

*Building a
Sustainable
Business*



Introduction and Contents

Building a Sustainable Business

At Direct Line Group we're aiming to build the insurance company of the future. Being a sustainable business for the long term is about ensuring we have the foundations we need for success.

Customers are at the heart of all we do being well served by a diverse and thriving team in a business with exemplary governance, operating within in a strong society where the impact of climate change is being tackled.

This report documents our 2021 progress on our five sustainability pillars: customers, people, society, the planet and governance.

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MSCI's ESG rating for the Group increased from 'A' to 'AA'



Rated again as an ESG leader in the Property and Casualty sector by Sustainalytics



CEO Statement

Transforming our business for the better

I'm proud this year that colleagues have again stepped up and despite the pandemic we have continued to make great progress across each of our five sustainability pillars, customers, people, society, planet and governance.

Looking after our customers, employing great people and ensuring they flourish, tackling climate change, operating within a strong society and having a reputation for high standards of governance, these are not nice-to-haves, they are foundations for our future success.

As we implement our strategy we are clear about what will deliver results for us as a Group, and for our various stakeholders, meaning we are embedding sustainability with greater confidence.

Of course, defining a relevant framework that matters to us as a business and our various stakeholders is critical to guide priorities but the thing I've learnt is sometimes you just have to get on with it. You can't do everything overnight but you can begin the journey and as you start to implement solutions you build momentum.

That's why, alongside the many initiatives you will read about in this report, the year's highlight for me has been the step change in the collective pride and confidence of colleagues that together we are transforming our business for the better and enhancing our sustainability.

Amongst this year's successes are:

- Enhancing convenience for customers by using digital tools to allow 90% of motor and home claims to be registered online
- Seizing the opportunity presented by remote working to recruit and welcome new colleagues from areas of the country who may have thought working for a FTSE company was out of their reach – it's a practical step a business of our scale can take to deliver social mobility
- Achieving progress towards the targets we have set ourselves to increase the representation in leadership of both women and Black and ethnic minority colleagues by the end of 2022
- Joining the Race to Zero and putting in place the practical steps needed to reduce emissions across the business
- Supporting our customers to go green with a new electric vehicle offer from our Direct Line brand

Transforming our business for the better would not be possible without the brilliant people that make Direct Line Group what it is. I've seen how colleagues have cared for one another as lockdown restrictions came back in, and this generosity of spirit was reflected again in their support for numerous charitable causes as we continued our much-loved Community Fund.

I believe our progress this year demonstrates we are meeting our purpose of helping people carry on with their lives, giving them peace of mind now and in the future.

Penny James
Chief Executive Officer

“As you start to implement solutions you build momentum.”



2021 highlights



Identifying vulnerability

Over 1,500 staff completed new training to support vulnerable customers.

Mileage Refunds

Offered money back to people who drove less than predicted because of the pandemic.

Plain Numbers

Contributed to the Plain Numbers trial aimed at making financial communications easier to understand.



Delivering for our customers

Supporting great people to flourish

Encouraging social mobility

Launched our Opportunity Action Plan setting out what we can do to improve social mobility.

Introducing flexibility

Moved to a mixed model of working offering our people the right balance of home and office working for them and their team.

55% women

A majority of our Executive Committee are now women.

Active in our communities

£1.5m donated

£1.5m has been distributed to charitable causes via our Community Fund.

Helping kids learn

Donated laptops and tablets for vulnerable school children in refuges throughout the UK with our KidsOut partnership.

Greater charity impact

Began refocusing our Community Fund to achieve greatest possible impact on social mobility and inclusion in 2022.



Working for a greener future

Race To Zero

Joined the Race To Zero campaign, committing to set targets to achieve net zero emissions by 2050 at the latest.

Making electric easy

Launched our first electric vehicle bundle for new Direct Line customers including cover for batteries, cables and home charger installation.

Suppliers

Initiated a Supply Chain Sustainability programme with our suppliers to make disclosures, reduce their emissions and sign up to targets.

Our Approach

In 2021 we continued to embed sustainability initiatives with greater confidence across our five-pillar strategy. Our confidence comes from a clear view of what priorities matter and what action can transform our business for the better as we aim to build an insurance company of the future.



Sustainability pillars

Customers	People	Society	Planet	Governance
<p>Earn our customers' trust by demonstrating how we are acting in their interests.</p>	<p>Encourage a culture that celebrates difference and empowers people so that they can thrive.</p>	<p>Use our expertise to improve outcomes for society and the communities we serve.</p>	<p>Protect our business from the impact of climate change and give back more to the planet than we take out.</p>	<p>Look to the long term for our stakeholders, build a reputation for high standards of business conduct and a sustainable business.</p>
<p>Our customers are at the heart of everything we do. Our reputation for excellent customer service contributes to winning new business, and delivering on that customer service year on year is why we have high rates of customer retention. Ensuring we continue to see the high levels of customer satisfaction in the interactions they have with us is critical to our future success.</p>	<p>Our business depends on having the best people delivering the best service for customers. Our increasingly diverse workforce gives us insights and perspectives that allow us to understand and serve our diverse customer base. Having a reputation for excellence as an employer, that is matched by the experience of working at Direct Line Group (DLG), allows us to attract, recruit and retain the people we need.</p>	<p>As a business we benefit from strong local communities where people and businesses flourish. Our stakeholders want us to make a positive contribution to the society around us. Our vision is to be a force for good; the ways in which we deliver on this area include the tax contribution we make, the charitable donations we give, the volunteering we undertake and the campaigns and policy debates to which we lend our expertise.</p>	<p>Tackling climate change is important because we manage insurance risks presented by weather-related events, such as flooding and storm damage. Reducing our own carbon emissions provides credibility with investors, regulators and governments. As the UK economy transitions to a Net Zero future we need to ensure our products meet customer needs helping to make it easier for them to go green.</p>	<p>Being able to demonstrate exemplary governance is of increasing importance in attracting both customers and investors. In the future, maintaining our reputation for high standards of business conduct, meeting our legal obligations and behaving ethically will be essential to doing business successfully.</p>

