Building a sustainable future

Our five-pillar sustainability strategy was developed and has evolved to support our vision of creating a world where insurance is personal, inclusive and a force for good.

Each pillar is defined through an overarching ambition that together drive us to deliver a positive impact for our stakeholders and strengthen our own business by taking action on priority environmental, social and governance issues.

Over the last year, we have progressed all areas of our strategy, from cost of living support for our customers and tools to drive a high performance and inclusive culture for our people, to new social mobility partnerships and programmes in our local communities and the continued decarbonisation of our business as we report performance against our Science-Based Targets for the first time.

Our vision

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

Customers	People	Society	Planet	Governance
Earn our customers' trust by demonstrating how we are acting in their interests	**Encourage a culture that celebrates difference and empowers people so that they can thrive**	**Use our expertise to improve outcomes for society and the communities we serve**	**Protect our business from the impact of climate change and give back more to the planet than we take out**	**Look to the long term for our stakeholders, build a reputation for high standards of business conduct and develop a sustainable business**

2023 actions

Customers	People	Society	Planet	Governance
– Rolled out enhanced vulnerable customer training – Refreshed how we review customer conduct – Enhanced our customer experience design process	– Launched a new performance framework – Set new gender and ethnic diversity targets	– Rolled out Community Fund outreach programme – Launched new partnership with UK Youth	– Developed our climate-related risk management roadmap – Rolled out our supply chain sustainability programme	– Conducted new materiality research and analysis – Reviewed Board Committees' Terms of Reference for sustainability and climate

Near-term priorities

Customers	People	Society	Planet	Governance
– **Evolve and enhance our digital servicing options for customers** – **Review and update our electric vehicle strategy**	– **Develop and embed new learning opportunities** – **Define our approach to culture, leadership and future prospects**	– **Review our approach, programmes and partnerships** – **Integrate our community approach to build future talent pipelines**	– **Review and align with new SBTi standard for financial institutions** – **Build out our climate transition plan**	– **Complete materiality analysis and use findings to update our strategy** – **Enhance overall governance of sustainability and climate across the business**

Customers

Our mission is to be brilliant for customers every day, and we want to be known for excellence through all stages of the customer journey.

We are focused on meeting the needs of all our customers, aiming to provide them with the products they want, while delivering an exceptional service.

Over the year, we've continued to enhance our customer approach following the introduction of the Consumer Duty, recognising ongoing cost of living challenges, launched our Direct Line Essentials product and improved our capability to provide easy digital-first journeys.

"The Group has come together around Consumer Duty to put the customer at the heart of everything we do."

Lorraine Price, Head of Product Lifecycle Management

The Consumer Duty

In July 2023, Consumer Duty came into effect, introducing significant new Financial Conduct Authority ("**FCA**") rules on consumer protection for all financial services firms. To support and strengthen our approach to be brilliant for customers every day, we:

- provided Consumer Duty training to all colleagues, including those interacting with customers every day.
- completed a review of our key customer journeys and processes, making numerous improvements to help and support our customers.
- engaged with key suppliers, producing a supplier-specific guidance pack to help them understand the expectations around customer outcomes and how we will support them to achieve this.
- launched a customer closeness programme for our Senior Leadership community to go 'back to the floor' and walk in our customers' shoes.
- introduced new product forums with specific accountability for reviewing customer outcomes and reporting against the four main outcomes of the Consumer Duty.

Supporting our customers

Direct Line Essentials and cost of living support

Building on the success of last year's Churchill Essentials product, we launched our Direct Line Essentials product this year for our Motor customers, expanding our product range and giving those who need it greater choice during a time when many are facing cost of living challenges. The Direct Line Essentials product is available for customers looking for an entry-level comprehensive car insurance policy.

In addition to this, we continue to assist those facing financial difficulty, asking customers to discuss with us their needs so we can look to offer the most appropriate support which may include reviewing levels of cover or considering alternative products.

Enhancing our vulnerable customer approach

We continued to build on our vulnerable customer training programme and during 2023 over 4,000 of our employees received enhanced refresher training. In addition, further reference tools were introduced to enable employees to support vulnerable customers and those experiencing financial difficulty.

To improve customer communications, we also continued our partnership with Plain Numbers, an organisation which aims to change the way numbers are presented to improve comprehension, by training more colleagues as practitioners this year. We were pleased to be recognised for our efforts, receiving accreditation and becoming one of just ten organisations to achieve this accolade.

