Danuta Gray
Chair of the Board

Chair's Introduction

> I believe we have entered 2024 with a more resilient business, well-positioned to achieve our mission of being brilliant for customers every day.

Dear Shareholders,

On behalf of the Board, I am pleased to present the Corporate Governance report for the year ended 31 December 2023. This report sets out how we have applied the principles of the UK Corporate Governance Code (the "**Code**") throughout the year. It provides information on the activity of the Board and progress we have made in strengthening our corporate governance practices.

Board developments and effectiveness

As I set out in my statement on page 8, 2023 has seen some significant developments in respect of the Board. Following a comprehensive search process for a new CEO, Adam Winslow was identified as the preferred candidate and his appointment was announced in August 2023. He joined the Group on 1 March 2024 and his appointment to the Board is to take effect on 21 March 2024. Adam joins us from Aviva where he led Aviva's UK and Ireland general insurance business, developing a clear strategy for both personal and commercial lines which has delivered market share expansion and improved profitability. More information about the Nomination and Governance Committee's selection process can be found on page 125.

Jon Greenwood, who has been serving as our Acting CEO, will smooth the transition following Adam's appointment to the Board by completing a handover and then returning to a senior executive role. Again, I would like to thank Jon for all his efforts in leading the Company over the past year.

Our review of the Board's balance of experience and skills during the year led to a search for a Non-Executive Director with a strong general insurance background and culminated in the appointment of David Neave in October 2023. David has previously held chairmanships, directorships and advisory roles in a number of insurance, InsurTech, consultancy and legal businesses including, in his executive career, serving as Chief Executive of General Insurance for Co-operative Insurance.

A further search was carried out during the year to identify a Non-Executive Director whose experience would further strengthen the Board's expertise in general insurance and customer service transformation, as well as contributing to the Board's diversity. This search resulted in the decision to appoint Carol Hagh, who will join the Board as a Non-Executive Director on 1 April 2024. Further information about Carol's career and experience can be found in my Chair's Statement on page 10.

This year, we carried out an internal Board performance evaluation with assistance from Promontory Financial Group, who provided an independent perspective to help the Board to assess its effectiveness and define an action plan. Themes emerging from the 2023 review included Board and executive succession planning, management skills and capabilities, culture, communication, meetings and materials. Information about the evaluation process and outcomes can be found on page 114.

Diversity

Changes to the Board in 2023 caused the proportion of women on the Board to fall below the FCA's diversity target of 40% (see page 101). Board diversity, including gender diversity, is a key consideration in the Nomination and Governance Committee's succession planning. We have made some progress towards addressing the Board's gender balance by appointing a new female Non-Executive Director and will continue to focus on diversity as we consider Board succession planning in 2024.

Increasing the diversity of senior leadership is an ongoing target for the Group and we have continued our work on improving the representation of women, ethnic minority and Black colleagues. In 2023 we invested in coaching and targeted development programmes for our high potential women, ethnic minority and Black talent, to support their progression into senior roles. During the year, we set ourselves ambitious new targets to continue to improve diversity in senior leadership. Our internal targets are now aligned with the definitions of senior leadership used by the FTSE Women Leaders Review and Parker Review. We are aiming, by the end of 2027, to increase representation at senior management level of women to 40%, ethnic minority talent to 16% and Black talent to 4%.

The Group has been included in the Top 50 UK Inclusive Employers List for three years running and has been placed in the Social Mobility Index for the first time this year. We continue to build on the strong foundations we have in place, addressing under-representation at senior levels in the business, whilst focusing on improving inclusion through key work programmes.

Stakeholder engagement

During a year of sustained economic pressure on all our stakeholders, including colleagues and customers, we have continued the vital work of listening to our stakeholders to ensure that their priorities are considered in our decision-making and that we hear how, as a business, we can best support them. The tables on pages 106 and 107 set out how we have engaged with our various stakeholders and how this engagement has fed into Board discussion and decision-making.

Audit and internal control

2023 will be the Group's first full year reporting under the new insurance accounting standard IFRS 17 and our Audit Committee has overseen this transition, as well as the handover of the external audit by Deloitte to KPMG. KPMG will assume the role as auditor for the financial year ending 31 December 2024, subject to shareholder approval at our 2024 AGM. More information on the work of the Audit Committee can be found on pages 117 to 121.

During the year, our Board Risk Committee has overseen a Group-wide controls improvement programme which has helped the Group in its aim to bring our oversight, monitoring and control environment into line with industry best practice and to enhance the resilience of our control framework. In addition, the Audit Committee has overseen a Control and Oversight Remediation Programme within Finance, the aim of which is to enhance the financial reporting control environment across the Group. More information on this work can be found on pages 122 to 124.

Remuneration

The Group's remuneration policy was last approved by shareholders at the 2023 AGM. During the year, the Remuneration Committee implemented changes to performance measures in respect of the LTIP and AIP in line with investors' preference for emphasis to be placed on cost management. See page 132 for more information.

In terms of remuneration outcomes for the year, whilst the Group has made good progress in restoring its capital resilience, and although there has been positive progress against some of the strategic metrics, particularly in relation to the People measure, in terms of remuneration outcomes for the year, the Committee concluded it appropriate to recognise the actions the management team has taken during the year, particularly the good progress made by taking decisive action to restore our capital resilience, improve performance in Motor insurance and maintain the performance of our non-Motor businesses, as well as robust performance in the people element of the AIP. The Committee concluded that an outcome of 15% of maximum AIP opportunity is appropriate in this context.

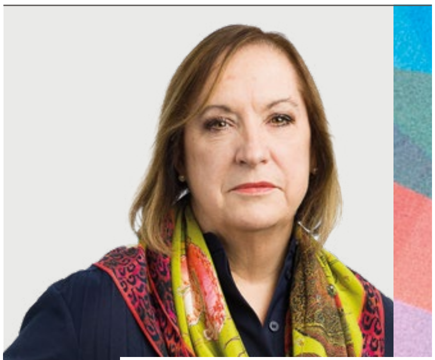
AGM

Our 2024 AGM will be held on 8 May 2023 at 10.30 a.m. Full details, including the resolutions to be proposed to our shareholders, can be found in the Notice of AGM, which will be made available on our corporate website. The outcome of the resolutions put to the AGM, including poll results detailing votes for, against and withheld, will be published on the London Stock Exchange's and the Company's websites once the AGM has concluded.

Yours sincerely,

Danuta Gray
Chair of the Board

Board of Directors



Danuta Gray
Chair of the Board

NG RC

Committees

- Nomination and Governance Committee (Chair)
- Remuneration Committee

Appointed

- Independent Non-Executive Director in February 2017
- Chair of the Board since August 2020

Key Skills and Experience:

- Extensive experience leading and transforming large, consumer focused businesses.
- Deep understanding of governance and remuneration requirements affecting listed companies gained from previous Chair roles.
- Expertise in sales, marketing, and technology.

Danuta was Chair of Telefónica in Ireland until 2012. She was Chief Executive between 2001 and 2010, during which time Telefónica's customer base increased to 1.7 million from just under 1 million. Between 1984 and 2001, Danuta held a variety of senior positions within the BT Group. Elsewhere, Danuta has acted as Senior Independent Director of the Aldermore Group; Non-Executive Chair of St Modwen Properties; Non-Executive member of the Ministry of Defence Board, NED and Chair of the Remuneration Committee at both Page Group plc and Old Mutual plc; and was Non-Executive Chair of the Board of Perth Topco Limited and North Tech.

External Appointments

- Non-Executive Director, Chair of the Remuneration Committee and member of the Nomination Committee of Burberry Group plc.
- Non-Executive Director and Chair-elect of Croda International plc.
- Trustee Director of The Resolution Foundation.

Jon Greenwood
Outgoing acting CEO and Chief Commercial Officer

Committees

- None

Appointed

- Acting CEO in January 2023 and member of the Board since August 2023

Key Skills and Experience

- Deep knowledge of the insurance sector and Commercial function.
- Strong leadership skills with a focus on capital resilience and own brands performance.
- Positive mindset with proven track record in efficiency delivery.

Jon joined the Group in 2000 as Product and Pricing Director for UK Partnerships and has over 30 years' experience in the insurance industry.
In 2022, he was appointed the Group's first Chief Commercial Officer and as acting CEO, he has played a key strategic role in driving the sale of NIG and the brokered commercial business in 2023. Before joining the Group, Jon held roles at HBOS, MBNA and Pinnacle.

External Appointments

- None.

Neil Manser
Chief Financial Officer

IC

Committees

- Investment Committee

Appointed

- May 2021

Key Skills and Experience

- Responsibility for overall direction on all financial matters and oversight of investment management and treasury function.
- Extensive corporate finance and capital markets knowledge.
- Deep understanding of the operation of strategy and culture in the insurance industry.

Neil has held several roles in Finance and Strategy since joining the Group in 2011, including Director of Investor Relations, Managing Director of NIG and Chief Strategy Officer. He was instrumental in the Group's successful IPO in 2012. He brings extensive industry and capital markets experience to the Board. Prior to joining the Group, Neil held roles at Brit Insurance, Merrill Lynch and Fox-Pitt, Kelton. He is an Associate of the Institute of Chartered Accountants in England and Wales.

External Appointments

- None.

Tracy Corrigan
Independent
Non-Executive Director

Committees

- Customer and Sustainability Committee (Chair)
- Nomination and Governance Committee
- Remuneration Committee

Appointed

- November 2021

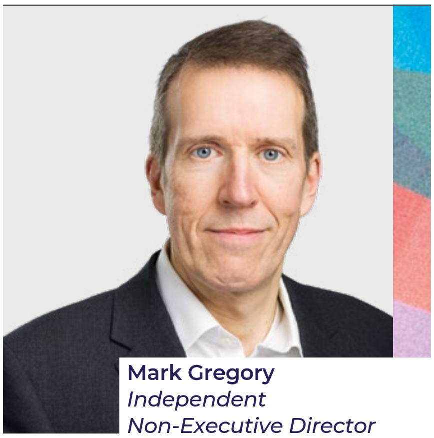
Key Skills and Experience

- Track record of driving digital growth.
- Experience in digital transformation with a focus on data, culture and customer.
- Expertise in ESG issues and communications with multiple stakeholders.

Tracy's professional background spans financial journalism, digital media and corporate strategy in the media industry. Most recently Tracy was Dow Jones' Chief Strategy Officer where she was responsible for global strategy, customer insight and commercial policy, and had oversight of the digital transformation of the business. Earlier in her career, Tracy was Editor-in-Chief of The Wall Street Journal Europe and Digital Editor of The Wall Street Journal. She also held various positions, including Editor of FT.com and Editor of the Lex Column, at the Financial Times.

External Appointments

- Non-Executive Director and member of the Remuneration Committee of Barclays Bank UK plc.
- Chair of the Sustainability Committee and Non-Executive Director and member of the Audit and Nomination Committees of Domino's Pizza Group plc.
- Non-Executive Director and member of the Nominations Committee of The Scott Trust and Chair of The Scott Trust Endowment Limited.



Mark Gregory
Independent
Non-Executive Director

Committees

- Board Risk Committee (Chair)
- Audit Committee
- Investment Committee
- Nomination and Governance Committee
- Remuneration Committee

Appointed

- March 2018

Key Skills and Experience:

- Extensive experience in both general and life insurance.
- Deep understanding of capital markets.
- Strategically orientated with a detailed understanding of the retail sector.

Mark was CEO of Merian Global Investors from January 2019 to August 2020. He previously held the role of Group CFO and Executive Director at Legal & General until 2017. Mark acted in a variety of senior roles in his 19-year career at Legal & General, including CEO of the Savings business, Managing Director of the With-Profits business, and Resources and International Director. Earlier in his career, Mark held senior financial and business development roles at ASDA and Kingfisher. Mark is an Associate of the Institute of Chartered Accountants in England & Wales.

External Appointments

- Non-Executive Director and member of the Audit and Risk Committees of Phoenix Group Holdings plc.

Adrian Joseph OBE
Independent
Non-Executive Director

Committees

- Customer and Sustainability Committee
- Nomination and Governance Committee

Appointed

- January 2021

Key Skills and Experience

- Leading expertise in digital, data science and analytics.
- Track record of using data and AI to drive business transformation.
- Recognised Diversity and Inclusion leader and a passionate advocate on this topic.

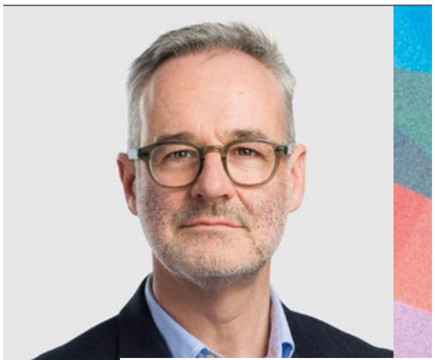
Adrian is the former Managing Director, Group Data and Artificial Intelligence at BT Group and a former member of HM Government's AI Council. He has significant industry and consultancy experience and has held senior roles at EY and Google. Between 2016 and 2020, Adrian was a NED at the Home Office where he sat on the Data Board advising on data science, digital transformation, and diversity and inclusion. A former Chair of the Race Equality Board, Adrian was appointed to the main Board of Business in the Community in 2014 and continues to act as an adviser to them. In 2018, he was announced as the most influential Black, Asian and minority ethnic technology leader in the UK by the Financial Times and Inclusive Boards. Adrian has been awarded an OBE for services to equality and diversity in business.

External Appointments

- None.

Key for Committee membership

AC Audit Committee
BR Board Risk Committee
IC Investment Committee
NG Nomination and Governance Committee
RC Remuneration Committee
CSC Customer and Sustainability Committee
Committee chair



Mark Lewis
Independent Non-Executive Director

NG RC CSC

Committees

- Customer and Sustainability Committee
- Nomination and Governance Committee
- Remuneration Committee

Appointed

- March 2023

Key Skills and Experience

- Strong track record of delivering digital transformation and growth.
- Highly experienced in customer-focused and regulated business environments with a focus on strategy and innovation.
- Expertise in price comparison websites.

Mark's career has spanned financial services, retail, e-commerce, management consultancy and advertising. Most recently, he was Chief Executive of the MoneySupermarket Group, overseeing a period of revenue and profit growth for the UK listed price comparison business. Mark's previous roles include the Retail and Online Director for John Lewis and the Managing Director of eBay UK.

External Appointments

- Non-Executive Director and member of the Audit, Remuneration, Risk and Responsible Banking Committees of Santander UK plc.
- Non-Executive Director of Hammer PW Topco Limited.

Fiona McBain
Independent Non-Executive Director

IC AC BR NG

Committees

- Investment Committee (Chair)
- Audit Committee
- Board Risk Committee
- Nomination and Governance Committee

Appointed

- September 2018

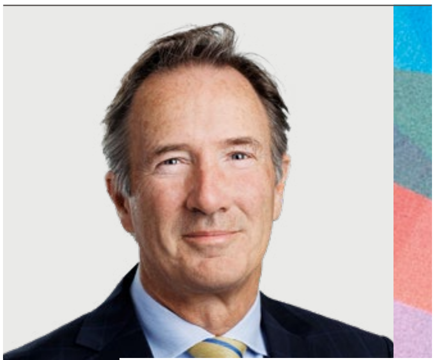
Key Skills and Experience

- Deep understanding of the development of corporate and digital strategy.
- International experience with broad perspective of business and capital markets.
- Expertise in digital transformation, customer analytics and stakeholder communications.

Fiona's experience in retail financial services, both in the industry and as an auditor, was gained in the UK and the USA. Fiona qualified as an accountant early in her career at Arthur Young (now EY). Until January 2019, she was Vice-Chair of Save the Children UK and a Trustee Director of the Humanitarian Leadership Academy. Previously, Fiona served as CEO of Scottish Friendly Group for 11 years, before which she was Scottish Friendly Group's Finance Director. Between February 2009 and June 2023 she served as Chair and Non-Executive Director of the Scottish Mortgage Investment Trust plc. Fiona is a Fellow of the Institute of Chartered Accountants in England & Wales.

External Appointments

- Chair of the Audit Committee and Non-Executive Director of Currys plc.
- Senior Independent Director, Chair of the Audit Committee and Non-Executive Director of Monzo Bank Limited.



David Neave
Independent Non-Executive Director

AC BR NG

Committees

- Audit Committee
- Board Risk Committee
- Nomination and Governance Committee

Appointed

- October 2023

Key Skills and Experience

- Deep understanding of general and life insurance markets.
- Extensive experience in senior management and non-executive roles.
- Proven record of delivering general insurance business modernisation.

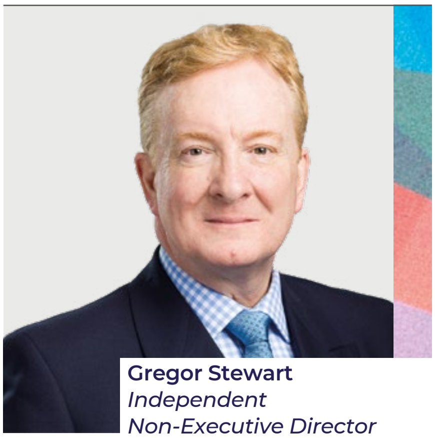
David is a Chartered Insurer and former Chief Executive of General Insurance for Co-operative Insurance. Following his executive career, spanning over twenty years in senior management roles in general insurance, David has held chairmanships, non-executive directorships and advisory roles in a number of insurance, InsurTech, consultancy and legal businesses, including Slater and Gordon UK Limited, The Solicitors Indemnity Fund, Liverpool Victoria Friendly Society, LV General Insurance Limited and Accenture UK Limited.

External Appointments

- Chair of the Advisory Board of the Common Automotive Platform Standard.

Key for Committee membership

- AC Audit Committee
- BR Board Risk Committee
- IC Investment Committee
- NG Nomination and Governance Committee
- RC Remuneration Committee
- CSC Customer and Sustainability Committee
- Committee chair



Gregor Stewart
Independent Non-Executive Director

AC BR NG

Committees

- Audit Committee (Chair)
- Board Risk Committee
- Nomination and Governance Committee

Appointed

- March 2018

Key Skills and Experience

- Strong audit background having worked as a partner in Ernst & Young's Financial Services practice.
- Extensive experience in the insurance and investment management industry.
- Deep knowledge and understanding of financial services regulation and practice.

Gregor worked at Ernst & Young for 23 years, 10 of which were as partner in the financial services practice. Between 2009 and 2012, he was Finance Director for the insurance division of Lloyd's Banking Group plc which included Scottish Widows. Gregor previously served as Chair and Non-Executive Director of Alliance Trust plc and FNZ (UK) Limited. Gregor is a Member of the Institute of Chartered Accountants of Scotland.

External Appointments

- Deputy Chair, Chair of the Risk Committee and Non-Executive Director of FNZ Group.

Dr. Richard Ward
Senior Independent Director

RC BR NG

Committees

- Remuneration Committee (Chair)
- Board Risk Committee
- Nomination and Governance Committee

Appointed

- January 2016

Key Skills and Experience

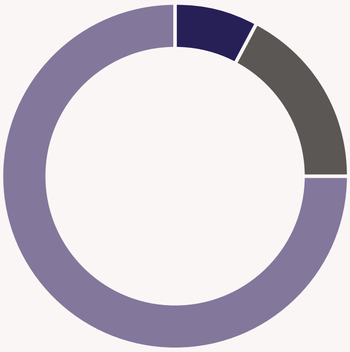
- Highly experienced financial services professional with expertise in dealing with complex stakeholder groups.
- Extensive knowledge of the insurance industry with deep insight into prudential regulation.
- Background of delivering business transformation and change in challenging circumstances.

Richard was previously Executive Chair of Ardonagh Specialty, Chief Executive of Lloyd's of London, and CEO of the International Petroleum Exchange. He also held the roles of Non-Executive Chair at Brit Syndicates Limited and Executive Chair of Cunningham Lindsey. Richard also held NED roles at the Partnership Assurance Group plc and the London Clearing House. Earlier in his career he held a range of senior positions at British Petroleum and was a research scientist for the Science and Engineering Council. Richard has also been a member of the PwC Advisory Board, the PRA Practitioner Panel and the Geneva Association.

External Appointments

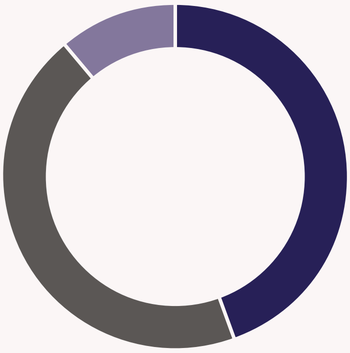
- Non-Executive Chair of CFC Group Limited.
- Non-Executive Chair of Mrald Limited.

Board independence[1]



Board gender[2]

Chair and NED tenure



Gender diversity of our Executive Committee[3]

Gender diversity of Senior Management[4]

Notes:

1. As at 31 December 2023. Following Sebastian James' retirement from the Board, Board independence is 9% Chair (1), 18% Executive Directors (2) and 73% Independent Non-Executive Directors (8).
2. As at 31 December 2023. Following Sebastian James' retirement from the Board, the Board gender is split 38% Women (3) and 72% Men (8).
3. As at 31 December 2023.
4. Senior Management in this context is defined as the Executive Committee, Company Secretary and direct reports (where direct reports are members of the Group's Enterprise Leadership Network) as at 31 December 2023.

Corporate Governance

This report explains the Board's role and activities, and how corporate governance operates throughout the Group.

Corporate Governance Statement

This Corporate Governance Statement explains key features of Direct Line Insurance Group plc's (the "**Company**") governance structure and how it measures itself against the standards set out in the UK Corporate Governance Code 2018 (the "**Code**"). The Code, set by the Financial Reporting Council (the "**FRC**"), applied to the financial year ended 31 December 2023.

For more information about the Code, visit the FRC's website at www.frc.org.uk. This Corporate Governance Statement fulfils the requirements of the FCA's Disclosure Guidance and Transparency Rule 7.2 ("**DTR 7.2**"). For full details refer to the Directors' report on pages 157 to 160.

The Company complied with the principles and provisions of the Code throughout the financial year and up to the date of this Annual Report and Accounts.

Board leadership and company purpose

The role of the Board

The Board seeks to promote the long-term sustainable success of the Company for the benefit of its shareholders and stakeholders, establishes the Company's purpose, values, culture, and strategy, while contributing to wider society. The Board aims to create shared vision for the organisation and role-models the values and standards that are expected from all of our people. The Board and its Committees are comprised of individuals with an appropriate mix of skills, industry experience and knowledge.

This is supported by a formal Schedule of Matters Reserved for the Board, which contains items that are reserved for the Board's consideration and approval. These matters relate to strategy and management, material contracts, financial reporting and controls, internal controls and risk management, Board membership and succession planning, corporate governance, structure and capital, and delegation of authority.

The matters reserved for the Board are kept under review to ensure they remain appropriate. Throughout 2023, the Board acted in accordance with the Schedule of Matters Reserved for the Board.

The Board discharges some of its responsibilities through its Committees, each of which expands the work of the Boardand enables deeper focus on particular areas. Each Board Committee has written Terms of Reference defining its roleand responsibilities. The Terms of Reference of the Board Committees can be found on our corporate website.

Further details regarding the role, responsibilities and activities of the Board and its Committees can be found below and in the Directors' Remuneration report which begins on page 131. Whilst some of the key areas of the Board's responsibility are summarised in the following paragraphs, these are not intended to be an exhaustive list.

Leadership

The Board provides leadership within a framework of prudent and effective controls. The Board has clear divisions of responsibility and seeks the long-term sustainable success of the Group. Information on how opportunities and risks to the future success of the business have been considered and addressed, and about the sustainability of the Company's business model, is set out in the Strategic report which begins on page 22.

Operations

The Board oversees the implementation of a robust control framework to allow effective management of risk. The Board supervises the Group's operations, with a view to ensuring they are effectively managed, that effective controls are in place, and that risks are assessed and managed appropriately.

Financial performance

The Board sets the financial plans, annual budgets and key performance indicators and monitors the Group's results against them.

Strategy

The Board oversees the development of the Group's strategy, the sustainability of the business model and considers how the Group's governance supports the delivery of strategy.

The Board monitors management's performance and progress against the Group's strategic aims and objectives.

Further details of how the Company applied the Code's principles and complied with its provisions can be found in the following sections of the Annual Report and Accounts:

The role of the Board in the Company's culture

Our Mission:

To be brilliant for customers every day.

Our Vision:

To create a world where insurance is personal, inclusive and a force for good.

Our Purpose:

To help people carry on with their lives, giving them peace now and in the future.

Our culture informs the way we work, the way we interact with stakeholders and how we provide value for our customers and underpins our mission, vision and purpose.