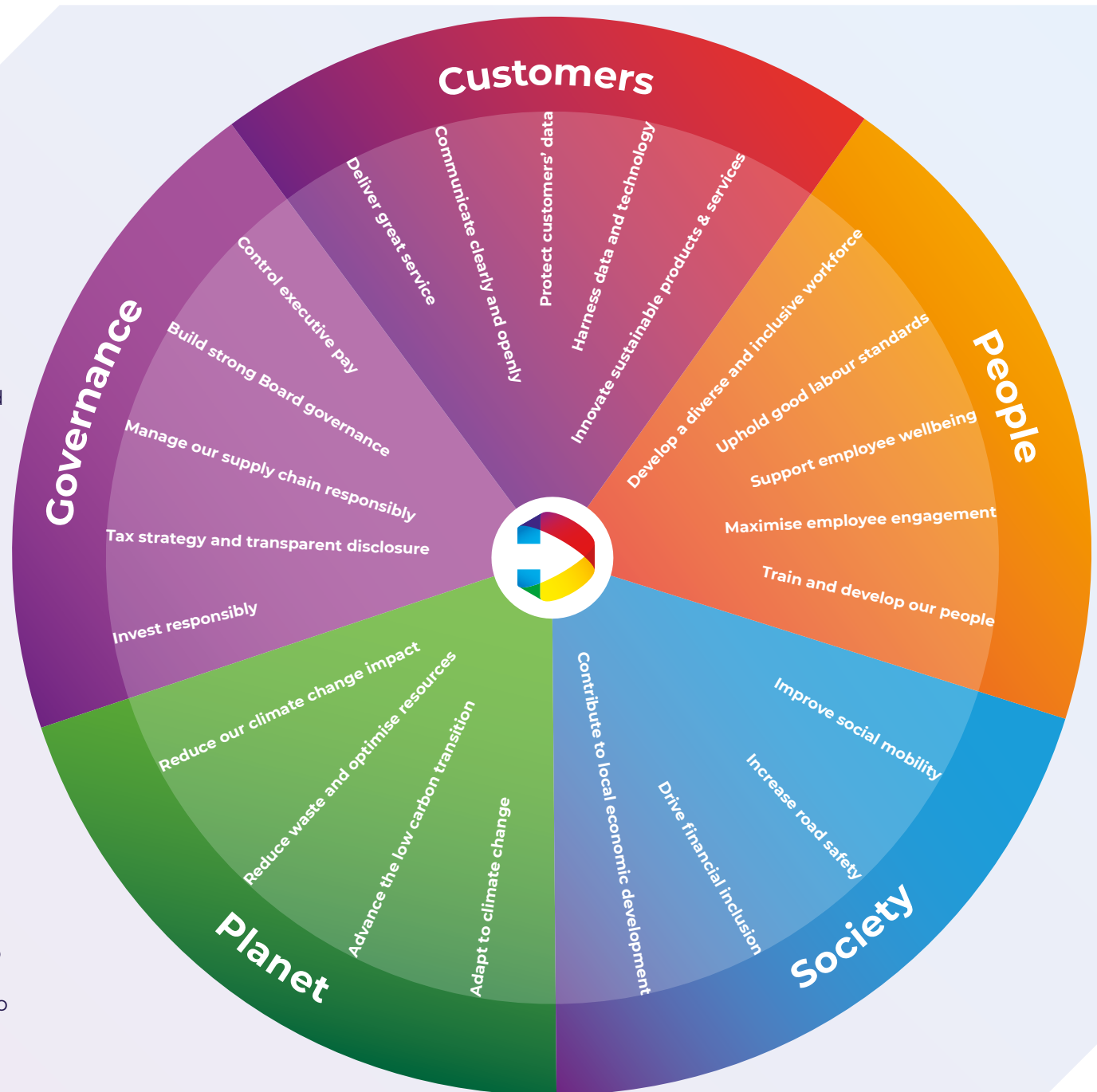
Maximising our impact for all our stakeholders

When we created our sustainability strategy two years ago, our work was informed by an analysis of the issues impacting our business and a survey of opinion amongst our stakeholders as to the relative importance of each of those issues. The stakeholders included customers, suppliers, investors, commercial partners, non-governmental organisations and policymakers that the business interacts with.

The findings of that analysis continue to guide our work, set against our five-pillar sustainability strategy and inform many of the Group's external partnerships. Alongside our aim to have high standards of governance, we have prioritised:

1. Meeting customer needs each and every day
2. Investing in and supporting our great people
3. Realising the potential of data and technology
4. Understanding and managing the impact of climate change

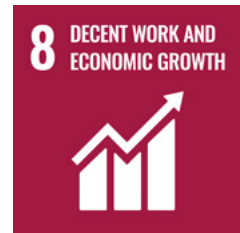
Our sustainability strategy is always evolving to meet future challenges and we are committed to enhancing our approach so that we take into account the needs of the business and the expectations of external stakeholders.



Contributing to the UN Sustainable Development Goals

The United Nations created a number of Sustainable Development Goals (“SDGs”) in 2015 focused on achieving a better and more sustainable future for all. The goals address numerous global issues such as fighting inequality, helping to end poverty and tackling climate change. Aligned with our sustainability pillars, we contribute to several of the SDGs through our work across the Group.

Customers



People



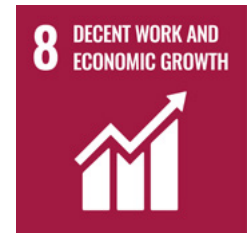
Society



Planet



Governance





Customers

Earn our customers' trust by demonstrating how we are acting in their interests.

Customers

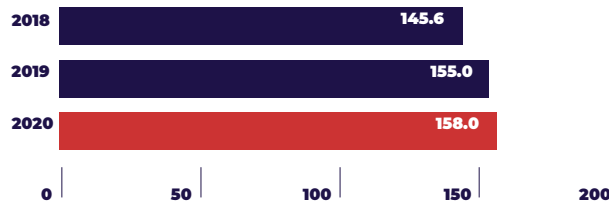
As one of the UK's leading insurers, we provide general insurance products to millions of customers through a number of our own well-known brands, including Direct Line, Churchill, Privilege and Green Flag.

Our aim has always been to understand customer expectations, anticipate future trends and deliver exceptional service, underpinned by a quality claims service because this is how we hope to earn trust and customer loyalty. It is one part of how we are striving to make a sustainable business.

Net Promoter Score

We are proud that our net promoter scores demonstrate a willingness of customers to recommend our Direct Line brand year on year.

Net Promoter Score – Direct Line brand



Our brands



> Read more on how our brands support our customers on page 12

Customer pillars



Expectations

Manage and exceed my expectations



Ease

Make it as effortless as possible for me



Personalisation

Treat me like a real person and not like a process



Fix-it

Identify the issue, own it and fix it



Trust

Earn my trust



Empathy

Understand me and work hard to build a relationship

Customers *continued*

Mileage refunds

From the start of the pandemic we have been clear we wanted to do right by our customers. So we've taken a number of steps in response to the changes we have seen in driving behaviour.

During the first lockdown in 2020 we offered refunds to all motor customers, recognising significantly reduced driving levels due to the restrictions. In 2021 we did the same again.

Mileage MoneyBack: Our Direct Line customers continue to benefit from our Mileage MoneyBack offer where our customers can get money back if they drive less than the expected mileage they registered when taking out the policy.*



For our other motor brands, Churchill, Privilege and Darwin, customers have been offered refunds which could either be paid to them or donated to charity. Our customers were outstandingly generous and their combined donations led to significant sums being donated to Mind, NSPCC and Sepsis Trust.

£411k

NSPCC

£381k

Mind

£167k

SEPSIS TRUST

* At the end of your policy year – once you receive your renewal invite – you'll need to submit a new mileage reading. We'll then work out how many miles you've driven and compare this to the estimated annual mileage on your policy. For every 1,000 miles under your annual estimate, you'll get 2% of the cost of your insurance (excluding optional extras or interest charged on monthly payments), up to a maximum of 20%.

