

**Sustainability Accounting
Standards Board disclosure
2022**

Introduction

We are pleased to be reporting once again against the Sustainability Accounting Standards Board (“**SASB**”) framework and recognise its value in how we communicate our approach to managing environmental, social and governance (“**ESG**”) matters.

We are one of the UK’s leading insurers providing general insurance products to millions of customers through our well-known brands, including Direct Line, Churchill, Privilege, Darwin and Green Flag.

We reach customers wherever they shop and whatever their insurance needs within our range of products. Our mission is to be brilliant for customers every day and we want to be known for insurance excellence from point of sale through to resolving claims.

In 2022, we continued to put in place sustainable initiatives to strengthen the business, whether it’s being brilliant for customers, being an inclusive employer, giving back to our communities, protecting the planet or maintaining high standards of governance through our five-pillar sustainability strategy.

This strategy is endorsed by the Board; and aims to foster the highest standard ESG practice and deliver long-term sustainability for our stakeholders.

For more information on our five-pillar strategy and what we are doing to build a sustainable business see pages 50 to 70 of our Annual Report and Accounts 2022 (“**ARA**”). Also see pages 72 to 85 of the ARA 2022 for our latest disclosure against the Task Force on Climate-related Financial Disclosures (“**TCFD**”) recommendations and the Streamlined Energy and Carbon Reporting (“**SECR**”) requirements.

This disclosure considers how our existing reporting aligns to the recommended SASB standards for insurers and includes references to published material that supports our disclosure against each metric. Where necessary, there has been adaptation in the reporting against the recommended metrics to ensure disclosure of the most appropriate information applicable to our business.

Key:

ARA	Group Annual Report & Accounts 2022
TCFD	Task Force on Climate-related Financial Disclosures 2022
SFCR	Solvency and Financial Condition Report 2022
CW	Corporate website
AP	Analyst presentation FY 2022 results
COBC	Code of Business Conduct

SASB Disclosure 2022

Accounting Metric	Code	Disclosure
Transparent Information & Fair Advice for Customers		
Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	FIN-IN-270a.1	There is no material information to disclose relating to this metric.
	ARA	There is no appetite for material risks resulting in reputational damage, regulatory or legal censure, poor customer outcomes, fines or prosecutions and other types of non-budgeted operational risk losses associated with the Group's conduct and activities. The Group's objective is to maintain a robust and proportionate internal control environment – page 86
	ARA	The Group carefully assesses and outlines the principal risks facing the business, including those associated with operational and regulatory compliance risk – pages 89 and 90
Complaints-to-claims ratio*	FIN-IN-270a.2	There is no material information to disclose relating to this metric.
	ARA	Number of complaints received during the year as a proportion of the average number of in-force policies – page 23
	CW	The volume of complaints reportable, twice annually, to the Financial Conduct Authority (" FCA "). Data is reported as the number of complaints opened in the reporting period per 1,000 in-force policies for the Group's principal underwriter, U K Insurance Limited
Customer retention rate	FN-IN-270a.3	*Note: in accordance with FCA reporting requirements we publish the number of complaints received during the reporting period per 1,000 in-force policies and not, as recommended by the SASB framework, per 1,000 claims filed.
	AP	Direct own brands retention rates for Motor, Home and Rescue (Green Flag direct) operating segments – page 23
	ARA	Net promoter score (" NPS ") for our Direct Line brand – page 23
Description of approach to informing customers about products	FN-IN-270a.4	We make sure that our products and services are designed to meet an identified need and that customers are provided with clear information, are kept informed and can make amendments easily. We regularly monitor our performance in relation to standards of service, product performance and customer outcomes – page 5
	COBC	We communicate with our customers through a variety of channels and literature. Customer communications include, but are not limited to, all financial promotions, website content, social media content, policy documentation and system generated communications.
	COBC	To ensure our customers can make informed decisions we provide information regarding, but not limited to, the suitability of products, the terms and scope of insurance coverage, insurance policy exclusions, the cost structure of insurance policies and the processes for making an insurance claim.
Description of approach to informing customers about products	FN-IN-270a.4	The Group's conduct objective in relation to product marketing is to ensure our customer communications are clear, fair and not misleading, targeted appropriately and include the relevant information in a way that is accessible and easily understood.
	FN-IN-270a.4	The new Consumer Duty regulations come into effect in 2023 where firms must act to deliver good outcomes for its customers. We have been preparing for the new regulations and been reviewing our customer journeys, communications, products and management information.
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Accounting Metric	Code	Disclosure	
Incorporation of Environmental, Social, and Governance Factors in Investment Management			
Total invested assets, by industry and asset class*	FN-IN-410a.1	ARA	Investment holdings and yields – page 34
		ARA	Debt securities and infrastructure debt by industry sector classifications – page 204
		ARA	Credit quality of debt securities and financial and insurance assets – pages 208 to 209
		ARA	Maturity profile of financial assets and contractual cash flows of derivative financial instruments – pages 210 and 211
		ARA	Financial investments and cash and cash equivalents by asset class – pages 229 to 230 *Note: the North American Industry Classification System (NAICS) for classifying invested assets is not relevant for the Group.
Description of approach to incorporation of ESG factors in investment management processes and strategies	FN-IN-410a.2	ARA	Integration of ESG considerations into our investment strategy – page 68
		TCFD	Scenario analysis exploring the financial impact of transition risk on the Solvency II balance sheet value of investment assets – pages 76 to 77
		TCFD	Implementation of climate-related initiatives into our investment strategy – pages 80 to 81 and 84 to 85
		CW	Responsible investment initiatives which are incorporated into our investment strategy
Policies Designed to Incentivise Responsible Behaviour			
Net premiums written related to energy efficiency and low carbon technology	FN-IN-410b.1	We do not disclose written premium for policies related to energy efficiency and low carbon technology.	
Discussion of products and/or product features that incentivise health, safety, and/or environmentally responsible actions and/or behaviours	FN-IN-410b.2	ARA	Our Strategic Management Actions include steps we are taking to support the transition to electric vehicles and to help shape thinking around resilient repairs to homes damaged by flood – page 65
		TCFD	We have developed a full electric vehicle package which is offered to all new and renewing Direct Line Motor customers that provides access to electric vehicle essentials, discounts off our Green Flag Shop and insurance that covers batteries and charging cables - page 79
		GW	We've partnered with Electrifying.com to give customers the news, guides, reviews and tips for buying, owning and driving hybrid and electric vehicles.
		Our telematic policies encourage younger drivers to develop safe driving habits whilst also providing the opportunity to receive policy premium discounts.	