The Board recognises that evolving and enhancing the Group's culture is critical to its future success in a rapidly changing world. Therefore during 2023, the Board oversaw a dedicated programme to review the Group's culture and bring together various activities in the Group aimed at instilling a customer focused, high performance and risk-positive culture.

The 'Tone from the Top'

The Board and the Executive Committee participated in a series of interviews which helped identify the positive elements of the Group's culture they felt should be protected, as well as areas that could be dialled up.

Following this, the Group established a Culture Steering Committee, to meet on a quarterly basis to co-ordinate and lead activity on culture. The Steering Committee is made up of key individuals from across the business who influence culture, including the Chief People Officer and representatives from Business Change, Human Resources, the Conduct Centre of Excellence, Trading, Customer Sales and Service, Corporate Communications, Risk and Compliance.

Cultural messaging

The Group has reviewed and enhanced the way it communicates on culture internally with a view to ensuring the tone from the top is cascaded clearly and effectively by using consistent messaging.

Monitoring culture

A dashboard has been developed to help the Board monitor culture that includes key metrics in respect of: Customer (for example; NPS and complaints); People (e.g. performance management; grievances; diversity; hiring trends; and engagement); and Risk (e.g. colleague compliance training completion levels; completion of internal audit actions; and speaking up and whistleblowing reports. The dashboard will be regularly reviewed by the Board.

The Future

Looking ahead in to 2024, we aim to continue evolving our culture by focusing on:

- **Performance**

  The Group aims to improve individual and team performance through embedding the high-performance framework. People managers will be upskilled in the key behavioural traits and capabilities of giving and receiving feedback, coaching others, aligned to themes of positive risk management and consumer outcomes.

- **Leadership**

  We will drive improved leadership capability and evidence this through leadership assessments, performance assessments, and the strength of succession planning.

- **Customer**

  The Group will continue to embed Consumer Duty requirements throughout the organisation.

- **Governance and Risk**

  Improved governance across the organisation will be intended to lead to quick and clear decision-making, allowing us to resolve issues at pace when they are identified. Our Risk maturity will be improved and measured by the Risk and Controls Self-Assessment ("**RCSA**"). More information on the RCSA can be found on page 122 and 123.

Board meetings and activity in 2023

Scheduled Board meetings focused on four main themes, as detailed below:

Themes	Description
Strategy and execution Strategic alignment 1 2 3 4 5	• Approving and overseeing the Group's key strategic targets and monitoring the Group's performance against those targets; • reviewing customer experience and trends and monitoring the Group's performance against external brand metrics; • reviewing and approving key projects aimed at developing the business or rationalising costs; • considering growth opportunities; and • reviewing the individual strategy of key business lines.
Financial performance and investor relations Strategic alignment 1 4 5	• Setting financial plans, annual budgets and key performance indicators, and monitoring • the Group's results against them; • considering the Group's reserving position, approving the Solvency II narrative reports • and approving financial results for publication; • approving reinsurance programmes and renewals; • reviewing broker reports on the Group, alongside feedback from investor meetings; and • considering the appropriateness or otherwise of possible surplus capital distributions.
Risk management, regulatory and other related governance Strategic alignment 1 2 4 5	• Reviewing and agreeing the Group's policies; • setting risk appetite; • approving the Own Risk and Solvency Assessment ("**ORSA**"); • seeking to ensure that the Group complies with its regulatory obligations; • reviewing the Group's solvency position and forecast; • overseeing the Control and Oversight Remediation Programme; • reviewing the Group's ESG initiatives; • reviewing and approving the Group's Task Force on Climate-related Financial Disclosures ("**TCFD**"); and • reviewing and approving the Group's Consumer Duty implementation programme.
Board and Board Committee governance Strategic alignment 1 2	• Receiving reports from the Board's Committees; • updating the Schedule of Matters Reserved for the Board; • updating terms of reference for the Board's Committees; • receiving corporate governance updates; • overseeing Board and executive succession planning; • conducting the annual review of the Board and Board Committees' performance and • conducting an annual review of the Group's governance framework.

In addition to its scheduled Board meetings, the Board held a number of ad hoc meetings to deal with urgent or arising matters.

In June 2023, the Board held a strategy day to set and monitor progress against the Group's strategy and to discuss the Group's future opportunities.

Link to core strengths and capabilities driving our strategy	
1	Innovating for success
2	Customer focus
3	Claims expertise
4	Pricing sophistication
5	Efficient cost base

Board and Committee meeting attendance

The Board and its Committees held a number of scheduled meetings in 2023, which senior executives, external advisers and independent advisers were invited to attend and to present on business developments and governance matters. The Company Secretary attended all Board meetings and he, or his nominated deputy, attended all Board Committee meetings.

The table overleaf sets out attendance at the scheduled meetings in 2023. Attendance is expressed as the number of scheduled meetings attended out of the number of such meetings possible or applicable for the Director to attend. In circumstances where a Director is unable to attend a meeting, the Director receives papers in advance and has the opportunity to raise issues and give comments to the Chair in advance of the meeting.

Additional Board and Committee meetings were convened during the year to discuss current issues, ad hoc business development, governance and regulatory matters.

	Board	Audit Committee	Board Risk Committee	Customer and Sustainability Committee	Investment Committee	Nomination and Governance Committee	Remuneration Committee
Chair							
Danuta Gray	9 of 9	–	–	–	–	3 of 3	4 of 4
Senior Independent Director							
Richard Ward	9 of 9	–	5 of 5	–	–	3 of 3	4 of 4
Non-Executive Directors							
Tracy Corrigan	9 of 9	–	–	4 of 4	–	–	4 of 4
Mark Gregory	9 of 9	7 of 7	5 of 5	–	4 of 4	–	4 of 4
Sebastian James	9 of 9	–	–	4 of 4	–	3 of 3	4 of 4
Adrian Joseph OBE[1]	8 of 9	–	–	2 of 4	–	–	–
Mark Lewis[2]	7 of 7	–	–	3 of 3	–	–	2 of 2
Fiona McBain	9 of 9	7 of 7	5 of 5	–	4 of 4	–	–
David Neave[3]	2 of 2	–	–	–	–	–	–
Gregor Stewart	9 of 9	7 of 7	5 of 5	–	–	–	–
Executive Directors							
Jon Greenwood[4]	3 of 3						
Neil Manser	9 of 9	–	–	–	4 of 4	–	–
Former Executive Directors							
Penny James[5]	2 of 2	–	–	–	–	–	–

Notes:

1. Adrian Joseph was unable to attend meetings due to conflicting commitments.
2. Mark Lewis was appointed to the Board, the Remuneration Committee and the Customer and Sustainability Committee on 30 March 2023.
3. David Neave was appointed to the Board on 19 October 2023.
4. Jon Greenwood was appointed to the Board on 31 August 2023
5. Penny James resigned as CEO on 27 January 2023.

Consideration of section 172(1) factors by the Board

The Group's section 172(1) statement can be found in the Strategic report on page 17.

The table below sets out how factors under section 172(1) of the Companies Act 2006 and engagement with stakeholders have fed into Board discussion and decision making on key topics. More information about Board engagement with stakeholders can be found in the table on page 106 and 107.

Section 172(1)

The Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a the likely consequences of any decision in the long term;
- b the interests of the company's employees;
- c the need to foster the company's business relationships with suppliers, customers and others;
- d the impact of the company's operations on the community and the environment;
- e the desirability of the company maintaining a reputation for high standards of business conduct; and
- f the need to act fairly between members of the company.

Topic		Section 172(1) considerations	Outcomes
Return of capital to shareholders The Board considered the distribution of surplus capital to shareholders during the year.	a c	Considered the Group's capital position, taking into consideration regulatory and policy holder requirements and the long-term investment needs of the business.	In January 2023, the Board took the decision not to recommend a final dividend for 2022. In September 2023 the Group announced that no interim dividend was proposed for the half year 2023. The Board set two conditions under which dividends would be restarted – the first being a return to capital coverage at the upper end of the agreed range and secondly a return to organic capital generation in Motor. The Board took the view that these conditions had been met and recommended a final dividend for 2023 of 4.0 pence per share. For more information on the Board's recommendation of a final dividend, please see the Chair's statement on page 8.
	a	Considered 2023 results and trading performance in Motor.	
	a	Considered the macro-economic environment.	
Consumer Duty implementation The Board considered the implementation of the FCA's new Consumer Duty rules, which came into effect in July 2023.	c e	Considered how the Group could embrace and embed Consumer Duty requirements to ensure good outcomes and fair value for customers.	The Board oversaw the implementation of its Consumer Duty framework ahead of the 31 July 2023 implementation date. Progress against the approved Consumer Duty implementation plan was closely monitored. Pre-implementation, the Group engaged with a wide range of suppliers to set expectations on consumer duty. In cases where suppliers could materially affect customer outcomes, the Group engaged with them on the required changes to customer journeys. Suppliers were also issued questionnaires on their approach to consumer duty. Resource risk was monitored throughout the implementation period and was mitigated through the addition of key supporting resources and subject matter expertise in various workstreams. There is continued oversight of the embedding of Consumer Duty across the Group, the implementation of a customer conduct culture framework and the transition of Consumer Duty into business as usual activity while ensuring that the Group is resourced to an appropriate level to prioritise the right customers at the right time.
	c	Considered how suppliers could support implementation where they may have a material impact on customer outcomes.	
	b	Considered the resources needed to ensure successful implementation and to ensure that customers are prioritised appropriately.	
Cost of living crisis The Board considered how to respond to the continuing strain on real disposable incomes.	b	Considered feedback received via the ERB about how the cost of living crisis was affecting colleagues, the benefits of financial wellbeing, and what could be done to support our people.	During the year, we introduced initiatives focused on supporting colleagues' financial well-being, including a free mortgage advisory service, a platform which enables debt to be re-paid through salary and providing access to shopping discounts. See page 133 for more information on these measures. Following the success of the Churchill Essentials product, we launched the Direct Line Essentials product (see page 52 for more information.)
	a c	Considered how to adapt the Group's motor products to provide customers with the choice of a stripped-back insurance policy.	
Sale of brokered commercial insurance business The Board considered the future of the brokered commercial insurance business.	a	Considered future strategy of the Company and ambition to focus on retail personal and direct small business commercial lines insurance customers.	The sale of the brokered commercial insurance business to RSA was agreed. Its specialist trading model operated in a different part of the UK insurance market to that of the rest of the Group and this, combined with the operational turnaround of the brokered commercial insurance business, meant that the Board considered it to be the right strategic decision to facilitate a sale and crystallise the value that had been created. The sale increased the Group's solvency by approximately 45 percentage points. A key consideration in the transaction was to maintain service delivery for brokered commercial insurance customers. It was considered that the sale to RSA would allow continued support and service delivery to brokered commercial insurance customers, due to their position as a multinational general insurer providing a range of personal, commercial and specialty insurance solutions through a wide network of brokers, third party partners and directly to customers.
		Considered the need to restore the resilience of the Group's capital position and to drive the long-term value potential for both customers and shareholders.	
		Considered the interests of commercial customers and of colleagues who would be transferred as a result of a sale and the buyer's reputation in respect of customers and as an employer.	

How the Board engages with stakeholders

The table below sets out how the Board has engaged with various stakeholders or received information about engagement with stakeholders throughout the year.

Our Shareholders

The Investor Relations team runs a comprehensive programme of engagement covering a broad range of the Company's shareholders and debt investors, which includes meetings with the Chair and Executive Directors, presentations and conference calls to discuss performance and strategy.

The Remuneration Committee Chair engages with shareholders on remuneration-related matters (see page 132 of the Directors' Remuneration report for more information).

The AGM provides both institutional and retail shareholders with the opportunity to ask the Board questions either live or by submitting questions in advance.

Our People

Executive Directors host interactive sessions with colleagues throughout the year to receive feedback and answer questions.

These sessions are held in various formats, e.g. town halls and live Q&A sessions, in order to encourage maximum participation from colleagues, allowing them to have a more informal discussion with senior managers.

During the year, Non-Executive Directors visited the Group's operations in Birmingham, Bristol, Glasgow, Doncaster, Leeds, Manchester and Bristol. All of the visits included informal Q&A sessions with colleagues.

In addition, the Chair of the Board delivered keynote talks at the Chief Risk Officer's 'The Future of Risk and Compliance Conference', and at an afternoon session of the Group's 'Young Professionals Conference'.

We have several methods by which the Board engages with our people as stakeholders. The employee voice from each of the below forums is fed back to the Board on a regular basis:

Employee Representative Body ("ERB")

The ERB meets on a quarterly basis and comprises colleagues from across the business areas and locations. Meetings are generally attended by the Group's leadership, including the Acting CEO and one or two Non-Executive Directors, to discuss issues and proposals which have (or may have) an impact on our people. Attendance and information on the work of the ERB during the year can be found on page 108 and 109.

Motability

In September 2023, the Group welcomed 585 Motability colleagues to the business. People in this area are represented by the union Unite. The business leads meet fortnightly with representatives of Unite to discuss transitional activity and other issues.

The Group is intent on building and maintaining a positive relationship with Unite based on transparency and trust throughout the duration of the Motability partnership.

DiaLoGue

The Board receives regular updates on people matters from the Chief People Officer and reviews the results and key outcomes of the Group's colleague engagement survey, 'DiaLoGue', through which all colleagues are surveyed three times a year.

Findings provide both a snapshot and trends not only of all-colleague opinion but also findings for specific teams, allowing solutions to be tailored to specific needs. Response to these surveys has consistently been high (over 80%).

Diversity Network Alliance ("DNA")

There are seven employee networks, each of which are key drivers of diversity and inclusion across the business. They focus on the following areas: Belief, Life (families and carers), LGBTQ+, Neurodiversity & Disability, REACH (Race, Ethnicity and Cultural Heritage), Social Mobility and Thrive (gender). During the year, the Chair of the Board gave an interview on the "Social Mobility Podcast by Making the Leap" hosted by Tunde Banjoko OBE, CEO of Making the Leap, which was facilitated through the Group's Social Mobility Strand.

Our Customers

The Board closely monitors customer conduct and satisfaction. It considers a Customer Outcomes report at each of its scheduled meetings, which includes data in respect of a number of customer experience metrics including Net Promoter Scores and customer complaints data relating to sales, service and claims. It also reviews data in respect of digital service interactions.

During the year, the Board received detailed updates on the impact of various key strategic matters on customers, including the implementation of the new Consumer Duty Regulation. Tracy Corrigan, Non-Executive Director, is the Consumer Duty Champion and acts as the voice of the customer in the boardroom.

The Group has invested in market-leading research capabilities, including an advanced customer engagement suite in our corporate headquarters at Riverbank House. During the year, the Board and members of the Executive Committee met one of our visually impaired customers to test the online journey to purchase a policy. This highlighted the challenges faced by visually impaired customers and the ways they could be supported by simplifying online journeys and, in turn, how these journeys can be simplified for all of our customers.

The Board seeks to utilise a breadth of methods through which to engage with customers: through complaints procedures, customer facing teams, Q&A sessions and via ERB feedback from frontline teams.

Our Suppliers

The Board receives regular updates from management on key issues with suppliers. During the year, the Acting CEO met with a number of key technology suppliers, partners and external consultants.

The Board reviewed and approved the Group's Ethical Code for Suppliers and Modern Slavery Statement. The Code states that the Company encourages and welcomes feedback from suppliers on the Group as a customer and on how policies and procedures can be improved. This feedback can be given as part of regular review meetings with management.

The Group is a long-standing signatory of the Prompt Payment Code. Key performance indicators in respect of prompt payment are reported internally, and there are mechanisms in place for any significant issues regarding prompt payment to be escalated to the Board.

Our Planet and Our Society

The Customer and Sustainability Committee is a key vehicle through which the Board receives updates on engagement with key community and environmental stakeholders. More information on the work of the Customer and Sustainability Committee can be found on pages 127 and 128.

Colleague Engagement

The Group has an established Employee Representative Body, meetings of which are attended by elected representatives from the different areas of the business and by the Acting CEO, the Chief People Officer and members of the senior leadership team, to discuss issues and proposals which have, or may have, an impact on colleagues. Non-Executive Directors also attended meetings on a rotational basis (during the year, four different Non-Executive Directors attended ERB meetings). Output from the meetings attended by Directors is reported to the full Board so they can consider relevant colleague views in their decision making.

The Board considers that this arrangement fulfils the recommendation under Provision 5 of the Code to provide a mechanism for engaging with the workforce, being an enhanced version of the "formal workforce advisory panel" method referred to in Provision 5. The Board considers this arrangement to be highly effective as it provides a formal framework through which a wide variety of views can be represented and provides colleagues the opportunity to express these views directly to both Executive and Non-Executive Directors. It also means Director attendance can be tailored so that colleagues can engage with the most appropriate Board member on a particular topic. For example, during the year, the Chair of the Remuneration Committee attended the meeting at which workforce pay was discussed, and the Chair of the Board attended the meeting at which effect of the Consumer Duty regulations were discussed.

Information about Board representation at ERB meetings can be found in the table below.

Meeting	March	June	September	December
Board Representation	Jon Greenwood (Acting CEO) Vicky Wallis (Chief People Officer) Tracy Corrigan (Non-Executive Director)	Jon Greenwood (Acting CEO) Danuta Gray (Chair of the Board) Vicky Wallis (Chief People Officer)	Neil Manser (CFO) Mark Lewis (Non-Executive Director) Vicky Wallis (Chief People Officer)	Jon Greenwood (Acting CEO) Dr. Richard Ward (Non-Executive Director) Vicky Wallis (Chief People Officer)

Examples of engagement with the ERB having resulted in business action include:

	Issue Discussed	Outcomes
Developing a high-performing culture	We discussed the new high-performing culture with the ERB. This was an iterative process of feedback and update during which the ERB challenged the business on new performance objectives.	Objectives have been set to reflect the most important priorities for us as a business and have been developed to help all of our colleagues understand how they contribute. Performance against these objectives will form part of individual performance ratings. People leaders have been given training on how to apply these performance objectives in year-end reviews.
Our Values	The ERB was consulted on a refreshed set of values: Win Together, Be Yourself, Speak Up and Own It. (More information on our values can be found on page 54.)	With ERB support, our values have evolved to represent the best of the Group, and to guide the way we work together to perform as a business and deliver for our customers. Our values help us make good decisions, support each other in the right way and draw on diverse perspectives. We use our values to assess 'how' our colleagues deliver, alongside 'what' they deliver, when considering individual and team performance across the Group..

DiaLoGue

DiaLoGue is our employee engagement tool that we use to survey our colleagues three times a year. In 2023, we also used DiaLoGue to carry out a 'pulse' survey to understand how our people were feeling during a challenging year. Examples of outcomes resulting from DiaLoGue feedback include:

	Issue Raised	Outcome
The Future	Colleagues sought clarity on their objectives and how they support the Group's wider strategy.	In 2023 we put standardised objectives, which are aligned to our strategy, in place for all colleagues (including the Executive Committee and Enterprise Leadership Network) to support the understanding of the link between individual objectives and the Group's overall strategy.
Leadership	Colleagues sought enhanced communications from leadership, alongside a clear set of priorities for the future.	We have reviewed the approach to and impact of internal communications and have delivered a set of focused priorities. In addition, we are developing a model to understand our leadership strengths and to identify opportunities for improvement.

Division of responsibilities

Governance framework and structure

The Board oversees the system of governance in operation throughout the Group. This includes an effective Enterprise Risk Management Framework and system of internal control. The Board has established a risk management model that separates the Group's risk management responsibilities into three lines of defence. An explanation of these responsibilities can be found on page 86.

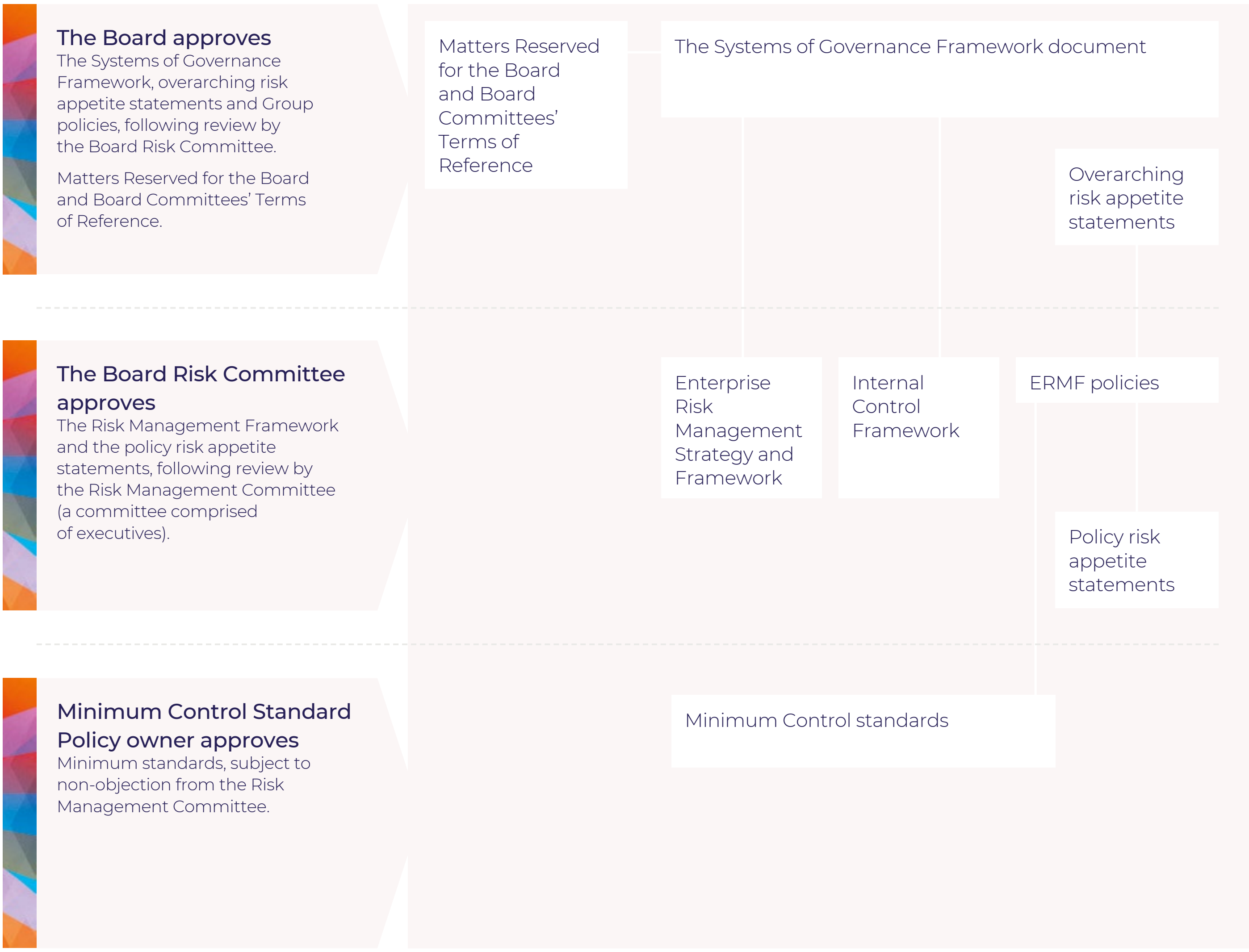
The Group's governance framework is detailed in the Group's Systems of Governance document. This document also details how the Group meets Solvency II and the Prudential Regulation Authority ("**PRA**") requirements to identify key functions, and to have and maintain a Responsibilities Map in respect of the PRA and FCA's Senior Managers and Certification Regime requirements. The Board reviews this document annually.

The core elements of the governance framework are the:

- Matters Reserved for the Board and the Board Committees' Terms of Reference;
- Systems of Governance document;
- Risk appetite statements, which are described on page 86;
- Enterprise Risk Management Strategy & Framework and Internal Control Framework, which is described on page 87;
- Group policies, which address specific risk areas, are aligned to the Group's risk appetite, and inform the business on how it needs to conduct its activities to remain within risk appetite; and

Minimum Control standards, which interpret the Group's policies into a set of requirements that can be implemented throughout the Group.

The diagram below summarises the split of responsibilities for the different parts of the Group's governance framework.



Structure of the Board, Board Committees and executive management

The following chart sets out the structure of the Board and its Committees and highlights the responsibilities of the Chair, the Senior Independent Director, the Non-Executive Directors, the Executive Directors, the Company Secretary and the Executive Committee. The role descriptions for the CEO and Chair are set out in writing; the profiles clearly define their respective roles and responsibilities, and ensure that no one person has unlimited powers of decision making.