Additionally, we have worked with the disability charity, Scope, to review our websites and make changes to the way we present information to improve accessibility and partnered with And or If Ltd, a specialist agency who find creative ways to present customer communications to refresh our policy documents.

Focused on customer needs

Motability onboarding

We welcomed over 700,000 new customers as part of our partnership with Motability Operations in September last year which will help us to gain further insight into their fleet of modern vehicles. The more insight we have the better able we are to fix customers' cars so customers will benefit.

Planning for this partnership over the last few years, we have worked on mapping out customer journeys and built new technology platforms and data flows. Since the integration, our teams have handled over 110,000 calls from customers, replied to around 39,000 web chats and registered around 80,000 claims.

Darwin milestone

Our Darwin motor brand continues to grow since its launch in 2019 and reached the significant milestone of welcoming its 250,000th customer this year. Utilising new technology and machine learning models to offer competitive prices to customers on Price Comparison Websites ("**PCWs**"), Darwin is one of the highest-rated motor insurance brands in the UK on Trustpilot.

Customer user research suite

To enhance our understanding of customer wants and needs, we've opened a new user research suite in our Riverbank House office in London, providing a relaxed and informal space where we can gain customer feedback for future products and teams can test many experiences from digital journeys, websites, apps, to our latest marketing campaign and more.

Making electric easy

Our electric vehicle ("**EV**") strategy is focused on providing comprehensive EV insurance combined with additional non-insurance benefits with the overall aim of supporting our customers to make sustainable choices by making the switch to electric easy.

We carefully consider our EV insurance products to reflect the specific needs of EV owners, giving our customers and those considering purchasing an EV for the first time peace of mind. For example, our policies include battery cover, home charger and cable cover, specialist EV repairs completed by qualified EV technicians and liability cover to others if they're injured by cables which are attached to an EV.

During 2023, we have also continued to enhance our added-value proposition through the Direct Line electric vehicle bundle that we first introduced in 2021 in partnership with Zoom EV to provide essential, non-insurance services to customers to help them run their EV. This is offered for free to new and existing Direct Line motor insurance customers and includes benefits such as access to discounted public charging, discounts off home charging devices, EV home energy benefits, community charging, discounted parking, and access to a dedicated EV expert helpline – with the services provided by established operators in the market.

The proposition has proved popular with our EV customers; to date, 45% have activated their bundle with over 70% of these engaging and interacting with at least one of our end service providers. In 2024, we will continue to expand on the benefits and partnerships available, offering accessible solutions for our customers to the commonly cited barriers to EV ownership.

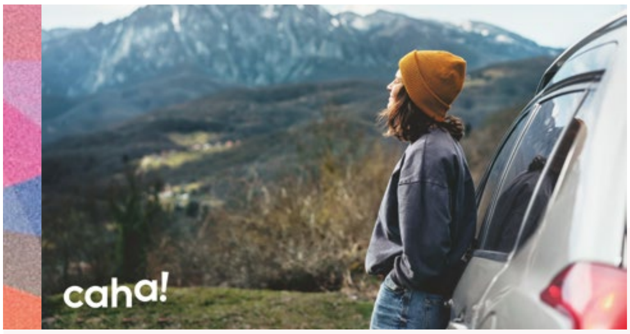
Behind the scenes, we continue to build our own capabilities and expertise to support the growth and development of our EV strategy. This includes the training and recruitment of EV-accredited technicians in our accident repair centres (with over 170 across our sites and a minimum of two on each site), developing strategic supply chain partnerships to support EV repairs, maintaining a presence at key industry events to facilitate collaboration and partnership, as well as building internal awareness around all things EV and supporting our employees to make the transition.

During 2024, our EV strategy team will be reviewing and updating our approach to ensure it remains fit for purpose and continues to reflect the needs of our customers in this crucial stage of the EV transition.

Delivering digital-first journeys

By Miles acquisition

Enhancing our capability to provide easy digital-first journeys for our customers, we acquired By Miles, a managing general agent, which has sold over 100,000 policies since its launch in 2018 and has around 50,000 customers. By Miles proprietary cloud-based platform allows customers to pay only for the miles they drive, which members can manage through a smartphone app.



Launch of Caha! app

This year, after undertaking extensive consumer research to find out the biggest issues for motorists we launched a new app, Caha! to bring together all aspects of car management and ownership on one platform. Aiming to meet more customer needs, the app allows users to find parking spots, fuel stations, as well as holding any car-related documents such as insurance policies, V5 documents and MOT certificates.

