals joined the project by putting their knowledge at the service of the project for two full days.

APROCOR FOUNDATION - THE BACK STREET

No. of volunteers: 46

No. of beneficiaries: 100

Volunteer hours: 133

On the occasion of the quarterly meeting of the People, Communication and Sustainability department, the employees of the department visited the facilities of the Aprocor Foundation. Once there, after the working session, a corporate volunteering activity took place in which people from the organisation helped the association to rehabilitate a disused area of its facilities. Together they managed to turn the area into a recreational and meeting place for all the young people who study at the centre.

A LA PAR FOUNDATION - HOME SAFETY TRAINING WORKSHOP

No. of volunteers: 6

No. of beneficiaries: 12

Volunteer hours: 12

Volunteers from Línea Directa gave a home safety workshop to young people with intellectual disabilities living in the A LA PAR Foundation's training home, where they are preparing to live independently.

In this workshop they learned about the main risks in a home: fire, possible injuries and electrical hazards. In order to avoid them, participants are taught how to prevent them and shown which tools to use if they occur.

EL OLIVO HOME - DANCE WORKSHOP

No. of volunteers: 4

No. of beneficiaries: 17

Total hours: 13

Four volunteers from the Conmovedores network visited the El Olivo home and gave a dance workshop to the 17 children who live there.

The aim of this action, apart from imparting educational knowledge to the young people, is to spend some time with them, promote their social integration and share a pleasant moment in their company.

Environmental volunteering

AMI3 – REFORESTATION DAY

No. of volunteers: 51

No. of beneficiaries: 10

Volunteer hours: 102

Together with the Association for People with Disabilities in Tres Cantos (AMI3), Línea Directa organised a family reforestation day in which employees, family members and children participated.

This action aims to integrate people with disabilities, who acted as monitors for the activity, while sharing in the care and conservation of the environment and having a positive local impact in the Tres Cantos community.

Christmas solidarity campaigns

EL OLIVO HOME - BECOME ONE OF THE THREE KINGS

No. of volunteers: 22 volunteers

No. of beneficiaries: 17 young people from Hogar

el Olivo Volunteer hours: 44 hours

"Become one of the three kings" is an initiative with a long tradition within the company. Every Christmas, the children at El Olivo send Línea Directa their letters to the Three Kings. The letters are distributed to different parts of the company and collection boxes are set up to collect money.

The proceeds are used to buy the gifts requested by the children and are given to them in January during a visit to El Olivo.

SOLIDARITY FOOD COLLECTION, WITH SOLIDARITY BANK

No. of volunteers: 12 volunteers

No. of beneficiaries: 65 families in food poverty Volunteer hours:

20 hours

This is a food bank that serves more than 300 families in the Madrid region. On this occasion, the food donated by the employees of Línea Directa Aseguradora was put together in the form of Christmas hampers, with the aim of bringing Christmas cheer to those who need it most.

Wellness and health

10th MADRID RUN AGAINST CANCER

Participants: 96 Donation:

1,366€

Línea Directa Group has participated in the Run Against Cancer organised by the Spanish Association for Cancer Control (AECC) for four years. This year, the company donated more than
90 race numbers to encourage employee participation and contribute to the cause of cancer research.

INRUN RUN

Participants: 10

Línea Directa Group participated in the first solidarity run for the mentally handicapped, organised by the A LA PAR Foundation.

The funds raised at a solidarity flea market were used for the celebration of this run.

Donations

SOLIDARITY MARKET 2023 IN FAVOR OF A LA PAR

All gifts that arrived on Christmas 2022 for Group employees from suppliers and other companies were donated to a charity market. For the 2023 flea market, Línea Directa Aseguradora has donated 150 refurbished computers
and 110 monitors, sold at the market at a symbolic price of € 20 and € 10 respectively. The final collection exceeded € 4,500.

The market was organised by 10 volunteers, giving support to the professionals A LA MAR who manned the stalls. All proceeds went to the A LA PAR Foundation, which promotes the rights of people with intellectual disabilities and their participation in society. Specifically, the funds were used to organise and carry out the first edition of InRun, the first solidarity run for people with intellectual disabilities, in which almost a thousand people took part.

DONATION OF CPUs AND MONITORS

Donated computer equipment: 15

This year, 9 refurbished computers were donated to the Aprocor Foundation. Additionally, 6 reconditioned devices have been donated to the A LA PAR foundation.

This equipment has been installed in one of their training rooms, giving young people with intellectual disabilities access to technological tools for educational purposes.

ALBERTO CONTADOR FOUNDATION - BICYCLE DONATION

No. of donated bicycles: 10

To mark World Bicycle Day, Línea Directa Aseguradora has launched a campaign to collect bicycles to donate to the Alberto Contador Foundation, which will refurbish them and distribute them to people at risk of social exclusion.

APROCOR FOUNDATION - THE BACK STREET

Total donated: 1,486€

In addition to corporate volunteering, a donation of € 1,486 was made to the Aprocor Foundation following the quarterly meeting of the People, Communication and Sustainability department at its facilities.

COLLECTION OF HUMANITARIAN MATERIAL - VICTIMS OF THE WAR IN UKRAINE

No. of boxes donated as humanitarian aid: 70

Following the earthquake in Turkey and Syria, Línea Directa launched a campaign to collect clothes and basic necessities for the victims. After contacting the Turkish embassy and various foundations working on the ground, the organisation was informed that it was impossible to deliver the shipment.

Línea Directa's Social Action decided to redirect the collection to the victims of the war in Ukraine.

PARTNERSHIPS

- Randstad Foundation
- Aprocor Foundation
- Integra Foundation
- A la Par Foundation
- Banco de Solidaridad (solidarity bank)
- San Camilo Centre for the Humanisation of Health Care
- Norte Joven Association
- Adopta un Abuelo (adopt a grandparent)
- AECC
- AMI3
- Alberto Contador Foundation
- El Olivo Home
- Botín Foundation

SUBCONTRACTING AND SUPPLIERS

Línea Directa has a robust system for managing its value chain, from the time of approval of suppliers, to the management of tenders, to the time of contracting, adapted to the specific needs of each area of the company.

GOVERNANCE OF THE VALUE CHAIN

The Procurement area, which is part of the Group's financial management, is responsible for defining the strategy and procedures and overseeing the acquisition of services and products in accordance with the strategic objectives set by the Board of Directors.

During the procurement process, this area is responsible for ensuring a full risk assessment of suppliers. In particular, the following risks are looked at: credit risk, fraud risk, cybersecurity, ethics, ESG, human resources and tax risk.

Línea Directa has a responsibility to motivate its suppliers to improve their ethical, social and environmental performance. To this end, four objectives have been set in relation to the value chain in the company's Sustainability Policy:

- Building a partnership that ensures the efficiency and quality of products and services provided by suppliers to customers and the company, and that promotes the creation of mutual value.
- Ensuring that the value chain observes the company's principles and values, its Code of Conduct for Suppliers and the principles enshrined in its Sustainability Policy, as well as other applicable internal regulatory frameworks.
- Fostering compliance with the Procurement Policy to incorporate sustainability or ESG aspects that will allow Línea Directa's commitments to reach across the entire value chain.
- Seeking to protect and improve the environment across the value chain by promoting the responsible and rational use of resources, focusing on efficiency and seeking to minimise the generation of waste.

RESPONSIBLE PROCUREMENT POLICY

In 2022, the company approved its Responsible Procurement Policy, which requires suppliers to develop a strategic ESG plan. In addition, non-financial criteria (ESG) were incorporated into the procedure for the evaluation and approval of suppliers.

SUSTAINABLE VALUE CHAIN MANAGEMENT

Among the strategic lines approved in the Sustainability Plan 2023-2025, Línea Directa has defined a series of actions aimed at gaining a deeper understanding of the value chain from a sustainability point of view.

Since the adoption of the Responsible Procurement Policy, suppliers in the approval phase have been required to complete an initial general assessment, including ESG criteria, in order to provide services or supply products to the company.

In addition, in 2023 the company developed a questionnaire covering environmental, human rights, social, talent management, information security and privacy issues to assess suppliers' ESG performance.

The purpose of this supplier analysis is to identify the sustainable development impacts that Línea Directa generates in its supply chain, as well as to identify potential actions to be taken with the value chain: awareness-raising, training, support or incentives.

CODE OF CONDUCT FOR SUPPLIERS

The Code of Conduct for suppliers is a mandatory aspect for any supplier who is going to offer a service or a product to the company. It was updated and approved by the Board of Directors at the end of 2022.

This code aims to ensure that all suppliers and subcontractors comply with the United Nations Global Compact, including promoting sustainable development, upholding human rights, respecting labour standards and promoting environmental protection. In short, it aims to ensure that suppliers share and respect the ethical values that guide the conduct of the Group and its employees.

The principles described in this Code of Conduct are an important part of the selection and evaluation of suppliers, and their non-compliance may also lead to termination of the contract.

The procurement process is audited internally on a regular basis. The recommendations and opportunities for improvement arising from these reviews are analysed and implemented, and the level of implementation of these recommendations and opportunities is monitored on a regular basis to ensure continuous improvement of processes.

SUPPLY CHAIN: PROCUREMENT FROM LOCAL SUPPLIERS

In 2023 Línea Directa placed orders with 570 suppliers for € 167.3 million, in addition to those placed with the Group's service network, compared to payments of € 172.1 million to 494 suppliers in the previous year. As proof of Línea Directa's commitment to the development and growth of the local productive fabric in Spain, 92% of purchases were made from local suppliers, the same percentage as in 2022. In addition, the company approved 146 new suppliers in 2023 (119 in 2022).

The Group's high volume of local purchases is an engine of growth for the geographical areas in which Línea Directa operates, promoting the economic, industrial and social development of these areas by creating jobs in the companies that supply the products and services.

