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Direct Line Group Transparency Statement on

Modern Slavery 2022

Direct Line Group

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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 2022 and is the 7th 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 does not feature in our business or supply chain.

This is reflected through DLG's purpose and sustainability strategy which is overseen by the Board and can be located on our website (see link). As part of the strategy, the Sustainability 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 Darwin. DLG also offers insurance services for third party brands through its Partnerships division and for the commercial sector via its NIG, Direct Line for Business and Churchill operations in addition to its Rescue and Recovery offering via Green Flag. 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 employee approximately 10,000 people across multiple UK locations, and 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 which is based on the services being provided.

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 practicing our Values, are key to the successful delivery of our business strategy. As an organisation we have a published Human Rights, Diversity & Inclusion Policy.

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Supply Chain

We recognise that, as one of the UK's leading general insurers, our responsibilities can extend beyond our own commercial interests. Although DLG, as a general insurer, can be seen as within a lower risk industry, it is still important to highlight areas within our supply chains that can be more vulnerable to the potential risks. Throughout the implementation and embedding of the Modern Slavery Act and key responsibilities within DLG, the focus has been on suppliers that provide services direct to DLG whilst understanding the areas within our suppliers' supply chains that could be higher risk and building those into our future action planning activity.

Through our Ethical Code for Suppliers, available on our corporate website (see link) and shared with suppliers when tendering, we have outlined both 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. This code has been refreshed in 2022 and will be rolled out in Q1 2023 to our managed Supply Chain.

In addition, we expect our 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, where applicable. Through our risk mapping activity, it has been identified that the areas where we feel there is more vulnerability across the supply chain tend to be those supply chains where we have suppliers who fall below the reporting threshold of the Act, although this is taken into consideration in the design of our Procurement processes.

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 our products (rescue provisions or claims management) across our key product areas.

Household

Our household claims supply chain can be split into two key areas, Building Repair and Contents repair and replacement. The fulfilment of our building claims is primarily through a network of home repair providers, supported by specialist disaster and restoration supply chains. Within this supply chain there is a requirement for more seasonal, volume driven and manual labour to support the service provision alongside the addition of subcontracted services, particularly where there is response to severe weather events which can lead to the labour force being more vulnerable to potential Modern Slavery exposures.

Our repair and replacement supply chain for our household contents claims include 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 offering repair services. Although the direct services provided by these suppliers are lower risk in their provision, the goods being provided do extend beyond our contracted supply chain and out-with the UK.

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 within our own Auto Services including parts replacement, paint, equipment needed for car repair and, in a small number of repair centres, outsourced car valets. The motor repair industry is a global network of manufacturers and so the source of many of the parts that are used by DLG Auto services, our Green Flag recovery providers and our Third-Party repairer networks come via extended 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.

Indirect Supply Chain

facilities (catering and cleaning), professional services, marketing, print and recruitment. In addition, we receive back office and claims handling services from our offshore service providers located in India and South Africa.

Although our core operations (and most of our immediate supply chain) are based in the UK, we maintain an awareness 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.

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Procurement Processes

DLG has a centralised Procurement and Supply Chain function that operates to the processes established within our Supplier Management and Outsourcing policy. Our processes are designed to ensure we select and manage our suppliers appropriately to support the given service provision and potential risk exposure to DLG. Our Policy sets out the mandatory requirements for the Group when procuring goods and services. Supporting processes are reviewed on an annual basis and refreshed to ensure they remain relevant and aligned with the potential exposures faced by DLG.

Our suppliers are segmented based on multiple factors including value, expenditure 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.

In addition to our existing supplier segmentation process, we also review our Modern Slavery risk assessment on an annual basis, enhancing the data captured through additional information available, to overlay a proportionate depth of analysis on the areas that have greater vulnerability . This assessment includes 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, supplier expenditure, tiering and the audit status of our supply chain. This assessment process also forms the basis of the development of our risk indicators and is included in the continuous improvement processes within the reporting suite.

As part of the Sourcing process, due diligence is undertaken on new suppliers sourced through the Procurement and Supply Chain function where our engagement threshold is for activity resulting in expenditure of £100,000 or higher across the term of engagement. We request suppliers to either provide a link to their most recent Modern Slavery statement or respond to a number of questions (should they fall below the reporting threshold) to articulate the steps they are undertaking to support the Act.

On-boarded suppliers are 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 thresholds. In addition, background checking of contractual clauses also forms part of the assurance scope which looks at employees' right to work and proof of residence alongside compliance to the overall contractual terms. Findings from assurance activity is documented, managed, and reported through the Procurement and Supply Chain governance and escalated as appropriate within the DLG governance framework.

Throughout 2022, we have formalised the internal approach for our team should they be contacted with any concerns within the supply chain. This approach outlines steps to be taken and key internal stakeholders to be engaged throughout the initial clarification of information.

Training

Modern Slavery training within the Procurement function is carried out as part of the annual schedule of mandatory training, tailored to support the individual supply chain categories and updated annually to include any updates, examples and relevant process changes. Basic guidance is now included with the Risk & Governance section of the induction process within the function.

Across 2023, we will be looking to refresh our training approach by trialling a government-sponsored training module, to provide a consistent and up-to-date overview of modern slavery and the Act, alongside training sessions for our Procurement & Supply Chain function which are tailored to their category of oversight. In addition, we will be looking to utilise this training beyond the Procurement & Supply Chain function, focusing on operational areas that have regular engagement with third parties in our supply chain.

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Board Approvals

The Board of Direct Line Insurance Group plc (“DLG”) reviewed and approved this statement on 2 March 2023.

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Neil Manser, Director, DLG
Date Signed: 21-Apr-23

The Board of U K Insurance Limited (“UKI”) reviewed and approved this statement on 2 March 2023.

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Neil Manser, Director, UKI
Date Signed: 21-Apr-23

The Board of DL Insurance Services Limited (“DLIS”) reviewed and approved this statement on 12 April 2023.

DocuSigned by:
B16CA657DD3646D...
Humphrey Tomlinson, Director, DLIS
Date Signed: 21-Apr-23

The Board of UK Assistance Accident Repair Centres Limited (“UKAARC”) reviewed and approved this statement on 7 March 2023.

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Helen O’Murchu, Director, UKAARC
Date Signed: 17-Apr-23

Direct Line Group