Motor Claims Hub

Knowing that many of our customers prefer to register their claims online, we have focused on enhancing our capability to provide end-to-end digital claims journeys, launching a new Motor Claims Hub in 2023. The Hub gives our Churchill customers the opportunity to report both third-party and single vehicle claims, allowing them the flexibility to inform us of an accident at any time of day from their phone, tablet or laptop, all while getting real-time claim decisions. Future plans for the Hub include extending this capability to Motability, Direct Line and Privilege customers, as well as introducing additional features for customers to conveniently track their claims online.

Recognition

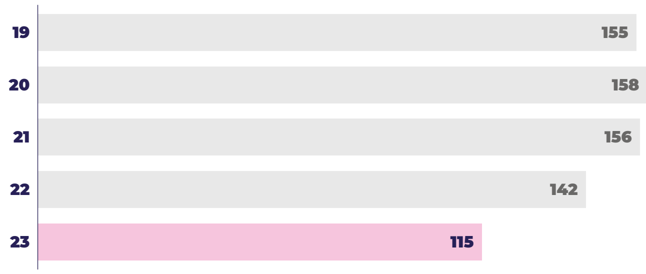
Brand awards

– Direct Line and Churchill received Which? Recommended Supplier Status, recognised for outstanding cover and services for Jan – Dec 2023.
– Green Flag was again ranked as the top rescue service provider by the UK Institute of Customer Service in 2023.
– Darwin is one of the highest-rated mainstream motor insurers in the UK with 80% of the 20,000 reviews rating the brand five stars.

Net Promoter Score ("NPS")

Our aim is always to deliver good customer outcomes and maintain a strong NPS. In 2023 we experienced a decrease in our Direct Line NPS which was driven mainly by rising premium prices in a challenging economic environment and claims delays impacted by supply chain challenges. These challenges have had an impact across our industry. We have taken action to mitigate these challenges and continue to be fully focused on delivering good customer outcomes in 2024.

Net Promoter Score – Direct Line brand



People

At Direct Line Group we're a team of talented individuals all working together to be brilliant for customers every day.

In 2023 we have been focused on putting in place the enabling blocks to support and encourage colleagues to build on their skills, capabilities and experience to do the best work of their career and make their full contribution to embedding a high-performance culture.

Focused on performance

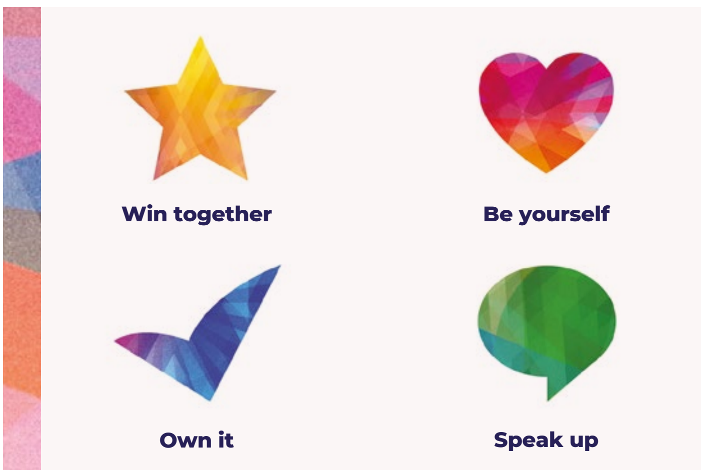
Our new performance framework means all colleagues can be clear on what high-performance looks like, what they need to deliver and how to deliver it by demonstrating our core values. We have applied a strong diversity and inclusion lens to our approach – helping to protect against bias. This has provided colleagues with clarity, fairness and transparency to help them succeed, progress and take ownership of creating their own future.

Focused on Values

This year we have evolved our Values 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.

In November we recognised and celebrated those colleagues who had gone above and beyond in exemplifying our Group Values with our new Group Annual Awards.

More information on our Group Values can be found on page 22.



"It's fantastic to have 400 colleagues on Ignite apprenticeships and we are really proud of the 44 who successfully completed their qualification in 2023."

Stephanie Bishop, Emerging Careers Lead

Building skills and capabilities

At the Group we're serious about ensuring our colleagues are equipped not just for the job they are doing today but also the skillsets they and the business will need in the future. Highlights of learning and development in 2023 were:

- LinkedIn Learning: We partnered with LinkedIn Learning to connect colleagues with learning opportunities, helping them to develop critical skills and grow their careers. Since its launch in July, over 2,100 hours of learning have been consumed.
- Ignite Programmes: Launched in 2022 we continue to evolve our programmes 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.