ASSESSMENT OF CRITICAL SUPPLIERS

In 2023, Línea Directa implemented a system to manage and evaluate the ESG performance of suppliers that carry out critical operations throughout their relationship with the company, resulting in an informative report available to management.

By the end of 2023, 91% of the insurer's suppliers surveyed this year had been assessed against established sustainability criteria. Similarly, as part of a first wave of evaluations, the performance of 34% of the suppliers in Motor's servicing network was assessed.

The aim of the ESG supplier assessment is not only to select partners with the best sustainability performance, but also to motivate them to improve their ESG performance, which will also improve their competitiveness.

COMPLAINTS TO THE ETHICS CHANNEL RELATED TO SUPPLIERS

In 2023, we did not identify any supplier contracts where incidents related to freedom of association, collective bargaining, the use of child labour or forced or compulsory labour occurred, nor are we aware of any complaints received on these grounds. As in 2022, no supplier with a significant negative social impact has been identified. Of the communications about suppliers that were registered through the complaints channel set up for this purpose (Ethics Channel), all were investigated and no findings were confirmed in any of them.

CUSTOMER SERVICES

Línea Directa Aseguradora's Customer Services area deals with customer complaints and claims, acting with complete independence from the company's business areas and in strict compliance with the regulations that govern it. This guarantees personalised attention to all incidents and a reasoned response to the customer, based on contractual clauses, transparency rules and the protection of their interests.

To this end, the company analyses the information obtained from the complaints and claims received and proposes different measures to the business areas to promote quality improvement. Incident handling includes the review of all processes related to the service and the timely communication of the progress of the management to the customer through the channel of their choice.

The 2023 financial year has been a major challenge for Customer Services, as the complex and uncertain environment caused by the inflationary process and the loss of household liquidity has led to an increase in complaints and claims. Last year, the company resolved 630 complaints and 7,007 claims, an increase from 2022 of 58.3% and 29.5% respectively. Of these, 39.86% were resolved in favour of the customer.

In terms of resolution times, Línea Directa continues to maintain fast response times, with an average resolution time of 16.56 days in 2023.

ACTIVITY REPORT OF THE CUSTOMER OMBUDSMAN

If the insured is not satisfied with the decision of the Customer Service department, there are several options for arguing and making a successful claim. Línea Directa has a Customer Ombudsman, who promotes transparency and the protection of the interests of the insured and the application of best practices, with resolutions that are binding on the company.

In 2023, 488 complaints were resolved by the Customer Ombudsman, of which 214 (43.8%) were resolved in favour of the customer and 274 (56.2%) in favour of the company. Of the 214 complaints resolved in favour of the customer, 11 were upheld and 203 were settled.

CHANGES IN COMPLAINTS AND CLAIMS

YEAR	COMPLAINTS	CLAIMS	TOTAL
2023	630	7,007	**7,637**
	8.25%	91.75%	
2022	398	5,411	**5,809**
	6.85%	93.15%	

YEAR	APPLY	DO NOT APPLY	TOTAL
2023	3,044	4,593	**7,637**
	39.86%	60.14%	
2022	2,215	3,594	**5,809**
	38.13%	61.87%	

* Data extracted as at 01.01.2024 on claims closed in 2023 regardless of their submission date.

DISTRIBUTION BY THE DIFFERENT MANAGEMENT AREAS 2023

AREA	PERCENTAGE	COMPLAINTS AND CLAIMS
Accident management	66.39%	5,070
Policy management	19.22%	1,468
Quote and close	1.79%	137
Additional services	8.73%	667
Roadside assistance	3.34%	255
Other	0.52%	40

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SERVICE QUALITY

The direct business model provides a number of competitive advantages over the traditional business model: greater ability to adapt, savings on commissions and branch networks, and direct contact with the customer. The latter allows Línea Directa to gain first-hand knowledge of the needs of its policyholders, which is an extraordinary asset when it comes to promoting quality in all its processes.

Línea Directa Aseguradora monitors its net promoter score (NPS), which estimates the degree to which its customers and users would recommend the company to others. This system has a measurement scale of 1 to 10 points, and only those policyholders who rate their experience with the company with a score of 9 or 10 are considered "promoters".

Línea Directa Aseguradora's global NPS in 2023 reached 29.16 points, a variation of 17.8 points compared to 2022, a decline caused by the tightening of underwriting in the face of the current market situation of inflationary pressures on costs and insurance margins.

One of the main challenges experienced by the Quality area during the past year has been to adapt the measurement systems to the company's new multi-segment approach. It has been possible to define a set of indicators that, in addition to providing a joint reading of the KPIs, offers the possibility of knowing how a policyholder evaluates the process or service in question.

The year 2023 has also seen important developments in the Customer Experience Scorecard applied to home insurance benefits and has deepened the knowledge and analysis of the best practices in the market, always with the aim of enriching decision-making in the future.

In 2024, work will be done to extend the methodology on service provision evaluation to the rest of customer interactions, as well as to the prediction and early detection of alarms on the new perception indicators.

APPENDICES

DIRECTOR JURISDICTION MATRIX

Jurisdiction				Alfonso Botín-Sanz de Sautuola y Naveda	Patricia Ayuela de Rueda	John de Zulueta Greenebaum	Ana María Plaza Arregui	Rita Estevez Luaña	Elena Otero-Novas Miranda	Fernando Masaveu Herrero
1	Regulated sectors	Insurance, banking and stock exchange	1.1 Insurance	x	x	x	x	x	x	x
			1.2 Banking	x	x	x				x
			1.3 Stock exchange	x		x	x	x	x	x
2	Financial and risks	Finance and accounting Audit and risk management	2.1 Finance and accounting	x	x	x	x	x		x
			2.2 Audit and risk management	x		x	x	x	x	x
			2.3 Regulatory compliance	x		x	x	x	x	x
3	Digital transformation	Digitalisation Information and communication technologies (ICT) Cybersecurity	3.1 Digitalisation and ICT	x	x	x	x	x	x	
			3.2 Cybersecurity	x		x		x	x	
			3.3 Data protection	x		x		x	x	x
4	Diversity	Diversity of gender, nationality and age	4.1 Gender	Spanish male	Spanish female	American male	Spanish female	Spanish female	Spanish female	Spanish male
			4.2 Nationality							
			4.3 Age (<50) (51-60) (>60)	Between 50 and 60	<50	>60	Between 50 and 60	Between 50 and 60	Between 50 and 60	Between 50 and 60
5	ESG	Experience and training in ESG matters	5.1 Environmental issues	x		x	x		x	x
			5.2 Social issues	x		x	x	x	x	x
			5.3 Governance issues	x		x	x	x	x	x
6	Customers	Comercial and marketing Quality Consumers	6.1 Comercial and marketing	x	x	x		x		x
			6.2 Quality and consumers		x	x			x	x
7	Strategy	Strategy Business development	7. Strategy and business development	x	x	x	x	x	x	x
8	International	International experience	8. International experience	x	x	x	x	x	x	x
9	Boards	Experience on other boards	9. Experience on other boards	x	x	x	x	x	x	x
10	People	People management Talent and remuneration	10. People management. Talent and remuneration	x	x	x	x	x	x	x

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ENVIRONMENTAL INDICATORS

Indicator	2021	2022	2023
POWER CONSUMPTION			
Diesel (l)	8,319.70	11,547.00	12,028.93
Diesel (MWh)	81.5	111.77	120.05
Natural gas (MWh)	3,143.34	2,414.50	2,370.53
Electricity (MWh)	5,209.90	5,223.10	4,916.57
Self-generated electricity (MWh)	-	318.4	688.5
% electricity from renewable sources	— %	69.10%	72.2%
Electricity from renewable sources (MWh)	0	3,611.47	3,548.18
Electricity from non-renewable sources (MWh)	5,209.92	1,611.64	1,368.39
Total energy (MWh)	**8,434.74**	**7,749.37**	**7,407.15**

Indicator	2021	2022	2023
CARBON FOOTRPINT			
SCOPE 1			
Scope 1: direct CO2 emissions (tonCO2e)	**602.3**	**471.0**	**464.2**
SCOPE 2			
Scope 2 (market-based) indirect CO2 emissions from electricity consumed (tonCO2e)	**1,178.3**	**426.2**	**346.7**
Scope 2 (location-based) indirect CO2 emissions from electricity consumed (tonCO2e)*	1,178.3	1,239.9	1,084.15
Scope 3 CO2 emissions from water	4.58	2.4	2.7
Scope 3 CO2 emissions from paper**	16.5	0.2	0.2
Scope 3 CO2 emissions from business trips	7	22.01	19.82
Scope 3 CO2 emissions from employee commutes	2,296.4	2,653.4	2,451.2
Scope 1 intensity (tonCO2e/average staff)	**0.230**	**0.190**	**0.185**
Scope 2 intensity (tonCO2e/average staff)	**0.460**	**0.150**	**0.138**
Intensity (Scope 1 + Scope 2)	0.690	0.340	0.324

* From 2022, the calculation methodology for Scope 1 and Scope 2 emissions has changed.

** From 2022, the calculation methodology for Scope 1 and Scope 2 emissions, and for emissions from paper, has changed. Scope 2 emissions are amended following independent third party verification.

*** Sources: MITECO. Emission factors, carbon footprint registration, offsetting and carbon dioxide absorption projects (Version 23 – Junio 2023) and DEFRA Version 1.1 2023

**** The company's direct and indirect emissions (Scopes 1 and 2) will be subject to additional verification. Once the verification is completed, the data will be updated in the next edition of the Non-Financial Information Statement.