The Board and Board Committees have unrestricted access to management and external advisers to help discharge their responsibilities. Each Committee plays a vital role in helping the Board to operate efficiently and consider matters appropriately.

The Board and Board Committees are satisfied that, in 2023, sufficient, reliable and timely information was received in order for them to perform their responsibilities effectively.

The reports by each Board Committee are given in this Annual Report and Accounts. The Terms of Reference for each Committee can be found on the corporate website at: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

Roles and responsibilities of the Board

Board of Directors

Each Director brings different skills, experience and knowledge to the Company, and the NEDs contribute additional independent thought and judgement. Depending on the business needs, the NEDs and the Chair commit at least two days a month and two days a week respectively to discharging their duties effectively in accordance with their letters of appointment.

As at 31 December 2023, the Board comprised the Chair, eight independent NEDs, and two executive Directors (the CFO and the Acting CEO). Biographies of the full Board can be found on pages 97 to 100.

Board Committees

Full details of membership, responsibilities and activity of each Committee throughout the year can be found on pages 117 to 135.

Audit Committee

Investment Committee

Remuneration Committee

Board Risk Committee

Nomination and Governance Committee

Customer and Sustainability Committee

The Executive Committee

The Executive Committee is the principal management committee that helps the Acting CEO manage the Group's operations and supports the Acting CEO in:

- Setting performance targets;
- Implementing Group strategy;
- Monitoring key objectives and commercial plans to help achieve the Group's targets; and
- Evaluating new business initiatives and opportunities.

Chair

- Guides, develops and leads the Board.
- Plans and manages the Board's business.
- Oversees the Group's governance framework.

Senior Independent Director

- Acts as a sounding board for the Chair and an intermediary for the other Directors when necessary.
- Is available to shareholders if they have concerns that cannot be resolved through other channels.
- Leads the Chair's performance evaluation.

Non-Executive Directors

- Challenge management in an objective and constructive manner.
- Use their wider business experience to help develop the Group's strategy.

Executive Directors

- The Acting CEO and CFO are members of the Board, with delegated responsibility for the day-to-day operation of the Group and delivering its strategy.
- The Acting CEO delegates certain elements of their authority to the Executive Committee members to help ensure that senior executives are accountable and responsible for managing their business areas and functions.

Company Secretary

- Ensures the Directors receive accurate, timely and clear information.
- Assists the Chair in overseeing the Group's corporate governance arrangements.

Board composition

As at the date of this report, the Board comprised the Chair, who had previously served as an independent Non-Executive Director and was independent when appointed as Chair; one Executive Director; and eight independent Non-Executive Directors, including the Senior Independent Director.

Following the departure of Penny James on 27 January 2023, Jon Greenwood served as Acting CEO throughout 2023 and was appointed to the Board as an Executive Director on 31 August 2023 following regulatory approval.

Biographical details of the Directors of the Company as at the date of this report are set out on pages 97 to 100. Details of Directors who have served throughout the year can be found in the Directors' Report on page 157.

Board succession

The Nomination and Governance Committee continues to review succession plans both for the Board and at executive level each year. Further information on our approach to succession planning and Board appointments can be found in the Nomination and Governance Committee's report on pages 125 to 126.

Board induction and training

All new Directors appointed to the Board undertake an induction programme aimed at ensuring they develop an understanding and awareness of our businesses, people and processes, and of their roles and responsibilities as Directors of the Company. The programmes are tailored to suit each Director and include provision of relevant current and historical information about the Company and the Group; visits to operations around the Group; induction briefings from Group functions; one-to-one meetings with Board members, Senior Management and the Company's advisers; and engagement with the Group's ERB.

The Board is committed to the training and development of Directors to improve their knowledge of the business and the regulatory environment in which it operates. The Company Secretary is responsible for helping the Chair identify and organise training for the Directors which is tailored to individual needs.

The Company Secretary maintained the training agenda for the Board and its Committees during the year. During the year, the Board received technical briefings on the Internal Economic Capital Model. In addition, the Board attended a 'Technology Boardwalk' that focused on the role that technology plays delivering great customer experiences.. This was brought to life by listening to, watching and analysing our actual customers in the Group's customer experience labs and through smaller session where the Board could engage with customers about their experiences.

Non-Executive Director ("NED") Independence

On behalf of the Board, the Nomination and Governance Committee assesses the NEDs' independence, skills, knowledge and experience annually. The Nomination and Governance Committee concluded that every current NED was independent, continued to contribute effectively, and demonstrated they were committed to the role. Each current Director will submit themselves for election or re-election at the 2024 AGM.
You can find out more about the activities of the Nomination and Governance Committee's work during the year on pages 125 and 126.

External directorships

The Board keeps Directors' external commitments under continual review to ensure they continue to have sufficient time to dedicate to the Group. During the year, the Board reviewed and approved in advance, Danuta Gray's appointment as a Independent Non-Executive and Chair Designate of Croda International plc. The Board was satisfied that, in taking on this role, Danuta would continue to have sufficient time to dedicate to her role on the Board.

Information and support

The Board accesses assistance and advice from the Company Secretary. The Board, and each member of the Board, may seek external independent professional advice at the Company's expense, if required, to discharge its duties.

Board's approach to inclusion and diversity

The Company reports that as at 31 December 2023 the Board was partly compliant with the new Listing Rule targets, meeting the target for at least one senior Board position to be held by a woman and for at least one Board member to be from a minority ethnic background (which is also consistent with the Parker Review recommendations). However, for the majority of the year it did not meet the target for at least 40% of the Board to be women.

The Board recognises that there is more work to do in this area, and it aims to meet the targets set out by the Listing Rules, noting the challenges associated with achieving this. Diversity, including gender diversity, is a key consideration in succession planning, though as the skills and experience of the Board are refreshed over time, the gender balance will be dependent on the availability of the best candidates for Board vacancies.

In 2023 the Group set ambitious new targets to continue to improve diversity in senior leadership. Our targets are aligned with the definitions of senior leadership used by the FTSE Women Leaders Review, Women in Finance review and Parker Review. We are aiming to increase representation of women to 40%, ethnic minority talent to 16%, and Black talent to 4% at senior leadership levels (defined as Executive Committee and direct reports, excluding direct reports in support or administrative roles).

	Current representation (end Oct 2023)	Targeted representation (end 2027)
Women	31%	40%
Ethnic minority	13%	16%
Black	0%	4%

The tables below set out data about the sex and ethnicity of the Board and senior management as at 31 December 2023, in the format prescribed by the Listing Rules.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
Men	9	75%	3	6	60%
Women	3	25%	1	4	40%
Not specified/prefer not to say	–	–	–	–	–

Note:

1. Executive management is the Executive Committee and Company Secretary.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
White British or other White (including minority-white groups)	11	91.7%	4	7	70%
Mixed/Multiple Ethnic Groups	1	8.3%	–	–	–
Asian/Asian British	–	–	–	2	20%
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	1	10%

Note:

1. Executive management is the Executive Committee and Company Secretary.

The Group recognises the importance of understanding diverse representation and the monitoring of differential outcomes. It collects diversity representation information on the basis of self-reporting across the categories of sex, gender identity, ethnicity, religion, sexual orientation, disability and socio-economic background, collected using our HR Information Systems as part of the onboarding process.

Senior management succession planning

The Board recognises that in order to maintain and improve on diversity levels, it must ensure that senior management succession planning is focused on promoting diverse leadership, and that workforce diversity is achieved at all levels in order to secure a diverse pipeline of talent.

The 2023 Annual Incentive Plan includes targets for Executive Directors, the Executive Committee and senior management in respect of improving the gender and ethnic diversity of the workforce in the context of leadership succession planning (more information on this can be found on pages 55 and 56 and on 141).

Board appointments and Diversity Policy

The Board has in place a Diversity Policy which sets out the key principles to be followed in respect of the Board appointment process. More information on this can be found in the Nomination and Governance Committee report on pages 125 and 126.

Workforce diversity and inclusion

The Board encourages and supports equity, diversity and inclusion in the workplace and is committed to building an inclusive culture. It continues to support Group-wide diversity and inclusion activities and initiatives, many of which are outlined on pages 112 to 114. This includes the work of the Company's Diversity Network Alliance ("**DNA**") which champions diversity and inclusion in the Group through its 'DNA strands': Race, Ethnicity and Cultural Heritage ('**REACH**'); Belief; LGBT+; Life (working families and carers); Neurodiversity and Disability; Social Mobility; and Thrive (gender). More information about the work of the DNA during the year can be found on page 55 of the Strategic report.

Board skills, experience and knowledge

The Nomination and Governance Committee assesses and monitors the skills, experience and knowledge of Board members with the aim of equipping the Board to challenge and support the executive team effectively, taking into consideration the Group's evolving strategy.

Board and Committee effectiveness review: three-year Board evaluation cycle

The Board conducts an annual review of the effectiveness of the performance of the Board, its Committees, the Chair and individual Directors, with the input of an external facilitator at least every third year. In 2023, the performance review was carried out in-house with the assistance of Promontory Financial Group ("**Promontory**"), which has no other connection with the Company or any Director. The Board recognises that a continuous and constructive review of its performance is a critical factor in achieving the Group's objectives, realising potential and promoting the long-term sustainable success of the Company.

Promontory mapped themes identified during both the previous Board performance review and at a follow-up workshop with the Non-Executive Directors which they facilitated in June 2023. They conducted one-to-one interviews with Board members and senior managers who were regular attendees of Board and Committee meetings, and reviewed samples of meeting agendas and papers. Promontory's findings and recommendations were considered by the Board and its Committees in early 2024.

Evaluation process

Step 1	The thematic priorities for the review were established by Promontory in discussion with the Chair and the Company Secretary.
Step 2	Promontory interviewed members of the Board and senior managers about Board and Committee performance and the Group's current and target culture, and reviewed sample agendas and papers.
Step 3	A report, covering Board and Committee performance, was prepared and presented by Promontory and discussed at the Board's January 2024 meeting.
Step 4	An action plan was defined, based on the recommendations in Promontory's report.

2023 evaluation outcome

The results of the review were presented to the Board and its Committees in January 2024 and the recommendations form the basis of an action plan for 2024 as summarised in the table on page 115, along with an update on the action plan that resulted from the 2022 review. Themes emerging from the 2023 review included Board and executive succession planning, management skills and capabilities, culture, communication, meetings and materials. Separately, the Senior Independent Director discussed the Chair's performance with the Non-Executive Directors (except the Chair) and provided constructive feedback to the Chair. No Director was involved in the review of their own performance.

2022 focus areas and action taken during 2023

Reflecting on 2022 challenges

The Non-Executive Directors arranged a discussion in June 2023, which was facilitated by Promontory, to reflect on the lessons learned from navigating the challenges and volatility of 2022. The Board and its Committees have, during 2023, overseen a number of action plans, the objectives of which included improving the Group's control framework and increasing the depth of management's technical and leadership capability.

Improving Board information

Some progress has been made in supplying summary key performance indicators to the Board by business category in a more succinct and insightful format. This is work-in-progress and further reviews of Board and Committee materials, and training for the authors and executive sponsors of papers, are planned in 2024.

Succession planning

The search for a new Chief Executive resulted in the selection of Adam Winslow, which was announced on 30 August 2023. Two new Non-Executive Directors joined the Board in 2023, Mark Lewis in March and David Neave in October, and an additional search has led to the appointment of Carol Hagh with effect from 1 April 2024. A review of executive succession planning during the year led to a number of searches at senior level, which are expected to be concluded in early 2024. There has been a particular focus on recruiting additional technical and leadership capability in the Pricing & Underwriting and Actuarial functions.

2023 focus areas and proposed action for 2024

Strategic direction

The Board intends to rebalance its support for, and challenge of, senior management. It will engage with Adam Winslow, the new Chief Executive, on setting the priorities for the Group's strategy in 2024 and beyond, including for brand and commercial strategy, driving the business benefits of investment in technology and responding to customers' changing needs.

Investment in leadership

The Board will oversee the continuing action plan to strengthen management technical and leadership capability, working with the new CEO on the Group's target operating model, clarifying roles and responsibilities and driving accountability.

Refreshing culture

The Board will continue to oversee work on stimulating a high-performance, customer outcomes-focused and risk-positive culture, including investing in risk management and compliance culture and capability, further enhancing the insights from cultural metrics developed in 2023.

Audit, Risk & Internal Control

An explanation of how the Board complies with the Code in relation to audit, risk and internal control is set out below, except for the following matters, which are covered elsewhere in the Annual Report and Accounts:

- how the Board has assessed the Group's longer-term viability and the adoption of the going concern basis in the financial statements is on page 93 and page 159; and
- the Board's delegated responsibility to the Audit Committee to oversee the management of the relationship with the Company's External Auditor.

You can find details of the Audit Committee's role, activities and relationship with the External Auditor in the Audit Committee report which starts on page 117 .

Responsibility for preparing the Annual Report and Accounts

The Board's objective is to give shareholders a fair, balanced and understandable assessment of the Group's position, performance, business model and strategy. The Board is also responsible for maintaining adequate accounting records, and seeks to ensure compliance with statutory and regulatory obligations.

You can find an explanation from the Directors about their responsibility for preparing the financial statements in the Statement of Directors' responsibilities on page 160. The Group's External Auditor explains its responsibilities on page 171.

The Directors confirm that they consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information that shareholders need to assess the Group's position, performance, business model and strategy. In arriving at this conclusion, the Board was supported by a number of processes, including the following:

- management drafted the Annual Report and Accounts to ensure consistency across sections, and a steering group comprising a team of cross-functional senior management provided overall governance and co-ordination;
- a verification process, to ensure the content was factually accurate;
- members of the Executive Committee reviewed drafts of the Annual Report and Accounts;
- the Company's Disclosure Committee reviewed an advanced draft of the Annual Report and Accounts; and
- the Audit Committee reviewed the substantially final draft of the Annual Report and Accounts, before consideration by the Board.

Assessing emerging and principal risks

The Board determines the nature and extent of the risks that it is willing to take to achieve its strategic objectives. The Directors robustly assessed the emerging and principal risks facing the Company, including risks that would threaten its business model, future performance, solvency or liquidity. You can find a description of these risks, and their management or mitigation, on pages 88 to 92.

This determination is based on the Board Risk Committee's review and challenge of the Group's Material Risk Assessment, and the Board's review and approval of the Group's risk appetite statements. The Risk Assessment identifies risks quantified as having a residual risk impact of £30 million or greater. The quantifications are produced through stress and scenario analysis, and our capital model. Each directorate's bottom-up risk identification and assessment supplements the Material Risk Assessment. The Material Risk Assessment also plays a key role in developing the ORSA and assessing the Group's strategic plan.

Risk management and internal control systems

The Board, with the assistance of the Board Risk Committee and the Audit Committee, and support from the Risk and Group Audit functions as appropriate, monitored the Company's risk management and internal control systems that have been in place throughout the year under review, and reviewed their effectiveness. The monitoring and review covered all material controls, including financial, operational and compliance controls.

The Risk function annually produces an Internal Risk and Control Assessment ("**IRCA**") Statement to support the Board in monitoring the effectiveness of the Group's risk management and internal control systems. Under the IRCA process, each function completes a self-assessment of its risks and key controls and an Executive Sponsor, responsible for the function, attests to the status of the effectiveness of the risk management and internal control systems. This is supported by control testing in the first line of defence. The Risk function reviews and challenges these findings and the Group Audit function provides an independent assessment of the overall effectiveness of the governance and risk and control framework of the Group. The overall findings are combined into a Group-level assessment and reported to the Board Risk Committee.

The 2023 IRCA process did not identify any material financial, operating, or compliance control deficiencies during the year ended 31 December 2023, nor any material control deficiencies that remained unresolved at the balance sheet date.

The IRCA specifically assessed the potential control implications of risk events which occurred in recent years but have further crystallised in 2023, including material customer redress provisions, and weaknesses in the Motor account trading performance.

The Group incurred material customer redress provisions of £104m in 2023 in respect of its past business reviews relating to renewal pricing under the rules in ICOBS 6B and claims under motor insurance policies where the vehicle was deemed uneconomical to repair ("Motor Total Loss Claims"). The IRCA identified that these events were, in part, caused by deficiencies in the Group's operational and compliance controls in prior years. The underlying root causes of these control deficiencies have since been remediated, such that they did not represent an unresolved material control failure as at the balance sheet date.

In addition, the Group's 2023 trading performance has been adversely impacted by the earning of premiums priced during the exceptional inflationary UK motor claims environment in 2022. The IRCA reported that the adequacy of the Group's pricing response at that time may have been impacted by shortcomings in the resilience of its pricing and underwriting control environment when operating in those stressed circumstances. The Group has taken a number of corrective actions in 2023 to reduce the impact of this on its ongoing commercial performance.

During the year, the Group enhanced its control environment across a number of key areas including pricing and underwriting, compliance with pricing practices regulation, financial reporting, change management, and risk management in the first line. These enhancements are part of an objective to strengthen the Group's overall risk and control environment. Further work is to be undertaken in 2024 to formalised newly introduced controls, complete the programme of control remediation, and ensure that the process of risk and control assessment is updated to fully support and embed these enhancements.

To support and accelerate this work, the Board commissioned a Group-wide controls improvement programme in 2023. This was overseen by the Board Risk Committee. In addition, the Audit Committee has overseen a Control and Oversight Remediation Programme within Finance, the aim of which is to enhance the financial reporting control environment across the Group. Significant progress has been made under both initiatives resulting in an improving control environment, with work continuing into 2024. More information in respect of both initiatives can be found in the respective Audit Committee and Board Risk Committee reports.

The Group Audit function supports the Board by providing independent and objective assurance on the adequacy and effectiveness of the Group's controls. It brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control and governance frameworks and processes. Group Audit's 2023 annual assessment of the risk management, governance and control environment did not identify any matters that conflict with the 2023 IRCA Statement.

On behalf of the Board, the Board Risk Committee reviewed the 2023 IRCA Statement and was satisfied with the conclusion that the Group's risk management systems, including its internal control systems, were adequate for managing all material risks. The Board Risk Committee also regularly reviews significant risks and how they might affect the Group's financial position, comparisons to agreed risk appetites, and what the Group does to manage risks outside its appetite.

The Board confirms that there is an ongoing process for assessing the Company's risk management and internal control systems and identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report. The Board takes the view that, on the basis of the 2023 IRCA assessment carried out, it would be reasonable to conclude that the Group's risk management and internal control systems are effective. The Directors acknowledge that any internal control system can manage, but not eliminate, the risk of not achieving business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or financial loss.

Remuneration

The Board is mindful at all times that remuneration policies and practices must be designed to support strategy and promote the long-term sustainable success of the Group. It delegates responsibility to the Remuneration Committee to ensure that there are formal and transparent procedures for developing policy on Executive remuneration and determining Director and senior management remuneration.

In his report on pages 131 to 135, the Remuneration Committee Chair provides an overview of the Committee's work in setting an appropriate framework for remuneration of the Executive Directors, Executive Committee and other senior managers, as well as the wider workforce, to ensure fair pay for all our colleagues.

For details on how the Company has applied Provision 40 of the Code in determining Executive Director remuneration policy and practices, see the summary on page 138.

Audit Committee report

Gregor Stewart
Chair

Committee membership

- **Gregor Stewart**
  Chair and Independent Non-Executive Director
- **Mark Gregory**
  Independent Non-Executive Director
- **Fiona McBain**
  Independent Non-Executive Director
- **David Neave**[1]
  Independent Non-Executive Director

Key responsibilities

- Oversee the integrity of the Group's financial statements.
- Oversee and challenge the effectiveness of the Group's systems of financial internal controls and regulatory reporting.
- Oversee Group Audit's annual assessment of the Group's risk management, control and governance frameworks and processes.
- Oversee the actuarial reserving process.
- Oversee the work and effectiveness of the Group's internal and external auditors.
- Oversee the Group's financial and non-financial disclosures, including climate-related financial disclosures.

Areas of focus in the reporting period

- Financial reporting: reviewed and challenged the key accounting estimates and judgements made by management to support the financial statements.
- Insurance reserves: reviewed the Group's insurance reserves to obtain assurance that they remained appropriate for discharging expected liabilities.
- Reviewed IFRS 17 implementation.
- External Audit: oversaw the transition from Deloitte LLP to KPMG LLP.
- Oversaw the CFO Control and Oversight Remediation Programme.
- Reviewed and challenged Group Audit's annual assessment of the Group's risk management, control and governance framework and processes.
- Oversaw the independent External Quality Assessment of the Group Audit function.

Committee skills and experience

In line with the UK Corporate Governance Code (the "**Code**"), all members of the Audit Committee are independent, and the Committee as a whole is deemed to have competence relevant to the insurance and financial services sectors in which the Group operates.

The Committee Chair is a member of the Institute of Chartered Accountants of Scotland. Fiona McBain and Mark Gregory are members of the Institute of Chartered Accountants in England and Wales. David Neave brings to the Committee 40 years of experience in senior general insurance positions including claims and underwriting.

Each member has recent and relevant financial experience gained in a number of different financial services businesses, including insurance, enabling them to contribute diverse expertise to the Committee's proceedings.

Main activities during the year

At each of its scheduled meetings, the Committee received reports on financial reporting, insurance reserves, internal controls and Group Audit.

Financial reporting

The Committee followed a review process before recommending the Annual Report and Accounts and Half Year report to the Board, and focused on the choice and application of significant accounting policies, emphasising those requiring a major element of estimation or judgement. Further information on the significant matters considered is provided in the table on page 118.

In addition, the Committee reviewed papers prepared by management on the use of alternative performance measures in the financial statements. The Audit Committee had previously noted that on transition to IFRS 17, the Group intended to replace the previously reported alternative performance measure, the combined operating ratio, with a new metric, the net insurance margin. The net insurance margin expresses the insurance service result under IFRS 17 as a percentage of insurance revenue and measures financial year underwriting profitability. The Committee was satisfied that an explanation of both the alternative performance measure, and why it was used, was clearly communicated to users of the financial statements.

Furthermore, the Committee considered the estimates and judgements used to prepare the Group's capital position under Solvency II, including focusing on the level of technical provisions held. Specific matters considered included judgements made in respect of events not in data, and the risk margin. The Committee reviewed the Group's Solvency and Financial Condition report on behalf of the Board before submission to the PRA, and concluded that the processes to produce and review this report had operated satisfactorily.

IFRS 17 and IFRS 9 implementation

During the year, the Committee reviewed and challenged disclosures in respect of the Company's first reporting under IFRS 17 and IFRS 9, which included 2022 restatements. It considered challenge from the External Auditor on topics in IFRS 17 including: the illiquidity premium to be used to discount insurance liabilities; the application of the premium allocation approach and the eligibility testing undertaken; the onerous contracts assessment; the treatment of extreme events not in data; and reclassification of line items on the Statement of Financial Position.

Note:
1. Appointed to the Committee with effect from 6 December 2023.

Significant judgements and issues

Matter considered	Description	Action
Insurance liabilities valuation	The Committee reviewed the level of insurance liabilities of the Group. Insurance liabilities include the liability for remaining coverage and the liability for incurred claims at the statement of financial position date. By its nature, the liability for incurred claims requires analysis of trends and risks, and the application of management judgement, knowledge and experience. The measurement of the liability for remaining coverage is less judgemental than the liability for incurred claims and is recognised on a similar basis to the Group's previous accounting treatment of the unearned premium reserve under IFRS 4. Further information on insurance liabilities is provided on pages 37 to 38.	In 2023, the Committee reviewed and challenged the approach, methodology and key assumptions used by management in setting the liability for incurred claims and monitored developing trends that could have a material impact on them. On an ongoing basis, it received updates from the Actuarial Director on how actual claims experience compared to expectations. Particular points of discussion in 2023 were the developing trends in personal lines Motor, covering large and small bodily injury claims experience in addition to damage claims. This included a focus on recoveries for non-fault claims, where the adequacy of the provision was challenged to protect against the risk of fewer recoveries than estimated. The Committee also considered the more wide-ranging impacts of the ongoing uncertainty caused by the current macro-economic environment. The Committee discussed the judgements that underpinned the year end liabilities, including those based on current and prior-year development and settlement patterns. Consistent with the continued uncertainty in an inflationary environment, the Committee reviewed analysis of the matters that significantly impacted the booked reserves, alongside supporting data and diagnostics, and the potential range of outcomes. The Committee discussed the approach to identifying and recognising those events which were not yet reflected in data and reviewed and challenged the provisions proposed by management. In addition, the Committee was provided with the Group's response to the Dear Chief Actuary letter from the PRA, which highlighted the risks of inflation for general insurers and made recommendations on certain actions to address those risks. The Committee obtained insight and reviewed results from an independent actuarial review of material elements of insurance liabilities. Where there was divergence between the independent actuarial review and that of management, the Committee challenged the reasons for the divergence. The Committee also considered the adequacy of remediation costs recognised for past business reviews covering Motor total loss and the pricing of Motor and Home policies following the implementation of the FCA's PPR reforms. The Committee was satisfied that management had exercised appropriate control and judgement in estimating insurance liabilities.
Valuation of investments not held at fair value and investment property	The Committee considered reports on the estimates and judgements applied to the carrying value of the Group's investments that are not held at fair value, and the basis for the valuation. These assets principally comprise infrastructure loans, commercial real estate loans and private placement bonds held within the investment portfolio. The Group also holds a portfolio of investment properties. Information was provided to the Committee on a regular basis to support the value recognised in the accounts.	In 2023, the Committee considered material accounting estimates and judgements in respect of assets not held at fair value, and the investment property portfolio, and was satisfied with the carrying value of investments and the basis for their valuation. The Committee noted that a write down was proposed in the investment portfolio in relation to one of the Group's commercial real estate loans. The Committee considered the impact of the continuing challenging macro-economic environment on the investment property portfolio and noted the year end independent valuation resulted in a small decline overall in the portfolio value. The Committee concluded that the carrying values in the accounts were reasonably stated.