Riverbank House – a great place to work for all our people

In August we opened Riverbank House – our new, fit for purpose and accessible by design office in London. It provides the environment we need for how we work now with lots of spaces for collaboration, creativity and interaction. The new location is in easy reach by multiple public transport routes, broadening the geographical area from which to attract top talent.

Working with external specialists and with extensive input from our Diversity Network Alliance employee networks, the building has been designed to meet the needs of our colleagues. Spaces include: a quiet room, multi-faith prayer room, nursing room and gender neutral toilet and shower facilities, alongside gender specific facilities. Office features include lighting and temperature controls, accessible fixtures and fittings, tactile and braille signage, with assistive hearing technology available. This inclusivity and accessibility lens was also applied to our new Motability office in Liverpool, creating a bright, modern and accessible space where colleagues can work at their best.

Rewarding colleagues

In January 2023 all colleagues (excluding Executive Directors and senior management) received a 5% pay rise, this was three months earlier than usual in recognition of cost of living pressures. This meant our minimum salary rose to £21,840 p.a. (based on a 37.5hr working week). This was set at 2.8% above the Living Wage Foundation's National Real Living Wage (as set in September 2022 for roles outside of London) and was also 7.5% above the Government's statutory National Living Wage (effective 1 April 2023 for those aged 23 and over). To provide additional support for colleagues on lower salaries, in February 2023 a one-off cost-of-living payment of £1,000 was announced for colleagues earning less than £40,000.

In March 2024, we announced that all eligible employees (excluding Executive Directors and senior management) will receive a salary increase of 5% effective from 1 April 2024. We remain firm to our commitment to lift the pay of our lowest earners and also announced that all colleagues will meet the Living Wage Foundation's National Real Living Wage (as set in November 2023) from 1 April 2024. This means that some employees will see their salary rise by around 7% on a full-time basis (for a 37.5hr working week), and the DLG minimum salary will be £23,400 from 1 April 2024, for a 37.5hr working week, (excluding apprentices in DLG Auto Services who receive different rates of pay).

A diverse and inclusive business

We know that to succeed as a high performing business we need our workforce to be truly representative of our customers and society. Diverse perspectives, ideas and opinions lead to more insight, innovation and better decision making. And we know that being diverse is not enough, we also need to be inclusive, so everyone feels free to be themselves and succeed in their careers.

We've received some great external recognition; the Group has featured on the Top 50 UK Inclusive Employer's List for the last three years running and we have been placed in the Social Mobility Index for the first time this year. However, we've continued to build on the strong foundations we have in place, addressing under-representation at the senior levels of our business, whilst focusing on improving inclusion through key programmes of work. We are:

- holding Senior Leadership to account for the delivery of representation targets, with progress towards these new targets being a factor of consideration within the annual bonus outcome discussions.
- using inclusive hiring principles, which include the use of language decoders for job adverts, diverse shortlisting standards, anonymised CVs and panel-based interviewing.
- starting to build a stronger pipeline of diverse talent, especially in areas where we need skills for the future. This is complemented by additional interventions such as work experience, mentoring and skills building programmes that target these communities for our Ignite apprenticeship initiatives.
- learning from our Diversity Network Alliance ("**DNA**") which comprises of seven employee networks which are a key driver of diversity and inclusion across our business. They focus on the following areas: Belief, Life (families and carers), LGBTQ+, Neurodiversity and Disability, REACH (race, ethnicity and cultural heritage), Social Mobility and Thrive (gender).

Increasing diverse representation in Senior Leadership

Increasing the diversity of Senior Leadership is a continuing focus for the Group, in particular the representation of women and ethnic minority and Black colleagues. Our progress is ongoing, but we are proud of the progress we have made. This year we have been investing in coaching and targeted development programmes for our high potential women, ethnic minority and Black talent to support their progression into senior roles.