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Indicator	2021	2022	2023
WATER CONSUMPTION			
Drinking water (ml)	14.32	16.12	15.27
WASTE MANAGEMENT			
Total waste (Kg)	107,822	112,042	113,967
Hazardous waste (Kg)	35,715	40,435	40,059
Non-hazardous waste (Kg)	72,106	71,608	73,908
Paper and cardboard (Kg)	14,839	17,898	21,915
Plastic (Kg)	16,976	14,010	18,777
Other non-hazardous waste (Kg)	40,291	39,700	33,216
WASTE RECOVERY			
Recycled/reused waste (Kg)	97,332	81,156	82,844
Discarded waste (Kg)	0	0	10,499
Waste sent to landfill (Kg)	0	0	0
Incinerated waste (with or without recovery) (Kg)	0	20,202	19,044
Waste otherwise disposed of; specify (Kg)	0	0	1,277
Waste with unknown disposal method (Kg)	10,490	10,684	303
SCOPE OF ENVIRONMENTAL CERTIFICATION			
Occupants in environmentally certified centres (%)	76%	76%	86%
CONSUMPTION OF MATERIALS			
Paper consumption (Kg)	11,712	9,705	9,158
Toner consumption (Kg)	30.8	23.4	28.4

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PEOPLE INDICATORS

Staff data at year-end

Indicator	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total staff	**1,096**	**1,480**	**2,576**	**1,068**	**1,432**	**2,500**	**1,046**	**1,459**	**2,505**
Distribution of staff by seniority and gender									
<=5	557	599	1,156	510	542	1,052	480	551	1,031
6-15	325	452	777	293	380	673	285	365	650
16-25	207	417	624	256	471	727	265	493	758
>25	7	12	19	9	39	48	16	50	66
Distribution of staff by age and gender									
<30	104	131	235	102	129	231	139	170	309
>=30 and <50	826	1,054	1,880	771	968	1,739	699	924	1,623
>=50	166	295	461	195	335	530	208	365	573
Distribution of staff by professional group and gender									
Directors	35	35	70	37	37	74	35	37	72
Expert professionals	189	176	365	187	169	356	185	163	348
Professionals	283	422	705	264	412	676	261	397	658
Staff	589	847	1,436	580	814	1,394	565	862	1,427
Distribution of staff by type of contract and gender									
Permanent	1,050	1,444	2,494	1,050	1,417	2,467	1,037	1,458	2,495
Temporary	46	36	82	18	15	33	9	1	10
Distribution of staff by type of working day and gender									
Full-time	709	631	1,340	720	664	1,384	679	674	1,353
Part-time	387	849	1,236	348	768	1,116	367	785	1,152

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	2021	2022	2023
Percentage of nationalities in relation to total staff (%)			
Spain	95.4%	95.7%	93.8%
Venezuela	1.3%	1.5%	1.9%
Peru	0.6%	0.5%	0.8%
Colombia			0.5%
Other nationalities*	2.7%	2.4%	3.1%
Total number of nationalities	**28**	**24**	**33**

*with a weight of less than 0.5% over the total

Indicator	2021			2022			2023		
	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL
Total staff	**1,340**	**1,236**	**2,576**	**1,384**	**1,116**	**2,500**	**1,353**	**1,152**	**2,505**
Distribution of staff by seniority and type of working day									
<=5	362	794	1,156	392	660	1,052	349	682	1,031
6-15	469	308	777	382	291	673	352	298	650
16-25	491	133	624	568	159	727	591	167	758
>25	18	1	19	42	6	48	61	5	66
Distribution of staff by age and type of working day									
<30	59	176	235	73	158	231	78	231	309
>=30 and <50	972	908	1,880	956	783	1,739	865	758	1,623
>=50	309	152	461	355	175	530	410	163	573
Distribution of staff by professional group and type of working day									
Directors	70	0	70	74	0	74	72	0	72
Expert professionals	333	32	365	326	30	356	325	23	348
Professionals	599	106	705	566	110	676	561	97	658
Staff	338	1,098	1,436	418	976	1,394	395	1,032	1,427
Distribution of staff by type of contract and type of working day									
Permanent	1,320	1,174	2,494	1,371	1,096	2,467	1,344	1,151	2,495
Temporary	20	62	82	13	20	33	9	1	10

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	2021			2022			2023		
	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL
Total staff	**2,494**	**82**	**2,576**	**2,467**	**33**	**2,500**	**2,495**	**10**	**2,505**
Distribution of staff by seniority and type of contract									
<=5	1,074	82	1,156	1,019	33	1,052	1,021	10	1,031
6-15	777	0	777	673	0	673	650	0	650
16-25	624	0	624	727	0	727	758	0	758
>25	19	0	19	48	0	48	66	0	66
Distribution of staff by age and type of contract									
<30	213	22	235	214	17	231	309	0	309
>=30 and <50	1,830	50	1,880	1,724	15	1,739	1,614	9	1,623
>=50	451	10	461	529	1	530	572	1	573
Distribution of staff by professional group and type of contract									
Directors	70	0	70	74	0	74	72	0	72
Expert professionals	365	0	365	356	0	356	348	0	348
Professionals	701	4	705	675	1	676	658	0	658
Staff	1,358	78	1,436	1,362	32	1,394	1,417	10	1,427

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PEOPLE INDICATORS

Average staff data

	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Average headcount	**1,098.0**	**1,481.3**	**2,579.3**	**1,078.2**	**1,459.9**	**2,538.1**	**1,052.9**	**1,435.4**	**2,488.3**
Distribution of average staff by seniority and gender									
<=5	565.8	619.1	1184.9	532.7	577.5	1,110.2	497.8	541.8	1,039.7
6-15	345.0	486.3	831.3	300.1	400.3	700.3	282.8	366.0	648.8
16-25	181.0	368.7	549.7	237.9	451.0	688.9	258.7	481.3	739.9
>25	6.2	7.3	13.5	7.5	31.2	38.7	13.6	46.3	59.9
Distribution of average staff by age and gender									
<30	109.6	143.1	252.7	99.0	131.4	230.4	121.9	145.0	266.9
>=30 and <50	841.3	1,058.3	1,899.5	794.8	1,006.4	1,801.2	730.4	940.0	1,670.4
>=50	147.2	280	427.2	184.4	322.1	506.5	200.6	350.4	551.0
Distribution of average staff by professional group and gender									
Directors	34.9	35.0	69.9	35.3	36.2	71.4	34.6	37.6	72.2
Expert professionals	184.4	175.8	360.2	189.9	171.3	361.3	187.7	167.1	354.8
Professionals	278.3	419.4	697.7	274.8	419.7	694.5	260.7	400.4	661.1
Staff	600.4	851.2	1,451.6	578.2	832.8	1,410.9	570.0	830.3	1,400.3
Distribution of average staff by type of contract and gender									
Permanent	1,039.6	1,417.2	2,456.8	1,046.1	1,421.3	2,467.3	1,042.7	1,432.4	2,475.1
Temporary	58.4	64.2	122.6	32.1	38.7	70.8	10.3	3.0	13.3
Distribution of average staff by type of working day and gender									
Full-time	703.6	626.5	1,330.1	688.8	640.0	1,328.8	713.4	667.3	1,380.8
Part-time	394.4	854.8	1,249.3	389.4	819.9	1,209.3	339.5	768.1	1,107.6

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	2021			2022			2023		
	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL
Average headcount	**1,330.1**	**1,249.3**	**2,579.3**	**1,328.8**	**1,209.4**	**2,538.1**	**1,380.8**	**1,107.6**	**2,488.3**
Distribution of average staff by seniority and type of working day									
<=5	367.9	817.0	1,184.9	349.1	761.1	1,110.2	395.3	644.3	1,039.6
6-15	512.0	319.3	831.3	405.1	295.3	700.3	355.2	293.7	648.8
16-25	436.8	112.9	549.7	540.9	148.0	688.9	576.1	163.8	739.9
>25	13.4	0.1	13.5	33.7	5.0	38.7	54.2	5.8	59.9
Distribution of average staff by age and type of working day									
<30	56.3	196.3	252.7	57.8	172.6	230.4	89.9	177.0	266.9
>=30 and <50	990.6	908.9	1,899.5	936.3	864.9	1,801.2	907.8	762.6	1,670.4
>=50	283.2	144	427.2	334.7	171.8	506.5	383.0	168.0	551.0
Distribution of average staff by professional group and type of working day									
Directors	69.9	0.0	69.9	71.4	0.0	71.4	72.2	0.0	72.2
Expert professionals	327.8	32.4	360.2	331.1	30.2	361.3	328.0	26.8	354.8
Professionals	591.5	106.2	697.7	585.7	108.8	694.5	558.3	102.8	661.1
Staff	340.9	1,110.7	1,451.6	340.6	1,070.3	1,410.9	422.3	978.0	1,400.3
Distribution of average staff by type of contract and type of working day									
Permanent	1,312.3	1,144.4	2,456.8	1,312.0	1,155.3	2,467.3	1,370.7	1,104.4	2,475.1
Temporary	17.8	104.8	122.6	16.8	54.0	70.8	10.1	3.2	13.3

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	2021			2022			2023		
	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL
Average headcount	**2,456.8**	**122.6**	**2,579.3**	**2,467.3**	**70.8**	**2,538.1**	**2,475.1**	**13.3**	**2,488.3**
Distribution of staff by seniority and type of contract									
<=5	1,062.3	122.6	1,184.9	1,039.4	70.8	1,110.2	1,026.4	13.3	1,039.7
6-15	831.3	0.0	831.3	700.3	0.0	700.3	648.8	0.0	648.8
16-25	549.7	0.0	549.7	688.9	0.0	688.9	739.9	0.0	739.9
>25	13.5	0.0	13.5	38.7	0.0	38.7	59.9	0.0	59.9
Distribution of staff by age and type of contract									
<30	211.2	41.5	252.7	204.5	25.9	230.4	265.3	1.7	266.9
>=30 and <50	1,825.5	74.0	1,900	1,764.2	37.0	1,801.2	1,659.8	10.6	1,670.4
>=50	420.1	7.1	427.2	498.7	7.8	506.5	550.0	1.0	551.0
Distribution of staff by professional group and type of contract									
Directors	69.9	0.0	69.9	71.4	0.0	71.4	72.2	0.0	72.2
Expert professionals	360	0.2	360.2	361.3	0.0	361.3	354.8	0.0	354.8
Professionals	695.4	2.3	697.7	693.1	1.4	694.5	661.1	0.0	661.1
Staff	1,331.4	120.2	1,452	1,341.6	69.3	1,410.9	1,387.1	13.3	1,400.3