Insurance contract liabilities – liability for incurred claims

The Committee reviewed and challenged the key assumptions and judgements, emerging trends, movements, and analysis of uncertainties underlying the reserving estimates made for the liability for incurred claims. These assumptions and judgements were informed by actuarial analysis, wider commercial and risk management insights, and principles of consistency from period to period. Inflation risks were discussed throughout the year, taking account of care costs, cost of materials and general labour inflation affecting different lines of business. The Actuarial Director presented scenario analyses for various inflationary drivers, supporting the booking of the liability for incurred claims. After its review, the Committee recommended the liability for incurred claims to the Board.

The Committee also commissioned an external independent actuarial review of material risk areas of insurance liabilities, carried out for the Committee by PricewaterhouseCoopers LLP ("**PwC**").

Task Force on Climate-related Financial Disclosures report

The Committee reviewed the financial disclosures in the Task Force on Climate-related Financial Disclosures report on behalf of the Board as part of its review of the Annual Report and Accounts. The TCFD report can be found on page 70.

Going concern, viability and fair, balanced and understandable

The Committee considered the going concern assumptions and viability statement in the 2023 Annual Report and Accounts, valuation of assets and impairment reviews, non-recurring period-specific transactions and clarity of disclosures. The Committee reviewed and concluded that the Annual Report and Accounts taken as a whole were fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position, performance, business model and strategy.

When considering the 2023 Annual Report and Accounts, the Committee considered the significant judgements and issues which could be material to the financial statements. These included the matters set out in the table on page 118. The Committee challenged the estimates and judgements being made and also discussed these matters with the External Auditor.

For more information on the viability statement see page 93.

Internal control

During the year, the Committee continued to monitor and review the adequacy and effectiveness of the controls that underpin the Group's financial reporting control framework, which forms part of the Group's wider internal controls system. The Board delegates supervision of the framework to the Committee, while the CFO is responsible for the framework's operation on a day-to-day basis. During 2023, there were no material control deficiencies reported to the Committee.

In the 2022 Annual Report, the Committee reported that whilst there were no material control deficiencies reported to it during 2022, there had been an increase in the number of non-material control deficiencies identified during that year and therefore took an action to work alongside the Board Risk Committee to oversee a programme of improvements to the Group's financial reporting control environment.

In this regard, the Audit Committee has overseen the CFO Control and Oversight Remediation Programme (the "**Programme**"), the aim of which is to enhance the financial reporting control environment across the Group. During the year, the Programme, which is led by the CFO Control Steering Group and chaired by the CFO, reported back to the Committee on a monthly basis, as well as at scheduled meetings, on its progress. Targeted remediation activities relating to improvement in the financial reporting processes were completed. The Programme will continue in 2024 to ensure that progress made in 2023 is maintained into 2024 to further embed the continuous improvement of the control environment of the Group's financial reporting framework.

The Committee reviewed and challenged Group Audit's annual assessment of the Group's risk management, control and governance frameworks and processes. The Committee also reviewed Group Audit's opinion on the overall effectiveness of the Group's internal control framework. This concluded that important elements of the formal framework required further improvement, but that, taken as a whole, the framework was adequate, such that no material control failures had occurred in the current year.

The Committee also considered management's processes and controls for identifying and responding to the risk of fraud. The Committee noted that there were no fraud-related events or actions to suggest that fraud might have a material impact on the financial statements.

The Committee monitored management's responses to the control insights and observations raised by the External Auditor in its annual management letter during the year, and was satisfied that management was taking appropriate and timely action to resolve the issues raised.

Group Audit

The Committee is responsible for overseeing the work of Group Audit and for ensuring industry best practice is adopted appropriately. The Group Head of Audit's primary reporting line is to the Chair of the Committee. The secondary reporting line, for day-to-day administration, is to the CEO.

During the year, the Committee oversaw the independent External Quality Assessment ("**EQA**") of the Group Audit function. This rated Group Audit 'generally conformant' with professional standards, with some improvements recommended against relevant Internal Audit professional standards. The Committee oversaw the development of the action plan to address the findings from the EQA and is receiving quarterly progress updates. Group Audit's performance partner PwC continued to provide independent quality assurance activity alongside the EQA with results reported to the Committee.

During the year, Group Audit provided the Committee with independent and objective reports on the adequacy and effectiveness of the Group's governance, risk management and internal controls. Group Audit completed a number of reviews of major programmes during the year. The Committee approved Group Audit's plan on a quarterly basis, and confirmed the audit plan coverage on an annual basis. The Committee received quarterly reports detailing internal audit activity, key findings, management responses, and proposed action plans. There were no material deficiencies reported to the Committee in the year.

Following the independent EQA and assessment by the Committee during the year, it was concluded that the Group Audit function was effective. The Committee approved the Group Audit Charter, which is reviewed annually.

Additional information

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2023 it received sufficient, reliable and timely information to perform its responsibilities effectively.

During the reporting period, the External Auditor and Head of Group Audit met privately with the Audit Committee, in the absence of management. The Chair of the Committee reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

During the year, the FRC carried out a limited scope review of the Group's Half Year report to 30 June 2023 as part of its thematic review of IFRS 17, covering interim disclosures in the first year of application. No substantive questions or queries were raised as a result of the review. It is noted that the FRC's review was limited to considering compliance with reporting requirements, did not provide assurance that the report was correct in all material respects, and it is not the FRC's role to verify the information provided.

External Audit

Deloitte LLP ("**Deloitte**") has served as the Company's Auditor since 2000. Andrew Holland, FCA, was the lead audit partner for the Company's 2023 audit. As Deloitte was appointed as Auditor to the Company in 2000 (when it was a subsidiary of The Royal Bank of Scotland Group plc), under the transitional provisions of the relevant legislation, Deloitte could only continue as the Company's External Auditor until 31 December 2023. As noted below, a competitive tender process was undertaken in 2022 to appoint a new External Auditor.

The Committee is responsible for overseeing the work of the External Auditor and agreeing the audit fee, as well as approving the scope of the External Auditor's annual plan.

External Audit transition

During 2022, the Committee oversaw a competitive tender process to select a new auditor to be appointed for the financial year ending 31 December 2024. As announced on 10 October 2022, the Board approved the appointment of KPMG LLP ("**KPMG**") as the Company's auditor for the financial year ending 31 December 2024, subject to shareholder approval at the Company's 2024 AGM.

During the year the Committee has been engaged in overseeing planning and arrangements for the transition from Deloitte to KPMG. The lead Audit Partner from KPMG, James Anderson, attended a number of meetings of the Committee to report on progress against the transition plan. Transitional activities have included: reviewing Deloitte's files; shadowing Deloitte on the 2023 audit; visiting the Company's outsourced finance resources in India and meeting with management. The Committee reviewed KPMG's independence, noting that they have been considered independent in line with all regulatory and professional requirements since June 2023.

The Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Auditor independence

The Group has in place a minimum standard in relation to the independence of the External Auditor, which is compliant with the Financial Reporting Council's review of its Ethical Standard for Auditors. This establishes parameters for preventing or mitigating anything that compromises the External Auditor's independence or objectivity. The minimum standard includes:

- a formal process for the pre-approval of certain non-audit services by the External Auditor;
- a requirement that any non-audit services are reviewed annually;
- restrictions on employees of the auditor working for the Group and vice-versa; and
- a requirement that key audit partners are rotated at least every 5 years.

The Committee reviews the standard annually.

The Committee's Terms of Reference require that the Committee meet at least once annually with the External Auditor in the absence of management.

In addition, the Committee reviews confirmation from Deloitte that in its professional opinion, it is independent within the meaning of regulatory and professional requirements.

Therefore, the Committee is satisfied that the Group has adequate procedures to ensure that the External Auditor is independent and objective and that these procedures operated effectively during the year.

Non-Audit Fees

During the year, the Committee approved fees in respect of Deloitte providing reporting accountant services in respect of the sale of the brokered commercial business. The Company's policy for non-audit services is compliant with the FRC's 'Revised Ethical Standard 2019'. In line with regulation, the Group is required to cap the level of non-audit fees paid to its external auditor at 70% of the average audit fees paid in the previous three consecutive financial years.

The following is a breakdown of fees paid to Deloitte for the year ended 31 December 2023 (excluding VAT).

	Fees £m	Proportion %
Audit fees	3.8	63 %
Audit-related assurance services	0.6	10 %
Non-audit services	1.6	27 %
Total fees for audit and other services	6.0	100 %

Audit-related assurance services were in respect of the Group's Solvency II reporting, the review of the Half Year report 2023, for which the Company's External Auditor must be used and for assurance services in respect of the Claims Liability Act. Non-audit fees charged by Deloitte for their services as reporting accountants as explained above, were within the cap of 70% of the last three average annual audit fees. An additional non-audit service has been provided in 2024 for fees of £0.4m for reporting accountant services. Further information in respect of audit fees paid to Deloitte is disclosed in note 7 to the consolidated financial statements.

Effectiveness of the external audit process

In 2023, the Committee conducted its annual review of the External Auditor's effectiveness. The Committee assessed the External Auditor through:

i. a detailed questionnaire completed by key stakeholders;
ii. discussing matters with the CFO;
iii. formally reviewing the External Auditor's independence;
iv. assessing the key risks identified by the External Auditor, the quality controls put in place to deliver the audit and whether the agreed audit plan was fulfilled; and
v. private meetings with the External Auditor in the absence of management.

In addition, through regular interaction with the External Auditor, the Committee was satisfied that the External Auditor continued to demonstrate professional scepticism and challenged management's assumptions.

The quality of the audit was assessed through review and discussion of the External Auditor's report to the Committee at each meeting, and from the challenges and insights brought to significant areas of judgement in the Group's financial statements.

After taking into account all of the information available and considering FRC Audit Quality: Practice aid for audit committees, the Committee concluded that Deloitte had performed its obligations effectively and appropriately as External Auditor to the Group.

The Committee also considered the publication by the FRC in July 2023 of the results of its Annual Quality Review and its thematic findings for 2021/2022. The FRC reviewed Deloitte's audit of the Group's financial statements for the year ended 31 December 2022 for the 2022/23 review cycle. No significant recommendations were made by the FRC for further improvement and a number of areas of good practice were highlighted.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was carried out with assistance from Promontory as part of the wider review of the performance of the Board and the Board Committees. The review found that the Committee's skills and experience were appropriate, that its papers, whilst technical in natures, were accessible, that the Committee's interaction with the Board and other Committees was constructive and that its level of challenge was effective, reflecting current priorities. The review noted that the Committee had increased the frequency of its meetings to oversee current issues. Further information on the Board effectiveness review can be found on pages 114 to 115.

In addition, the Committee's terms of reference were reviewed against the activity of the Committee during the year. The terms of reference were found to be suitable, comprehensive and of appropriate scope. The Committee's terms of reference can be found on the corporate website: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 21 March 2024.

Gregor Stewart
Chair of the Audit Committee and Independent Non-Executive Director

Board Risk Committee report

Mark Gregory
Chair

Committee membership

- **Mark Gregory**
  Chair and Independent Non-Executive Director
- **Fiona McBain**
  Independent Non-Executive Director
- **David Neave**[1]
  Independent Non-Executive Director
- **Gregor Stewart**
  Independent Non-Executive Director
- **Dr. Richard Ward**
  Senior Independent Director

Key responsibilities

- Provide oversight and advice to the Board in relation to current and emerging risk exposures of the Group and the strategic approach to managing risk, including determination of risk appetite.
- Promote a risk-aware culture within the Group.
- Review the design and implementation of the Enterprise Risk Management and Strategy Framework, risk appetite and tolerances.

Areas of focus in the reporting period

- Monitored and reviewed the Group's top risks across its financial, operational and organisational resilience pillars.
- Regularly assessed the Group's emerging risks, including monitoring of the geopolitical landscape and its impacts on the Group.
- Oversaw and challenged progress and delivery of the FCA's Consumer Duty implementation programme, followed by continued oversight post-implementation.
- Oversaw the Controls and Risk and Control Self-Assessment ("**RCSA**") Project ("**CRP**"), a Company-wide controls improvement programme aiming to set a new activity and assurance standard.
- Received regular updates on the Pricing Practices Regulation and Motor Total Loss past business reviews.

Further detail on these areas can be found in the body of the Committee report.

Chief Risk Officer's report

At each scheduled meeting, the Committee received a report from the Chief Risk Officer ("**CRO**") which outlined the challenges and risks being faced across the Group's financial, operational and organisational resilience pillars. The CRO's report provided an overview and status of the top and principal risks against the Group's appetite, as well as: key activities undertaken by the Risk function to further embed risk management across the Group; outputs of regular risk monitoring activities; and details of any current and specific financial, non-financial or regulatory and compliance risk matters. Alongside the CRO's report, the Committee regularly assessed the Group's emerging risks. It challenged management on the identification of all possible significant emerging risks during the year and on the Risk function's role in ensuring that such emerging risks were being monitored and managed appropriately. The most notable emerging risks identified included those relating to geopolitical tension, disruptor emerging risk, data ethics, digital disruption, the transition to a low carbon economy, changing customer needs, cyber threats and the transition to Electric Vehicle ("**EVs**"). In addition, the Committee reviewed the plan of risk assurance activities to be undertaken for each quarter and the year ahead to support the Group's key strategic objectives and to ensure adherence to prevailing legal and regulatory requirements, as well as the Group's enterprise and risk management framework.

Focused business and risk reviews

Set out below are some of the areas of focus and key reviews that the Committee carried out during the reporting period, to examine the risk profile of the business, and to challenge the robustness of frameworks in place to manage key risk exposures as well as regulatory requirements and expectations:

- oversaw and challenged progress and delivery of the Consumer Duty implementation programme;
- reviewed customer and conduct risk matters with a view to ensuring that fair pricing and outcomes were being achieved for customers across all Direct Line Group products, including review of the Group's pricing strategy and the pricing governance and control framework;
- reviewed the Group's operational resilience self-assessment, including important business services and associated impact tolerances;
- reviewed the effectiveness of the Group's risk management and internal control systems and environment, including material financial, operational and compliance risks, the Group's residual risk position, associated mitigating actions and compensating controls. This included oversight of the Group's CRP;
- reviewed the Group's adherence to privacy and data protection legislation; and
- reviewed the stability, security and capability of the Group's IT systems.

Note:
1. Appointed to this Committee with effect from 6 December 2023.

Risk appetite

The Committee undertakes an annual review of the Group's risk appetite framework, which includes the overarching risk appetite and policy risk appetite statements. It monitors the Group's exposure against these statements, considers key risk indicators and assesses the key drivers that affect status against risk appetite. At each scheduled meeting, the Committee also monitors the Group's performance against its capital risk appetite through the CRO's report. In line with regulatory requirements, the Committee scrutinises and approves the Group's overall affirmative and non-affirmative cyber insurance underwriting strategy, associated risk appetite statements and relevant management information.

Committee members also reviewed and challenged the Own Risk Self-Assessment ("**ORSA**") process and key content before submission to the Board for approval. Committee challenges on elements of the ORSA during the year included: the effect of profit warnings issued by the Group in January 2023 which required an updated ORSA to be developed and whether internal and external stress factors in the document were sufficiently stringent. In addition, the Committee monitored and challenged the stress and scenario testing plan and outputs. The Committee also reviewed the potential Contingent Management Actions for management to consider taking in times of stress to restore the Group's capital strength to within an acceptable risk appetite range.

Compliance and regulatory risk

During the year, the Committee received regular reports on the progress of the Group's Consumer Duty implementation plan. This included the Group's interpretation of and planned compliance with the new Consumer Duty regulations. The Committee challenged the progress towards implementation and sought assurance that management had the appropriate resources to meet the implementation deadline of 31 July 2023, that robust and reasonable interpretations of Consumer Duty requirements had been developed, and that associated risks had been managed appropriately.

The Committee received regular reports on phase two of the programme, which focused on embedding Consumer Duty across the Group, delivering improvements, implementation of a new customer conduct culture framework, and transitioning Consumer Duty into business as usual.

The Committee also reviewed and challenged regular updates in respect of Pricing Practices Regulation and Motor Total Loss past business reviews.

Internal control

In the 2022 Annual Report, the Board Risk Committee reported that whilst the IRCA process in respect of 2022 had not identified any material financial, operating or compliance control deficiencies, it did identify areas where further enhancements could be made to the Group's risk and control environment. During 2023, the Group took a number of steps to improve its overall risk and control environment across key areas such as pricing, finance, change management, culture and first line risk management.

To accelerate these enhancements, during 2023 the Board Risk Committee oversaw a Group-wide control improvement programme aiming to improve the Group's risk management, oversight and monitoring capability. This programme is currently in progress and will continue into 2024. Key elements of this programme include:

- the introduction of new risk policies and standards;
- the launch of an enhanced quarterly RCSA process;
- an assessment of the design of the Group's critical processes and controls, supported by external subject matter experts;
- strengthening the ownership of risk and control across the first line;
- improving the documentation of risk and control through new risk and control matrices and control libraries; and
- the replacement of the Group's risk management system.

This work is supported by further activity across the Group, overseen by the Board and its relevant Committees, designed to carry out control remediation, improve risk culture, and develop the required capability across the first line of defence.

The Committee received updates on the control improvement programme at each of its scheduled meetings, where it monitored and challenged progress and supported work to enhance the Group's controls environment. This programme will continue into 2024 as the underlying improvements in risk and control are further formalised and embedded across the Group.

In response to the Group undertaking a business review relating to pricing during the year, the Committee also oversaw a review of the Group's pricing control activity with a view to making improvements in control documentation, testing and monitoring. A suite of new controls designed to improve the pricing control environment was implemented to target the root cause of the issues identified and these controls are to be further formalised and embedded in 2024.

Climate change

The Committee regularly received updates on climate change. In particular, the Committee reviewed the climate-related risk management roadmap that was in place and considered the plan to take the Group to a position whereby it could demonstrate credible progress towards Net-Zero. The key areas were the time horizon, scenario modelling, integrating climate into the risk framework and reporting on it in the ORSA, and incorporating Net Zero modelling into the plan. The Group's Net Zero targets have been accepted by the Science Based Targets initiative.

Internal capital model

The Committee regularly reviewed and challenged reports on the Group's partial internal economic capital model for determining regulatory capital requirements during the year, including key assumptions, methodologies and areas of expert judgement used within the model, activities undertaken to validate model outputs, model changes and future management actions.

Whistleblowing

As delegated by the Board, the Committee routinely reviewed the arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ("**whistleblowing**") during the year. The Committee Chair oversees the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for protection from detrimental treatment for staff who raise concerns. During the year, the Committee reviewed reports relating to whistleblowing, including anonymised, individual cases, to ensure arrangements were in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Committee challenged management and was satisfied that the whistleblowing process met the necessary standards and that it was adequately designed, operated effectively and adhered to regulatory requirements.

Financial crime and anti-bribery and corruption

The Group has a fraud and financial crime policy, which includes the requirement that all employees of the Group comply with an anti-bribery and corruption minimum standard. The aim of the standard is to ensure compliance with applicable anti-bribery and corruption legislation and regulation and to ensure that employees act responsibly and ethically at all times when conducting business.

The Committee considered the Group's actions to prevent financial crime through its review of the annual financial crime report and recognised the additional monitoring controls that had been implemented to manage remote working fraud risk. Annually, the Committee considers an anti-bribery and corruption report, which includes a risk assessment of the level of anti-bribery and corruption risk to the Group. Following review and challenge, the Committee was satisfied that the Group's policies and procedures on anti-bribery and corruption were fit for purpose and that anti-bribery and corruption risks were managed appropriately.

The conflict between Russia and Ukraine has seen continued sanctions against the Russian regime. The Group continues to monitor the sanctions situation and screen against the most up-to-date key sanctions lists on a daily basis in order to mitigate this risk.

Risk governance

During the reporting period, the Committee received assurance from management on the process for review of the Group's policies and reviewed material changes to the Group's most significant policies. The Committee reviewed and challenged each of these policies and recommended them for approval by the Board as appropriate.

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2023 it received sufficient, reliable and timely information to perform its responsibilities effectively. In addition to one-to-one meetings with the Chair, the CRO also met with the Committee in the absence of the Executive Directors. The Chair reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was carried out with assistance from Promontory as part of the wider review of the performance of the Board and the Board Committees. The review found that the skills and experience of the Committee were appropriate, that its interaction with the Board and other Committees was constructive and that its level of challenge was effective, reflecting current priorities. The Committee recommended that some training be provided to improve the impact and succinctness of some of its papers. Further information on the Board effectiveness review can be found on pages 114 to 115.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope.

The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 21 March 2024.

Mark Gregory
Chair of the Board Risk Committee and Independent Non-Executive Director

Nomination and Governance Committee report

Danuta Gray
Chair

Committee membership

- **Danuta Gray**
  Chair and Independent Non-Executive Director
- **Tracy Corrigan**[1]
  Independent Non-Executive Director
- **Mark Gregory**[1]
  Independent Non-Executive Director
- **Sebastian James**[2]
  Independent Non-Executive Director
- **Adrian Joseph**[1]
  Independent Non-Executive Director
- **Mark Lewis**[1]
  Independent Non-Executive Director
- **Fiona McBain**[1]
  Independent Non-Executive Director
- **David Neave**[1]
  Independent Non-Executive Director
- **Gregor Stewart**[1]
  Independent Non-Executive Director
- **Dr Richard Ward**
  Senior Independent Non-Executive Director

Key responsibilities

- Review the composition of the Board and its Committees.
- Lead the process for Board appointments and make recommendations to the Board.
- Oversee executive succession planning at a high level to ensure the development of a diverse senior management talent pipeline.
- Set diversity objectives and strategies.
- Oversee and monitor the corporate governance framework of the Group.
- Monitor developments in governance and investor ESG expectations.

Areas of focus in the reporting period

- Led the search for the new Chief Executive Officer.
- Led the searches for new Non-Executive Directors.
- Recommended appointments to the Board and to the Board's Committees.

Main activities during the year

Board and senior management succession planning

The Committee continuously keeps the composition of the Board under review, with the objective of preserving and refreshing the Board's collective experience, expertise and diversity to enable it to oversee the execution of the Group's long-term strategy effectively.

During the year, the Committee led the search for a new permanent Chief Executive Officer ("**CEO**"), working closely with the Board on specifying the skills and experience needed by a CEO to shape the Group's strategy and lead the business. The international search firm Spencer Stuart (a signatory to the voluntary code of conduct for executive search firms, which has no other connection to the Company or any individual director) was engaged to assist with the search. Shortlisted candidates were interviewed by members of the Committee and other Non-Executive Directors, resulting in the selection of Adam Winslow as the preferred candidate. We announced on 30 August 2023 that Adam would join the Group as its new CEO, subject to regulatory approval. We announced on 27 January 2023 that Jon Greenwood had been appointed as Acting CEO and, on 31 August 2023, that, the relevant regulatory approvals having been obtained, he had been appointed to the Board as a Director.

The Committee also led searches for new Non-Executive Directors during the year with the assistance of Teneo, the global executive search and advisory firm (and a signatory to the voluntary code of conduct for executive search firms, which has no other connection to the Company or any individual director). Shortlisted candidates were interviewed by members of the Committee and the Board and David Neave, having been selected as the preferred candidate, was appointed to the Board as a Non-Executive Director with effect from 19 October 2023. The searches started in 2023 have also resulted in the selection of Carol Hagh, whose appointment to the Board will take effect on 1 April 2024. More information about the expertise that Carol will contribute to the Board is set out in the Chair's statement on page 10.