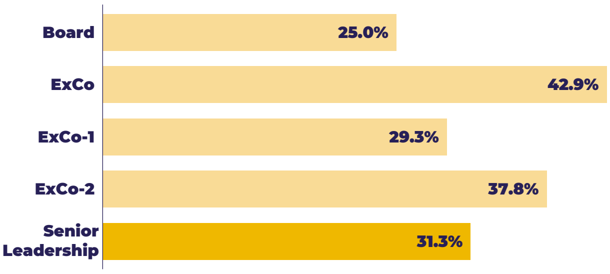
During 2023, we evolved our Senior Leadership diversity representation targets in order to better align with the approach taken by the FTSE Women Leaders Review, Women in Finance review and Parker Review. Whereas previously we set senior level diversity representation targets (including our 2023 targets) based on our internal role grading structure, going forward we define Senior Leadership in this context as the Executive Committee and their direct reports, excluding direct reports in support or administrative roles.

With this refined definition, we have challenged ourselves by setting longer-term stretching targets to hold us to account for delivering change.

Senior Leadership female representation

Despite our long-term focus on investing in women, we missed our 2023 annual target of 42.8% of women in senior roles (set with a definition based on our internal role grading structure, which covered a larger population including ExCo-2).

Looking to the future, we have set a new stretching target of 40% female representation in Senior Leadership by the end of 2027 (based on the new definition outlined above). At the end of 2023, women made up:

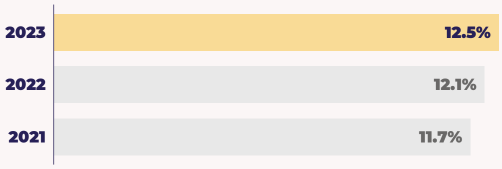


Senior Leadership ethnic minority and Black representation

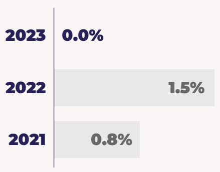
Although we missed our senior role ethnic minority and Black representation 2023 annual targets (being 14.2% and 2.6% respectively), we recognise that progress is not always linear, and our representation remains strong compared to industry peers. We are strengthening our Senior Leadership succession pool by investing in developing ethnic minority successors through engaging with external programmes such as Solaris and Involve Emerging Leaders.

We have set new targets to achieve 16% ethnic minority and 4% Black representation in Senior Leadership roles by the end of 2027.

Ethnic minority representation in Senior Leadership[1]



Black representation in Senior Leadership[1]

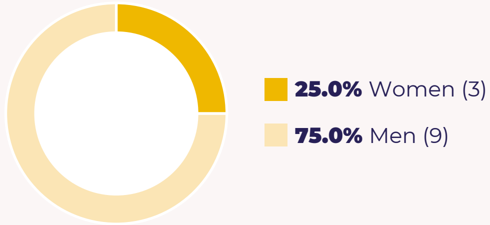


Notes:

1. 2023 figures refer to definition of Senior Leadership as Executive Committee and direct reports, excluding direct reports in support or administrative roles. 2021 and 2022 figures refer to a previous definition, used for 2023 annual targets, whereby senior roles are based on our internal role grading structure, which covered a larger population including ExCo-2.

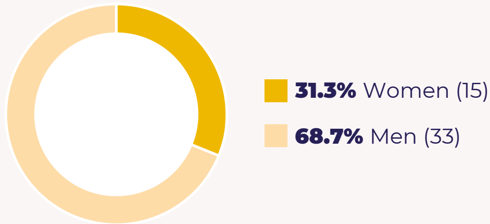
Gender diversity of our Board

As of 31 December 2023



Gender diversity of Senior Leadership

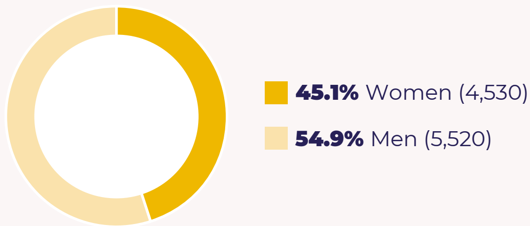
As of 31 December 2023



Gender diversity of Senior Leadership defined as Executive Committee and direct reports, excluding those in support or administrative roles

Gender diversity of all employees

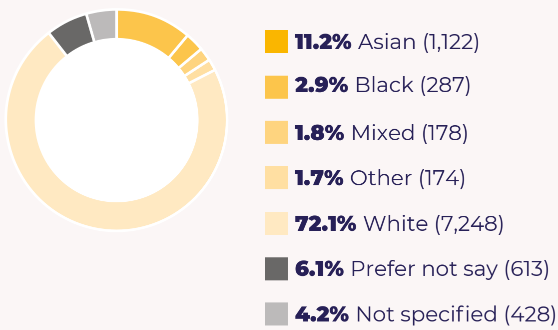
As of 31 December 2023



Excludes an estimated 0.4% of colleagues who identify as non-binary, gender-fluid or other gender due to data reporting constraints

Ethnicity of all employees

As of 31 December 2023



For more information on leadership gender diversity, including gender diversity of the Board see pages 101 and 112 to 113.