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PEOPLE INDICATORS

Data of hires in the Group

	2021			2022			2023		
	HIRES	PERIOD-END HEADCOUNT	HIRING RATE	HIRES	PERIOD-END HEADCOUNT	HIRING RATE	HIRES	PERIOD-END HEADCOUNT	HIRING RATE
Total staff	**298**	**2,576**	**11.57%**	**279**	**2,500**	**11.2%**	**419**	**2,505**	**16.73%**
Hires in the Group by gender									
Male	**140**	**1,096**	**12.8%**	**129**	**1,068**	**12.1%**	**204**	**1,046**	**19.5%**
New hire	133	-	12.14%	121	-	11.33%	196	-	18.74%
Rehire	7	-	0.64%	8	-	0.75%	8	-	0.76%
Female	**158**	**1,480**	**10.7%**	**150**	**1,432**	**10.5%**	**215**	**1,459**	**14.7%**
New hire	139	-	9.39%	136	-	9.50%	204	-	13.98%
Rehire	19	-	1.28%	14	-	0.98%	11	-	0.75%
Hires in the Group by age									
<30	109	235	46.4%	119	231	51.5%	223	309	72.2%
New hire	105	-	44.68%	116	-	50.22%	218	-	70.55%
Rehire	4	-	1.70%	3	-	1.30%	5	-	1.62%
>=30 and <50	171	1,880	9.1%	138	1,739	7.9%	196	1,623	12.1%
New hire	152	-	8.09%	122	-	7.02%	182	-	11.21%
Rehire	19	-	1.01%	16	-	0.92%	14	-	0.86%
>=50	18	461	3.9%	22	530	4.2%	0	573	— %
New hire	15	-	3.25%	19	-	3.58%	-	-	— %
Rehire	3	-	0.65%	3	-	0.57%	-	-	— %

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PEOPLE INDICATORS

Data of hires in the Group

	2021			2022			2023		
	HIRES	PERIOD-END HEADCOUNT	HIRING RATE	HIRES	PERIOD-END HEADCOUNT	HIRING RATE	HIRES	PERIOD-END HEADCOUNT	HIRING RATE
Total staff	**298**	**2,576**	**11.6%**	**279**	**2,500**	**11.2%**	**419**	**2,505**	**16.7%**
				Hires in the Group by professional group					
Directors	1	70	1.4%	4	74	5.4 %	2	72	2.8%
New hire	1	-	1.4%	4	-	5.4 %	2		2.8%
Rehire	0	-	-%	0	-	- %	0	-	-%
Expert professionals	29	365	7.9%	9	356	2.5 %	23	348	6.6%
New hire	28	-	7.7 %	7	-	2.0 %	23	6,6 %	28
Rehire	1	-	0.3 %	2	-	0.6 %	0	-	-%
Professionals	39	705	5.5%	18	676	2.7 %	18	658	2.7%
New hire	32	-	4.5%	10	-	1.5 %	15	-	2.3%
Rehire	7	-	1.0 %	8	-	1.2 %	3	-	0,5%
Staff	229	1,436	15.9%	248	1,394	17.8%	376	1,394	26.3%
New hire	211	-	14.7%	236	-	16.9%	360	-	25.2%
Rehire	18	-	1.3 %	12	-	0.9 %	16	-	1.1 %

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PEOPLE INDICATORS

New hire data

	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**133**	**139**	**272**	**121**	**136**	**257**	**196**	**204**	**400**
Type of contract in new hire									
Permanent	49	20	69	73	44	117	193	203	396
Temporary	84	119	203	48	92	140	3	1	4
New hires by type of working day									
Full-time	55	18	73	49	12	61	157	134	291
Part-time	78	121	199	72	124	196	39	70	109

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2021

	HIRES			PERIOD-END HEADCOUNT			HIRING RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**133**	**139**	**272**	**1,096**	**1,480**	**2,576**	**12.1%**	**9.4%**	**10.6%**
New hires by professional group									
Directors	1		1	35	35	70	2.9%	— %	1.4%
Expert professionals	19	9	28	189	176	365	10.1%	5.1%	7.7%
Professionals	25	7	32	283	422	705	8.8%	1.7%	4.5%
Staff	88	123	211	589	847	1,436	14.9%	14.5%	14.7%

2022

	HIRES			PERIOD-END HEADCOUNT			HIRING RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**121**	**136**	**257**	**1,068**	**1,432**	**2,500**	**11.3%**	**9.5%**	**10.6%**
New hires by professional group									
Directors	2	2	4	37	37	74	5,4 %	5,4 %	5,4 %
Expert professionals	7	0	7	187	169	356	3,7 %	— %	2,0 %
Professionals	5	5	10	264	412	676	1,9 %	1,2 %	1,5 %
Staff	107	129	236	580	814	1.394	18,4 %	15,8 %	16,9 %

2023

	HIRES			PERIOD-END HEADCOUNT			HIRING RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**196**	**204**	**400**	**1.046**	**1.459**	**2.505**	**18,7 %**	**14,0 %**	**16,0 %**
New hires by professional group									
Directors	2	0	2	35	37	72	5,7 %	— %	2,8 %
Expert professionals	17	6	23	185	163	348	9,2 %	3,7 %	6,6 %
Professionals	14	1	15	261	397	658	5,4 %	0,3 %	2,3 %
Staff	163	197	360	565	862	1.427	28,8 %	22,9 %	25,2 %

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PEOPLE INDICATORS

Performance evaluation data

Indicator	2021			2022			2023		
	EVALUATED	PERIOD-END HEADCOUNT	%	EVALUATED	PERIOD-END HEADCOUNT	%	EVALUATED	PERIOD-END HEADCOUNT	%
Total staff	**2,544**	**2,576**	**98.8%**	**2,451**	**2,500**	**98.0%**	**2,446**	**2,505**	**97.6%**
Employees who have participated in the performance assessment by gender									
Male	1,075	1096	98.1%	1,408	1,432	98.3%	1,016	1,046	97.1%
Female	1,469	1,480	99.3%	1,043	1,068	97.7%	1,430	1,459	98.0%
Employees who have participated in the performance assessment by age									
<30	228	235	97.0%	227	231	98.3%	293	309	94.8%
>=30 and <50	1,869	1,880	99.4%	1,711	1,739	98.4%	1,593	1,623	98.2%
>=50	447	461	97.0%	513	530	96.8%	560	573	97.7%
Employees who have participated in the performance assessment by professional group									
Directors	55	70	78.6%	59	74	79.7%	52	72	72.2%
Expert professionals	362	365	99.2%	348	356	97.8%	344	348	98.9%
Professionals	697	705	98.9%	666	676	98.5%	655	658	99.5%
Staff	1,430	1,436	99.6%	1,378	1,394	98.9%	1,395	1,427	97.8%

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Development data

Indicator	2021	2022	2023
	Internal selection processes		
No. of internal selection processes	41	79	81*
No. of people who change positions	41	71	90
No. of candidates	579	530	636

	2021	2022	2023
	Individual external selection processes		
No. of selection processes	61	21	42
Candidates	5,845	3,500	5,463

*In 2023, the number of people promoted is higher than the number of promotion processes because in some of these processes several people have been promoted at the same time.

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2023

Indicator	INTERNAL CHANGES IN POSITION			PERIOD-END HEADCOUNT			MOVEMENT RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**42**	**48**	**90**	**1.046**	**1.459**	**2.505**	**4,0 %**	**3,3 %**	**3,6 %**
				Internal selection processes					
Directors	1	1	2	35	37	72	2.9%	2.7%	2.8%
Expert professionals	15	9	24	185	163	348	8.1%	5.5%	6.9%
Professionals	18	19	37	261	397	658	6.9%	4.8%	5.6%
Staff	8	19	27	565	862	1,427	1.4%	2.2%	1.9%

2023

Indicator	INTERNAL CHANGES IN POSITION			NEW HIRES			INTERNAL VS EXTERNAL POSITION COVERAGE RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**42**	**48**	**90**	**136**	**131**	**267**	**24%**	**27%**	**25%**
				Internal selection processes					
Directors	1	1	2	1	0	1	50%	100%	67%
Expert professionals	15	9	24	20	6	26	43%	60%	48%
Professionals	18	19	37	13	2	15	58%	90%	71%
Staff	8	19	27	102	123	225	7%	13%	11%

* Includes additions to staff whose vacancies are not opened internally

2023

Indicator	INTERNAL CHANGES IN POSITION			VACANCIES FILLED INTERNALLY			% VACANCIES FILLED INTERNALLY OVER INTERNALLY OPEN POSITIONS		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Overall total	**42**	**48**	**90**	**34**	**8**	**42**	**55%**	**86%**	**68%**
				Internal selection processes					
Directors	1	1	2	1	0	1	50%	100%	67%
Expert professionals	15	9	24	20	6	26	43%	60%	48%
Professionals	18	19	37	13	2	15	58%	90%	71%
Staff	8	19	27	0	0	0	100%	100%	100%

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Reconciliation data

Indicator	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Employees entitled to parental leave during the year (children born during the year)	34	44	78	43	39	82	33	46	79
Employees who have taken parental leave during the year (includes those who began their leave the year before)	40	61	101	62	41	103	57	54	111
% of staff returning to work after leave	96.9%	89.6%	92.5%	98.9%	97.6%	98.2%	96.0%	82.4%	90.5%
% of staff returning to work after leave	87.8%	76.7%	83.5%	97.7%	95.9%	96.8%	91.0%	78.0%	84.0%