Composition of Board Committees

During the year, the Committee considered the effect of changes in the Board's composition on the skills and experience available to the other Committees of the Board and recommended that Mark Lewis be appointed as a member of the Remuneration and Customer and Sustainability Committees and that David Neave be appointed as a member of the Audit and Board Risk Committees. The Committee also recommended that all Non-Executive Directors should become members of the Nomination and Governance Committee with effect from 1 January 2024 or, if later, with effect from their date of appointment to the Board.

Electing and re-electing Directors

Before recommending the proposed election or re-election of Directors at the 2023 AGM, the Committee reviewed the independence of the Non-Executive Directors and concluded that all Non-Executive Directors remained independent in judgement and character and met the criteria for independence set out in the UK Corporate Governance Code. The Chair of the Board was independent on appointment.

Notes:
1. Tracy Corrigan, Mark Gregory, Adrian Joseph, Mark Lewis, Fiona McBain, David Neave and Gregor Stewart were appointed to the Committee with effect from 1 January 2024
2. Sebastian James stepped down as a Director on 31 December 2023..

The Committee also carefully considered Directors' external responsibilities and concluded that all Directors had sufficient time to dedicate to their respective roles.

All current Directors will submit themselves for election or re-election at the Company's 2024 AGM.

Diversity and inclusion

The Committee believes that diversity of gender, ethnicity, skills and experience, as well as cognitive, regional, socio-economic, educational and professional diversity, equips the Board better to take a broad strategic perspective and the management team better to lead a diverse workforce and serve a diverse customer base.

The Board has in place a Diversity Policy, the objective of which is to seek to ensure that individual differences, which contribute to the success of the Company and represent the diversity of our customers and colleagues, are reflected at Board level. The policy states that appointments should embrace diversity of gender, ethnicity, skills, experience and cognitive diversity, as well as socio-economic, educational and professional background, among other differences. The policy underpins appointments that are made to both the Board and its Committees.

The Board Diversity Policy is monitored and reviewed annually by the Nomination and Governance Committee and made available to any executive search firm engaged to assist with the selection and appointment process for Board positions.

The Board Diversity Policy is available to view on the Company's website at www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements.

Further information on the Board's approach to diversity can be found in the Corporate Governance report on pages 112 to 113 which includes progress against key external targets.

The Committee also oversees the promotion of diversity at senior management level and Group-wide. During the year, it has kept the Group's diverse talent pipeline under review, noting its focus on inclusivity and equality of opportunity, as well as on prioritising future skills needed by the business, and the progress made towards gender targets among senior management positions. More information on senior management diversity can found on page 113.

Corporate governance

The Committee monitors arrangements made by the Company and its subsidiaries to comply with the UK Corporate Governance Code and other relevant governance standards. It also considers emerging governance matters, observance of ESG standards and developments, and reforms which may affect the Group's adherence to corporate governance best practice.

The Chair reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was carried out with assistance from Promontory Financial Group as part of the wider review of the performance of the Board and its Committees. The review found that the Committee challenged matters within its remit effectively, having regard to wider strategic priorities, and that the materials available to it were satisfactory. The Committee considered that its effectiveness would be enhanced by the appointment of all Non-Executive Directors as members of the Committee, which it recommended to the Board and which took effect from 1 January 2024.. Further information about the Board effectiveness review can be found on pages 114 to 115.

The Committee also reviewed its activity against its Terms of Reference and determined that its Terms of Reference remained comprehensive and of appropriate scope.

The Committee's Terms of Reference can be found on the corporate website: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees.

The Board reviewed and approved this report on 21 March 2024.

Danuta Gray
Chair of the Nomination and Governance Committee

Customer and Sustainability Committee report

Tracy Corrigan
Chair

Committee membership[1]

- **Tracy Corrigan**[2]
  Chair and Independent Non-Executive Director
- **Adrian Joseph OBE**
  Independent Non-Executive Director
- **Mark Lewis**[3]
  Independent Non-Executive Director

Key responsibilities

- Provide oversight of and advice to the Group on conducting its business in a responsible and sustainable manner.
- Monitor the progress of the Group under its five sustainability pillars.

Areas of focus in the reporting period

- Monitored the Group's activity under the five pillars of the Group's sustainability strategy.
- Oversaw the Group's involvement in environmental initiatives, tracking progress against the Group's Science-Based Targets.
- Considered decision making on ethical matters, including the Group's Modern Slavery Statement.
- Reviewed performance and approach on key stakeholder matters, including the refresh of the Group's sustainability materiality matrix.
- Reviewed the Group's people plans, including targets aimed at improving gender and ethnic diversity at all levels of the business and developing a culture of inclusivity.
- Reviewed the Committee's remit to ensure all sustainability matters received appropriate review and challenge at Board and management level.

Main activities during the year

On 31 December 2023, Seb James stepped down as Chair of this Committee. I would like to thank Seb for his energetic stewardship of the Committee for the past seven years.

I was delighted to be appointed as Seb's successor and took the Chair of this Committee from 1 March 2024.

Customer

During the year, the Committee oversaw management's work to drive positive customer outcomes and to align business practices with the Group's purpose of helping people carry on with their lives, giving them peace of mind now and in the future.

The Committee reviewed the business' implementation of a new 'Group Customer Day' as part of work to deepen Group-wide understanding of customer outcomes, feedback and metrics.

As part of the Group's Consumer Duty implementation, the Committee received presentations on how the business was evaluating, developing and testing its products and customers' understanding of them, and how the business was further adapting its communications to meet the needs of vulnerable customers. The Committee welcomed steps taken by the Group to support customers affected by the cost-of-living crisis.

The Committee challenged the business's arrangements for embedding a customer outcomes-focused culture and encouraged the continuing improvement of metrics used to understand customers' priorities.

Planet

At the beginning of the year, the Committee considered the results of a sustainability benchmarking exercise and supported management's strategic approach to climate change risk. Emphasis was placed on the importance of delivering the Group's carbon emissions reduction plan whilst managing the potential risk to the business of climate change.

In the second half of the year, the Group commenced work to deliver against the climate-related risk management roadmap that it had submitted to the PRA in July 2023. Management was challenged to refine the business' sustainability materiality matrix and the underlying ESG issues identified as most relevant to the Group and its stakeholders.

Progress on delivery of the Group's five Science-Based Targets ("**SBTs**") was reviewed throughout the year and the Committee strongly supported engagement with smaller suppliers in order to support their journey towards decarbonisation.

Notes
1. Sebastian James chaired this Committee until he stepped down from the Board on 31 December 2023.
2. Tracy Corrigan was appointed as Chair of this Committee with effect from 1 March 2024.
3. Mark Lewis was appointed as a member of this Committee on 30 March 2023.

People

Over the course of 2023, the Committee reviewed the business's initiatives to promote a culture that helps people thrive through celebrating difference.

The Committee oversaw the introduction of a new four-point performance framework along with new Group values. For more information on our refreshed values, please see page 22.

The Committee received reports on the all-employee 'DiaLoGue' engagement surveys and carefully monitored any trends in the feedback received, including responses to employee pay arrangements, provision of a targeted one-off cost-of-living payment, as well as general levels of engagement.

The Committee supported management's work to improve diverse recruitment at all levels of the business, including the continuing development of a healthy talent pipeline and the establishment of targeted mentoring, coaching and leadership development for colleagues from minority groups.

Society

Throughout the year, the Committee oversaw the business's work to use its expertise to improve outcomes for society and the communities that the Group serves.

The Committee noted that, since its launch in May 2023, the Group's Community Fund outreach programme had engaged with 9,700 young people. The programme was facilitated by 600 Group colleagues, including the Chair of the Board of Directors, who collectively contributed 2,200 volunteering hours. Events held included business simulation events for students from lower socio-economic backgrounds, and work experience and mentoring opportunities for students with special educational needs and disabilities.

During the year, new partnerships were established with UK Youth and St Mary Magdalene Academy: The Courtyard school, and the business continued to work with existing partners Envision and Springpod.

In 2023, the Committee welcomed news that the Group had entered the Social Mobility Foundation Top 75 Employer Index for the first time.

Modern Slavery Statement

In February 2023, the Committee reviewed the Group's policy on compliance with the Modern Slavery Act 2015 (the "**MSA**") and how third-party suppliers complied with the Act's requirements.

The Committee reviewed the Procurement function's activity in relation to the MSA and concluded that processes and policies in connection with the MSA were robust, effectively embedded in supply chain processes, and reflected the Procurement function's updated sustainability processes.

The Modern Slavery Statement is available to view on the corporate website:

https://www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements

Governance

The Board is committed to ensuring that ethical and sustainable business practice is embedded throughout the business, and to both reviewing and challenging management's approach to delivering outcomes in line with the Group's vision and purpose.

During the year, the Chair of the Customer and Sustainability Committee reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting, whilst the Board, recognising the growing strategic significance of sustainability matters, received additional, dedicated reports on the Group's approach to Customer, People and Culture.

Remit of the Committee

The Committee reviewed its responsibilities in late 2023 and recommended that it increase its oversight of customer outcomes, conduct and experience. With that objective, the Committee decided to meet more frequently to be able to dedicate the time thought appropriate to monitor and challenge customer metrics, and to debate the standard to which the Group aims to work in supporting its customers. To reflect its increased focus on customer-related matters, the Committee has changed its name to the Customer and Sustainability Committee.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was conducted with assistance from Promontory, as part of the wider review of the performance of the Board and its Committees. The review found that the skills and capacity of the Committee, and the materials available to it, were appropriate to enable it to provide an effective level of challenge. Further information on the Board effectiveness review can be found on pages 114 to 115.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope.

The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 21 March 2024.

Tracy Corrigan
Chair of the Customer and Sustainability Committee and Independent Non-Executive Director

Investment Committee report

Fiona McBain
Chair

Committee membership

- **Fiona McBain**
  Chair and Independent Non-Executive Director
- **Mark Gregory**
  Independent Non-Executive Director
- **Neil Manser**
  Chief Financial Officer

Key responsibilities

- Provide oversight of the Group's investment strategy.
- Oversee the management and performance of the Group's investment portfolio.

Areas of focus in the reporting period

- Monitored closely the changes in valuations and resilience of the Group's investment assets.
- Oversaw the refresh of the target Strategic Asset Allocation, including approval of plans for phased implementation and review of recommendations across asset classes.
- Ensured the investment portfolio held appropriately matched assets and liabilities and remained within agreed aggregate risk and exposure limits.
- Ensured the investment portfolio maintained sufficient liquidity to meet a stress insurance or financial market event in a 1 in 200-year insurance, market, or credit risk event.
- Received progress updates on the calibration of Science-Based Targets ("**SBTs**") for each asset class in scope within the investment portfolio.

Oversight of market developments

During the year, the Committee considered trends in economic growth, employment figures, credit spreads, inflation and interest rates, stresses in the banking sector, and wider geopolitical contexts and took these into account when providing oversight of, and challenge to, the Group's investment strategy.

At each scheduled meeting, the Committee received reports on key financial market developments from the Director of Investments and Capital Management.

Monitoring investment activity and performance

Throughout the year, the Committee carefully reviewed the performance of the Group's investments. It received a presentation from the external managers of its commercial property portfolio, CBRE, and discussed areas in which there might be further opportunities for investment in line with the Group's risk appetite. Management shared recommendations for the Group's in-house portfolios, which were reviewed and challenged by the Committee to ensure the investment strategy remained appropriate and well-positioned in an uncertain macro-economic context.

Reviewing investment strategy and liquidity

Early in 2023, the Committee conducted its annual review of the business's asset liability management, which was undertaken to ensure that the Group's asset and liability matching, along with stressed liquidity requirements, remained appropriate. Noting feedback from the Financial Risk function, and due to the relatively small changes in the nature of the liabilities in the past twelve months, the Committee supported management's recommendation that no adjustments were required.

The Committee agreed a slight adjustment of the Group's liquidity requirements, striking a balance between the business's performance and the Group's ability to access sufficient liquidity if it were to meet a 1 in 200-year stress risk event.

During the year, the Committee oversaw a Strategic Asset Allocation ("**SAA**") exercise which had been carried out by external consultants Willis Towers Watson ("**WTW**"). The exercise was undertaken in order to identify an SAA with improved expected return compared to the Group's existing portfolio and reduced expected volatility and value-at-risk. Following review and challenge, the Committee approved the staggered implementation of a provisional target SAA, which management had adapted from the original WTW recommendation. The Financial Risk function was engaged throughout the process and made recommendations for risk mitigation, which were supported by the Committee. Following input from the Committee, the first stages of the target SAA refresh were actioned, including work to rebalance the core and specialist fixed interest portfolios.

Oversight of responsible investment

In 2023, the Group finalised its selection of a climate scenario modelling provider and updated its responsible investment framework. The latter included: a climate framework for corporate bonds; setting of SBTs for emissions reduction for commercial real estate ("**CRE**") and CRE loans; use of ESG-weighted indices; and screening for controversial weapons and issuers deemed in violation of the UN Global Compact principles.

Governance

The Chair reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee effectiveness review

During the year, an internal evaluation of the performance of the Committee was conducted with assistance from Promontory, as part of the wider review of the performance of the Board and its Committees. The review found that the Committee had the appropriate skills and experience to enable it to challenge effectively, that it provided effective updates to the Board and that it received satisfactory and timely papers. Further information on the Board effectiveness review can be found on pages 114 to 115.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope. Updates were made regarding the Committee's oversight of climate and sustainability.

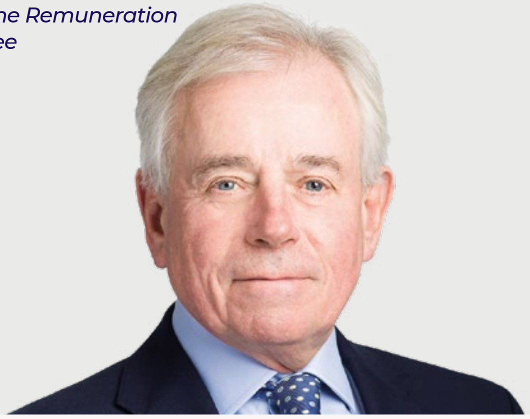
The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 21 March 2024.

Fiona McBain
Chair of the Investment Committee and Independent Non-Executive Director

Directors' Remuneration report



Dr Richard Ward
Chair of the Remuneration Committee

Committee membership

- **Dr Richard Ward**
  Chair and Senior Independent Director
- **Tracy Corrigan**
  Independent Non-Executive Director
- **Danuta Gray**
  Chair of the Board
- **Mark Gregory**
  Independent Non-Executive Director
- **Sebastian James**[1]
  Independent Non-Executive Director
- **Mark Lewis**[2]
  Independent Non-Executive Director

Key responsibilities

- Determine the policy for rewarding Directors and senior leadership for results that are generated within the risk appetite set by the Board and oversee how the Group implements its Remuneration Policy.
- Oversee the level and structure of remuneration arrangements for senior executives, approve share incentive plans, and recommend them to the Board and shareholders.
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, ensuring all our colleagues are paid fairly.

Areas of focus in the reporting period

- Jon Greenwood was appointed Acting CEO on 27 January 2023 and the Committee carefully considered the appropriate remuneration package for this role, taking into account its interim nature.
- The Committee also considered the remuneration arrangements for the departing CEO, Penny James, in accordance with the Directors' Remuneration Policy and incentive plan rules, contractual obligations and shareholder expectations.
- The process for the recruitment of a new CEO was completed during the year, with Adam Winslow taking up the position on 1 March 2024. The Committee carefully considered the appropriate remuneration package to attract and motivate Adam.
- The Committee (and Board) continued to be updated on wider workforce actions in the context of the higher cost of living environment, including employee feedback, voluntary turnover and salary increase decisions.

Dear Shareholders,

On behalf of the Remuneration Committee ("**the Committee**"), I am pleased to introduce the Directors' Remuneration Report for the 2023 financial year.

During 2023, Direct Line Group has taken decisive action to restore our capital resilience, improve performance in Motor insurance and maintain the performance of our non-Motor businesses. The Group has been put back on a stable footing, after a volatile trading environment in 2022, with heightened inflation and severe weather events. The performance of Home, Rescue and Commercial Direct has been good, broadly in line with our expectations, and we have taken significant actions to improve margin in Motor.

During the year, we sold our brokered commercial insurance business for an attractive valuation which strengthened the Group both from a strategic and capital perspective, in particular improving our solvency ratio. Our Home, Commercial Direct, Rescue and other businesses have delivered a good performance with an improved ongoing net insurance margin.

These factors have continued to impact remuneration outcomes for the 2023 financial year, and the Committee carefully considered a range of factors when making remuneration decisions in respect of 2023 performance. In doing so we were also cognisant of the challenges faced by our people in the context of the continuing cost of living crisis and the actions the Group has taken to best support them through this period. Further details are set out later in this letter.

The Report is set out in the following sections:

Notes:
1. Sebastian James stepped down from the Board on 31 December 2023.
2. Mark Lewis was appointed to this Committee on 30 March 2023.

Performance and incentive outcomes for 2023

During 2023, we continued to balance the needs of our stakeholders, supporting our people through a cost of living crisis, whilst looking after our customers and protecting the business for the long term. We addressed our three key priorities; to restore our capital resilience, improve our performance in Motor, and have resilient trading across our other business.

Significant underwriting and pricing actions have been taken to improve our written margins, which in the second half of the year were consistent with a 10% net insurance margin. The nature of financial reporting for an insurance business means that 2023 earnings do not fully reflect the profit on business written during the year (particularly in the second half of the year), and significant underwriting and pricing actions have been taken to improve our written margins, which, we believe for the majority of the second half of the year were consistent with our ambition of a net insurance margin above 10%. The performance outcomes of the Annual Incentive Plan ("**AIP**") and Long-term incentive Plan ("**LTIP**") awards reflect these factors and challenges, and are set out below.

AIP

Financial performance in 2023 was heavily influenced by the external environment, but we took strategic action to rebuild our capital position as outlined above. Motor continued to be affected by high claims inflation, which remained ahead of our expectations for the first half of the year. Although underwriting and pricing actions during the second half of the year have improved the net insurance margin position, this is not yet fully reflected in our reported financial performance. As a result, there was an operating loss of £189.5m (excluding restructuring and one-off costs), which was below the threshold level for this element of the AIP (55% weighting).

In last year's report we explained our intention to base 45% of the AIP on an assessment against a set of Group Objectives and Key Results related to 2023 underwriting performance as well as delivering a great customer experience and supporting great people. During engagement with shareholders in early 2023, investors set out a clear preference that cost management should be an additional area of focus. As a result, the Committee resolved shortly after the finalisation of the 2022 Annual Report that the appropriate performance measures for the 2023 AIP were cost management and underwriting performance (25% weighting), customer (10% weighting) and people (10% weighting).

To assess the delivery of improved underwriting performance, the Committee considered how we have made progress on our cost agenda via operating expenses, as well as progress in current year Motor margin and the scored loss ratio for Home. The Committee awarded 10% (out of 25%) for this element. Performance in respect of the People element was robust, with delivery of industry-recognised training programmes to address skills gaps in particular areas and good inclusion and engagement scores. The Committee awarded 5% (out of 10%) for this element. There was limited progress against Customer metrics, which resulted in this element not meeting threshold performance.

The Committee considered the appropriateness of the AIP outcome for Executive Directors at length, noting that financial performance has been challenging. However, the Committee believes it is also important to appropriately recognise the actions the management team has taken during the year, in particular the actions in relation to improving Motor performance and rebuilding the capital position, neither of which are wholly reflected in our operating profit result. The Committee also noted that no AIP awards were made to any staff in respect of 2022.

The Committee concluded that an outcome of 15% of maximum appropriately balances the factors outlined above. In line with the Policy, 40% of any AIP for the Executive Directors will be deferred for three years under the Deferred Annual Incentive Plan ("**DAIP**").

The overall AIP outcome for the Executive Directors for 2023 was therefore 15% of maximum, which resulted in a payout of £176,756 for the Acting CEO (relating to the period as an Executive Director) and £138,229 for the CFO, which the Committee believes is appropriate in the context of the Group's performance in 2023. In line with the Policy, 40% of any AIP award will be deferred for three years under the DAIP.

Full details on the outcomes for the year are included on pages 140 to 141.

LTIP

In accordance with the remuneration reporting regulations, the reported figures in the single figure table for 2023 include the RoTE element of the 2021 LTIP awards and the TSR element of the 2020 LTIP awards. The Group granted LTIP awards in two tranches in 2020 and 2021.

- RoTE (2021 LTIP): Average RoTE for the three year performance period ending 31 December 2023 was 0.9%. This is below the threshold target level of 17.5%, and therefore this element will lapse in full.
- Relative TSR (2020 LTIP): The performance of this element (three year performance period from grant to vesting date ending on 26 March and 31 August, respectively) was below the threshold performance level (median) for both awards, and therefore these elements lapsed in full.

This means that the overall outcome of the March and August 2020 LTIP awards, which vested in 2023 were both 0% of maximum (including the RoTE outcomes disclosed last year).

The relative TSR elements of the 2021 LTIP, and therefore the overall outcome of the March and August 2021 LTIP awards (including the RoTE outcomes as above) will be disclosed in next year's report once the performance period is complete.

No discretion was exercised in respect of LTIP awards vesting during the year, which reflects the trading performance over the last three years.

Committee decisions on remuneration outcomes

The overall AIP outcome recognising the impact on the Group's financial performance during the year were considered appropriate and therefore no discretion to adjust the outcome was exercised.

The 0% vesting outcomes for the 2020 LTIP awards were considered appropriate in the light of the Group's performance over the three-year performance period, and therefore no discretion to adjust the outcome was exercised in relation to these awards.

Although the RoTE element of the 2021 LTIP awards will lapse, the extent that the TSR elements vest will be considered by the Committee in March and August 2024 (as the TSR performance period continues until the vesting date).

Taking the points above into account, the Committee believes the Policy has delivered an appropriate quantum of reward for the corporate performance achieved. The Committee was therefore satisfied that the Group's Remuneration Policy has operated as intended.

Wider workforce pay considerations and engagement for 2023

The Committee considers wider employee pay as context for the decisions it makes and this has been particularly important this year in light of the continuing cost of living pressures. The Committee was acutely cognisant of the wider macroeconomic environment throughout the year, in particular the impact that sustained higher inflation and energy bills have had on our people.

As part of the wider Committee oversight on all-employee pay matters, the Committee is pleased to confirm that the Group will apply an increase to the Group's minimum salary of 7.1% from 1 April 2024, to align with the Living Wage Foundation's Real Living Wage. This will result in the Group-wide minimum salary increasing to £23,400 on a full-time basis (for 37.5hr working week).

For employees who earn above the minimum salary, all eligible employees (excluding Executive Directors and the Executive Committee and Senior Leadership) will receive a salary increase of 5% effective 1 April 2024. In addition, the Committee was supportive of management's recommendation to extend the eligibility of an annual variable pay scheme to all our colleagues who do not currently participate in a variable pay scheme.

The Group has also continued to support colleagues by:

- continuing to provide a facility for employees to access part of their monthly salary in advance of the normal payroll date;
- refreshing the Group's employee discount platform and signposting to relevant offers; and
- providing support and options to seek support for colleagues facing financial hardship.

The Chair of the Committee has attended at least one meeting of the Group's Employee Representative Body ("**ERB**") each year since 2018. I attended the ERB meeting in December 2023, where I listened to concerns from the ERB members regarding the impact of the cost of living crisis and their insights regarding hybrid working. I had the opportunity to explain how, when making decisions about executive remuneration, the Remuneration Committee balance the needs of shareholders and employees, particularly the pressure on our lowest paid workers.

The Chief People Officer and Acting Chief Executive Officer provided further workforce reward updates to the Committee throughout the year as part of a standing agenda item at our Committee meetings. Further details can be found on page 137. This year, updates included information on the Group's gender and ethnicity pay gaps and cost of living support outlined above, as well as how reward mechanisms have been reviewed to ensure alignment with Group's customer focussed priorities in the context of Consumer Duty requirements and best practice.

The Committee considers it important to monitor and assess internal pay relativities, including the CEO pay ratio disclosures, and takes these into account in its decision making. For example, the Committee scrutinises the reasons for movements in the CEO pay ratio year-on-year and considers the impact of salary increases on the total remuneration package of our Executive Directors and Executive Committee in the context of appropriate external remuneration benchmarking data.

Directors' Remuneration Policy (the "Policy")

In line with the usual triennial Policy approval timescales, a new Policy was approved by shareholders at the AGM in May 2023. Considering shareholder support for the pre-existing arrangements and recognising the economic uncertainty, inflationary challenges and complexities associated with the Insurance industry transition to IFRS 17, the Committee concluded that the existing Policy remained appropriate at the current time and therefore largely rolled-forward our existing Policy for approval at the 2023 AGM.

