STATEMENT ON MODERN SLAVERY

Introduction

This statement on slavery and human trafficking is published on behalf of Direct Line Insurance Group plc and its wholly owned subsidiaries U K Insurance Limited, DL Insurance Services Limited and UK Assistance Accident Repair Centres Limited pursuant to section 54 of the Modern Slavery Act 2015 (the "Act"), each having a turnover in excess of £36m. References to "we", "us", "our", and "DLG" are to all of these companies. This statement applies to Direct Line Group ("DLG") for the financial year for ended 31 December 2018.

Corporate Social Responsibility

As an organisation, DLG takes its responsibilities seriously. We believe that doing the right thing builds trust, trust builds reputation and reputation builds value. We support the aims of the Act and seek to ensure slavery and human trafficking do not feature in our business or supply chain.

DLG does this through our Corporate Social Responsibility ("CSR") Charter (see link.) which is overseen by the CSR Committee. The CSR Committee aims to help ensure we run our business in a responsible manner, and considers emerging social, environmental and ethical issues and opportunities.

Our Organisation's Structure

DLG is one of the leading providers of general insurance in the UK and through its number of well known brands offers a wide range of general insurance products to customers. These brands include: Direct Line, Churchill, Privilege and Green Flag. DLG also offers insurance services for third party brands through its Partnerships division and also for the commercial sector, via its NIG and Direct Line for Business operations. Further details of our organisation's structure can be found on our website (see link).

We apply a multi-brand, multi-product and multi-distribution channel business model to sell to retail customers and businesses. Products can be purchased online, including via price comparison websites, by phone and indirectly through partners and in our commercial business, via brokers.

DLG has a varied supply base spanning direct (claims validation and fulfilment) and indirect suppliers, including many that are well known brands and industry leaders in their field. Across our direct supply base our supply chain focuses on the fulfilment of claims across our key product areas.

Household Claims

Our household claims supply chain looks to repair and provide replacement of household contents including electrical goods, furniture, carpets and valuables. Our supply chain within this category is made up of a combination of UK based goods fulfilment and service providers. However there is the awareness and understanding that, for our goods fulfilment suppliers, the supply chain may extend to outside of the UK. Fulfilment of our building claims is managed through a network of home repair providers where within this supply chain, there is a more seasonal volume driver due to severe weather events driving claims volume.

Motor Claims
Within our motor claims supply chain, we look at the potential aspects of a motor claim journey. This includes motor repair garages, recovery providers and salvage services in addition to goods provided to facilitate vehicle repair including parts replacement and paint. Both parts replacement and paint supply have elements where we source goods from third parties outside the UK either directly or through our suppliers' supply chains.

Travel Claims
Our travel claims supply chain provides services across a variety of locations worldwide.

Our indirect supply chain provides us the necessary services to run the business including technology, facilities (catering and cleaning), professional services, marketing, print and recruitment. In addition, we receive back office and claims handling services from our offshore service provider located in India and South Africa.

DLG has a centralised Procurement and Supply Chain function that operates to the processes established within our Supplier Management and Outsourcing policy. This sets out the requirements for the Group when procuring goods and services (including our due diligence and governance processes), managing our supply base and the assurance activity required across suppliers to seek to ensure policy standards are being delivered, including through desk and field-based audits.

Supply chain ethics

We recognise that as one of the UK's leading general insurers, our responsibilities can extend beyond our commercial interests, and we want to increase our focus on Corporate Responsibility within our supply chains. Through our Ethical Code for Suppliers available on our website (see link) we have outlined our key commitments to our suppliers, and detailed our ethical expectations of suppliers that we work with.

These include adherence to: (a) the core International Labour Organisation ("ILO") standards which ban the use of child labour and forced compulsory or bonded labour (including where the threat of penalty or discipline is used to compel work), whilst protecting rights to non-discrimination; and (b) the non-core ILO standards which include statements that workers should have safe and hygienic working conditions, a living wage should be paid, working hours are not excessive and abuse and intimidation are prohibited.

Following the introduction of the Act, we revised our Ethical Code for Suppliers to show our expectation that our suppliers ensure that they are taking appropriate steps to prevent modern slavery from occurring within their own business and supply chain. Our Ethical Code is something we will continue to revisit on a regular basis to ensure that it reflects our current position on the topics included and how that flows through to our expectations of our supply base.

We have communicated these changes in our Ethical Code for Suppliers to our key direct supplier base, directing them to publicly available guidance around modern slavery and what suppliers should be looking for.

Appendix 1

Risk Assessment, Due Diligence and Assurance Processes

We have standard procurement and supply chain processes which are designed to ensure we select and manage our suppliers appropriately. Our suppliers are all segmented, based on multiple factors including value, spend and risk exposures and our supporting processes provide a higher level of assurance, oversight and diligence for those suppliers and services segmented at higher levels.

To support the processes outlined within the Supplier Management and Outsourcing policy, we have developed a risk-based approach to assess the likelihood of modern slavery occurring in our supply chain, focusing on the key service provisions we receive across both our direct and indirect supply chains. The criteria used for this approach takes into account many factors including the geographical location from which services are provided, length of the supply chain, use of migrant or temporary labour and the nature of the goods or services being supplied. We use the results of these assessments to categorise key direct suppliers and identify potential areas of focus within our supply base. This is done in a central and holistic approach across the wider supply chain but also at the outset of sourcing activity prior to on-boarding a new supplier.

We carry out due diligence checks on new key direct suppliers prior to engagement, tailoring the approach according to (amongst other factors) the potential modern slavery risks. Onboarded suppliers are then subject to compliance and assurance activity, with suppliers identified as higher risk receiving greater prioritisation and being subject to an increased level of scrutiny. Issues arising are escalated via our procurement and risk functions.
We also implement pre-employment background checks for employees and contractors and require our suppliers to operate the same level of checks dependant on the service being provided through contractual obligations.

Training

We have created training on modern slavery for our Procurement and Supply Chain employees to raise awareness of modern slavery and to encourage any employees who do identify potential modern slavery issues within our business or supply chain to report their concerns including via our whistle-blowing policy.

Next steps

We will continue to work to embed understanding of modern slavery in our supply chain and business to raise awareness of modern slavery. In doing so we will be reviewing and evaluating the measures and processes that we have implemented thus far and considering additional measures we can take as a business. Through working with our suppliers, we aim to prevent modern slavery occurring in our business and supply chain.

Board Approvals

The Directors of Direct Line Insurance Group plc approved this statement on behalf of Direct Line Insurance Group plc on 31January 2019.

Appendix 1

Signed by _____, (Penny James), Director of Direct Line Insurance Group plc

The Directors of U K Insurance Limited approved this statement on behalf of U K Insurance Limited on 31 January 2019.

Signed by _____, (Penny James), Director of U K Insurance Limited

The Directors of UK Assistance Accident Repair Centres Limited approved this statement on behalf of UK Assistance Accident Repair Centres Limited on 7 February 2019.

Signed by _____, (Cormac Bradley), Director of UK Assistance Accident Repair Centres Limited

The Directors of DL Insurance Services Limited approved this statement on behalf of DL Insurance Services Limited on 8 February 2019.

Signed by H. M. Tomlinson, (Humphrey Tomlinson), Director of DL Insurance Services Limited