Building a quality claims experience

In a normal year, we handle around 1 million claims, fix approximately 200,000 cars and pay out claims totalling in the region of £1.8 billion.

To make claiming easier we are increasingly digitising the customer journey, providing peace of mind when our customers need it most:

- **90%** of Motor and Home claims can now be registered online
- **Almost halved the time to settle** total loss claims in our motor business by developing our own in-house damage evaluation tool, that identifies how best to support customers by either fixing their vehicle or providing a cash settlement
- **Whole process online** for simple Home claims so customers can complete their claim without needing to call us if they don't want to

Supporting customers

CONNECT training

We have an established training programme called CONNECT to help our consultants respond with empathy to differing customer needs, while also taking responsibility and accountability. This is particularly important for customers who may be experiencing issues such as illness, bereavement or vulnerability. Based on the CONNECT training, those of our people who successfully demonstrate high levels of customer service receive a certificate of accreditation from the Institute of Customer Service. Since April over 1,500 of our customer-facing and support staff have received new additional training to recognise, engage and support our vulnerable customers.



Bereavement team

We are proud of our established team of consultants who are skilled in dealing with queries when someone loses a loved one because we know that managing financial matters can be the last thing on people's minds following a death. All queries are dealt with sensitively and in one place, to provide peace of mind at a difficult time for customers.

Recognising differing customer needs

We know some customers find it difficult, upsetting or simply time consuming to disclose their vulnerability each time they are in contact with us. That's why we ask them if they are happy to have details of how best we can support them recorded on our system. If they agree we update their record with a heart so colleagues dealing with that individual in the future know to read the details of the specific case and support that may be required. If someone says they do not want it recorded on their file, we don't.

Green Flag

In our Green Flag business we offer roadside rescue and recovery services, recognising that some customers require assurance that we are on the way. Our customer facing teams therefore actively prioritise customers who might need immediate support, such as lone or vulnerable travellers on the roadside at night or families with young children.

“Since April over 1,500 of our customer-facing and support staff have received new additional training to recognise, engage and support our vulnerable customers.”

Customers *continued*

Communicating clearly with customers



Poor numeracy affects approximately half of working age adults in the UK, according to the 2011 Skills for Life Survey.

In line with our company behaviour to 'Encourage simplicity', this year we collaborated with Plain Numbers, an organisation which aims to change the way numbers are presented to improve comprehension, particularly for vulnerable customers.

In the Plain Numbers trial alongside the Bank of England and other leading companies, we used the Plain Numbers approach to reduce technical language, define complex terms more simply, and place numbers that were less important further down a page to avoid confusion.

The trial showed that using the Plain Numbers approach doubled the number of people who could understand individual communications.

We are now looking at how we can use these lessons to make our communications with customers easier to understand, so they can make more informed choices.



Preparing for pricing practices reform

In May 2021 the Financial Conduct Authority published its General Insurance Pricing Practices Final Policy Statement. We are supportive of the reforms, which aim to equalise customer prices whether they are renewing or looking for a new motor or home policy.

Not all insurance products are equal across the market, with varying levels of services offered, including at the point of making a claim when customers value peace of mind.

We work hard to earn and retain our customers' loyalty and give them a reason to stay with our brands. Measures we take include:

- Proactively reviewing customers' renewal prices when they reach their five-year anniversary with us, and as a result many of our customers have seen their premiums frozen or discounted
- Letting customers opt out of automatic renewal through our web chat service

- Investing in a major technology upgrade to make it easier for our customers to manage their protection, from the moment they think about buying a policy, managing their cover 24/7, all the way through to making a claim.

Following the FCA's final policy statement we have worked to implement the reforms, successfully meeting the product governance rules in October, and are now looking ahead to January 2022 when the new pricing rules come in.



People

Encourage a culture that celebrates difference and empowers people so that they can thrive.

People

At Direct Line Group we believe that the best way to serve our customers is by having the best possible people. Our millions of customers have individual needs and we know that we will understand them better if our workforce reflects that diversity.

It's why we work hard to attract, develop and retain excellent people from a diverse range of backgrounds. We do this by offering rewarding and enjoyable careers, with the scope to learn new skills, contribute new ideas and work with great colleagues.

We look after our people and reward them for their hard work with a generous range of benefits.

Our Values



Do the right thing

Build sustainable outcomes not processes. Think commercially and choose the right path for our customers, our people and wider stakeholders.



Aim higher

Be ambitious to achieve even better results. Have confidence, innovate and try new things. Embrace change to deliver for each other, our customers and our shareholders.



Take ownership

Own our success by getting things done. Take the initiative and be accountable. Be curious and own your development and performance.



Say it like it is

Challenge drives progress. Your input matters so have the courage to say what you think and the patience to listen to others. Keep it simple and customer focused.



Work together

Nobody has all the answers. Collaborate and draw upon the diverse skills across our business. Trust each other and focus on customer outcomes to beat our competitors.



Bring all of yourself to work

Diversity delivers better outcomes. Be the real you and celebrate difference. Respect others, have fun and make this a great place to be.

A diverse workforce

This year the diversity of our Executive Committee has been transformed; its composition, once announced departures have taken place, will be six women and five men. Two of our ExCo are now from a minority ethnic background. We're also proud to be one of the few companies with a female CEO and a female Board chair. You can't be what you can't see, so we hope our diverse leadership team will inspire more colleagues to aspire to the top roles.

But we know that inspiration is not enough which is why we are offering our people the practical support they need to succeed and removing barriers to their success. We have introduced new recruitment principles for senior roles, including anonymised CVs, a stronger focus on diverse shortlists and panel-based assessment to help protect against bias.



The 5% Club



For those at the start of their career journey this year, we joined the 5% Club targeting that, within five years, 5% of our workforce will be apprentices, graduates and sponsored students.

The Inclusive Top 50 UK Employers List



This year Direct Line Group was proud to be listed 13th on the Inclusive Companies Top 50 UK Employers List which recognises those companies that promote inclusion throughout each level of employment within their organisation.

Bring your whole self to work

At DLG we know you will never be an inclusive and diverse workforce if people don't feel free to be themselves. That's why "bring your whole self to work" is one of our core values. To bring this to life we have a thriving Diversity Network Alliance (DNA), run by our people, with communities of colleagues that champion diversity and inclusion within our business.

This year each strand has delivered an extensive programme of activity to build greater empathy and understanding around the things that matter to the communities they represent.

This has included people stories, vodcasts, panel discussions and external speakers, which have helped to raise awareness of issues and drive more open conversations.