Accounting Metric	Code	Disclosure	
Environmental Risk Exposure			
Probable Maximum Loss of insured products from weather-related natural catastrophes	FN-IN-450a.1	ARA	Catastrophe reinsurance protects us against an accumulation of claims arising from a natural perils event. We place this annually up to a modelled 1-in-200 year loss event. For the 12 months from July 2022, we have a retained deductible of £150 million and a maximum limit of £1,350 million – page 37
Total amount of monetary losses attributable to insurance payouts from:	FN-IN-450a.2	ARA	Home and Commercial claims costs related to major weather events, including inland and coastal flooding and storms – pages 43 and 47
1. modelled natural catastrophes, and		ARA	Loss ratio for major weather events – pages 213 and 214
2. non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)		TCFD	The impact of severe weather on the Group's combined operating ratio – page 83
Description of approach to incorporation of environmental risks into:	FN-IN-450a.3	TCFD	TCFD disclosure – pages 72 to 85
1. the underwriting process for individual contracts, and			
2. the management of firm-level risks and capital adequacy			
Systemic Risk Management			
Exposure to derivative instruments by category:	FN-IN-550a.1	ARA	Use of derivative financial instruments in interest rate and currency risk management – pages 205 to 207
1. total potential exposure to non-centrally cleared derivatives		ARA	Analysis of the undiscounted cash flows of derivative financial instruments by contractual maturity – page 211
2. total fair value of acceptable collateral posted with the Central Clearing house, and		ARA	Fair value of derivative financial instruments – pages 226 and 240
3. total potential exposure to centrally cleared derivatives		ARA	
Total fair value of securities lending collateral assets	FN-IN-550a.2	ARA	Collateral management arrangements – page 207
Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities.	FN-IN-550a.3	ARA	Risk management – pages 86 to 91
		ARA	Sensitivity analysis – page 206
		ARA	Credit risk management – pages 207 to 209
		ARA	Liquidity risk management – pages 209 to 211
		SFCR	Risk profile – liquidity risk – page 37 to 38
		SFCR	Risk profile including sensitivity analyses detailing scenario impacts on the Group's solvency capital ratio – pages 35 to 40
Activity Metric	Code	Disclosure	
Activity Metrics			
Number of policies in force, by segment:	FN-IN-000.A	ARA	In-force policies reported by operating segment – pages 40 to 48 and 258
1. property and casualty			
2. life			
3. assumed reinsurance			



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