	2021		2022		2023	
	No. OF DAYS OF LEAVE	No. OF HOURS OF LEAVE	No. OF DAYS OF LEAVE	No. OF HOURS OF LEAVE	No. OF DAYS OF LEAVE	No. OF HOURS OF LEAVE
Maternity	**3,868**	**23,259**	**3,537**	**20,439**	**3,401**	**19,548**
Male	73	501	-	-	-	-
Female	3,795	22,758	3,537	20,439	3,401	19,548
Paternity	**2,217**	**13,711**	**3,526**	**21,684**	**2,762**	**16,959**
Male	2,217	13,711	3,446	21,163	2,722	16,698
Female	-	-	80	521	40	261
Total	**6,085**	**36,970**	**7,063**	**42,123**	**6,163**	**36,507**

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Remuneration data

Indicator	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Average remuneration by age									
Overall total	**39,933**	**35,292**	**37,268**	**40,902**	**36,667**	**38,468**	**41,619**	**37,921**	**34,488**
Average remuneration by age									
<30	26,855	26,517	26,663	28,520	27,418	27,895	28,522	26,014	27,160
>=30 and <50	37,539	34,628	35,917	39,127	35,636	37,176	40,766	36,946	38,618
>=50	62,786	42,184	49,337	54,870	43,529	47,686	52,368	45,327	47,910
Average remuneration by professional group									
Directors* (fixed salary)	123,694	97,650	110,656	112,253	103,553	107,847	113,976	105,110	109,358
Directors	168,139	114,905	141,490	156,337	128,877	142,431	145,402	141,443	143,340
Expert professionals * (fixed salary)	52,168	50,255	51,235	53,207	51,520	52,407	54,526	53,671	54,123
Expert professionals	57,833	55,712	56,798	59,064	57,345	58,249	60,914	60,040	60,501
Professionals + staff * (fixed salary)	24,945	24,149	24,475	25,582	24,636	25,020	25,993	24,907	25,346
Professionals	39,574	36,785	37,895	40,155	37,543	38,575	41,572	38,296	39,586
Staff	27,138	27,041	27,081	28,224	27,912	28,040	29,017	28,518	28,722
Median employee remuneration									
Total	31,474	30,037	30,651	33,564	31,562	32,258	34,753	32,520	33,305

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Indicator	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Average remuneration									
Senior management	**319,971**	**228,244**	**289,396**	**356,889**	**238,785**	**311,144**	**298,657**	**289,129**	**294,537**
Average annual remuneration									
Non-executive director	61,782.7	68,333.7	63,966.3	91,125.0	91,562.0	91,344.0	106,333.3	89,437.5	96,678.6
Executive director	428,190.5	-	428,190.5	54,117.6	361,846.3	415,963.9	-	504,336.0	504,336.0
Average	204,512.8	68,333.7	159,119.8	102,602.2	148,087.2	127,412.7	106,333.3	172,417.2	147,635.8

* The figure for remuneration of the executive director in 2022 corresponds to one month's remuneration of the former CEO, Miguel Ángel Merino, and 11 months of the current CEO, Patricia Ayuela.

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PEOPLE INDICATORS

Collective bargaining agreement data

Indicator	2021	2022	2023
		Employees assigned to collective bargaining agreements	
Collective bargaining agreements	10	5*	4*
International secondment letter	-	-	-
Persons assigned to agreement	100.0%	100.0%	100.0%

*At year-end 2022: 10 collective agreements active during the period

*At year-end 2023: 6 collective agreements active during the period

Indicator	2021	2022	2023
Employees covered by collective bargaining agreement	100.0%	100.0%	100.0%

Data on disability

Indicator	2021	2022	2023
	Disabled employees		
Average for year	40.0	39.0	38.6
Average Group employees	2,579.3	2,538.1	2,488.3
Average disabled employees	1.55%	1.54%	1.55%

Indicator	2021			2022			2023		
				Disabled employees					
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Average disabled employees	18.2	21.7	40.0	19.0	20.0	39.0	20.6	18.0	38.6
Average headcount	1,098.0	1,481.3	2,579.3	1,078.2	1,459.9	2,538.1	1,052.9	1,435.4	2,488.3
Percentage employees	1.66%	1.47%	1.55%	1.76%	1.37%	1.54%	1.95%	1.26%	1.55%

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Pay gap data

Indicator	2021		2022		2023	
	HEADCOUNT	WEIGHTED GAP	HEADCOUNT	WEIGHTED GAP	HEADCOUNT	WEIGHTED GAP
Pay gap by professional group						
Directors	69	6.75%	71	8.32%	72	5.55%
Expert professionals	360	4.15%	361	3.41%	352	1.49%
Professionals	697	6.15%	693	5,40%	662	6.52%
Staff	1,449	0.38%	1,404	1,10%	1,388	1.74%

Indicator	2021		2022		2023	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Averages by professional category						
Directors	168,139	114,905	156,337	128,877	145,402	141,443
Expert professionals	57,833	55,712	59,064	57,345	60,914	60,040
Professionals	39,574	36,785	40,155	37,543	41,572	38,296
Staff	27,138	27,041	28,224	27,912	29,017	28,518

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Indicator	2021		2022		2023	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
			Averages by age			
<30	26,855	26,517	28,520	27,418	28,522	26,014
>=30 and <50	37,539	34,628	39,127	35,636	40,766	36,946
>=50	62,786	42,184	54,870	43,529	52,368	45,327
Overall total	39,933	35,292	40,902	36,667	41,619	37,921

	2021	2022	2023
Pay gap calculated by type of position	2.6%	2.8%	3.1%
Pay gap calculated by type of position using median	2.6%	3.4%	3.9%
Pay gap calculated by average of categories	4.4%	4.6%	3.8%
Ratio of the percentage increase in the fixed compensation of the highest paid individual to the percentage increase in the median fixed compensation of all employees except the highest paid individual	1.0	0.0	1.14
Ratio of the fixed compensation of the highest paid individual to the median compensation of the rest of the staff	16.42	9.3	9.37
Ratio of standard entry level wages compared to local minimum wage	1.18	1.12	1.06
Variable pay gap calculated by type of position	-0.4%	-2.0%	0.4%
Variable pay gap calculated by type of position using the median	5.0%	-7.6%	-9.6%

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PEOPLE INDICATORS

Data on departures in the Group

	2021			2022			2023		
	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE
Total	258	2,576	10.0%	314	2,500	12.6%	380	2,505	15.2%
Departures in the Group by gender									
Male	132	1,096	12.0%	144	1,068	13.5%	212	1,046	20.3%
Dismissal	70		6.4%	81		7.58%	115		10.99%
Voluntary and other*	62		5.7%	63		5.90%	97		9.27%
Female	126	1,480	8.5%	170	1,432	11.9%	168	1,459	11.5%
Dismissal	62		4.2%	94		6.56%	98		6.72%
Voluntary and other*	64		4.3%	76		5.31%	70		4.80%
Departures in the Group by age									
<30	64	235	27.2%	71	231	30.7%	96	309	31.1%
Dismissal	28	-	11.9%	26		11.26%	34		11.0%
Voluntary and other*	36		15.3%	45		19.48%	62		20.1%
>=30 and <50	171	1,880	9.1%	200	1,739	11.5%	241	1,623	14.8%
Dismissal	92		4.9%	123		7.07%	152		9.4%
Voluntary and other*	79		4.2%	77		4.43%	89		5.5%
>50	23	461	5.0%	43	530	8.1%	43	573	7.5%
Dismissal	12		2.6%	26			27		4.7%
Voluntary and other*	11		2.4%	17			16		2.8%

* Voluntary and other: including voluntary redundancies, retirements and temporary contract terminations.

Consolidated Management Report (in thousand euro)

Data on departures in the Group

	2021			2022			2023		
	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE	DEPARTURES	PERIOD-END HEADCOUNT	TURNOVER RATE
Total	258	2,576	10.0%	314	2,500	12.6%	380	2,505	15.2%
Departures in the Group by professional group									
Directors	1	70	1.4%	4	74	5.4%	7	72	9.7%
Dismissal	0	-	— %	1	-	1.4%	4		5.6%
Voluntary and other*	1	-	1.4%	3	-	4.1%	3		4.2%
Expert professionals	22	365	6.0%	22	356	6.2%	19	348	5.5%
Dismissal	5		1.4%	11		3.1%	3		0.9%
Voluntary and other*	17	-	4.7%	11	-	3.1%	16		4.6%
Professionals	34	705	4.8%	42	676	6.2%	51	658	7.8%
Dismissal	15	-	2.1%	25	-	3.7%	31		4.7%
Voluntary and other*	19	-	2.7%	17	-	2.5%	20		3.0%
Staff	201	1,436	14.0%	246	1,394	17.6%	303	1,427	21.2%
Dismissal	112	-	7.8%	138	-	9.9%	175		12.3%
Voluntary and other*	89	-	6.2%	108	-	7.8%	128		9.0%

* Voluntary and other: including voluntary redundancies, retirements and temporary contract terminations

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2021

	LAYOFFS			PERIOD-END HEADCOUNT			TURNOVER RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total	70	62	132	1,096	1,480	2,576	6.4%	4.2%	5.1
Dismissals by professional group									
Directors	0	0	0	35	35	70	— %	— %	— %
Expert professionals	2	3	5	189	176	365	1.1 %	1.7 %	1.4%
Professionals	13	2	15	283	422	705	4.6 %	0.5 %	2.1 %
Staff	55	57	112	589	847	1.436	9.3 %	6.7 %	7.8 %