The Policy was approved by shareholders, with over 98% support. A summary of the Policy is set out on pages 153 to 156. The Committee retains the ability to keep the Policy under review in light of the Group's evolving strategy and under the leadership of a new CEO.

Executive Director changes

As explained in last year's report, Penny James agreed with the Board to step down as Chief Executive Officer and as a Director on 27 January 2023. Penny's employment ceased on 28 February 2023 and further details are provided on page 149.

As announced on 30 August 2023, Adam Winslow was appointed as Chief Executive Officer effective from 1 March 2024 and to the Board on 21 March 2024. In setting Adam's remuneration, the Committee considered his wealth of experience in general insurance, market data in respect of FTSE51-150 companies and other FTSE350 insurers, the previous CEO's remuneration package, our Directors' Remuneration Policy and the pay and conditions of the wider workforce. Taking these factors into account, Adam's salary was set at £820,000, broadly in line with the previous CEO, and he will not be eligible for a salary increase in 2024.

In accordance with the Directors' Remuneration Policy, he will receive pension contributions (or cash in lieu) in line with the wider workforce (9% of salary) and his variable remuneration opportunities (AIP and LTIP) are in line with the current Directors' Remuneration Policy. Adam will also receive buyout awards to compensate him for awards forfeited from his previous employer in connection with his appointment at DLG. Further details are set out on page 149.

Jon Greenwood (previously Chief Commercial Officer) served as Acting Chief Executive Officer from 27 January 2023 until 21 March 2024. As explained in last year's report, Jon's salary was set at £725,000 with pension and variable remuneration opportunities in line with the Directors' Remuneration Policy. Following the appointment of Adam Winslow, Jon has returned to a non-Board role - as a continuing employee he remains eligible for 2024 AIP and LTIP awards, and his unvested DAIP and LTIP awards will continue as normal.

Executive Director remuneration for 2024

The Committee carefully considered salary increases for the Executive Directors (and Executive Committee) for 2024, taking into account the wider workforce level (of 5%) and shareholder expectations. The Committee determined that Neil Manser should receive an increase of 3% (below the wider workforce level) effective from 1 April 2024. Jon Greenwood will not receive an increase prior to returning to a non-Board role. As outlined above, Adam Winslow will not receive a salary increase during 2024.

Following Adam Winslow's appointment as CEO, it is expected that a business wide review will take place to confirm the Group's strategic priorities. The Committee is of the view that, in order to ensure long term remuneration is linked to KPIs, it will be appropriate to set the 2024 LTIP targets once this review is complete (and no later than 6 months after the grant date). The targets applicable to these awards will be disclosed in due course.

The Committee has carefully considered the appropriate performance measures for the 2024 AIP. Operating Profit will remain the key financial measure (55% weighting), reflecting the strategic focus on net insurance margin and pricing. A 20% weighting will also be attributed to delivering against key strategic measures in 2024. The remainder of the 2024 AIP will be based on performance against our customer experience dashboard (15% weighting) and progress on people and culture initiatives (10% weighting).

Committee performance

During the year, an evaluation of the effectiveness of the Committee was facilitated by Independent Audit, as part of their wider review of the Board's effectiveness. The review found that Committee members bring a good mix of skills and styles to meetings and that the Committee benefits from a well-established agenda and good support from the business. Further information about the Board effectiveness review can be found on pages 114 to 115.

In addition, the Committee's terms of reference were reviewed against the activity of the Committee during the year. The terms of reference were found to be suitable, comprehensive and of appropriate scope.

The Committee's terms of reference can be found on the corporate website: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

Your AGM vote

The Committee welcomes investor feedback on an ongoing basis and this report seeks to describe and explain our remuneration decisions clearly. I hope that having read the information in this report, you will vote in support of the Remuneration Report resolution at the upcoming AGM.

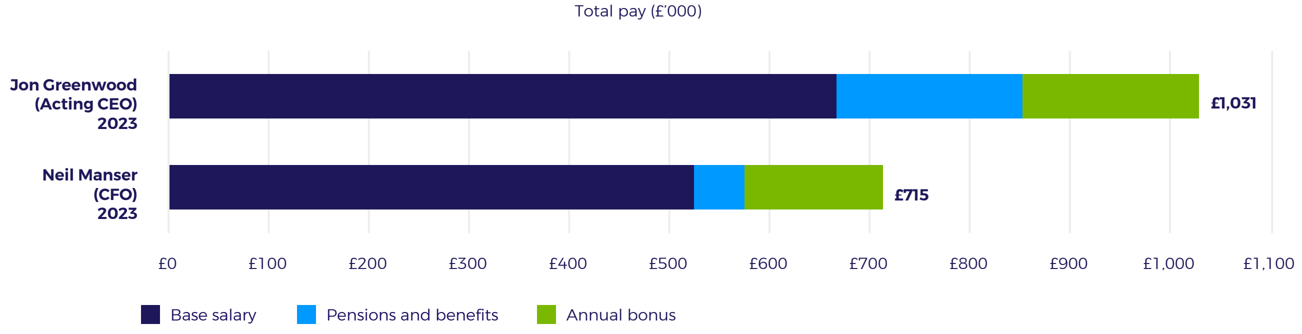
Should you have any questions about the Committee's Report please email our AGM email address shareholderenquiries@directlinegroup.co.uk and I or one of my colleagues at Direct Line Group will respond to you.

Yours sincerely,

Dr Richard Ward
Chair of the Remuneration Committee and Senior Independent Director

Remuneration at a glance

Remuneration outcomes for 2023



Find out more on page 139

Note:

1. Jon Greenwood was appointed as Acting CEO effective 27 January 2023. His remuneration has been pro-rated accordingly for this period.

AIP achievement

This chart illustrates the actual amounts earned from the AIP reflecting performance in 2023. 60% of the amount is payable in April 2024 and 40% will be deferred into shares for three years.

Find out more on page 140 to 141.

Annual Report on Remuneration

Introduction

We have prepared this Report in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "**Regulations**"). The Report also meets the relevant requirements of the Listing Rules of the FCA and describes how the Board has complied with the principles and provisions of the Corporate Governance Code relating to remuneration matters. Remuneration tables subject to audit in accordance with the relevant statutory requirements are contained in this report and stated to be audited. Unless otherwise stated, the information within the Report is unaudited.

Committee members and governance

The following list details members of the Committee during 2023. You can find information about each member's attendance at meetings on page 105. You can find their biographies on pages 97-100.

Committee Chair
Dr Richard Ward
Non-Executive Directors
Danuta Gray
Tracy Corrigan
Mark Gregory
Sebastian James (to 31 December 2023)
Mark Lewis (from 30 March 2023)

Advisers to the Committee

The Committee consults with the Acting Chief Executive Officer, the Chief Financial Officer, the Chief People Officer, and senior representatives of the HR, Risk and Finance functions on matters relating to the appropriateness of all remuneration elements for Executive Directors and Executive Committee members. The Chair of the Board, Acting CEO, CFO and CPO are not present when their remuneration is discussed. The Committee works closely with the Chair of the Audit Committee and the Board Risk Committee Chair is a member of the Remuneration Committee. Input was received regarding target-setting and payouts under incentive plans, and whether it is appropriate to apply malus and/or clawback. The Remuneration and Board Risk Committees can also hold joint meetings to consider matters of common interest.

The Committee appointed PricewaterhouseCoopers LLP ("**PwC**") as its independent adviser from 1 January 2019 following a competitive tender process.

During the year, PwC advised on market practice, corporate governance and regulations, incentive plan design and target-setting, recruitment, and other matters that the Committee was considering. PwC supported the Group in several ways, including the provision of internal audit, risk and controls, tax and actuarial services during 2023. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct and the Committee is therefore satisfied that the advice PwC provided was objective and independent from the Group and its Directors.

PwC's total fees for remuneration-related advice in 2023 were £163,250 excluding VAT. PwC charged its fees on a time and expenses basis.

Wider workforce engagement and pay considerations for 2023

The Committee carefully and regularly considers wider employee pay as context for the decisions it makes.

The Group's ERB is a valued forum for having a two-way dialogue on many important matters. Since 2018 the Committee Chair has attended meetings as appropriate. The Committee Chair attended an ERB meeting in December 2023 where there was a Q&A session covering topics such as affordability and maintaining competitiveness of pay. Feedback was shared about how people are adapting to different working patterns and how some are continuing to experience cost of living challenges. The leadership reflected on this in considering the approach to the 2024 pay review.

The outcome of our DiaLoGue People Survey is an important factor for the Committee to reflect on and it has been kept abreast of matters by the Chief People Officer and Acting Chief Executive Officer throughout the year. Our existing workforce engagement is strengthened through "town halls" and other forums. To supplement this, the Committee receives papers setting out details of all-employee pay and workforce policies across the Group at each meeting. For 2023 this included information on aligning with Consumer Duty, the Motability partnership, our gender and ethnicity pay gap, updates on supporting colleagues with cost of living and the approach to 2024 salary increases for the wider workforce. This standing agenda item provides valuable insight and context for framing executive pay and policies.

Alignment to Provision 40 of the Corporate Governance Code

The following table summarises how the Remuneration Committee has addressed the factors set out in Provision 40 of the 2018 UK Corporate Governance Code.

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	– The remuneration arrangements for the Executive Directors are set out in a clear and simple way in the Directors' Remuneration Policy and in the plan rules for each incentive plan. Guides are accessible explaining how each incentive plan operates via an employee portal to ensure full understanding and demonstrates a commitment to transparency. – Queries on remuneration practices from shareholders or the workforce are welcomed by the Committee throughout the year and encouraged at the AGM and at the Group's regular ERB meetings, which the Chair of the Remuneration Committee attended in December 2023. Further details are set out on pages 133 and 137. – We are committed to transparent communication with all our stakeholders, including shareholders. For example, in conversations in early 2023, investors expressed a preference that cost management should be reflected in the AIP, and the Committee therefore resolved that the 2023 AIP would include this metric, alongside underwriting performance, people and customer elements.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	– The Group's remuneration arrangements are intentionally simple and well understood. Executive Directors (and Senior Leadership) receive fixed pay (salary, benefits, pension), and participate in a single short-term incentive (the AIP) and a single long-term incentive (the LTIP). – The decision, for 2023 onwards to adopt a single annual grant of LTIP, rather than the previous approach to split into two grants, has been well received and simplified the framework further. – The Committee reviews the appropriateness of targets annually, being mindful of alignment with strategy.

Risk
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
	– The ability to mitigate potential risks is within the Policy. Examples include:
	  – the Committee's discretionary powers to amend the formulaic outcome from incentive awards (for example, where not consistent with performance);
	  – the inclusion of malus and clawback provisions under a wide range of potential scenarios; and
	  – in-employment and post-employment shareholding requirements.
	– The Committee considers that the incentive arrangements do not encourage inappropriate risk-taking, due to the Committee's rigorous process for reviewing incentive outcomes, which includes seeking the view of the Chair of the Board Risk Committee before making its final variable pay determinations.
	– The Committee also considers that the Policy provides wide-ranging flexibility to adjust payments where outcomes are not considered to reflect underlying business performance and individual contributions, or where behaviours are inconsistent with the risk appetite of the Group.

Predictability The range of possible values of rewards to individual directors should be identified and explained at the time of approving the Policy.	– At the time of approving the Policy, full information on the potential values of the AIP and LTIP are provided, with strict maximum opportunities and minimum, target and maximum performance scenarios. An indication of the potential impact of a 50% share price appreciation on the value of LTIP awards was also included. – The 2023 AIP and LTIP award opportunities were in line with the maximum opportunity in the Policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	– Payments under variable incentive schemes require robust performance against challenging conditions over the short and longer term. For example, for 2023, 55% of the AIP was based on operating profit in addition to cost and underwriting performance (25% of the AIP), and there was an equal focus between RoTE and EPS in the LTIP (both measures being Key Performance Indicators for the Group). – The Committee considers the formulaic outcome, as well as other relevant factors, when making decisions on remuneration outcomes. – Outcomes do not reward poor performance due to the Committee's overriding discretion to depart from formulaic outcomes which do not reflect underlying business performance.

Alignment to culture
Incentive schemes should drive behaviours consistent with company purpose, values, and strategy.
	– The Committee oversees consistent workforce reward principles and is satisfied that these policies drive the right behaviours and reinforce the Group's values, which in turn promote an appropriate culture.
	– Our new values are reflected in the measures used in our incentive schemes. Our incentive arrangements link to them in the following ways:
	  – **Win together** – the strategic element of the AIP requires our Executive Directors and senior leadership to work together to deliver key results to our stakeholders. For example, our AIP measures include measures linked to our customer and people performance, whilst our AIP and LTIP measures include financial metrics which measure the short-term and long-term performance of the business including earnings and returns measures.
	  – **Own it** – financial targets under the AIP are the same for all eligible participants, regardless of seniority, linking everyone's individual contribution to AIP reward outcomes.
	– The use of annual bonus deferral, LTIP holding periods and our shareholding requirements strengthen the focus on our strategic aims and ensure alignment with the interests and experiences of shareholders, both during and after employment.

Implementing Policy and pay outcomes relating to 2023 performance

Single figure table (Audited)

£'000		Salary[1]	Benefits[2]	Annual bonus[3]	Long-term Incentives	All-employee share plans	Pension contributions and cash allowance in lieu of pension	Fixed pay and benefits sub-total	Variable remuneration sub-total	Total
Jon Greenwood[4]	2023	668	125	177	0	1	60	854	177	1,031
	2022	-	-	-	-	-	-	-	-	-
Neil Manser	2023	527	2	138	0	1	47	577	138	715
	2022	515	2	0	0	1	46	564	0	564
Penny James[5]	2023	57	1	0	0	-	5	63	0	63
	2022	817	49	0	0	-	74	940	0	940

Notes:

1. Salary – the Company operates a flexible benefits policy, and salary is reported before any personal elections are made.
2. Benefits – include a company car or allowance, private medical insurance, life assurance, income protection, health screening and discounted insurance. The former CEO used a car service for travelling on journeys between home and office; the Group also paid for any associated tax liability on this benefit. To reflect the interim nature of the role, the Acting CEO received reimbursement of reasonable travel and accommodation expenses between his home in the North of England and the Group's London office; the Group also paid for any associated tax liability on this benefit. The total cost to provide this travel and accommodation benefit was £88,897.63. The Acting CEO also received an allowance of £25,000 per annum (payable monthly, £23,205.19 received in respect of 2023) to reflect the significant disturbance to Jon and his family as a result of spending the majority of his time in London.
3. Annual bonus – includes amounts earned for performance during the year but deferred for three years under the DAIP. For more information, see pages 140 to 141. These deferred awards are normally subject to continuous employment. Awards remain subject to malus and clawback.
4. Jon Greenwood was appointed as Acting CEO effective 27 January 2023. His remuneration has been pro-rated accordingly for this period.
5. Penny James stepped down from the Board on 27 January 2023. Her remuneration has been pro-rated for this period accordingly. Details of Penny's exit arrangements can be found on page 149.

Each Executive Director has confirmed they have not received any other form of remuneration, other than that already disclosed in the single figure table.

Annual Incentive Plan outcomes for 2023 (Audited)

The chart illustrates the final assessment, performance measures and weightings under the AIP.

Performance measures and weighting

Performance achievement 2023	Outcome 2023
	15% Total
Operating profit 0%	0%
Underwriting performance and cost 40%	10%
Customer 0%	0%
People 50%	5%

Executive Director	Achievement under the 2023 AIP	2023 AIP payment
Jon Greenwood	15%	£176,756
Neil Manser	15%	£138,229

Operating profit (55% weighting)

The primary financial performance measure for 2023 was operating profit for ongoing operations. The Committee established threshold and maximum performance levels at the start of the year considering internal budgets and analysts' consensus forecasts and did not adjust the targets during the year.

The approach taken to assessing financial performance against this measure was based on a straight-line outcome between 10% for threshold performance and 100% for achievement of maximum performance.

The table below sets out the threshold and maximum performance targets for the year, and the actual performance achieved.

Measure	Threshold 10%	Maximum 100%	2023 Actual	2023 Achievement
Operating Profit	£168.7m	£253.1m	(£189.5m)	nil

Notes:
1. The AIP for Jon Greenwood is pro-rated to reflect the period from 27 January 2023, being the date he was appointed Acting CEO.
2. 40% of any AIP award is deferred into shares under the DAIP, vesting three years after grant.
3. Note that the operating profit target was originally set on an IFRS 4 basis (on a Group basis, rather than an ongoing operations basis, as targets were set prior to the sale of the Commercial business), before being rebased to IFRS 17 per the targets disclosed in the table above - for transparency, the original targets as set on an IFRS 4 basis were:
   a. Threshold: £201.8m
   b. Maximum: £302.8m

A straight-line interpolation occurs from threshold to maximum performance.

Underwriting performance and Cost (25% weighting) Improve our competitiveness to deliver better value and experience for customers by reducing operating expenses	Improving Motor margins – In Motor during 2023 we have taken significant pricing and underwriting action, prioritising margin improvement over volume. – We believe that for the majority of the second half of 2023 we have been underwriting profitably, consistent with our ambition of a net insurance margin of above 10%. – Encouragingly, we began to see the signs of an improvement in our current year net insurance claims ratio in the second half of 2023. Sustaining Home underwriting – Over the course of 2023 Home has traded the market well, delivering written margins ahead of budget, maintaining a strong retention and exiting the year with an improved in-force policy count trajectory. Cost – Adjusting for the impact of changes to perimeter, e.g. Motability, controllable spend was reduced broadly in line with a specific stretch in the budget. – Overall costs increased by less than the rate of inflation. 2023 Achievement: 40% (10% out of 25%)
Customer (10% weighting) To better align focus of our leadership teams on delivery of customer experience	– Across the business we have been embedding delivery of our Consumer Duty obligations to ensure good customer outcomes and meet our mission to be brilliant for customers every day. A comprehensive implementation plan addressed the requirements arising from the new Duty, which has been approved by the Board. – Over 2023, we undertook extensive work across the organisation to further focus on how we meet our customers' insurance needs. Although good performance was delivered against some of the stretching customer targets (including Net Promoter Scores) set as part of the 2023 AIP, particularly in the Rescue part of the business, performance against other metrics (such as complaints) and in other areas of the business were below the threshold level set by the Committee at the start of the year. – The Committee recognised that these outcomes were impacted by lower levels of capacity across the motor repair industry, higher inflation (which has led to higher premium prices) and higher resulting call volumes (leading to longer wait times). However, the Committee concluded that the overall performance did not warrant any payout in respect of this element of the AIP. 2023 Achievement: 0%
People (10% weighting) A range of indicators around diversity and inclusion, employee engagement and closing the skills gap, reflecting the importance of these agendas to the success of the Group	– 2023 diversity targets, aiming to improve gender and ethnic diversity at senior levels were not met, but it is recognised that progress is not always linear, particularly given that Group's representation remains strong compared to the wider market. – We did well to buck the trend on UK employee satisfaction, and maintained employee satisfaction levels despite not only facing the same external challenges as the rest of the UK, but a complex internal landscape. – On building our entry level talent pipeline, during the year programmes continued to evolve to develop the future skills needed to serve our increasingly tech-savvy customers. 394 colleagues are currently on a diverse range of apprenticeships, with 33% focused on vehicle repairs and 43% on data and technology. Intake to our Ignite/apprenticeship schemes landed above the target range numbers. – In addition, nearly half of our people manager population have attended high performance upskilling in 2023 and people manager calibration toolkits were widely used to support on the job learning when completing end of year performance calibration. – 2023 Achievement: 50% (5% out of 10%)

LTIP outcomes for 2023 (Audited)

2020 LTIP awards (vesting in 2023)

Awards under the LTIP granted in March and September 2020 vested during 2023. They were subject to relative TSR performance over the three-year period from the date of grant, and RoTE performance in 2020, 2021 and 2022.

Consistent with the Regulations, the expected RoTE vesting outcomes for the year ended 31 December 2022 (together with the TSR elements from the 2019 awards) are included in the 2022 LTIP column of the single figure table because the performance period for these elements ended in 2022. The performance outcomes of these elements are included in the table below.

The TSR elements of the 2020 awards (and the RoTE elements of the 2021 awards – see below) are included in the 2023 single remuneration figure because the performance period for those elements ended in 2023. Details of the targets and performance achieved are set out in the table below.

The performance achieved against the targets was as follows:

Award	Performance measure	Weighting	Threshold (20% of maximum)	Maximum (100% of maximum)	Actual performance	Achievement	Outcome
March 2020	RoTE (2022 single figure)	60%	17.5%	20.5%	14.2%	0.0%	0.0%
	Relative TSR (2023 single figure)	40%	Median	Upper quintile	Below median	0.0%	0.0%
August 2020	RoTE (2022 single figure)	60%	17.5%	20.5%	14.2%	0.0%	0.0%
	Relative TSR (2023 single figure)	40%	Median	Upper quintile	Below median	0.0%	0.0%

2021 LTIP awards (vesting in 2024)

Awards under the LTIP granted in March and August 2021 are subject to relative TSR performance over the three-year vesting period, and RoTE performance in 2021, 2022 and 2023. The RoTE performance period for these awards ended on 31 December 2023 and performance in respect of this element is set out in the table below. Performance under the relative TSR measure will be assessed at the end of the vesting periods in March 2024 and August 2024 respectively and will be disclosed in the 2023 Directors' Remuneration Report. Vesting is subject to the Committee's satisfaction that the financial and risk underpins have been met at the end of the vesting period.

Consistent with the Regulations, the expected RoTE vesting outcomes for the 2021 LTIP awards (together with the TSR elements from the 2020 awards above) are included in the 2023 single remuneration figures. You can find details of this on page 139.

Award	Performance measure	Weighting	Threshold (20% of maximum)	Maximum (100% of maximum)	Actual performance	Achievement	Outcome
March 2021	RoTE (2023 single figure)	60%	17.5%	20.5%	0.9%	0.0%	0.0%
	Relative TSR (2024 single figure)	40%	Median	Upper quintile	Performance period not yet complete		
August 2021	RoTE (2023 single figure)	60%	17.5%	20.5%	0.9%	0.0%	0.0%
	Relative TSR (2024 single figure)	40%	Median	Upper quintile	Performance period not yet complete		

LTIP awards granted during 2023 (Audited)

The table below shows awards granted under the LTIP to Executive Directors in 2023 in the form of nil-cost options. As outlined in last year's report, to simplify the remuneration structure, we have now transitioned to a single LTIP grant for participants each year (previously granted 50% in March and 50% in August). Prior to granting the awards, the Committee considered the decline in the share price since the grant of the 2022 LTIP awards. However the Committee determined that it would not be appropriate to make an adjustment at the time of grant given the recent volatility in the share price at the time, and will instead review whether there has been a "windfall gain" at the time of vesting (to the extent that the performance conditions have been met).

		Awards granted in 2023 under the LTIP[1]		
Director	Position	Award as % of salary	Number of shares granted	Face value of awards (£)
Jon Greenwood	Acting Chief Executive Officer	200%	1,058,394	1,450,000
Neil Manser	Chief Financial Officer	200%	751,824	1,030,000

Note:
1. The number of shares awarded was based on the average share price in the three-day period prior to grant on 30 March 2023, which was £1.37.

The performance conditions that apply to the LTIP awards granted in 2023 are set out below:

	Performance conditions for awards granted in 2023 under the LTIP		
Performance Measure	Proportion of award	Performance for threshold vesting (20%)	Performance for maximum vesting
RoTE (average over three years)	30%	15.0%	22.0%
TSR (vs FTSE 51-150 (excluding Investment Trusts))	30%	Median	Upper quintile
Cumulative operating earnings per share	30%	46.6p	63.1p
Emissions	10%	1 out of 3 targets are met	All 3 targets are met

Notes:
1. Emissions targets are:
   a. Operational Scope 1 and 2: Reduce Scope 1 emissions by 36% by 2025 versus the 2019 baseline.
   b. Corporate bonds (Scope 1 and 2): Reduce Scope 1 + 2 portfolio temperature score by invested value within corporate bonds portfolio from 2.44˚C in 2019 to 2.23˚C in 2025.
   c. Corporate bonds (Scope 1, 2 and 3): Reduce Scope 1 + 2 + 3 portfolio temperature score by invested value within corporate bonds portfolio from 2.80˚C in 2019 to 2.51˚C in 2025.
2. Note that the RoTE and cumulative operating earnings per share targets were originally set on an IFRS 4 basis, before being rebased to IFRS 17 per the targets disclosed in the table above. After careful analysis and consideration, the Committee determined that no change was required for the RoTE targets but the cumulative operating EPS targets were adjusted on a neutral basis to offset the impact of the adoption of IFRS 17 - for transparency, the original targets as set on an IFRS 4 basis were:
   a. Threshold: 56.2p
   b. Maximum: 76p

A straight-line interpolation occurs from threshold to maximum performance.