BAME



Neurodiversity and Disability



Belief



Social Mobility



LGBT+



Thrive (gender)



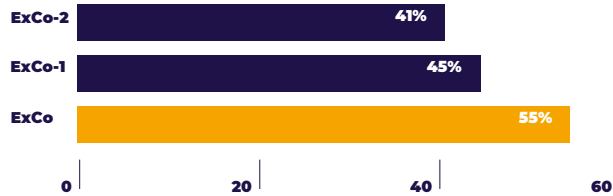
Life (working families and carers)

Gender

Our long-term focus on investing in women means we have significantly strengthened representation at the most senior levels of our business.

At the year end once current changes have come through, we estimate women will make up:

ExCo women representation (%)



Gender pay gap

Last year DLG’s gender pay gap widened by less than one percent, returning to levels similar to 2018. Although narrower than others in the finance industry, we want to see the gap close further, which is why we are taking concerted action now to impact the medium to long term.

Pay gap

	Mean	Median
2020	17.2%	15.4%
2019	16.3%	13.7%
2018	17.1%	15.4%

Women in Finance

Having achieved our Women in Finance target for 30% of senior leadership roles held by women back in 2019, we chose to push ourselves further by committing to reaching 35% by the end of 2022. At year end when current changes have come through we expect the figure will be 32.5%.

**Achieved
30%
Women in
Finance
target**

**At year end,
we expect the
figure will be
32.5%**

**Committed
to reaching
35%**



Ethnicity



Black Inclusion Report – “Building a diverse business: improving Black inclusion”

To hold ourselves to account internally in October, to coincide with Black History Month, we produced a specific report detailing the steps DLG has taken across 2020/21 towards improving black inclusion.



Ethnicity pay gap

This year we announced that from 2022 we will voluntarily publish our ethnicity pay gap, that is, sharing the differences in the average earnings of our ethnic minority colleagues in comparison to their white colleagues.

Progress on delivering our targets

Across 2021 we have continued to focus on delivering the targets we set ourselves in 2020 to increase ethnic minority and Black representation in leadership by the end of 2022.

Growing ethnic minority representation from 10% to 13% – increasing roles at this level by around a third.

At year end when current changes have come through, we expect representation of ethnic minority colleagues in leadership roles will have risen to 12%.

Growing Black representation from 0.5% to 1.5% – quadrupling roles at this level.

At year end when current changes have come through, we expect representation will have increased to 0.9% of black colleagues in leadership roles.

We have signed up to:

BITC Race at Work Charter

Business in the Community’s Race at Work Charter commits us to act and take positive action towards supporting ethnic minority representation and inclusion.

If Not Now, When?

The If Not Now, When? campaign for Black inclusion within business calls for organisations to commit to sustainable and long-term actions on Black inclusion in the workplace.

10,000 Black Interns

The 10,000 Black Interns programme aims to transform the prospects of young Black people across the UK through paid internships across a range of industries. We will be welcoming our first interns in summer 2022.



Looking after our people

Mixed model working

During the pandemic, DLG moved quickly to having over 9,000 of its staff working from home. Over the following 18 months we learnt that we can serve our customers effectively and deliver big transformation projects while giving our people the flexibility they've told us they want. Therefore we have chosen to move to a mixed model that combines remote working with using our offices in a different way, trusting our people to get the job done wherever they are working from. From September our people have been able to come into the office for collaboration, training and team building and continue to log on from home to do computer and phone work. We believe this offers our people the best of both worlds and it helps to maintain the culture our people enjoy.

'Making Flexible Work' Charter

This year we signed up to the Association of British Insurers 'Making Flexible Work' Charter because we know one size does not fit all. We are actively looking at how we can build on the flexible options we already offer.

Employee Representative Body (ERB)

Our ERB meets regularly, has an engaged membership and is much valued by our people. It brings colleagues together from across the business to discuss and input into proposals and initiatives that may affect our future and impact our people. It also offers the opportunity for individuals, via their ERB reps, to feed in their views and suggestions.

Mental health

We strongly encourage our people to be open about how they feel and that's never been more important than during the pandemic with all the additional pressures and concerns that have arisen. We have a cohort of colleagues who are trained as mental health first aiders that people can reach out to, as well as a confidential external service that they can call for help, support and advice.



Rewarding our people



Our people work hard on behalf of our customers so it's only right they should receive proper financial reward for their contribution. In 2021, salary increases were awarded of between 1.5% to 2% and, in addition, a £400 one-off "thank you" bonus was given in April 2021 to everyone who is not usually eligible for a bonus.

In April 2021 all eligible colleagues received £350 of free shares making this our sixth award of free shares since 2012. These shares are now worth £2,221 or £3,134 inclusive of dividends received.*

* based on the Q3 average share price of £3.01'

Pensions

We want to support our people to save for their retirement. That's why all our people are offered an additional 9% on top of their salary a year to go into their pension.

Ensuring a meaningful wage for our colleagues

We strive to ensure that our colleagues are rewarded for the contribution they make to our success. While we seek to ensure the pay proposition is good for all our people we have a focus on ensuring our lowest-paid roles receive a meaningful pay level. We do this through our own DLG minimum salary which was introduced in 2018 and is currently £19,500 for a 37.5-hour contract (pro-rata for other contract types). This is 11% above the Government's statutory National Living Wage (April 2021 figure for those aged 23 or over), and 5% above the Living Wage Foundations Real Living Wage (November 2020 figure for roles outside London). As we approach our annual pay review we are giving further consideration to our pay proposition for 2022.

“We strive to ensure that our colleagues are rewarded for the contribution they make to our success.”



Society

Use our expertise to improve outcomes for society and the communities we serve.

Social Mobility Action Plan

We know that being a force for good means more than just providing great customer service. Our stakeholders expect us to make a positive contribution to the society around us and we do this in many ways, whether it is the causes our Community Fund supports, the campaigns we run on issues like social mobility, or the tax contribution we make.

As a business we aim to have a wider impact on the communities we serve and society as a whole. This has been particularly important in 2021, as many people continued to live with the impact of Covid-19. In response, colleagues across the business have found new ways to support families and individuals via our Community Fund driven by our Diversity Network Alliance (DNA) and Community and Social Committees (CASCs).

This year we have made further progress on our social mobility journey and in driving inclusion for left-behind groups, providing chances for young people still at school to broaden their understanding of the opportunities available within financial services, offering more apprenticeships as a route in, and helping our Social Mobility Employee Network to provide support, broaden understanding and advocate for change.

Getting In, Getting On, Getting Ahead

In partnership with the Social Mobility Pledge, we launched our Opportunity Action Plan setting out a series of recommendations the Group can implement to strengthen our contribution to addressing social mobility within the UK. Recommendations included:

- Targeting efforts towards areas around the Group's sites with the widest inequalities and maximising remote working opportunities
- Utilising our Community Fund to prioritise social mobility causes in partnership with charities and organisations that aim to make positive change
- Monitoring and tracking employee data to understand potential barriers for colleagues and gain better insight into how people are progressing to senior positions within the company
- Evaluating over time how the Group's actions can be measured to quantify impact



Read more about our Opportunity Action plan at www.directlinegroup.co.uk/Opportunity_Action_Plan

Targeting social mobility cold spots

Coming out of the pandemic we want to harness the benefits of remote working, because we recognise we can offer opportunities in areas of the country where we have traditionally been unable to recruit. At the start of the year we piloted a remote customer service apprentice scheme, targeting social mobility cold spots in Derby, Mansfield, Hastings and Crawley where we relaxed traditional recruitment criteria so that we assessed candidates less on professional experience and with a greater focus on panel-based assessment.