Gender pay gap[1]

Last year our mean gap widened by 1.8 percentage points and our median gap by 3.1 percentage points. Our pay gap continues to be low compared with the broader financial services sector, but we want to see that gap close. We are comfortable that we do not pay people differently because of their gender and believe that the way to reduce the gap in the medium- to long-term is to continue with our work to address the disproportionate representation of women at certain levels and in certain areas of our business. For example, a particular driver of the pay gap movement we have seen is a market-driven movement in salaries in our accident repair centres, which is an area heavily resourced by men.

Our 2023 gender pay gap showed:

Pay gap

	Mean	Median
2023	**21.1%**	**23.4%**
2022	19.3%	20.3%
2021	16.1%	14.2%

Bonus gap

	Mean	Median
2023	**53.8%**	**43.8%**
2022	46.7%	45.4%
2021	45.9%	34.0%

% of employees receiving bonus

	Men	Women
2023	**84.2%**	**87.3%**
2022	83.1%	82.6%
2021	72.7%	60.6%

Ethnicity pay gap[2]

This is the third year that we are voluntarily disclosing our ethnicity pay gap. This year, aligned with new government guidance, we have changed the way we report this data to focus on more disaggregated ethnic minority groups.

As with the gender pay gap, we are comfortable that we do not pay people differently because of their ethnicity and believe that the way to reduce the gap in the medium- to long-term is to continue with our work to address the disproportionate representation of ethnic minority and black colleagues at certain levels and in certain areas of our business. Our disclosure rate has increased since last year. We are proud that 91% of colleagues are disclosing this information. However, changes in disclosure rate could change our gap, so as we continue to encourage colleagues to share their ethnicity with us, the numbers we report in the future may change.

It is important to note that when pay gap data is based on a smaller number of individuals, it can vary significantly over time due to colleagues' changes during the year. Our pay gap for all ethnic minorities remains low and has narrowed in 2023.

Ethnicity pay gap

	2023		2022	
	Mean	**Median**	Mean	Median
Ethnic minority (overall)	**1.0%**	**12.7%**	3.1%	9.7%
Asian	**-2.7%**	**14.1%**	1.1%	16.1%
Black	**12.2%**	**17.8%**	11.8%	11.0%
Mixed	**3.2%**	**8.2%**	1.0%	4.9%
Other	**2.9%**	**-0.2%**	2.9%	6.1%

Ethnicity bonus gap

	2023		2022	
	Mean	**Median**	Mean	Median
Ethnic minority (overall)	**28.7%**	**20.4%**	40.9%	19.1%
Asian	**29.2%**	**20.5%**	33.6%	17.8%
Black	**40.6%**	**24.5%**	59.7%	26.4%
Mixed	**22.3%**	**15.3%**	45.1%	22.5%
Other	**16.9%**	**10.1%**	45.6%	8.3%

% of employees receiving bonus:

	2023	2022
White	**88.0%**	84.6%
Ethnic minority (overall)	**78.5%**	74.6%
Asian	**77.7%**	71.5%
Black	**74.1%**	67.6%
Mixed	**78.6%**	77.0%
Other	**89.6%**	91.2%

Notes:

1. The gender pay gap shows the difference in average pay between women and men. This is different to equal pay, which is women and men receiving the same pay for work of equal value. Our reporting is based on a snapshot date of 5 April 2023.
2. The ethnicity pay gap shows the difference in average pay between ethnic minorities, Asian, Black, Mixed, Other and White colleagues. This is different to equal pay that is ethnic minority and White colleagues receiving the same pay for work of equal value. Our reporting is based on a snapshot date of 5 April 2023 and 91% of colleagues that have shared their ethnicity with us, this is an increase of 4% compared to last year.

Society

Building on the success of our Community Fund programme to help equip students with key career skills, we launched the second phase of activity in 2023 supporting social mobility by focusing on breaking down barriers further and engaging with harder to reach groups.