2022

	LAYOFFS			PERIOD-END HEADCOUNT			TURNOVER RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total	81	94	175	1,068	1,432	2,500	7.6%	6.6%	7.0
Dismissals by professional group									
Directors	1	0	1	37	37	74	2.7 %	– %	1.4 %
Expert professionals	4	7	11	187	169	356	2.1 %	4.1 %	3.1 %
Professionals	13	12	25	264	412	676	4.9 %	2.9 %	3.7 %
Staff	63	75	138	580	814	1.394	10.9 %	9.2 %	9.9 %

2023

	LAYOFFS			PERIOD-END HEADCOUNT			TURNOVER RATE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total	212	168	380	1,046	1,459	2,505	11.0%	6.7%	8.5%
Dismissals by professional group									
Directors	2	2	4	35	37	72	5.7%	5.4%	5.6%
Expert professionals	2	1	3	185	163	348	1.1%	0.6%	0.9%
Professionals	17	14	31	261	397	658	6.5%	3.5%	4.7%
Staff	94	81	175	565	862	1,427	16.6%	9.4%	12.3%

* Voluntary and other: including voluntary redundancies, retirements and temporary contract terminations

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PEOPLE INDICATORS

Occupational accident data

	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMAL E	TOTAL	MALE	FEMALE	TOTAL
Accident rate	0.004	0.000	0.003	0.003	0.000	0.001	0.004	0.000	0.002
Frequency rate	5.009	0.372	2.349	4.595	0.000	1.953	5.240	0.000	2.211
Severity rate	0.132	0.014	0.064	0.070	0.000	0.030	0.186	0.000	0.079
Number of deaths from disease	-	-	-	-	-	-	-	-	-
Types of occupational diseases	-	-	-	-	-	-	-	-	-
No. of accidents	10	1	11	9	0	9	10	0	10

Accident rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) * 100

Frequency rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) * 1,000,000

Severity rate: (No. of Occupational Accidents with sick leave not in itinere / Working Days) * 1,000

PEOPLE INDICATORS

Absenteeism data

	2021		2022		2023	
	No of days of absence	No of hours of absence	No of days of absence	No of hours of absence	No of days of absence	No of hours of absence
Total	35,378	210,557	41,521	242,293	54,004	316,204
Common illness	35,006	208,094	41,248	240,697	53,430	312,534
Male	10,394	63,207	13,242	80,063	16,047	97,649
Female	24,612	144,887	28,006	160,634	37,383	214,884
Total accidents with sick leave	372	2,463	273	1,596	574	3,671
Male	295	1,986	162	1,050	439	2,878
Female	77	477	111	546	135	793
Business days	616,025		606,251		595,031	

	2021			2022			2023		
	MALE	FEMALE	RATIO	MALE	FEMALE	RATIO	MALE	FEMALE	RATIO
Absenteeism ratio including Occupational Accidents	4.10%	7.00%	5.70%	4.20%	8.35%	6.05%	5.94%	9.80%	8.11%

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PEOPLE INDICATORS

Training data

Indicator	2021			2022			2023		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total staff	**25,767.2**	**32,993.6**	**58,760.8**	**30,145.5**	**38,680.9**	**68,826.4**	**34,773.0**	**47,806.0**	**82,579.0**
Hours of training by category									
Directors	1,744.2	1,355.6	3,099.8	1,247.3	734.1	1,981.3	1,407.4	764.8	2,172.2
Expert professionals	8,689.4	7,089.1	15,778.6	5,450.5	5,527.3	10,977.8	4,758.8	4,229.4	8,988.2
Professionals	6,039.2	9,529.6	15,568.7	8,135.9	9,362.4	17,498.3	5,265.0	8,016.0	13,281.0
Staff	9,294.4	15,019.4	24,313.7	15,311.8	23,057.1	38,368.9	23,341.8	34,795.8	58,137.5
Average training hours by category									
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total staff	**23.5**	**22.3**	**22.8**	**28.0**	**26.5**	**27.1**	**33.0**	**33.3**	**33.2**
Directors	49.9	38.7	44.3	35.3	20.3	27.7	40.7	20.3	30.1
Expert professionals	47.1	40.3	43.8	28.7	32.3	30.4	25.4	25.3	25.3
Professionals	21.7	22.7	22.3	29.6	22.3	25.2	20.2	20.0	20.1
Staff	15.5	17.6	16.7	26.5	27.7	27.2	41.0	41.9	41.5

	2023								
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
	TRAINING HOURS			AVERAGE HEADCOUNT			AVERAGE HOURS		
Total staff	**34,773.0**	**47,806.0**	**82,579.0**	**1,052.9**	**1,435.4**	**2,488.3**	**33.0**	**33.3**	**33.2**
Average training hours by category									
<30	11,168.2	14,155.5	25,323.7	121.9	145.0	266.9	91.6	97.6	94.9
>=30 and <50	20,107.9	26,288.0	46,395.9	730.4	940.0	1,670.4	27.5	28.0	27.8
>=50	3,496.9	7,362.4	10,859.4	200.6	350.4	551.0	17.4	21.0	19.7

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Overview of training data	2021	2022	2023
No. of training initiatives	430	481	374
Investment in training per person (€)	228.4	200	198.16
Investment in training per person trained (€)	234.5	196	190.24
People trained	2,512	2,598	2,592
Training hours	58,761	68,826	82,579
% staff trained	97.4%	91.9%	90.4%

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REQUIREMENTS OF LAW 11/2018 REGARDING NON-FINANCIAL INFORMATION

Areas	Content	Standards Areas: GRI associates	Description GRI	Chapter of the Report	Page of the Report
Business Model	Brief description of the Group's business model, which will include: 1.) its business environment, 2.) its organisation and structure, 3.) the markets in which it operates, 4.) its objectives and strategies, and 5.) the main factors and trends that may affect its future development.	2-1 2-6 2-7 2-22	Organisational details Activities, value chain and other business relationships Employees Sustainable Development Strategy Statement	Purpose, mission, vision and values Business environment Business model Sustainability management	Pages 181-182 Pages 190 - 219
Policies	A description of the policies pursued by the group in relation to those matters, including: 1.) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts. 2.) the verification and control procedures, including what measures have been taken.	3-3	Management of material aspects	Ethics and transparency	Pages 232 - 242
Short term, medium term, and long term risks	The main risks related to these issues associated with the Group's activities, including, where relevant and proportionate, its business relationships, products or services that may have an adverse impact in these areas, and • how the Group manages these risks, • explaining the procedures used to identify and assess them in accordance with the national, European or international frameworks of reference for each matter. • Should include information on the impacts detected, with the related breakdown, in particular on the main short-, medium- and long-term risks.	3-3	Management of material aspects	Risk Model and Risk Management	Pages 246 - 259
KPIs	Non-financial key performance indicators that are relevant to the particular business activity and that meet criteria of comparability, materiality, relevance and reliability. • In order to facilitate the comparison of information, both over time and among entities, certain standards for non-financial key performance indicators that may be generally applied and that comply with the guidelines of the European Commission in this regard and the Global Reporting Initiative standards will be used, whereby the national, European or international framework used for each area must be specified in the report. • The non-financial key performance indicators must be applied to each section of the non-financial statement. • These indicators must be useful, taking into account the specific circumstances that are consistent with the parameters used in their internal risk management and assessment procedures. • In any case, the disclosures must be accurate, comparable and verifiable.			About this report	Pages 179 - 180

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Environmental issues	1.) Detailed information on the actual and potential impacts of the company's operations on the environment and, where applicable, health and safety, the assessment procedures or environmental certificate; 2.) The resources allocated to the prevention of environmental risks; 3.) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. arising from the environmental responsibility law)	3-3	Management of material aspects	Climate change governance and management Risks and opportunities in the face of climate change Carbon footprint environmental management system Biodiversity Adaptation to climate change	Pages 260-284
		2-23	Commitment policies		
		3-3	Management of material aspects		
		201-2	Financial implications and other risks and opportunities due to climate change		
		308-1	New suppliers that were screened using environmental criteria	Subcontracting and suppliers	Pages 324-326
	Pollution				
	1.) Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment; 2.) Taking into account any form of activity-specific air pollution, including noise and light pollution.	3-3	Management of material aspects	Climate change governance and management Risks and opportunities in the face of climate change Carbon footprint environmental management system Biodiversity Adaptation to climate change	Pages 260-284
		305-5	Reduction of GHG emissions		
	Circular economy and waste prevention and management				
	Circular economy	3-3	Management of material aspects	Environmental management system Waste generation	Page 268
	Waste: Prevention measures, recycling, reuse and other forms of recovery and elimination of waste	3-3	Approach to effluents and waste management	Environmental management system: Waste generation	Page 268
		306-1	Waste generation and significant waste-related impacts		
		306-2	Waste by type and disposal method	Appendix: Environmental indicators	Page 331
		306-3	Waste generated		
	Actions to combat food waste	3-3	Management of material aspects	About this report	Pages 179-180
	Sustainable use of resources				
	The consumption of water and the supply of water in accordance with local restrictions;	303-5	Water consumption	Appendix: Environmental indicators	Page 331
		3-3	Management of material aspects	Environmental management system	Pages 267-269
	Consumption of materials and the measures taken to improve efficiency in their use;	301-1	Materials used by weight or volume	Appendix: Environmental indicators	Page 331