Social mobility insight days

Building on the success of last year, we held two insight days in 2021 in conjunction with the Social Mobility Business Partnership and the Social Mobility Foundation for bright students from less-advantaged backgrounds, to break down barriers around careers in insurance and to develop their skills. We've also partnered with Teach First and Envision to support training and provide mentoring through colleagues across our business.

Community Fund 2021

Our Community Fund has gone from strength to strength in 2021. We continued to work with a number of the charities where we had pre-existing relationships and forged new partnerships by addressing three priority areas:

1. Marginalised Groups and Loneliness

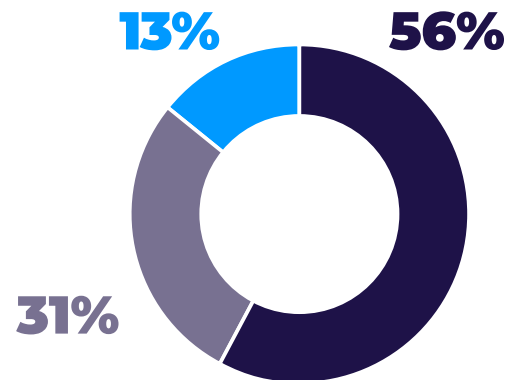
2. Mental Health and Wellbeing

3. Food Poverty

Among the charities and organisations we have donated to are:



£1.5m
given out in 2021



£225k
donated for laptops and tablets

£120k
for emergency funding and equipment supplies in UK hospices

Community Fund 2022

We are incredibly proud of what the Community Fund has managed to achieve over the last two years. It has been a huge success, both in what the funding has enabled charities and other organisations to deliver, but also in empowering colleagues to be at the heart of decision-making.

Looking to 2022, we want to capitalise on these building blocks and re-focus the Community Fund so we use the expertise of our people to play their part in building a more inclusive and equitable Britain.

Active in our communities

Kids Out

We delivered over 300 laptops and tablets for 100 refuges throughout the UK. The funding supports vulnerable schoolchildren, many who have fled domestic violence and who on average spend at least three to four months in refuge accommodation where over 50% of children do not attend school for fear of meeting their abuser. Colleagues also dedicated their time to call refuges and identify what individual sites' needs were so they could receive the right equipment.

Sepsis Trust

We helped raise awareness of the condition sepsis through our customer newsletter which reached over 2 million people. Amazingly, one of our customers recognised the signs in her partner after reading the newsletter and he managed to receive lifesaving treatment as a result of our partnership.

NSPCC

Through our Mileage MoneyBack scheme, we offered customers during the pandemic the opportunity to donate their mileage refund to a number of charities including NSPCC. Our customers over the last year gave £411,265 to NSPCC, helping to keep children safe across the country.

DNA strands

We empowered our DNA network to choose several charity partners to support, helping us to bring to life the 'personal and inclusive' element of our vision. In total, £100k in total was distributed to a number of organisations.

> [Read more about our DNA Strands on page 16](#)

Sprintathon

We continued to support Stand up to Cancer with colleagues completing as many 100m legs of a 400m track as possible within an hour. In total, we raised over £125k to help accelerate life saving research and cancer treatments.

Delivered over 300 laptops and tablets for 100 refuges throughout the UK

Reached over 2 million people with our Sepsis savvy newsletter

Raised over £125k for Stand up to Cancer



Making positive impact

Green Flag community deliveries

From March 2021 with the support of Business in the Community, our Green Flag recovery drivers helped to deliver food parcels, laptops and other essential items to families, children, and local councils across the country.

Mind

Building on the great work of our partnership from last year, we continued to train mental health first aiders and break down barriers so that colleagues feel empowered to discuss mental health issues. We additionally delivered pro-bono support to support Mind's operations and ran a graduate fundraising initiative.

Community and Social Committees (CASCs)

Our employee led CASCs, which involves colleagues across all of our sites to coordinate local volunteering, charitable giving and community activities delivered over £100k in funding for IT equipment to schools during the height of lockdown, when families were home-schooling.



Planet

Protect our business from the impact of climate change and give back more to the planet than we take out.

Taking action to deliver a greener future

A race to find solutions

1. Disclose to track progress

2. Commit to tangible actions

3. Offset while we reduce

We view the climate emergency as a race to find solutions. Across the business we are focused on climate risk mitigation and playing our part in accelerating the transition to a low carbon future. There are three steps to our plan.

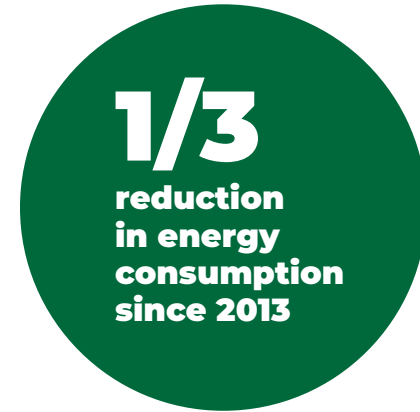
Disclose to track progress

We have done a lot of work to understand where the most carbon intensive areas of our business are because only by understanding and reporting our carbon footprint can we find solutions.

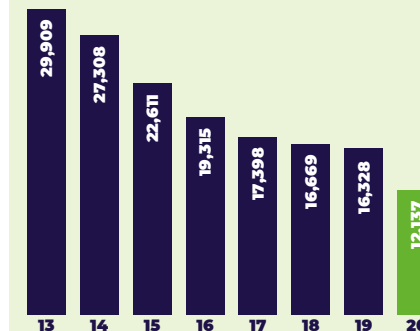
Our track record is good, we have:

- Reduced our energy consumption by a third since 2013.
- Procured 100% renewable electricity for our operations since 2014.
- Diverted 100% of our office waste from landfill.

We now want to go further, which is why we report our office, accident repair centre and supply chain emissions to guide our carbon reduction strategy.



Greenhouse gas emissions (tCO₂e)



Energy consumption (kWh)

	2020
Electricity	16,669,842
Gas	21,699,765
Total	38,369,607

Taking action to deliver a greener future *continued*

Commit to tangible actions

Target setting

We have committed to set Science-Based Targets for Scope 1, 2 and 3 emissions via the Science Based Targets initiative (SBTi) and this year joined the Race to Zero because we recognise our role in taking a leadership position as we reduce emissions. It means we will set targets in line with a 1.5°C emissions scenario where we are aiming to achieve net zero emissions by 2050 at the latest.

As we work to set targets, the most carbon intensive areas of our business – our accident repair centres, supply chain and investments – are already starting to put in place plans.