The performance period for the awards granted on 30 March 2023 will end on 31 December 2025 for the RoTE, EPS and Emission elements, and 29 March 2026 for the TSR element.

Direct Line Group 2012 Share Incentive Plan ("SIP") (Audited)

During 2023, all employees, including Executive Directors, were eligible to invest from £10 to £150 a month from their pre-tax pay into the scheme, and receive one matching share for every two shares they purchased in the form of a conditional share award. The matching shares vest after 3 years subject to continued employment and continuing to hold the purchased shares. This table details the number of shares held by Jon Greenwood and Neil Manser under the SIP.

	Matching shares granted during the year	Matching shares cancelled during the year	Value of matching shares granted (£)[1]	Total number of matching shares at 31 December 2023[2]
Jon Greenwood	539	—	901	1,225
Neil Manser	539	—	901	1,225

Notes:
1. The total market value of matching shares granted at the time of each award. Purchase of the matching shares takes place within 30 days of the contributions being deducted from salary.
2. Matching shares which are subject to forfeiture.

Directors' Share interests (Audited)

Executive Directors commit not to hedge their exposure to outstanding awards under these plans or in respect of shares they are reporting to the Company within their ownership for the purposes of any share ownership guidelines. They also agree not to pledge as collateral their participation under any of the plans or any shares which they are required to hold in the Company for any purposes, including for share ownership guidelines. The table below sets out details of the Executive Directors' share interests exercised whilst serving as a Director in the year to 31 December 2023.

	At 31 December 2023				Share plan interests exercised whilst serving as a Director during the year to 31 December 2023	
	Share plan awards subject to performance conditions[1,2,3]	Share plan awards subject to continued service[1]	Share plan awards vested but unexercised[1]	Shares held outright[4]	Number of options exercised[1]	Share price on date of exercise[5,6]
Jon Greenwood	1,516,703	140,926	—	120,121	92,440	1.38
					1,548	1.66
					83,915	1.66
Neil Manser	1,416,577	142,085	—	329,494	53,289	1.38
Penny James[7]	—	322,790	556,618	1,361,226		

Notes:
1. These awards take the form of nil-cost options over the Company's shares. Such awards accrue dividend entitlement from the grant date to the date on which an award vests, or the end of the applicable holding period. Dividends added post-vesting are shown to 31 December 2023 but are not realised until exercise.
2. LTIP awards granted to Executive Directors include an additional two-year holding period before awards may be released.
3. Unvested awards subject to performance conditions represent LTIP awards.
4. The number includes beneficial share interests acquired under the SIP. At 21 March 2024, the number of shares beneficially held by Jon Greenwood has increased to 120,391, and the number of shares held by Neil Manser has increased to 329,764.
5. Jon Greenwood exercised options on 28 March and 26 May 2023.
6. Neil Manser exercised options on 28 March 2023.
7. The above share plan interests for Penny James are as at 27 January 2023 being the date she stepped down from the Board.

The table below shows the Non-Executive Directors' beneficial interests in the Company's shares[1].

Director	**Shares held at 31/12/2023**	Shares held at 31/12/2022
Danuta Gray	**26,500**	26,500
Tracy Corrigan	**–**	–
Mark Gregory	**–**	–
Sebastian James	**5,000**	5,000
Adrian Joseph	**–**	–
Mark Lewis	**–**	–
Fiona McBain	**–**	–
David Neave	**–**	–
Gregor Stewart	**2,925**	2,925
Richard Ward	**–**	–

Note:
1. This information includes holdings of any connected persons, as defined in section 253 of the Companies Act 2006.
2. There were no changes to the above between 31 December 2023 and 21 March 2024.

Non-Executive Directors (Audited)

Non-Executive Directors receive a basic fee plus additional fees for specific Board responsibilities. The Chair of the Board receives a single fee. Non-Executive Directors may also claim for reasonable travel and subsistence expenses, in accordance with the Group's travel and expenses policy, and, where these are classified as taxable by HMRC, they are shown under 'Taxable benefits' below. The Non-Executive Directors receive no other benefits.

	Fees		Taxable benefits[2,3]		Total	
Director	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Danuta Gray	**350**	350	**10**	6	**360**	356
Tracy Corrigan	**90**	88	**–**	–	**90**	88
Mark Gregory	**130**	129	**–**	–	**130**	129
Sebastian James	**105**	104	**–**	–	**105**	104
Adrian Joseph	**80**	80	**–**	–	**80**	80
Mark Lewis[4]	**68**	–	**4**	–	**72**	–
Fiona McBain	**110**	109	**14**	11	**124**	120
David Neave[4]	**29**	–	**3**	–	**32**	–
Gregor Stewart	**115**	115	**22**	12	**137**	127
Richard Ward	**150**	150	**–**	–	**150**	150

Notes:
1. Non-Executive Directors are not eligible to participate in any of the Group's bonus or share incentive schemes or to join any Group pension scheme.
2. The values shown under 'Taxable benefits' above comprise the value of taxable travel and subsistence expenses reimbursed by the Company (including any gross-up for tax and national insurance contributions due).
3. The value of benefits for Tracy Corrigan, Mark Gregory, Sebastian James, Adrian Joseph and Richard Ward in 2023, and for Richard Ward in 2022, were all less than £500. The values have been rounded to 0 for consistency in the table above.
4. Mark Lewis joined the Board on 30 March 2023. David Neave joined the Board on 19 October 2023.

Shareholdings (Audited)

This table sets out the Executive Directors' share ownership guidelines and actual share ownership levels:

Director	Position	Share ownership guideline[1] (% of salary)	Value of shares held at 31 December 2023[2,3] (% of salary)
Jon Greenwood	Acting Chief Executive Officer	250%	51%
Neil Manser	Chief Finance Officer	200%	142%

Notes:
1. Executive Directors are normally expected to retain all the 'after tax' Ordinary Shares they obtain from any of the Company's share incentive plans until they achieve a shareholding level that is equal to 250% of base salary for the CEO and 200% of base salary for the CFO respectively. In light of the interim nature of the role, the Committee did not expect the Acting CEO to meet the share ownership guideline.
2. For these purposes, holdings of Ordinary Shares will be treated as including unvested DAIP awards, all vested but unexercised awards, or awards unvested but after the performance period and in the holding period. Holdings of Ordinary Shares are valued on a basis that is net of applicable personal taxes payable on acquiring such Ordinary Shares.
3. Shareholding as a percentage of salary has been calculated based on the 29 December 2023 share price of £1.82.

CEO pay ratio

The table below compares the single total figure of remuneration for the CEO since 2019 with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its employee population.

Director	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023[1]	Option A	36:1	27:1	19:1
2022	Option A	35:1	27:1	18:1
2021	Option A	122:1	95:1	65:1
2020	Option A	132:1	108:1	73:1
2019[2]	Option A	123:1	101:1	67:1

Notes:

1. As required by the regulations, the CEO single figure used to determine the 2023 pay ratios is based on the sum of the total single figures of remuneration for Penny James and Jon Greenwood (as Acting CEO).
2. As required by the regulations, the CEO single figure used to determine the 2019 pay ratios is based on the sum of the total single figures of remuneration for Paul Geddes and Penny James, but with remuneration in respect of Penny James' service as CFO excluded.

The UK employees included are those employed on 31 December 2023 and remuneration figures are determined with reference to the financial year ending on 31 December 2023 (consistent with the approach taken in previous years).

Option A, as set out under the reporting regulations, was used to calculate remuneration for 2023 as we continue to believe that that is the most robust methodology for calculating these figures. The value of each employee's total pay and benefits was calculated using the single figure methodology consistent with the CEO. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to be full-time and full-year equivalent basis based on the employee's average full-time equivalent hours for the year and the proportion of the year they were employed. No other adjustments were made.

The table below sets out the salary and total pay and benefits of the employee at the lower quartile, median and upper quartile for the 2023 financial year:

Director	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£24,786	£29,836	£48,616
Total pay and benefits	£30,466	£39,900	£58,726

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. In reviewing the ratios, the Committee also noted that the CEO's remuneration package is weighted more heavily towards variable pay (including the AIP and LTIP) than the wider workforce due to the nature of the role, and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

The 2023 ratios are broadly in line with 2022 levels. Although there has been an increase in the (combined) CEO total single figure remuneration (driven by a higher benefits value for the Acting CEO and non-zero AIP outturn for 2023, partially offset by a lower base salary for the Acting CEO), there has been a broadly consistent proportionate increase in total pay and benefits for quartile employees (primarily due to a combination of salary increases and increased bonus outturns). As a result, there have been only small changes to the 2023 pay ratios compared to 2022. In September 2023, over 500 employees joined the Group through our Motability partnership, but this has not significantly impacted the pay ratios for 2023.

The Group's employees are fundamental to the Group's strategy and to ensuring a high level of service to our customers. We are proud that the high number of consultants in our customer service centres are employed by the Group (rather than being outsourced) and note that the impact of these lower paid roles is reflected in the ratios above. Further details on the remuneration of Executive Directors and the wider workforce are set out on page 137. The Committee notes that the pay ratios for 2023 reflect the nature of the CEO's package being more heavily weighted towards variable pay compared to more junior colleagues, consistent with our reward policies, such that the 2023 (and 2022) ratios are lower than previous years reflecting the incentive scheme performance outturns. Furthermore, the Committee is satisfied that these policies drive the right behaviours and reinforces the Group's values which in turn drives the correct culture, and for the reasons outlined above, believes that the ratios are consistent with the Group's reward policies.

Percentage change in Executive Directors' and Non-Executive Directors' pay for 2020 to 2023

The table below shows the year-on-year percentage change in salary, taxable benefits, and bonus (where applicable) of the Executive Directors and Non-Executive Directors, compared to the average pay for all other employees.

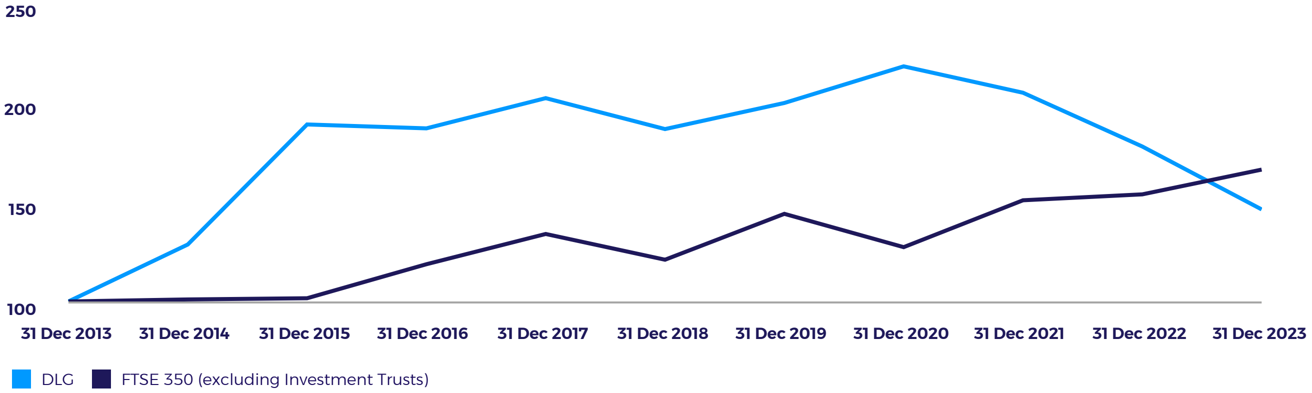
	Salary/Fees[1]				Benefits[2]				Bonus (including deferred amount)[3]			
Director	**2023**	2022	2021	2020	**2023**	2022	2021	2020	**2023**	2022	2021	2020
Executive Directors												
Jon Greenwood	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
Penny James	**0%**	0%	1%	8%	**(16%)**	38%	37%	(25%)	**–**	(100%)	3%	16%
Neil Manser	**2%**	0%	–	–	**7%**	4%	–	–	**–**	(100%)	–	–
Non-Executive Directors[4,5,6]												
Danuta Gray	**0%**	0%	67%	90%	**56%**	–	0%	(100%)	**–**	–	–	–
Tracy Corrigan	**2%**	18%	–	–	**0%**	–	n/a	n/a	**–**	–	–	–
Mark Gregory	**1%**	3%	15%	7%	**0%**	0%	0%	(100%)	**–**	–	–	–
Sebastian James	**1%**	4%	4%	1%	**0%**	0%	0%	0%	**–**	–	–	–
Adrian Joseph	**0%**	0%	–	–	**0%**	–	–	–	**–**	–	–	–
Mark Lewis	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
Fiona McBain	**1%**	7%	7%	15%	**26%**	–	(100%)	(80%)	**–**	–	–	–
David Neave	**–**	–	–	–	**–**	–	–	–	**–**	–	–	–
Gregor Stewart	**0%**	0%	0%	0%	**92%**	–	(100%)	(87%)	**–**	–	–	–
Richard Ward	**0%**	5%	19%	0%	**(4%)**	105%	193%	(6%)	**–**	–	–	–
All employees (average)												
Average employee	**8.6%**	6%	3%	4%	**0%**	57%	(19%)	(1%)	**34%**	(41%)	9%	4%

Notes:
1. Based on the change in average pay for employees employed in the year ended 31 December 2023 and the year ended 31 December 2022. Jon Greenwood joined the Board in 2023 and therefore there is no comparison to prior year. Non-Executive Director fee levels were unchanged between 2022 and 2023.
2. For all employees, there were no changes in benefits provision between 2022 and 2023. For Non-Executive Directors, benefits comprise taxable travel and subsistence expenses reimbursed by the Company (including any gross-up for tax and national insurance contributions due).
3. This includes average amounts earned under the AIP, and other variable incentive schemes, including monthly incentive schemes operated in certain parts of the Group. Jon Greenwood and Neil Manser received bonuses related to 2023 performance, however it is not possible to display as a percentage increase due to their nil bonus in 2022. Non-Executive Directors are not eligible to participate in any of the Group's bonus or incentive schemes.
4. Jon Greenwood, Mark Lewis and David Neave joined the Board during 2023.
5. Mark Lewis, David Neave, Adrian Joseph, Sebastian James, Mark Gregory and Tracy Corrigan had expenses in 2023, however it is not possible to display as a percentage increase due to their nil expenses in 2022. See page 145 for further information.

Chief Executive Officer's pay between 2014 and 2023 and historical performance of TSR

The table below shows historical levels of the CEO's pay between 2014 and 2023. It also shows vesting of annual and long-term incentive pay awards as a percentage of the maximum available opportunity. The graph reflects the TSR for the Company and the FTSE 350 index (excluding Investment Trusts) on a cumulative basis over the period from 31 December 2013 to 31 December 2023, as the Company is a constituent of this index.

Total Shareholder Return (%)



	2014[1]	2015	2016[2]	2017	2018	2019[3]	2019[3]	2020	2021	2022	2023[4]	2023[4]
Director	Paul Geddes						Penny James					Jonathan Greenwood
CEO single figure of remuneration (£'000s)	5,356	4,795	4,071	4,039	3,250	774	2,773	3,286	3,137	940	63	1,031
Annual bonus payment (% of maximum)	75%	83%	43%	88%	68%	76%	76%	82%	84%	0%	n/a	15%
LTIP vesting (% of maximum)[1]	88%	96%	86%	99%	71%	0%	100%	80%	75%	0%	n/a	0%

Notes:

1. Based on actual vesting under the 2010, 2011 and 2012 RBS Group LTIP. The value included in the single figures in respect of these awards is £2,437,428 in 2014.
2. The 2016 single figure and annual bonus payment reflect an adjustment, made in 2019, to the original award of 20% of maximum opportunity related to the Ogden discount rate change.
3. The 2019 single figure reflects part of the year for the outgoing CEO, Paul Geddes, and the entire year for the newly appointed CEO, Penny James.
4. The 2023 single figure reflects part of the year for the outgoing CEO, Penny James, and part of the year for the Acting CEO, Jon Greenwood.

Payments for loss of office (Audited)

Penny James

As announced on 27 January 2023, the Board and Penny James mutually agreed that she would step down as Chief Executive Officer and an Executive Director with immediate effect. She supported the Board with a handover to the Acting CEO and her employment then ceased on 28 February 2023. During this period, she continued to receive her contractual salary, pension and benefits as normal.

After this date, Penny continued to receive an amount equivalent to salary, pension and benefits in monthly instalments in lieu of the remainder of her contractual 12 notice period (which would have run to 26 January 2024).

The table below sets out the total value of the amounts paid (or which are due to be paid) to Penny in relation to her departure, as outlined above:

	Salary (£'000)	Benefits (£'000)	Pension (£'000)	Total (£'000)
Total pay and benefits	817	14	74	905

Penny also received £73,250 in respect of legal fees and outplacement support in connection with the termination of her employment.

In respect of variable remuneration:

- No payments were made under the 2022 AIP and Penny was not eligible for an award under the 2023 AIP.
- All outstanding unvested LTIP awards lapsed at the point of cessation of employment (that is: awards granted in 2020, 2021 and 2022).
- Penny retained her unvested awards under the DAIP. The awards will continue to vest on the third anniversaries of award and remain subject to the scheme rules, including malus and clawback provisions.
- Penny also retained LTIP awards which had vested but were in the two year post-vesting holding period. The holding period will continue to apply and awards remain subject to the scheme rules, including malus and clawback provisions.

In accordance with the Policy, Penny is required to maintain a shareholding of 250% of salary for a period of two years from the date of cessation of her employment, with the number of shares being held in order to comply with these requirements fixed as at the date of termination of her employment at 28 February 2023.

New Executive Director

Adam Winslow

Adam Winslow was appointed as Chief Executive Officer effective from 1 March 2024 and will be appointed to the Board on 21 March 2024.

In setting Adam's remuneration, the Committee considered his wealth of experience in general insurance, market data in respect of FTSE 51-150 companies and other FTSE 350 insurers, the previous CEO's remuneration package, our Directors' Remuneration Policy and the pay and conditions of the wider workforce. Taking these factors into account, Adam's salary was set at £820,000, broadly in line with the previous CEO. Adam will not be eligible for a salary increase during 2024.

Pension and variable remuneration opportunities have been set in line with the Directors' Remuneration Policy.

The Committee also approved buyout awards to compensate him for awards forfeited from his previous employer in connection with his appointment as follows:

- 2023 annual bonus (Maximum: £975,000): To mirror the original award as far as possible, the final value will be determined based on the published Aviva Group CEO 2023 annual bonus outcome (i.e. based solely on Aviva Group performance) prior to any personal performance adjustment. The Remuneration Committee will then consider the performance of the business unit which Adam led, based on published information and may adjust the outcome noted above upwards or downwards accordingly. The award will be delivered 50% in cash and 50% in shares (which vest annually over 3 years) to mirror the original terms.
- Deferred bonus in respect of 2021 and 2022 (Estimate: approximately£760,000): Granted on a like-for-like basis with the original awards (which vest annually over a 3 year period from grant).
- Unvested share awards subject to performance conditions (Maximum: approximately £4.25 million, estimated performance: approximately £3.8 million): Value based on a performance assessment of the unvested awards, to be granted on a like-for-like basis with the original awards. For the 2021 LTIP, the buyout award will be based on the performance outcome disclosed in the 2023 Aviva Directors' Remuneration Report. For the 2022 and 2023 LTIP awards, the buyout awards will be based on the expected performance out turn at the date of his appointment.

Values are based on the Aviva share price and estimated performance outcomes at the time of preparation of this report, and are therefore subject to change based on movements in the Aviva share price and/or final performance out turns. Final values will be disclosed in next year's Directors' Remuneration Report.

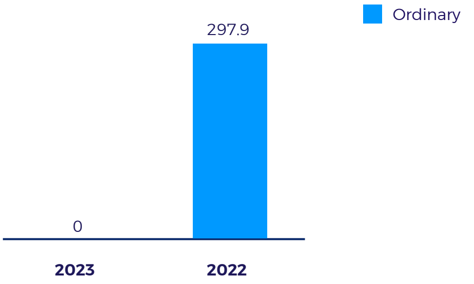
Distribution statement

This chart shows the overall pay expenditure across all Group employees compared with the total dividend value paid to shareholders in 2022 and 2023.

Dividend (£m)

% change

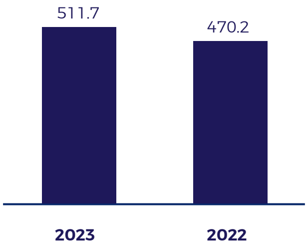
(100.0)%



Overall expenditure on pay (£m)

% change

8.8%



Note:

1. The dividends paid information has been taken from note 14 to the Consolidated financial statements. The overall expenditure on pay has been taken from note 7 and therefore, consistent with market practice, it has not been calculated in a manner consistent with the single figure in this report.

AGM voting outcomes

The table below shows the percentage of shareholders' votes which were for or against, and the percentage of votes withheld, relating to the resolutions to approve the 2022 Directors' Remuneration Report (which was put to shareholders at the 2023 AGM) and the Policy (which was put to shareholders at the 2023 AGM).

	For		Against		Number of votes withheld (abstentions)
	Number	Percentage	Number	Percentage	
Approval of Directors' Remuneration Policy (2023 AGM)	1,030,959,263	98.1%	19,918,567	1.9%	1,356,094
Approval of Directors' Remuneration Report (2023 AGM)	1,028,748,967	97.9%	22,163,847	2.1%	1,321,110

Dilution

The Company complies with the dilution levels that the Investment Association guidelines recommend. These levels are 10% in 10 years for all share plans and 5% in 10 years for discretionary plans. This is consistent with the rules of the Company's share plans.

Implementing the Policy in 2024

Key features	Implementation in 2024
Base salary Key features – Reviewed annually with any increases taking effect on 1 April – The Committee considers a range of factors when determining salaries, including pay increases throughout the Group, individual performance, and market data	Implementation in 2024 – The Acting CEO's salary remains unchanged at £725,000 – The incoming CEO's salary will be set at £820,000 – 3% increase for the CFO to £546,364
Pensions Key features – Pension contributions are paid only in respect of base salary – The Executive Directors' pension is set in line with the pension level received by the employee population	Implementation in 2024 – Pension contributions remain at 9% (in line with the workforce)
Annual Incentive Plan Key features – Maximum opportunity of 175% of salary for the CEO and the CFO – At least 50% of the AIP is based on financial measures. The Committee considers various non-financial performance measures such as strategic measures for the remainder – The outcome is assessed at the end of the performance period with reference to targets agreed at the start of the year – Any payment is subject to an additional gateway assessment, including assessing risk factors – Malus and clawback provisions apply	Implementation in 2024 – No change to the maximum opportunity – There will be a straight-line vesting between AIP threshold and maximum performance – Operating Profit (55% weighting) – Strategic measures (20% weighting) – Customer (15% weighting) – People (10% weighting) – The performance targets are considered commercially sensitive and will therefore be disclosed in next year's Report
Deferred Annual Incentive Plan Key features – 40% of the AIP is deferred into shares – Typically vesting after three years, normally subject to continued employment – Malus and clawback provisions apply	Implementation in 2024 – No further performance conditions apply

Implementing the Policy in 2024 *continued*

Long-Term Incentive Plan

Key features

- Awards typically granted as nil-cost options
- Awards granted once per year
- The LTIP allows for awards with a maximum value of 200% of base salary per financial year
- Performance is measured over three years
- Awards vest subject to financial underpin and payment gateway
- Malus and clawback provisions apply
- Awards are subject to an additional two-year holding period following the end of the three-year performance period

Implementation in 2024

- No change to the maximum annual award levels
- Will be granted once per year
- Nil-cost options will continue to be used for the grants
- Following Adam Winslow's appointment as CEO, it is expected that a business wide review will take place to confirm the Group's updated strategic priorities. The Committee is of the view that, in order to ensure long term remuneration is linked to KPIs, it will be appropriate to set the 2024 LTIP targets once this review is complete (and no later than 6 months after the grant date). The targets applicable to these awards will be disclosed in due course.

Non-Executive Directors' fees

The fees for the Chair and Non-Executive Directors for 2024 are set out below (unchanged from 2023).

