The Direct Line Group Board determines the overarching risk appetite of the Group, within which tax risk sits, and puts in place an appropriate framework for compliance with this. It recognises that DLG has an important responsibility to its stakeholders and to HM Revenue & Customs (HMRC) to manage its tax obligations effectively.

The disclosure below meets the requirements of paragraph 16(2) of Sch 19 of FA 2016 to publish our Tax Policy by 31 December 2023. This Policy applies to all UK entities within the Group, but the principles also apply to any DLG operations overseas.

**DLG's 2023 TAX POLICY**

This policy sets out the approach of DLG to managing its tax affairs, to ensure it complies with applicable tax laws and regulations, meets its corporate social responsibilities as a contributor of corporate taxes and as a collector of taxes on behalf of HMRC, manages its tax affairs efficiently, and claims tax reliefs and incentives where appropriate.

**Approach to risk management and governance**

The Risk Management and Governance sections of DLG's Annual Report and Accounts (available on DLG's website) provide information about DLG's management of risk and governance framework. DLG has a risk management model that separates responsibilities into "Three Lines of Defence".

Having a policy framework (policies and minimum standards) is a central part of DLG's Enterprise Risk Management Framework (ERMF). Risk assessments are undertaken regularly, along with the setting of appropriate controls. Compliance with minimum standards (including the minimum standard relating to tax) is reviewed annually.

The CFO is the Executive Committee (ExCo) member with executive responsibility for tax matters. The CFO delegates the day-to-day operational management of tax to the Head of Tax and the Group Tax function at DLG, and oversight is provided by the Audit Committee (AC). The Group Tax function is staffed with appropriately qualified individuals. Processes relating to different taxes help to ensure that all relevant matters are considered in the Group's tax returns. These are allocated to appropriate process owners who ensure that business and legislative changes impacting these processes are monitored and changes made where applicable.

Tax is within the scope of the Financial Reporting Control Framework (FRCF), which adds additional governance and also ensures that control testing is carried out as appropriate. Any failed tax controls or tax risks identified are raised at the relevant Committee, with potential escalation to the Board where appropriate.

**Attitude towards tax planning**

Tax will be considered as part of material business decisions to ensure that associated tax consequences are understood and properly costed to enable the business to make informed decisions. DLG will make use of available tax incentives, reliefs and exemptions and will endeavour to structure its business / operations in a tax efficient manner. DLG will only enter into a transaction that is commercially driven and will not undertake any tax planning that is inconsistent with legislation.

Tax advice may be sought externally where the capacity or specific skills to deal with the issue are not available internally. It may also be sought to provide insight into industry practice, or where there could be ambiguity over how a transaction should be taxed or where the transaction is particularly material. In such cases, discussions would also be held with HMRC.
DLG requires the members of its Group Tax function to act lawfully and with integrity, which is consistent with various accounting and tax professional body codes of conduct, and that any tax

planning should be based on a realistic assessment of the facts and on a credible view of the law. Members of the Group Tax function must not create, encourage or promote tax planning arrangements or structures that: 1) set out to achieve results contrary to the clear intention of Parliament; or 2) are artificial or contrived and seek to exploit shortcomings within the relevant legislation.

**Level of risk in relation to UK taxation the group is prepared to accept**

The Risk Management section of DLG's Annual Report and Accounts sets out the risk appetite of DLG. The Board sets the overarching risk appetite for the Group, within which tax risk sits. Risk appetite statements which drive decision-making in the business are reviewed and challenged by the Risk Management Committee (RMC) and Board Risk Committee (BRC) and annually approved by the Board, which is ultimately responsible for ensuring that management puts appropriate processes in place to identify all relevant risks and ensure that these are managed accordingly.

DLG has a low threshold for tax risk and aims for certainty in its obligations wherever feasible, including through agreement with HMRC wherever considered appropriate. DLG manages risks to ensure compliance with its legal and regulatory requirements to submit accurate tax returns on a timely basis.

DLG has a number of key tax risk indicators to monitor adherence to tax risk appetite.

**Approach of the group towards its dealings with HMRC**

DLG seeks to establish and maintain an open and co-operative working relationship with HMRC through regular communication and meetings with its Customer Compliance Manager (CCM), covering all taxes and duties. Where appropriate, matters are discussed in real time in respect of significant transactions, changes in the business, and the Group's proposed approach to new legislation.

DLG submits applicable tax returns and makes associated payments in a timely manner. It responds to HMRC's queries promptly and ensures the disclosure of all relevant facts, particularly where there is ambiguity in the tax treatment of any transaction. Any inadvertent errors are rectified and fully disclosed as soon as practicably possible after being identified.

Where applicable, DLG is proactive in working with HMRC to ensure that new tax legislation is appropriate and that tax anomalies are identified. It is receptive both to providing feedback to HMRC and to inviting HMRC to test any significant changes in its business / systems that may impact tax.