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		3-3	Management of material aspects	Environmental management system	Pages 267-269
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy	3-3	Management of material aspects	Environmental management system	Pages 267-269
		302-1	Energy consumption within the organisation	Appendix: Environmental indicators	Page 330
		302-3	Energy intensity		
		302-4	Reduction of energy consumption		
	Climate Change				
	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services produced;	3-3	Management of material aspects	Carbon footprint	Pages 266-267
		305-1	Direct (Scope 1) GHG emissions	Appendix: Environmental indicators	Page 330
		305-2	Energy indirect (Scope 2) GHG emissions		
		305-5	GHG emissions intensity		
	The measures adopted to adapt to the consequences of climate change;	3-3	Management of material aspects	Risk and opportunities in the face of climate change	Pages 262-265
		201-2	Financial implications and other risks and opportunities due to climate change	Adaptation to climate change	Pages 270-284
Environmental issues	The voluntarily established medium- and long-term emission reduction targets to reduce greenhouse gas emissions and the measures implemented for this purpose.	3-3	Management of material aspects	Carbon footprint environmental management system Appendix: Environmental indicators	Pages 266- 269 Page 330
		305-5	Reduction of GHG emissions		
	Biodiversity protection				
	Measures taken to preserve or restore biodiversity; Impacts caused by activities or operations in protected areas.	3-3	Management of material aspects	Biodiversity	Pages 260 -270
	Taxonomy				
	Eligibility and alignment of business activities with the European Taxonomy	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 July 2020 and related Delegated Regulations		Adaptation to climate change	Pages 270-284
Employment					

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Social and personnel issues	Total number and distribution of employees by gender, age, country and professional classification	3-3	Management of material aspects	Talent attraction Talent management	Pages 100-103
		2-7	Employees	Appendix on people indicators	Pages 135-153
		405-1	Diversity in governance bodies and employees		
	Total number and distribution of work contracts by type,	2-7	Employees	Appendix on people indicators	Pages 135-153
	Annual average of permanent, temporary and part-time contracts by gender, age and professional category	2-7	Employees	Appendix on people indicators	Pages 135-153
		405-1	Diversity in governance bodies and employees		
	Number of dismissals by gender, age and professional category;	401-1	New employee hires and employee turnover	Appendix on people indicators	Pages 135-153
	Average salaries and their progress broken down by sex, age and professional classification or equal value;	3-3	Management of material aspects	Corporate remuneration and benefits	Pages 108-109
		405-2	Ratio of basic salary and remuneration of women to men	Appendix on people indicators	Pages 135-153
	Pay gap, remuneration for equal or average jobs,	3-3	Management of material aspects	Corporate remuneration and benefits Pay gap	Pages 108-110
		405-2	Ratio of basic salary and remuneration of women to men	Appendix on people indicators	Pages 135-153
	Average remuneration of directors and executives, including variable remuneration, attendance fees, severance payments, payments to long-term savings schemes and any other compensation broken down by gender,	3-3	Management of material aspects	Corporate governance system	Pages 44-54
		102-35, 2-19	Remuneration policies		
	Implementation of labour disconnect policies,	3-3	Management of material aspects	Employee wellness, work-life balance and digital disconnection policy	Pages 298-301
	Employees with disabilities	3-3	Management of material aspects	Disability and accessibility	Pages 310-311
		405-1	Diversity in governance bodies and employees		
	Organisation of work				
	Organisation of work time	3-3	Management of material aspects	Employee wellness, work-life balance and digital disconnection policy	Pages 298- 301
	Number of hours of absenteeism	403-9	Occupational accident injuries	Appendix on people indicators	Pages 332- 356
		403-10	Occupational diseases and illnesses		
	Measures aimed at facilitating work-life balance and promoting shared responsibility of both parents	3-3	Management of material aspects	Employee wellness, work-life balance and digital	Pages 298- 301

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Social and personnel issues				disconnection policy	
	Health and safety				
	Health and safety conditions in the work place;	3-3	Management of material aspects	Health and safety	Pages 304-306
		403-1	Occupational health and safety management system		
		403-2	Hazard identification, risk assessment and incident investigation		
		403-3	Occupational health services		
		403-4	Worker participation, consultation and communication on occupational health and safety		
		403-6	Promotion of workers' health		
		403-8	Occupational health and safety management system coverage		
	Occupational accidents, in particular their frequency and seriousness; Occupational illnesses, broken down by gender	403-9	Occupational accident injuries	Appendix on people indicators	Pages 332-356
		403-10	Occupational diseases and illnesses		
	Social relationships				
	Organisation of social dialogue, including procedures for notifying and consulting personnel and negotiating with them;	3-3	Management of material aspects	Employee relations. Dialogue with employees. Union representation.	Pages 306-309
	Percentage of employees covered by collective bargaining agreements by country;	2-30	Collective bargaining agreements	Employee relations. Dialogue with employees. Union representation.	Pages 306-309
	Balance of collective bargaining agreements, in particular with regard to occupational health and safety	3-3	Management of material aspects	Health and safety	Pages 304-306
		403-4	Worker participation, consultation and communication on occupational health and safety		
	Mechanisms and procedures that the company has in place to promote the involvement of employees in the management of the company in terms of information, consultation and participation.	3-3	Management of material aspects	Employee relations	Page 306
	Training				
	Policies implemented with regard to training;	3-3	Management of material aspects	Talent management Re-evoluciona	Pages 293-296
		404-2	Programmes to upgrade employee skills and transition assistance programmes		

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Social and personnel issues	Total number of hours of training by professional category;	404-1	Average hours of training per year per employee	Appendix on people indicators	Pages 332-356
	Universal accessibility for persons with disabilities	3-3	Management of material aspects	Disability and accessibility	Pages 310-311
	Equality				
	Measures adopted to promote equal treatment and opportunities for men and women; Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for effective equality between men and women), measures adopted to promote employment, protocols against sexual and gender harassment, the integration and universal accessibility for disabled persons; Policy against all types of discrimination and, where applicable, for diversity management	3-3	Management of material aspects	Diversity and equality	Pages 286-290
Ethics					
Human rights	Application of due diligence processes with regard to human rights. Prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and repair potential abuses committed;	3-3	Management of material aspects	Guiding principles and human rights	Page 242-245
		2-23	Commitment policies		
		2-26	Mechanisms for seeking advice and raising issues		
	Reports of cases of human rights violations;	3-3	Management of material aspects	Guiding principles and human rights	Pages 242-245
		406-1	Incidents of discrimination and corrective actions taken		
	Promotion and compliance with the provisions of the core conventions of the International Labour Organisation related to respect for the freedom of association and the right to collective bargaining;	3-3	Management of material aspects	Health and safety	Pages 304-306
	The elimination of discrimination in employment and occupation;	3-3	Management of material aspects	Guiding principles and human rights	Pages 242-245
	The elimination of forced or compulsory labour;	406-1	Incidents of discrimination and corrective actions taken		
	The effective abolition of child labour				
Corruption and bribery	Measures adopted to prevent corruption and bribery;	3-3	Management of material aspects	Ethics and transparency	Pages 232-242
		2-23	Commitment policies		
		2-26	Mechanisms for seeking advice and raising issues		
		205-3	Confirmed incidents of corruption and actions taken		
	Measures to combat money laundering	205-2	Communication and training on anti-corruption policies and procedures	Ethics and transparency	Pages 232-242
	Contributions to foundations and NGOs	413-1	Operations with local community engagement, impact	Society	Page 312

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			assessments, and development programmes		
		3-3	Management of material aspects		
	The impact of the company's activity on employment and local development	203-1	Infrastructure investments and services supported	Línea Directa Foundation	Pages 314-318
		203-2	Significant indirect economic impacts		
		413-1	Operations with local community engagement, impact assessments, and development programmes		
	The impact of the company's activities on local populations and the region	203-1	Infrastructure investments and services supported	Línea Directa Foundation Corporate volunteering	Pages 314-318 Pages 319-324
		203-2	Significant indirect economic impacts		
		413-1	Operations with local community engagement, impact assessments, and development programmes		
Society	The relationships with the main players in local communities and the types of dialogue established with them	2-29	Approach to stakeholder engagement	Corporate volunteering	Pages 319-324
		413-1	Operations with local community engagement, impact assessments, and development programmes		
	Association or sponsorship actions	2-28	Partner associations	Society	Page 312
	• The inclusion of social, gender equality and environmental issues in procurement policy; • Consideration of social and environmental responsibility in relationships with suppliers and subcontractors	2-6	Activities, value chain and other business relationships	Subcontracting and suppliers	Pages 324 - 326
		3-3	Management of material aspects		
		308-1	New suppliers that were screened using environmental criteria		
		414-1	New suppliers that were screened using social criteria		
	Supervision and audit systems and their results	3-3	Management of material aspects	Subcontracting and suppliers	Pages 324 - 326
	Consumers				
	Measures towards the health and safety of consumers	3-3	Management of material aspects	Customer Services department Service quality	Pages 327 - 328
		416-1	Assessment of the health and safety impacts of product and service categories		
Society	Systems for claims, complaints received and resolution	3-3	Management of material aspects	Customer Services	Page 327

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		416-2		department	
	Tax Information				
	Profit obtained country-by-country. Taxes paid on profits	3-3	Management of material aspects	Ethics and transparency	Pages 234 - 235
	Public subsidies received	201-4	Financial assistance received from government	Ethics and transparency	Pages 234 - 235

GRI CONTENT INDEX

Statement of use	LÍNEA DIRECTA ASEGURADORA, S.A. SEGUROS Y REASEGUROS has presented the information in this GRI Content Index for the period from 1 January 2023 to 31 December 2023, using the GRI Standards as a reference.
Used GRI 1	GRI 1: Fundamentals 2021
Applicable GRI industry standards	N/A

GRI standard	Contents	Location	Page	Observations
GRI 2: 2021 General Content	2-1 Organisational details	Scope of the report Corporate Information Tax practices	179 222 234 - 235	LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS For further information on the nature and legal form of the company, please refer to the Annual Corporate Governance Report 2023 available on Linea Directa's corporate website, section Corporate Governance/ Remuneration Policy, section Corporate Governance Report. As for the location of the organisation's headquarters, it is as follows: Calle Isaac Newton, 7 Pol. Ind. Tres Cantos, Tres Cantos, Madrid, Spain. The Group's operations are located in Barcelona and Madrid.
	2-2 Entities included in sustainability reporting	Scope of the report	179	
	2-3 Reporting period, frequency and contact point	About this report	179 - 180	The Integrated Management Report reflects the economic, social and environmental performance of Línea Directa Group in the financial year 2023, which runs from 1 January 2023 to 31 December 2023. It is a report that is published annually and its date of publication at the CNMV for this financial year is 29.02.2024. Contact details: External Communications and Sustainability department comunicacion_externa@lineadirecta.es. Tel: +34 91 807 20 00
	2-4 Updating Information	About this report	179 - 180	Where information has a different temporal or organisational scope than in previous years, the nuances of these changes are described next to the data in question.
	2-5 External verification	About this report / External verification	179 - 180	
	2-7 Employees	Appendix on people indicators	332-356	The company does not have employees on a non-guaranteed hourly basis. Despite having a company located in Portugal, the company only has employees in Spain.
	2-9 Governance structure and composition	Corporate bodies Executive committees	223 228 - 231	For more information on the company's governance structure and practices, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-10 Appointment and selection of the highest governance body	Selection: independence and diversity	225	For more information on the company's governance structure and practices, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-11 Chair of the highest governance body	Board of Directors	224	The chairman of the Board of Directors is not a senior executive of the organisation. For more information, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.

