Direct Line Group Transparency Statement on Modern Slavery 2019

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 the financial year for DLG ending 31 December 2019 and is the 4th annual statement produced by the organisation.

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.

This is reflected through DLG's purpose and sustainability strategy which is overseen by the Board. As part of the strategy, the Corporate Responsibility 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 operating in the UK and through its number of well-known brands offers a 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 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 our partners, and in our commercial business, via brokers.

Within our structure we employ approximately 10,000 people across multiple UK locations, in addition to our DLG Auto Services garage network which supports our Motor claims function through motor repair.

DLG has in place robust recruitment policies that cover permanent, fixed term and contingent employees and require all employees to undergo background checking prior to beginning their employment with DLG. Supplier contracts also include requirements around background checking and suppliers must adhere to the applicable level of screening for employees working on DLG services.

All our employees are required to sign and adhere to our Code of Conduct which sets out to promote honest and ethical conduct and compliance with all applicable laws, rules and regulations. Adherence to this code, alongside practising our Values, is key to the successful delivery of our business strategy.

Supply Chain

We recognise that, as one of the UK's leading general insurers, DLG has responsibilities which can extend beyond our commercial interests. Through our Ethical Code for Suppliers, available on our external website (see link) and shared with suppliers when tendering, 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 to be excessive and abuse and intimidation are prohibited.

In addition, we expect suppliers to comply with the Act and provide assurances of compliance through a published statement which outlines the steps that are being taken to support the Act. In 2019 we have

reviewed our actively managed supply chain (c. 80% of overall supplier spend) and have identified that 75% of those suppliers have statements published.

DLG's supply chain covers both provision of services for direct (claims validation and fulfilment) and indirect suppliers, including many 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, we are aware and understand that, for our goods fulfilment suppliers, the supply chain may extend to outside of the UK. Fulfilment of our building claims is through a network of home repair providers; this supply chain is subject to more seasonal volumes including severe weather events which may increase claims volume.

Motor Claims
Within our motor claims supply chain, we look at the potential aspects of a motor claim journey including motor repair garages, recovery providers and salvage services. In addition, we also source goods provided to facilitate vehicle repair including parts replacement and paint. Both categories 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 is service based – focusing on cost containment and patient repatriation across a variety of locations worldwide to service our Travel insurance policy holders should they require medical care or repatriation whilst travelling.

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.

Although our core operations (and most of our immediate supply chain) is based in the UK, we are aware that this does not mean we do not have any potential Modern Slavery risk exposures within our supply chain, and the supporting processes we follow across our Procurement and Supply Chain function are key to supporting our adherence to the Act.

Procurement Processes
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 mandatory requirements for the Group when procuring goods and services (including our due diligence and governance processes), managing our supply base and regarding the assurance activity required across suppliers to seek to ensure policy standards are being delivered, including through desk- and field-based audits.

Our processes are designed to ensure we select and manage our suppliers appropriately to support the given service provision. 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 annually review our Modern Slavery risk assessment, which was developed to assess the likelihood of Modern Slavery occurring in our supply chain. This review helps us to identify any areas where we may have increased risk (or reduced) exposure due to change in suppliers or how we have procured a service. As the assessment is aligned to the key areas of concern identified through Modern Slavery and human rights literature it covers 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.

Due diligence is undertaken on new suppliers sourced through the Procurement & Supply Chain function – we require suppliers either to provide a link to their most recent Modern Slavery statement or to answer a number of questions (should they fall below the reporting threshold) to articulate the steps they are undertaking to support compliance with the Act.

Onboarded suppliers are then subject to assurance activity. Our Supplier Compliance Monitoring team conducts regular field reviews on our actively managed suppliers and the scope includes the requirement to ascertain the supplier's adherence to the Act and confirmation of the activity they are undertaking to comply with the Act. This is tailored dependant on the supplier's alignment to the reporting threshold. In addition, background checking contractual clauses also form part of the assurance scope alongside compliance to the overall contractual terms.

Findings from assurance activity are documented, managed and reported through the Procurement & Supply Chain governance and escalated as appropriate within the DLG governance framework.

Supporting processes are reviewed on an annual basis to ensure alignment with legislation and raise awareness of Modern Slavery to encourage any employees who do identify potential Modern Slavery issues within our business or supply chain to report their concerns either through normal channels of escalation or via our whistle-blowing line.

Next steps

As DLG is committed to continuing to enhance the processes we have already established within our Procurement & Supply Chain function we will be looking to focus on key areas of improvement in 2020. These will include:

- incorporating Modern Slavery awareness training in our Procurement & Supply Chain induction and our supporting guidance for our low risk sourcing process;
- identifying potential key risk indicators that could be implemented to assess the effectiveness of our processes; and
- reviewing categories where there is a higher risk of the occurrence of Modern Slavery and undertaking some additional supply chain mapping in these areas.

Board Approvals

The Directors of Direct Line Insurance Group plc approved this statement on behalf of Direct Line Insurance Group plc on 30 January 2020

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 30 January 2020.

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

The Directors of DL Insurance Services Limited approved this statement on behalf of DL Insurance Services Limited on 2 March 2020.

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

The Directors of UK Assistance Accident Repair Centres Limited approved this statement on behalf of UK Assistance Accident Repair Centres Limited on 11 March 2020.

Signed by _____, (Helen ~~Murphy~~ O'Murchu), Director of UK Assistance Accident Repair Centres Limited

DirectLine Group