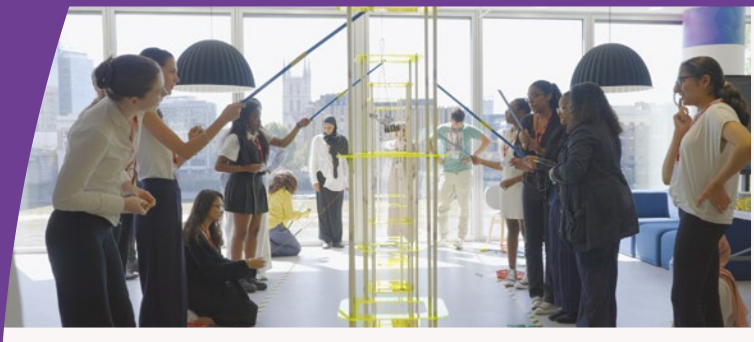
Progressing towards our ambition to build a more inclusive and equitable Britain, we developed our approach to include youth centre engagement, business simulations and outreach with special educational needs and disability ("SEND") students.

"It was a privilege to show neurodiverse students how maths and data is used within insurance."

Fiifi Arthur, Data Scientist

Direct Line Group Community Fund

Insurance business simulations



Introducing immersive experiences with a competition element where students can learn about different insurance roles and skills.

Youth centre engagement

Partnering with UK Youth, colleagues are visiting youth centres to engage with young people who face more complex barriers to accessing the workplace.

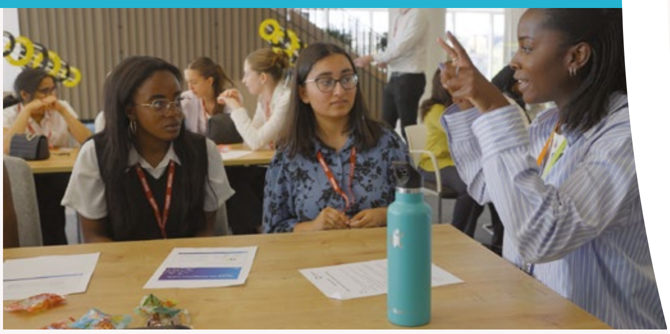
Working with SEND students

Working closely with special education providers, Majorie McClure and The Courtyard schools, to create tailored programmes to help students gain insight into Insurance and a professional work environment.

Work experience

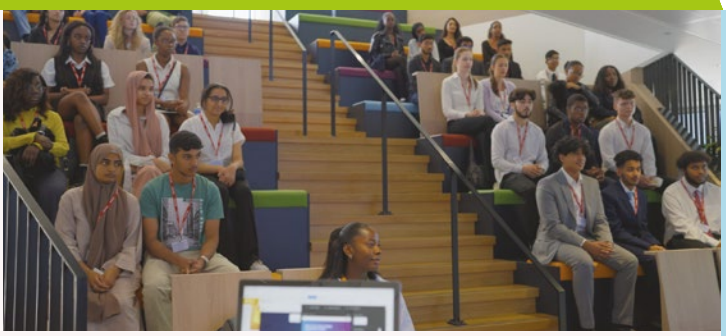
Providing in-person and virtual opportunities for students with a focus on employability and careers skills.

Mentoring



Supporting young people on a one-to-one basis with career options, raising aspirations, and helping to build professional networks.

Insight events



Running insight events that enable students to develop networking skills and learn about different career pathways in insurance.

From 2022-2023

600+
colleague volunteers

2,200+
total volunteering hours

75%
of colleagues feel that we do a good job of supporting communities

9,700
young people's employability positively impacted

84%
were eligible for free school meals

83%
were from an ethnic minority background

EMPLOYER INDEX 2023

We were delighted to be recognised for our efforts to support social mobility, ranking on the Social Mobility Foundation's Employer Index for the first time. We were assessed on various criteria for our work across the organisation including our recruitment approach, internal progression opportunities, our engagement with young people via the Community Fund and more.

Looking ahead to 2024, we want to build on the foundations we have created by connecting students with potential job opportunities to broaden access to careers in financial services.

Aligned with our vision to be a force for good, we aim to have a positive impact on the communities we serve and society as a whole.

We know that our stakeholders want us to contribute positively and we are working towards this ambition with our charity support, volunteering and Community Fund activity.

In 2023, we kicked off the second phase of our Community Fund, focused on outreach and enhancing our approach to working with young people who face more complex barriers to employment as we aim to broaden access to careers in financial services. This included the launch of a new partnership with UK Youth to complement our existing partnerships. Further information on our Community Fund activity can be found on pages 58 to 59. In 2024, we will focus on creating further synergies between our Community Fund outreach programmes and our emerging careers strategy to generate talent pipelines for critical business areas.