Position	Fees for 2024 £'000
Board Chair fee	350
Basic Non-Executive Director fee	75
Additional fees	
Senior Independent Director fee	30
Chair of Audit, Board Risk and Remuneration Committees	30
Chair of Sustainability and Investment Committees	15
Member of Board Committee (Audit, Board Risk or Remuneration)	10
Member of Board Committee (Sustainability, Investment or Nomination)	5

Directors’ Remuneration Policy

The following is a copy of the main table from the Policy approved by shareholders at the 2023 AGM on 9 May 2023. The full Policy is available in the Directors' Remuneration report of the 2022 Annual Report and Accounts, which is available on the Direct Line Group website, under the 'Results and Reports' heading in the Investors page. You can find further details regarding the Policy's operation for 2024 on pages 151 and 152.

Policy table

Base salary

- This is the core element of pay that reflects the individual’s role and position within the Group
- Staying competitive in the market allows us to attract, retain and motivate high-calibre executives with the skills to achieve our key aims while managing costs

Operation

- Base salaries are typically reviewed annually and set in April of each year, although the Committee may undertake an out-of-cycle review if it determines this to be appropriate
- When reviewing base salaries, the Committee typically takes the following into account:
  - general base salary movements across the Group;
  - level of skill, experience and scope of responsibilities, individual and business performance, economic climate, and market conditions; and
  - the appropriate benchmarking peer group(s) that reflects the Group’s size and industry focus, the corresponding market pay range(s) and the relevant positioning within the market pay range(s)
- The Committee does not follow market data in isolation, and instead uses it as a reference point when considering, in its judgement, the appropriate salary level, while regarding other relevant factors, including corporate and individual performance, and any changes to an individual’s role and responsibilities
- The principles for setting base salary are like those applied to other employees in the Group. However, the specific benchmarking groups used to review external market relativities may differ across employee groups
- Base salary is typically paid monthly

Maximum opportunity

- When determining salary increases, the Committee will consider the factors outlined in this table under ‘Operation’

Performance measures

- Not applicable

Pension

- To remain competitive within the marketplace
- To encourage retirement planning and retain flexibility for individuals

Operation

- Pension contributions are paid only in respect of base salary
- Executive Directors are eligible to participate in the defined contribution pension arrangement or alternatively they may choose to receive a cash allowance in lieu of pension
- The Executive Directors’ pension will be set in line with the pension level for the wider workforce

Maximum opportunity

- The maximum pension percentage contributions are set at the wider workforce level (currently 9% of salary)

Performance measures

- Not applicable

Policy table *continued*

Benefits	
– A comprehensive and flexible benefits package is offered, emphasising individuals being able to choose the combination of cash and benefits that suits them	**Operation** – Executive Directors receive a benefits package generally set by reference to market practice in companies of a similar size and complexity. Benefits currently provided include a Company car, use of a car or car allowance, private medical insurance, life insurance, health screening, and income protection – The Executive Directors are eligible to receive such additional benefits as the Committee considers appropriate having regard to market norms – In line with our approach to all employees, certain Group products are offered to Executive Directors at a discount – Executive Directors are eligible to participate in any of the employee share plans operated by the Company, in line with HMRC guidelines (where relevant) and on the same basis as other eligible employees. Currently, this includes our HMRC-approved SIP, which has been used to provide an award of free shares to all employees (including Executive Directors) and permits employees to purchase shares with a corresponding matching award – Where an Executive Director is required to relocate to perform their role, they may be offered appropriate relocation benefits. The level of such benefits would be determined based on the circumstances of the individual and typical market practice and be consistent with the relocation arrangements available to the workforce generally. In normal circumstances, relocation benefits will only be paid for a period of up to 12 months **Maximum opportunity** – The costs of benefits provided may fluctuate from year to year, even if the level of provision has remained unchanged – Additionally, the limit for any employee share plans in which the Executive Directors participate will be in line with the caps permitted by HMRC from time to time – The Executive Directors may be entitled to retain fees received for any directorships held outside the Group – Similarly, while not benefits in the normal usage of that term, certain other items such as hospitality or retirement gifts may also be provided **Performance measures** – Not applicable

Element and purpose in supporting the Group's strategic objective

AIP	Operation
AIP – To motivate executives and incentivise delivery of performance over a one-year operating cycle and enable a stronger focus and alignment with the short to medium-term elements of our strategic aims – Deferral delivers further alignment with shareholders and aids retention of key executive talent	**Operation** – The AIP is measured based on performance over the financial year against performance targets which the Committee considers to be appropriate – At least 40% of the AIP is deferred into shares (typically in the form of nil-cost options or conditional share awards) under the DAIP – This typically vests three years after grant (with deferred awards also capable of being settled in cash at the discretion of the Committee, for example, when it gives rise to legal difficulties to settle in shares). The remainder of the award is paid in cash following the year-end – The Committee will keep the percentage deferred and terms of deferral under review. This will ensure levels are in line with regulatory requirements and best practice and may be changed in future years but will not, in the Committee's view, be changed to be less onerous overall – Dividends will accrue during the deferral period – Malus and clawback provisions apply to the cash and deferred elements of the AIP. These are explained in the notes to the Policy table **Maximum opportunity** – The maximum bonus opportunity under the AIP is 175% of base salary per year – The current maximum bonus opportunity applying for each individual Executive Director is shown in the statement of implementation of Policy – Threshold and maximum bonus levels for Executive Directors are set by considering annual bonus practice throughout the organisation and referring to practice at other insurance and general market comparators – Outcomes for performance between threshold and maximum will be determined on a straight-line basis – No more than 10% of the bonus is paid for threshold performance – However, the Committee retains flexibility to amend the pay-out level at different levels of performance for future bonus cycles. This is based on its assessment of the level of stretch inherent in the set targets, and the Committee will disclose any such determinations appropriately **Performance measures** – Performance measures for the AIP may be financial and non-financial (Group, divisional, business line or individual) – Each year, at least 50% of the AIP is based on financial measures. The remainder of the AIP may be based on a combination of, for example, strategic, operational, ESG, shared or individual performance measures – The Committee sets targets at the beginning of each financial year – Before any payment can be made, the Committee will perform an additional gateway assessment (including in respect of any risk concerns). This will determine whether the amount of any bonus is appropriate in view of facts or circumstances which the Committee considers relevant. This assessment may result in moderating (positively or negatively) each AIP performance measure, subject to the individual maximum bonus levels – The AIP remains a discretionary arrangement. In line with the Code requirements, the Committee maintains discretion to override formulaic outcomes where those outcomes are not reflective of the overall Group performance. DAIP awards vest subject to continued employment only

Element and purpose in supporting the Group's strategic objective *continued*

LTIP

- Aligning executives' interests with those of shareholders to motivate and incentivise delivering sustained business performance over the long term
- To aid retaining key executive talent long term and deliver market competitive remuneration

Operation

- Awards will typically be made in the form of nil-cost options or conditional share awards, which vest to the extent performance conditions are satisfied over a period of at least three years. Under the Plan rules, awards may also be settled in cash at the discretion of the Committee. This may be appropriate, for example, if legal difficulties arise with settling in shares
- Vested options will remain exercisable for up to the tenth anniversary of grant
- Malus and clawback provisions apply to the LTIP. These are explained in the notes to the Policy table
- Executive Directors will be subject to an additional two-year holding period following the vesting period, during which time awards may not normally be exercised or released
- During the vesting period and additional holding period (during which time awards cannot be exercised) the awards will continue to accrue dividends. Following the holding period, awards will cease to accrue dividends if not exercised

Maximum opportunity

- The maximum LTIP award in normal circumstances is 200% of salary
- Awards of up to 300% of base salary are permitted in exceptional circumstances, for example relating to recruiting or retaining an employee, as determined by the Committee

Performance measures

- The Committee will determine the performance conditions for each award made under the LTIP, measuring performance over a period of at least three years with no provision to retest
- Performance is measured against targets set at the beginning of the performance period, which may be set by referring to the time of grant or financial year
- Awards vest based on performance against financial and/or such other measures (including share return), as set by the Committee, to be aligned with the Group's long-term strategic objectives. The Committee may alter the precise measures used for future awards
- Not less than 50% of the award shall be subject to one or more financial measures
- Awards will be subject to a payment gateway, such that the Committee must be satisfied that there are no material risk failings, reputational concerns or regulatory issues
- 20% of the award vests for threshold performance, with 100% vesting for maximum performance
- The Committee reserves the right in respect of future awards to lengthen (but not reduce) any performance period and/or amend the terms of any holding period; however, there is no intention to reduce the length of the holding period
- In line with the Code requirements, the Committee maintains discretion to override formulaic outcomes where those outcomes are not reflective of the overall Group performance

Share ownership guidelines

- To align the interests of Executive Directors with those of shareholders

Operation

- Executive Directors are expected to retain all the ordinary shares vesting under any of the Company's share incentive plans, after any disposals for paying applicable taxes, until they have achieved the required shareholding level; unless earlier sale, in exceptional circumstances, is permitted by the Chair of the Board
- Shares considered will include those held by the director and their connected persons, vested awards subject to holding requirements and unvested awards not subject to performance conditions (on a net of tax basis). Executive Directors are also expected to retain their in-employment shareholding requirement (or actual shareholding, if lower) post their employment for a period of two years
- In exceptional circumstances, earlier sale is permitted subject to the Chair's discretion

Maximum opportunity

- 250% of salary for the CEO and 200% for the CFO
- The Committee reserves the discretion to amend these levels in future years

Performance measures

- Not applicable

Directors' report

The Board of Directors present their report for the financial year ended 31 December 2023 as required by the Companies Act 2006.

The Board would like to draw your attention to the forward-looking statements disclaimer which can be found on page 276.

Directors' report disclosures

The Board takes the view that some of the matters required to be disclosed in the Directors' report are of strategic importance and these are, therefore, included in the Company's Strategic report which is on pages 1 to 94 as permitted by the Companies Act 2006. These matters, and all matters referenced in the table below, are incorporated into this Directors' report:

Subject	Pages
Use of financial instruments	30, 35, 36
Important events since the financial year end	8 to 16
Likely future developments in the business	16
Employee engagement	25, 54 to 57, 104 to 109, 140
Engagement with suppliers, customers and other business relationships	51 to 53, 107
Research and development	19, 51
Greenhouse gas emissions, energy consumption and energy-efficient action	63 to 65
Branches outside the UK	256

Disclosure of information required by Disclosure Guidance and Transparency Rule 7.2

The FCA's Disclosure Guidance and Transparency Rule 7.2 requires a Corporate Governance statement in the Directors' report to include certain information. You can find information that fulfils the Corporate Governance statement's requirements in this Directors' report, the Corporate Governance report, the Committee reports and the Directors' Remuneration report, all of which are incorporated into the Directors' report by reference.

Disclosure of information under Listing Rule 9.8.4C

In accordance with Listing Rule 9.8.4C, the table below sets out the location of the information required to be disclosed under LR 9.8.4R, where applicable:

Subject	Pages
Interest capitalised by the Group	Not applicable
Unaudited financial information	Note 3.5
Details of long-term incentive schemes	141 to 142
Directors' waivers of emoluments	Not applicable
Directors' waivers of future emoluments	Not applicable
Non pro-rata allotments for cash (issuer)	Not applicable
Non pro-rata allotments for cash (major subsidiaries)	Not applicable
Listed company is a subsidiary of another company	Not applicable
Contracts of significance involving a Director	Not applicable
Contracts of significance involving a controlling shareholder	Not applicable
Details of shareholder dividend waivers	158
Controlling shareholder agreements	Not applicable

Dividends

As explained in the Chair's statement on page 8, the Board is recommending a dividend for 2023. More information on dividends and capital management can be found in the CFO review on page 32.

Directors

The names of all current Directors and their biographies are set out on pages 97 to 100. Information about Adam Winslow, who joined the Group as CEO on 1 March 2024, can be found in the Chair's statement on page 9.

All Directors will retire and those wishing to continue to serve will be submitted for election or re-election at the 2024 AGM. This is in accordance with the UK Corporate Governance Code and the Articles of Association of the Company, which govern appointing and replacing Directors.

The Directors listed on pages 97 to 100 were the Directors of the Company throughout the year under review. In addition, Sebastian James served from the start of the year to 31 December 2023 when he retired from the Board.

The Company's Articles of Association set out the Directors' powers. You can view these on the Company's website at www.directlinegroup.co.uk. The Directors' powers are also subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back of shares, authority from the Company's shareholders. You can find details of the Directors' remuneration, service contracts, employment contracts and interests in the shares of the Company in the Directors' Remuneration report on pages 131 to 156.

The Articles of Association of the Company permit it to indemnify the Company's officers, and officers of any associated company, against liabilities arising from conducting Company business, to the extent permitted by law. As such, the Company has executed deeds of indemnity for each Director's benefit, regarding liabilities that may attach to them in their capacity as Directors of the Company or associated companies.

These indemnities are qualifying third-party indemnities as defined by section 234 of the Companies Act 2006. No amount was paid under any of these indemnities during the year. The Company maintains directors' and officers' liability insurance. This provides appropriate cover for legal actions brought against its Directors. The Company has also provided the Directors of DLG Pension Trustee Limited with qualifying pension scheme indemnities. This is in accordance with section 235 of the Companies Act 2006. During 2023, DLG Pension Trustee Limited acted as trustee for two of the Company's occupational pension schemes.

Secretary

Roger Clifton is the Company Secretary of Direct Line Insurance Group plc and can be contacted at the Company's Registered Office, details of which are on page 277.

Share capital

The Company has a premium listing on the London Stock Exchange. As at 31 December 2023, the Company's share capital comprised 1,311,388,157 fully paid Ordinary Shares of 10 $^{10}/_{11}$ pence each.

At the Company's 2023 AGM, the Directors were authorised to:

- allot shares in the Company or grant rights to subscribe for or convert any security into shares, up to an aggregate nominal amount of £47,686,842, and to allot further shares up to an aggregate nominal amount of £98,373,684 for the purpose of a rights issue;
- allot shares having a nominal amount not exceeding in aggregate £14,306,052 for cash, without offering the shares first to existing shareholders in proportion to their holdings;
- allot additional shares having a nominal amount not exceeding in aggregate £14,306,052 for the purposes of financing a transaction which the Board of the Company determines to be an acquisition or other capital investment, without offering the shares first to existing shareholders in proportion to their holdings;
- make market purchases of up to 131,138,815 shares in the Company, representing 10% of the Company's issued share capital at the time; and
- allot shares (with the disapplication of pre-emption rights) up to an aggregate nominal amount of £23,250,000 in relation to the issue of Restricted Tier 1 ("**RT1**") Instruments.

To date, the Directors have not used these authorities granted in 2023. At the 2024 AGM, shareholders will be asked to renew these authorities. The Company has not held any shares in treasury during the period under review. You can find out more about the Company's share capital and shares under option as at 31 December 2023 in notes 27 and 31 of the consolidated financial statements.

Under the Company's Share Incentive Plan, Trustees hold shares on behalf of employee participants. The Trustees will only vote on those shares, and receive dividends that a participant beneficially owns, in accordance with the participant's wishes. An Employee Benefit Trust also operates which has discretion to vote on any shares it holds as it sees fit, except any shares participants own beneficially, in which case the Trustee will only vote on such shares as per a participant's instructions.

The Trustee of the Employee Benefit Trust has waived its right to dividends on all shares within the Trust. You can find out more about the number of shares held by the employee share plan trusts in note 31 on page 241. The Company is not aware of any other dividend waivers or voting restrictions in place.

Shareholder voting rights and restrictions on transfer of shares

All the Company's issued Ordinary Shares rank equally in all respects. The Company's Articles of Association set out the rights and obligations attaching to the Company's Ordinary Shares.

Employees of the Company and Directors must comply with the UK Market Abuse Regulation and the Company's share dealing rules. These rules restrict particular employees' and Directors' ability to deal in the Company's shares at certain times, and require the employee or Director to obtain permission to deal before doing so. Some of the Company's employee share plans also include restrictions on transferring shares while the shares are held within the plans.

Each general meeting notice will specify a time, not more than 48 hours before the time fixed for the meeting (which may exclude non-working days), for determining a shareholder's entitlement to attend and vote at the meeting. To be valid, all proxy appointments must be filed at least 48 hours (which may exclude non-working days) before the time of the general meeting.

Where the Company has issued a notice under section 793 of the Companies Act 2006, and the person interested in the relevant shares has been in default of the notice for at least 14 days, they shall not be entitled to attend or vote at any general meeting until the default has been corrected or the shares sold.

There is no arrangement or understanding with any shareholder, customer or supplier, or any other external party, which provides the right to appoint a Director or a member of the Executive Committee, or any other special rights regarding control of the Company.

Articles of Association

Unless expressly specified to the contrary in the Articles of Association, the Articles may only be amended by a special resolution of the Company's shareholders at a general meeting.

Significant agreements affected by a change of control

A number of agreements may take effect, alter or terminate upon a change of control of the Company. None of these agreements is considered significant in terms of its impact on the Group's business as a whole. All the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards would typically vest and become exercisable. This is subject to satisfying any performance conditions, and normally with an additional time-based pro-rata reduction where performance conditions apply, and with approval from the Remuneration Committee.

Substantial shareholdings

The table below shows the holdings of the major shareholders in the Company's ordinary issued share capital, as at 31 December 2023 and as at 18 March 2024, as notified in accordance with the provisions of Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. Information provided by the Company pursuant to the FCA's Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the Company's website.

Subject	31 December 2023	18 March 2024	Nature of Holding
abrdn plc	4.57 %	4.57 %	Indirect
Ameriprise Financial Inc	5.06 %	5.06 %	Indirect
APG Asset Management N.V.	2.99 %	2.99 %	Direct
Ariel Investments	4.90 %	4.90 %	Direct/ Indirect
Artemis Investment Management LLP	4.82 %	4.82 %	Indirect
BlackRock Inc	Below 5%	Below 5%	Indirect
FIL Limited	5.12 %	5.12 %	Indirect
FMR LLC	7.11 %	7.11 %	Indirect
Majedie Asset Management Limited	4.99 %	4.99 %	Indirect
Norges Bank	3.99 %	2.94 %	Direct
Schroders plc	5.67 %	5.67 %	Indirect
T.Rowe Price Associates, Inc.	4.68 %	4.68 %	indirect

Political donations

The Group made no political donations during the year (2022: £nil).

Disabled and neuro-divergent colleagues

The Group is committed to supporting those who are neuro-divergent or have a disability and recognises the benefits that diversity of thought or body brings to an organisation.

For recruitment purposes, we adjust and enhance our application and selection process, and guide and provide additional training for interviewers where necessary. We reasonably adjust colleagues' working environments and equipment, and roles and role requirements (including for colleagues who become disabled during their time working in the Group). We also seek to ensure that everyone can access the same opportunities.

The Neuro-Diversity & Disability strand of our Diversity Network Alliance ("**DNA**") works to celebrate and support those who are neuro-divergent or disabled with the aim of ensuring that all our colleagues feel understood, fully appreciated, and empowered to be their best selves. More information about the work of the DNA strand can be found on page 55 of the Strategic report.

Going concern

The Directors believe that the Group has sufficient financial resources to meet its financial needs, including managing a mature portfolio of insurance risk. The Directors believe the Group is well positioned to manage its business risks successfully in the current economic climate. The Chief Financial Officer Review describes the Group's capital management strategy, including the capital actions taken in the last 12 months to ensure the continued strength of the balance sheet and sets out management actions that the Group continues to pursue to rebuild balance sheet resilience. The Group's financial position is also covered in that section, including a commentary on cash and investment levels, reserves, currency management, insurance liability management, liquidity and borrowings. The financial disclosures relating to the Group's principal risks are set out in note 3. This covers insurance, market, credit, liquidity and operational risk; and the Group's approach to monitoring, managing and mitigating exposures to these risks.

The Directors have assessed the principal risks of the Group over the duration of the planning cycle, which runs until 2027, with the first year following approval of the Strategic Plan ("**the Plan**"), being 2024, having greater certainty and hence used to set detailed budgets. The Group's Risk Function has carried out an assessment of the risks to the Plan and the dependencies for the success of the Plan. This included running adverse scenarios on the Plan to consider the downside risks to the Plan and subsequent impact on forecast profit. The key scenarios applied to the Plan were in relation to the impact of adverse claims inflation, failure to achieve motor pricing initiative benefits, delay to delivery of expense reductions and a fall in asset values. The key judgements and assumptions applied in these scenarios were as follows:

- Adverse claims inflation: the Plan includes a scenario for inflation being higher than expected, leading to claims costs increasing by 3-6% with the Group and market response delayed by six months.
- Failure to achieve motor pricing initiative benefits: planned benefits from future motor pricing initiatives are not achieved.
- Delay to delivering expense reductions: there is a delay of 12 months in delivering planned expense reductions.
- Fall in asset values: an increase in credit spreads of 75 basis points, with a partial recovery of 25 basis points over 2025.

It is unlikely that all risks would materialise at the same time. None of the scenarios individually were concluded to present a threat to the Group's expected viability across the duration of the Plan.

The Risk Function has also carried out an assessment of the risks to the Group's and Company's capital position over 2024 and 2025. Two specific macroeconomic combination stresses, a moderate and a severe, have been updated to include not only a review of Group financials but also a review of assumptions to reflect the latest internal and external environment and trends. The stresses have been run to assess the possible impact on own funds in the period to 31 December 2024 and 31 December 2025. The stresses are updated and repeated regularly. The macroeconomic assumptions for key parameters such as Consumer Price index, GDP and bank base rate for the moderate scenario reflect the adverse end of the Bank of England November Monetary Policy Committee forecast range. The severe scenario adopts the key parameters from the 2022 Bank of England Banking Stress Test, which is described as "severe but plausible", updated for changes in the macroeconomic environment.

In the moderate and severe scenarios, it was concluded that the Company's solvency capital requirement would not be breached.

Additionally, the Risk Function conducted a Reverse Stress Test ("**RST**") to establish whether the long-term future for motor insurance, specifically, the adoption of EVs, poses a threat to the viability of the Company's current business model. The findings showed that over the duration of the planning cycle the scenarios considered did not present a risk to the viability of the business model.

Further information in relation to the sensitivity of key factors on the Group's financial position are included in the financial statements. The insurance risk note (note 3.3.1) sets out the impact on profit before tax of an increase and a decrease in claims inflation of 100 basis points for two consecutive years. The market risk note (note 3.3.2) sets out the impact on profit before tax and equity of a 100 basis points increase in spreads on financial investments and the impact of a 100 basis points increase in interest rates on financial investments and derivatives.

Therefore, having made due enquiries, the Directors believe they can reasonably expect that the Group has adequate resources to continue in operational existence for at least 12 months from 21 March 2024 (the date of approval of the condensed consolidated financial statements). Accordingly, the Directors have adopted the going concern basis in preparing the condensed consolidated financial statements.

Disclosing information to the Auditor

Each Director at the date of approving these Annual Report and Accounts confirms that: as far as they are aware, there is no relevant audit information of which Deloitte, the Company's External Auditor, is unaware; and they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that Deloitte is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte will retire as auditor from the conclusion of the 2024 AGM in line with mandatory rotation requirements. As announced on 10 October 2022, following a competitive tender process led by the Audit Committee, the Board approved the appointment of KPMG LLP as auditor of the Company for the financial year ending 31 December 2024, subject to approval by shareholders at the Company's 2024 AGM. Therefore, a resolution to appoint KPMG will be proposed at the forthcoming 2024 AGM. You can find more information about the change of auditor in the Audit Committee report on page 117.

Conflicts of interest

Each Director has a duty to avoid conflicts of interest and must declare any conflict of interest that could interfere with their ability to act in the Group's best interests. In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise matters where there is, or may be, a conflict between the Group's interests and the direct or indirect interests of a Director, or between a Director's duties to the Group and another person. As a matter of course, the Board authorises certain potential conflicts of interest in this way, including Directors' external directorships and their interests in securities of other financial service institutions. The Company Secretary maintains a register of potential conflicts which the Board reviews at each scheduled Board meeting.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year in accordance with UK-adopted international accounting standards.

The Directors have elected to prepare the Parent Company financial statements in accordance with FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the Company's state of affairs and profit or loss for that period.

In preparing these financial statements, IAS 1 requires that Directors: properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and to assess the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that: are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, the Company's financial position at any time; and enable them to ensure the financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Company's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information included on the Company's website at: www.directlinegroup.co.uk.

Legislation in the UK governing preparing and disseminating financial statements may differ from legislation in other jurisdictions.

Each of the Directors in office as at the date of this report, whose names and functions are listed on pages 97 to 100 confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole;
- the Strategic report (on pages 1 to 94) and Directors' report (on pages 158 to 160) include a fair review of: (i) the business's development and performance; and (ii) the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and the financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This report was approved by the Board on 21 March 2024 and signed on its behalf by:

Roger C. Clifton
Company Secretary

Registered address: Churchill Court, Westmoreland Road, Bromley, BR1 1DP

Registered number: 02280426