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GRI standard	Contents	Location	Page	Observations
GRI 2: 2021 General Content	2-14 Highest governance body's role in presenting sustainability reporting			The Board of Directors is the body responsible for reviewing and approving the Integrated Management Report, which includes the Non-Financial Information Statement.
	2-17 Collective knowledge of highest governance body	Assessment Appendix – jurisdiction matrix	226 329	For more information on the company's governance structure and practices, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-18 Evaluating the highest governance body's performance	Assessment Appendix – jurisdiction matrix	226 329	For more information on the company's governance structure and practices, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-19 Remuneration policies	Remuneration	226 - 227	For more information, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-20 Process for determining remuneration	Remuneration	226 - 227	For more information, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	2-22 Statement on the sustainable development strategy	Letter from the Chairman Interview with the CEO	172 - 174 175 - 178	
	2-26 Mechanisms for seeking advice and raising issues	Ethics Channel	234	
	2-27 Compliance with laws and regulations			During 2023 and as in 2022 and 2021, Línea Directa Group did not receive, through the channels available for this purpose, any significant fines or non-monetary penalties for non-compliance with applicable legislation or regulations.
	2-28 Membership of associations	Contributions to associations	241 - 242	
	2-29 Approach to stakeholder engagement	Dialogue with stakeholders	217 - 219	
	2-30 Collective bargaining agreements	Trade union representation Collective agreement data	309 348	

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Material topics				
GRI 3: Material topics (2021)	3-1 Process of determining material issues	About this report Materiality analysis and indicators	179 - 180 205 -206	
	3-2 List of material issues	Materiality analysis and indicators	205 -206	
Fight against climate change				
GRI 3: Material topics (2021)	3-3 Management of material topics	Climate change governance and management	261	
		Risks and opportunities in the face of climate change	262 - 265	
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	Carbon footprint	266 - 267	
		Appendix – Environmental indicators	330	
	305-2 Indirect energy-related GHG emissions (Scope 2)	Carbon footprint	266 - 267	
		Appendix – Environmental indicators	330	
	305-4 GHG emissions intensity	Appendix – Environmental indicators	330	
Sustainable products: mobility, home and health				
GRI 3: Material topics (2021)	3-3 Management of material topics	Business model/Strategy	196 - 204	
Ethics and compliance				
GRI 3: Material topics (2021)	3-3 Management of material topics	Ethics and transparency	232 - 242	
GRI 201: Economic performance (2016)	201-4 Financial assistance received from government	Tax practices	234 - 236	No significant financial aid has been received from the government, nor in 2022 and 2021.
GRI 205: Anti-corruption (2016)	205-3 Confirmed incidents of corruption and actions taken	Fight against corruption and bribery	237 -238	There have been no cases of corruption in the fiscal year under review, nor in 2022 and 2021.
GRI 207: Tax (2019)	207-1 Approach to tax	Tax practices	234 - 236	
	207-2 Tax governance, control and risk management	Tax practices	234 - 236	
GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	Reports of human rights violations	245	In 2023, as in the previous two years, no complaints of human rights violations were received.

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Information security				
GRI 3: Material topics (2021)	3-3 Management of material topics	Data protection	238 - 239	
		Cybersecurity	239 - 241	
GRI 418: Customer privacy (2016)	418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	Data protection Cybersecurity	238 - 239 239 - 241	In 2023, there were 3 cases where data protection authorities contacted the company requesting information (5 in 2022 and 1 in 2021). Of these, only one case remained open at the end of 2023. No resolution involving financial or other sanctions was determined during the year, nor in 2022 and 2021. With regard to substantiated complaints from third parties, the company considers this to be a confidential matter that should not be made public. In addition, there were 2 cases involving the security of personal data where the company considered it necessary to notify to data protection authorities (none in 2022 and 2 in 2021). In all cases, the authorities found the information provided to be sufficient and the cases were closed without further action. The company considers that any substantiated claims made by third parties are confidential and are therefore not included in this report.
Diversity and equality				
GRI 3: Material topics (2021)	3-3 Management of material topics	Diversity and equality	286 -290	
Health, safety and well-being of professionals				
GRI 3: Material topics (2021)	3-3 Management of material topics	Employee well-being	298 -301	
		Health and safety	304 - 306	
GRI 401: Employment (2016)	401-3 Parental leave	Reconciliation data	345	
GRI 403: Occupational health and safety (2018)	403-4 Worker participation, consultation, and communication on occupational health and safety.	Health and safety committee	306	
	403-5 Worker training on occupational health and safety.	Study of psychosocial factors	305	
	403-6 Promotion of worker health	"Wellbeing to Be Well" wellness programme	298 - 301	

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				Attraction and loyalty of the best talent
GRI 3: Material topics (2021)	3-3 Management of material topics	Talent attraction Talent management Performance management	291 - 297	
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	New hire data	340	
		Data on departures in the Group	351 - 353	
GRI 404: Training and education (2016)	404-1 Average hours of training per year per employee	Training data	355 - 356	
GRI 405: Diversity and equal opportunity (2016)	405-1 Diversity in governance bodies and employees	Appendix on people indicators	332 - 356	At year-end 2023, 58% of our workforce was female, compared to 42% male (57% and 43% in 2022 and 2021, respectively). We also have different generations of employees coexisting in our teams, with the 30-50 age group standing out at 65%, followed by the over-50s at 23% and the under-30s at 12% (70%, 21% and 9% respectively in 2022 and 73%, 18% and 9% in 2021). Employees with disabilities represented 1.5% at the end of 2023 (1.5% in 2022 and 1.4% in 2021). For more information on the diversity of the company's Board of Directors, please refer to the Annual Corporate Governance Report 2023, available on Línea Directa's corporate website, section Corporate Governance/Remuneration Policy, section Corporate Governance Statement.
	405-2 Ratio of basic salary and remuneration of women to men	Remuneration data	346 - 347	Data is provided for the entire reporting period.
		Pay gap data	349 - 350	
Quality and customer satisfaction				
GRI 3: Material topics (2021)	3-3 Management of material topics	Customer Services department	327	
		Service quality	328	
Responsible investment				
GRI 3: Material topics (2021)	3-3 Management of material topics	Sustainable investment	313	

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Responsible supply chain				
GRI 3: Material topics (2021)	3-3 Management of Material topics	Subcontracting and suppliers	324 - 326	
GRI 204: Procurement practices (2016)	204-1 Proportion of spending on local suppliers	Subcontracting and suppliers	324 - 326	The percentage of purchases from local suppliers as a percentage of total spend is shown.
GRI 308: Supplier environmental assessment (2016)	308-1 New suppliers that were screened using environmental criteria	Supply chain: purchases from local suppliers Assessment of critical suppliers	325 - 326	In 2023, the ESG questionnaire was conducted for a few recurring suppliers, with the aim of extending the scope to all suppliers in the coming years. However, the company has been including questions on ESG issues in its supplier approvals since 2017.
GRI 414: Supplier social assessment (2016)	414-1 New suppliers that were screened using social criteria	Supply chain: purchases from local suppliers Assessment of critical suppliers	325 - 326	In 2023, the ESG questionnaire was conducted for a few recurring suppliers, with the aim of extending the scope to all suppliers in the coming years. However, the company has been including questions on ESG issues in its supplier approvals since 2017.
Environmental management and responsible consumption				
GRI 3: Material topics (2021)	3-3 Management of Material topics	Environmental management system	267 - 269	
GRI 301: Materials (2016)	301-1 Materials used by weight or volume	Appendix – Environmental indicators	331	The materials consumed (toner and paper) are non-renewable.
GRI 302: Energy (2016)	302-1 Energy consumption within the organisation	Appendix – Environmental indicators	330	Reported fuel consumption comes from non-renewable sources only. All the electricity consumed is purchased, except for self-generated electricity.
GRI 303: Water and effluents (2018)	303-5 Water consumption	Appendix – Environmental indicators	331	Water consumption is reported for all company subsidiaries. The water supply in all subsidiaries comes from authorised public water supply networks. All supply comes from areas with low or no water stress.
GRI 306: Waste (2020)	306-3 Waste generated	Appendix – Environmental indicators	331	
Transparency and dialogue with stakeholders				
GRI 3: Material topics (2021)	3-3 Management of material topics	Dialogue with stakeholders	217 - 219	
Digitalisation				
GRI 3: Material topics (2021)	3-3 Management of Material topics	Identified risks	249 - 259	
Social contribution				
GRI 3: Material topics (2021)	3-3 Management of Material topics	Línea Directa Foundation	314 - 324	
		Corporate volunteering		

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