Establishing Strategic Management Actions

Alongside target setting we have also established the following Strategic Management Actions which business areas are now prioritising:

- **Electric vehicles** – improving our capability and understanding to support the transition to EVs.
- **Supply chain** – implementing a Supply Chain Sustainability Programme to engage and influence suppliers.
- **Flood resilience** – influencing policy makers on the importance of flood defences and shaping thinking around resilient repairs.
- **Underwriting footprint** – evaluating the impact of climate change on our underwriting footprint so that we can manage risks to our business and help inform strategic decision-making.

1. **Disclose to track progress**

2. **Commit to tangible actions**

3. **Offset while we reduce**

Our approach in action

All of our rescue recovery trucks at our Birmingham Auto Services site are now running off hydrogenated vegetable oil (HVO). This test and learn project is aiming to reduce our well-to-wheel carbon emissions from diesel by more than 80%. If successful we plan to roll out this alternative fuel across other Auto Services sites.

> Read more about DLG Auto Services on page 30



Taking action to deliver a greener future *continued*

Offset while we reduce

While we enhance our emission reduction strategy and set Science-Based Targets, we committed to becoming a carbon neutral business by offsetting in 2020. Between November 2020 to November 2023, our plan is to offset those emissions we can't yet avoid through projects that cut carbon emissions whilst also delivering tangible benefits to local communities and environments in three countries.*

* By offsetting Scope 1 and 2 emissions as well as the elements of our scope 3 emissions under our direct control.

1. **Disclose to track progress**

2. **Commit to tangible actions**

3. **Offset while we reduce**

Our offsetting projects



Water filters, Kenya

Our funding is supporting the distribution of safe water filters for families. As well as delivering health impacts, the project also reduces the need for people to boil water to make it safe to drink, which requires the burning of unsustainable energy sources such as wood or charcoal. This reduced reliance on fuel reduces family expenditure and reduces pressure on forests, as well as cutting carbon emissions.



Clean cookstoves, Bangladesh

Less than 20% of Bangladeshi households have access to clean cooking, instead using traditional "three-stone" fires, contributing to approximately 49,000 premature deaths a year. Our funding is supporting entrepreneurs to produce, manufacture and distribute the "bondhu chula", a clean cookstove designed for an efficient burn to reduce fuel use.



Rainforest protection, Brazil

Our funding is supporting efforts to prevent unplanned deforestation across 350,000 hectares of the Portel micro region, through training and educating local communities in alternative agroforestry methods. By opening up new economic opportunities, the project is reducing slash and burn agriculture, which has been one of the largest contributors to deforestation. The project is also providing access to official land titles for native families and is protecting more than 30 vulnerable species.

Planet *continued*

Group emissions

We believe transparency can guide the business in making targeted interventions as part of our carbon reduction strategy. Our 2020 progress against our new 2019 baseline represents our most transparent emissions reporting to date, highlighting the impact of Covid on our operations, such as increased home working and fewer insurance claims, that influenced our supply chain emissions. We continue to break out our Scope 1 and Scope 2 emissions into separate performance figures across our office sites and accident repair centres and disclosed a Scope 3 footprint, with greater clarity of the activities under our direct control, as well as our supply chain emissions. Emission results reported below are all related to UK operations.

Definitions

Scope 1: This covers direct emissions we contribute to the atmosphere. For example, our office sites throughout the U.K. using gas boilers, the paint booths in our Auto Services sites currently relying on gas powered processes and our fleet vehicles.

Scope 2: These are indirect emissions. They are emissions associated with the production and transmission of energy we eventually use as a company across our office and Auto Services sites. For example, the production of the electricity we buy to heat and cool our buildings generates emissions which we are accountable for.

Scope 3: These are indirect emissions that occur in the value chain to support our company operations. For example, employee commuting, activities related to the disposal of waste and the goods and services we purchase to fulfil customer claims as part of our supply chain. It will also include our investment portfolio which we are currently evaluating as we work to set Science-Based targets.

Scope 1	2020	2019 baseline		
Office sites	1,432	1,881		
Auto services	6,819	7,838		
Total (tCO₂e)	8,251	9,719		
Scope 2	2020	2019 baseline		
	Location-Based¹	Market-Based¹	Location-Based ¹	Market-Based ¹
Office sites	2,176	0	4,516	0
Auto services	1,710	0	2,093	0
Total (tCO₂e)	3,886		6,609	
Total Scope 1&2 (tCO₂e)	12,137		16,328	
Of which: office sites (tCO ₂ e)	3,608		6,397	
Of which: auto services (tCO ₂ e)	8,529		9,931	
Scope 3 emissions under our direct control	2020	2019 baseline		
Fuel and energy related activities	2,332	2,465		
Waste generated in operations	413	1,245		
Business travel – air travel	198	928		
Business travel – hotel night stays	75	469		
Business travel – rail	63	410		
Employee commuting ²	1,450	4,599		
Upstream leased assets ³	63	193		
Upstream transportation and distribution of auctioned vehicles	625	912		
Total (tCO₂e)	5,219	11,221		
Total emissions under our direct control (tCO₂e)⁴	17,356	27,549		
Scope 3 – supply chain	2020	2019 baseline		
Total procured goods and services (tCO₂e)⁵	144,114	249,929		
Direct Line Group carbon footprint (operational control)	2020	2019 baseline		
Total (tCO₂e)	161,470	277,478		
Of which: under our direct control ⁴	17,356	27,549		

Notes:

- Figures for Scope 2 use standard location-based methodology. We follow GHG Protocol to disclose both location and market-based figures; and as we have secured our energy from 100% renewable sources since 2014, our Scope 2 market-based results are nil.
- Employee commuting is based on UK national averages, not actual individual methods of transport of Direct Line Group employees commuting. This data is not currently tracked.
- Upstream leased assets refer to leased office space locations where Direct Line Group does not directly control the energy provision as it is included in the service agreement.
- Total of Scope 1&2 emissions and Scope 3 emissions under our direct control.
- In accordance with the GHG Protocol under which we report, the following are excluded from the total:
 - operational control activities already detailed under 'Scope 3 emissions under our direct control';
 - cash payments to customers or other insurance companies / legal firms as compensation;
 - intragroup transfers between our operating companies for financial accounting purposes as the actual purchase of goods and services to our third party suppliers is already captured; and
 - reinsurance costs to third party reinsurers as this is a financing transaction.

DLG Auto Services

Direct Line Group writes 4 million in-force motor insurance policies, and customers are supported by 22 Auto Services repair centres throughout the UK. We have one of the largest insurer-owned body shop businesses in the UK, and operate a partnership network with other body shop suppliers around the country.

As a major UK motor insurer we believe our 'green' USP should be to insure and fix electric vehicles, while aiming to do this in the most energy efficient repair network in the UK.



