

Sustainability Accounting Standards Board disclosure 2023



Introduction

We are pleased to once again be reporting 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.

This disclosure is voluntary and 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 (as is permissible in accordance with the SASB guidance).

For more information on how we are building a sustainable business see pages 50 to 68 of our Annual Report and Accounts 2023 (“**ARA**”). Also see pages 70 to 85 of the ARA 2023 for our latest disclosure aligned to the Task Force on Climate-related Financial Disclosures (“**TCFD**”) recommendations and the Streamlined Energy and Carbon Reporting (“**SECR**”) requirements.

In June 2023, the International Sustainability Standards Board (“**ISSB**”) published amendments to the SASB Standards to align with the industry-based guidance accompanying IFRS S2 Climate-related Disclosures. In December 2023, the ISSB further amended the SASB Standards in connection with the International Applicability of SASB Standards project.

As at the time of publication, the ISSB’s Sustainability Disclosure Standards, IFRS S1 and S2, are subject to UK endorsement. As such, the Group has continued to use the previous version (2018-10) of the SASB Standards within this disclosure. The Group will continue to monitor the developments of the sustainability-related reporting landscape and the associated disclosure requirements.

Key:

ARA	Group Annual Report & Accounts 2023
TCFD	Task Force on Climate-related Financial Disclosures 2023
SFCR	Solvency and Financial Condition Report 2023
CW	Corporate website
COBC	Code of Business Conduct

Publications available at www.directlinegroup.co.uk

SASB Disclosure 2023

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
		ARA As at 31 December 2023, the Group did not have any material provisions in respect of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers – page 242
Complaints-to-claims ratio*	FIN-IN-270a.2	ARA Number of complaints received during the year as a proportion of the average number of in-force policies – page 25
		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 *Note: In accordance with FCA reporting requirements we publish the number of complaints received during the reporting period per 1,000 in-force policies instead of, as recommended by the SASB framework, per 1,000 claims filed.
Customer retention rate	FN-IN-270a.3	The Group has not reported retention rates for 2023.
		ARA Additional information relating to the performance of our operating segments – pages 40 to 48
		ARA Net promoter score (" NPS ") for our Direct Line brand – page 53

Accounting Metric	Code	Disclosure
Description of approach to informing customers about products	FN-IN-270a.4	<p>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.</p> <p>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.</p> <p>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.</p> <p>COBC 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</p> <p>ARA The Group's approach to meeting the needs of all its customers, including the Group's approach to the FCA's Customer Duty regulations, supporting its customers during the cost of living crisis, enhancing its vulnerable customer approach and delivering digital-first customer journeys – pages 51 to 53</p>
Incorporation of Environmental, Social, and Governance Factors in Investment Management		
Total invested assets, by industry and asset class*	FN-IN-410a.1	<p>ARA Investment holdings and yields – page 36</p> <p>ARA Debt securities and infrastructure debt by industry sector classifications – page 201</p> <p>ARA Credit quality of debt securities and financial and insurance assets – pages 205 and 206</p> <p>ARA Maturity profile of financial assets and contractual cash flows of derivative financial instruments – pages 209 and 210</p> <p>ARA Financial investments and cash and cash equivalents by asset class – pages 238 and 239</p> <p>*Note: The North American Industry Classification System (NAICS) for classifying invested assets, referenced within the 2018-10 SASB Standards, is not relevant for the Group.</p>
Description of approach to incorporation of ESG factors in investment management processes and strategies	FN-IN-410a.2	<p>ARA Integration of ESG considerations into our investment strategy – page 63</p> <p>TCFD Scenario analysis exploring the financial impact of transition risk on the Solvency II balance sheet value of investment assets – pages 73 to 76</p> <p>TCFD Implementation of climate-related initiatives into the Group's investment strategy – pages 79 to 80 and 84 to 85</p> <p>CW Responsible investment initiatives which are incorporated into the Group's investment strategy</p>

Accounting Metric	Code	Disclosure
Policies Designed to Incentivise Responsible Behaviour		
Net premiums written related to energy efficiency and low carbon technology	FN-IN-410b.1	The Group does 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	The Group's telematic policies encourage younger drivers to develop safe driving habits whilst also providing the opportunity to receive policy premium discounts.
		<p>ARA The Group's 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 61</p> <p>TCFD The Group has 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, discounted access to public and community charging, discounted home charger installation and insurance that covers batteries and charging cables - page 78</p>
Environmental Risk Exposure		
Probable Maximum Loss of insured products from weather-related natural catastrophes	FN-IN-450a.1	<p>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 1 January 2024, we have a retained deductible of £100 million and a maximum limit of £1,000 million – page 39</p>
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 42 to 43, 46 to 47 and 270
		<p>ARA Loss ratio for major weather events – pages 42, 46 and 269</p> <p>TCFD The impact of severe weather on the Group's net insurance margin – page 82</p>
Description of approach to incorporation of environmental risks into:	FN-IN-450a.3	TCFD disclosure – pages 70 to 85
<ol style="list-style-type: none"> the underwriting process for individual contracts, and the management of firm-level risks and capital adequacy 		TCFD
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 202 to 203
<ol style="list-style-type: none"> total potential exposure to non-centrally cleared derivatives total fair value of acceptable collateral posted with the Central Clearing house, and total potential exposure to centrally cleared derivatives 		<p>ARA Analysis of the undiscounted cash flows of derivative financial instruments by contractual maturity – page 210</p> <p>ARA Fair value of derivative financial instruments – pages 235 and 246</p>

Accounting Metric	Code	Disclosure	
Total fair value of securities lending collateral assets	FN-IN-550a.2	ARA	Collateral management arrangements – page 204
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 92
		ARA	Sensitivity analysis – page 203
		ARA	Credit risk management – pages 204 to 208
		ARA	Liquidity risk management – pages 208 to 210
		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 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 275
1. property and casualty			
2. life			
3. assumed reinsurance			



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