Our Auto Services are fundamental to our claims and supply chain operation, but we also recognise they are one of the most carbon intensive areas of the business. We are exploring a range of solutions to embed our environmental goals as part of our emissions reduction strategy:



Moving away from reliance on gas powered repair processes

Paint booths that currently rely on gas could be switched to electricity derived from renewable sources. We will trial this in our Birmingham site.

Taking advantage of innovative products

Working collaboratively with commercial partnerships can realise environmental benefits. For instance, new paint technologies might reduce or remove the need to cure paint used on vehicles, thereby reducing energy consumption.



Using alternative fuels

Testing the viability of alternative fuels, such as hydrogenated vegetable oil (HVO), to power recovery trucks which play an important part in servicing customer motor claims.

Energy efficient lighting

Introducing LED lighting is more energy efficient and is preferred by our technicians who can see jobs more clearly. Our Weybridge site is enabling energy savings of up to 60% and a reduction in maintenance costs over a projected lifespan of up to 10-20 years.



Green parts

Offering customers the option of 'green' parts could reduce the need for new replacement parts. It could also provide confidence about what can be recycled from salvage operations if motorists select this option when fitting parts to their vehicle.

Working with our supply chain

Our influence can extend far beyond our direct operations. We want to understand where the emissions sit in our supply chain and recognise the importance of publishing them to assist transparency and accountability.

We are using our established relationships and purchasing capabilities through procurement to mitigate our risks by seeking to reduce the emissions in our supply chain. The Group's Ethical Code already sets out our expectations of suppliers that they should support a precautionary approach to environmental challenges, promote greater environmental responsibility and encourage the development of environmentally friendly technologies.

We are now going one step further by launching our **Supply Chain Sustainability Programme** outlining our plan for the next ten years. We recognise this will be a gradual process but by acting now we can work with suppliers by signalling our expectations so that we can make the transition to a pathway consistent with a 1.5 degrees emissions scenario.

Supply Chain Sustainability Programme

Our approach means:

- **Engaging** our largest emitting suppliers to encourage them to sign up to SBTi targets or an equivalent.
- **Requesting** information on what efforts firms have made to measure their carbon footprint across scopes 1, 2 and 3 and their plans to reduce emissions, including targets.
- **Changing** our sourcing approach on appropriate contracts by introducing a sustainability rating that will increase over the next ten years, which could exclude prospective suppliers if they have no plans to reduce emissions.

Our investments

We will include our investment portfolio as part of our commitment to set Science-Based Targets. We are evaluating our Investment portfolio but have already set the following targets to guide our approach:

- 100% of our portfolio will be net carbon neutral by 2050
- Corporate bond portfolios are to have a 50% reduction in weighted average greenhouse gas emission intensity by 2030
- A preference for companies with carbon reduction targets approved by the Science Based Targets initiative
- A preference for companies with at least a 2°C carbon performance alignment with the Transition Pathway Initiative
- The exclusion of any companies with a carbon transition score indicating assets could be economically stranded
- The exclusion of any mining companies that generate >5% of revenues from thermal coal production and electricity generators that derive >5% of revenues from thermal coal power generation (unless, in either case, the company has an approved Science Based Targets initiative plan)
- The exclusion of any companies that are developing new thermal coal mines or coal burning power plants
- Ensuring all of our investment-grade corporate bond portfolios maintain an average MSCI ESG rating of 'A'

In setting Science-Based Targets, we recognise that some of the existing investment portfolio targets may need to be amended, or new targets added, in order to meet the criteria set.

Planet *continued*

Making electric easy

Our Direct Line brand is working to make electric easy for our motor insurance customers, that's why we are offering all new business customers access to a bundle of electric vehicle essentials as well as insurance that covers batteries and charging cables. The bundle includes discounted access to public and community charging, home charger installation, help with grants, and discounted parking for electric vehicles. Our customers also benefit from our repair expertise via our network of body shops.



One bundle per Direct Line motor policy, available to new customers only who buy between 28/10/2021 and 31/10/2022. Free bundle provided by Zoom EV for 12 months from activation and validation of Zoom EV account.

Giving back to the planet

This year we became a supporter of the Get Nature Positive campaign where we will play our part, alongside other likeminded companies, to restore nature and biodiversity.

We also announced a partnership with the nature recovery charity Heal, providing a £3 million loan facility that can support the purchase of their initial two sites.





Governance

Look to the long term for our stakeholders, build a reputation for high standards of business conduct and a sustainable business.

Governance

Running a successful, sustainable business depends on high standards of governance.

Specialist Environmental, Social and Governance (ESG) analysts have noted our strong corporate governance performance and this has been reflected in the progress we have made this year. In 2021 we have continued to enhance our approach and are delighted that we managed to improve our MSCI rating from A to AA, placing the Group in MSCI's top 26% of global Property and Casualty insurers. We have maintained our 'low risk' rating with Sustainalytics and our position in first place in their Property and Casualty Insurance category for the third year in a row.

We remain focused on good sustainable governance underpinned by our Vision and Purpose and a clear commitment from the Board to align sustainability goals across the Group. The Board's Sustainability Committee continues to oversee work to uphold our strong culture, and to challenge the Group's progress in order to help us fulfil our sustainability strategy. As a result we believe colleagues are empowered to consider and implement sustainable solutions.

Board

Oversight of all matters relating to the five-pillar sustainability strategy

Board Committees

Audit Committee

Board Risk Committee

Investment Committee

Nomination and Governance Committee

Remuneration Committee

Sustainability Committee

2021 initiatives

Amongst the priorities we have focused on this year are:

- **Improved Board diversity**
- **Transparent disclosure**
- **Climate Executive Steering Group**
- **Investment portfolio**
- **Data privacy**
- **Sustainability within the supply chain**
- **Management training**

> For more information on our 2021 initiatives see page 35

Climate Executive Steering Group

Risk Management Committee

All of our Group policies and statements can be found at www.directlinegroup.co.uk

Our 2021 initiatives

Improved Board diversity

This year Adrian Joseph and Tracy Corrigan joined both the Board of Directors and the Sustainability Committee, contributing their collective expertise in the fields of data analytics, digital transformation and corporate strategy to our sustainable decision-making, as well as championing diversity and inclusion.

Transparent disclosure

We pride ourselves on transparency, recognising the value in providing data to help stakeholders understand our approach to ESG matters. This year we increased our engagement with ESG ratings agencies to improve the information we present to external audiences.

Climate Executive Steering Group

With an increased focus on climate-related activity, the Group established a Climate Executive Steering Group to oversee the Group's initiatives. Updates are given by the Chair of the Steering Group to the Sustainability Committee.

Investment portfolio

Our Investment Management team have implemented a number of changes and targets (designed to help mitigate climate change) into the corporate fixed income portfolios this year. The directly held investment property portfolio has targets to reduce carbon emissions, energy, water and waste, supported through related targets for increased tenant engagement and green lease clauses.

Data privacy

During the year, we have streamlined our processes to bring additional clarity to our already strong privacy control environment including specific monitoring of ethical considerations as part of our privacy impact assessments. Training was provided to all employees, with additional training rolled out for new joiners and apprentices working in customer-facing roles to embed the importance of data privacy from the outset.

Sustainability within the supply chain

This year, as we have been building our sustainability programme, we are engaging with our largest emitting suppliers to establish where they are in their Net Zero journey and encouraging them to work towards achieving our aims.

Management training

Building on our track record for providing training to all our people managers on mental health awareness, we have focused this year on equipping our managers with the tools to take a coaching approach to managing their teams, reinforcing the behaviours that underpin business agility. In addition, in light of our decision to adopt long-term, mixed model working, we've been preparing managers to help them and their teams adjust to this new paradigm.

Ongoing commitments

Workforce Disclosure Initiative

We have continued to participate in the Workforce Disclosure Initiative (WDI), which aims to improve corporate transparency and accountability on workforce issues by providing companies and investors with comprehensive and comparable data.

Modern Slavery Statement

Each year we review and publish our statement, with actions identified to ensure continuous improvement in how we identify, manage and mitigate Modern Slavery risks within our supply chain.

Prompt Payment Code

We are committed to maintaining the highest possible standards of integrity with suppliers and partners and we are a longstanding signatory of the Prompt Payment Code.

Code of Business Conduct

The Board remains committed to high standards for each and every employee in the Group and sets out its expectations of honest, professional and ethical conduct as well as maintaining effective procedures in our Code of Business Conduct.

Dealing with customers

We are committed to treating customers fairly, openly and honestly and operating an effective complaints process to deal with situations where these standards may be challenged.

Dealing with shareholders and other stakeholders

We shall seek to maximise shareholder value over time, recognising that wealth generated also benefits customers and employees as well as the communities within which we operate.

Dealing with employees

We maintain a working environment that attracts, motivates and retains employees and is intolerant of any type of discrimination, harassment or victimisation.

Dealing with suppliers of goods and services and business partnerships

We maintain the highest possible standards of integrity in business relationships with suppliers and partners by treating them honestly and with respect and avoiding compromising offers of gifts and hospitality.

Dealing with communities and the environment

We are committed to contributing to the social and economic wellbeing of those communities where we are an employer and encourage employees to participate in projects and initiatives to strengthen those communities.

Dealing with competitors

We are committed to ensuring we compete honestly and in accordance with the relevant Competition Law.

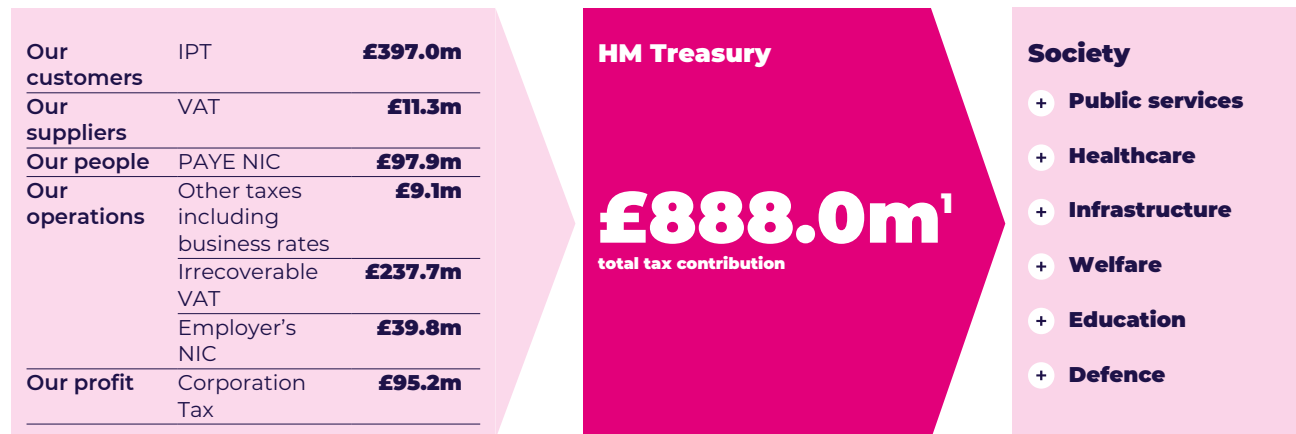
Dealing with regulators

We maintain a constructive and open relationship with our regulators to foster mutual trust, respect and understanding.

Our 2020 tax contribution

We have arrangements in place to ensure that we are compliant with all applicable tax laws and regulations and that we meet our responsibilities both as a contributor of corporate taxes and as a collector of taxes on behalf of HMRC. For 2020, our total tax contribution was £888.0 million which included the Group's direct and indirect taxation.

Note:
1. The Group's total tax contribution in 2020, including direct and indirect tax contributions.



External ratings, memberships and benchmarks

We support various initiatives aligned to our five-pillar sustainability strategy, including a range of external partnerships where we play an active role and also receive performance ratings.



The Carbon Disclosure Project is a globally recognised platform measuring reporting performance and this year the Group achieved a B- rating based on 2021 activity.



We were again ranked as an ESG leader out of all companies assessed in the Property and Casualty insurance sector and maintained our top decile position in the broader insurance industry group of 261 companies.



Our rating was upgraded from 'A' to 'AA' in 2021. We were recognised for our improvement in underwriting practices, our focus on climate change as an emerging risk and climate risk modelling, our efforts to integrate ESG principles into our investment decisions, as well as our talent management programmes, engagement surveys and colleague share incentive plans.



We were awarded the EcoVadis Gold medal for Sustainability Performance in 2021. The Group is in the top 10% of companies rated by EcoVadis in the Insurance, reinsurance and pension funding, except compulsory social security industry.



We support the Get Nature Positive campaign, focused on restoring nature and biodiversity. In line with this aim, we announced a partnership with the nature recovery charity Heal, providing a £3 million loan facility that can support the purchase of their initial two sites.



As part of HRH The Prince of Wales's Sustainable Markets Initiative, we signed up to the Terra Carta Charter, supporting a roadmap towards a sustainable future, harnessing the power of nature, innovation and resources of the private sector. We are an active participant in the Sustainable Markets Initiative Insurance Taskforce.

Governance *continued*

Diversity and inclusion

Plain Numbers

The Group is supportive of 'Plain Numbers' that supports organisations to communicate numbers and data in a clear way to the public.

Women in Finance Charter

We are a signatory to the HM Treasury's Women in Finance Charter. We are proud that 55% of our Executive Committee are women.

Business in the Community's Race At Work Charter

We are committed to act and take positive action towards supporting ethnic minority representation and inclusion.

Social Mobility Pledge

We are a supporter of the Pledge which encourages organisations to support social mobility through access, outreach and recruitment initiatives.

Planet

Race to Zero

We support the UN-backed Race To Zero campaign and are committed to tackling climate change by setting science-based targets to a 1.5°C emissions scenario.



“We remain focused on good sustainable governance underpinned by our Vision and Purpose and a clear commitment from the Board to align sustainability goals across the Group.”



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