We were additionally delighted to rank on the Social Mobility Employer Index for the first time in 2023, recognised for various initiatives across the organisation as well as our Community Fund.

Charity support

We have also continued to help those in need by providing donations to various charitable causes in the UK, as well as several humanitarian appeals globally during 2023, including:

- Sponsoring the NSPCC's Great Chefs dinner, which raised close to £300,000 to help vulnerable children around the UK.
- £100,000 going out to local causes from our colleague-led Community and Social Committees ("**CASCs**").
- £90,000 distributed from our Diversity Network Alliance to a variety of organisations supporting their aims.
- £70,000 to various humanitarian and Disasters Emergency Committee campaigns across the world.

Volunteering

A key part of our social sustainability strategy, that supports our Community Fund outreach and our ambition to have a positive impact on the communities we serve, involves employee volunteering through our One Day programme. In 2023, hundreds of colleagues took part in various volunteering activities ranging from mentoring young people to hands-on projects improving spaces in our local communities and we look forward to continuing to drive engagement in 2024 with the launch of a new volunteering platform.

Our 2023 tax contribution

In accordance with applicable tax laws and regulations and our responsibilities both as a contributor of corporate taxes and as a collector of taxes on behalf of HMRC, in 2023 the Group's net tax contribution was £936.8 million, which includes the Group's direct and indirect taxation.

Our customers	IPT	**£439.1m**
Our suppliers	VAT	**£17.0m**
Our people	PAYE NIC	**£102.5m**
Our operations	Other taxes including business rates	**£5.2m**
	Irrecoverable VAT	**£304.0m**
	Employers NIC	**£44.7m**
Our performance	Corporation Tax	**£24.3m**

HM Treasury

£936.8m[1]

Net tax contribution

Society

- Public services
- Healthcare
- Infrastructure
- Welfare
- Education
- Defence

Note:

1. The Group's total tax contribution in 2023, including direct and indirect tax contributions.

Planet

We are focused on playing our part in accelerating the transition to a low-carbon future, while supporting our customers to make sustainable choices.

Aligned with our mission to protect our business from the impact of climate change and give more back to the planet than we take out, our climate strategy is summarised in the diagram below.

This is supported by our Science-Based Targets ("**SBTs**") and our climate-related risk management roadmap, against which we continued to make progress in 2023. For more information, please see our progress against our SBTs on page 62 and in our understanding and management of climate-related risks and opportunities in our climate-related disclosures on pages 70 to 85.

Our vision

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

Our climate ambition

To become a Net Zero business across all scopes by 2050

Having had our Science-Based Targets approved by the Science Based Targets initiative in November 2022, we are taking a strategic and rounded approach to developing a transition plan to meet our targets and manage our climate-related risks and opportunities.

Our 5 near-term Science-Based Targets[1] to support our ambition

Operational emissions (Scope 1 and 2)

1. Reduce emissions 46% across our office estate and accident repair centres by 2030

Investment portfolio (Scope 3): Corporate bonds

2. Align our scope 1 and 2 portfolio temperature rating to 2.08°C by 2027

Investment portfolio (Scope 3): Corporate bonds

3. Align our scope 1, 2 and 3 portfolio temperature rating to 2.31°C by 2027

Investment portfolio (Scope 3): Commercial property

4. Reduce emissions from our commercial property portfolio by 58% per square metre by 2030

Investment portfolio (Scope 3): Real estate loans

5. Reduce emissions from our real estate loans portfolio by 58% per square metre by 2030

Our commitments to deliver against our ambition and targets

Plan and implement

- Tangible actions to reduce emissions across our office estate and auto services sites.
- Strategies and new products and services to support our customers in the transition such as our EV strategy.
- Strategies to tilt our investments towards companies taking action to reduce emissions.

Engage and influence

- Our supply chain through our supply chain sustainability programme that encourages and supports suppliers to reduce their emissions.
- Our external investment partners to align their strategies with our commitments.
- Our people through our internal sustainability networks and education programmes.
- Our sector through our involvement with the ABI and its working groups.

Govern and manage

- Our climate-related risks and opportunities through our climate-related risk management roadmap.
- Our underwriting footprint by understanding our underwriting emissions.
- Our SBTs through annual external assurance and future alignment to updated guidance and standards.
- The integration of oversight responsibilities for climate across our Board Committees.

Strategic management actions

Electric vehicles | **Supply chain** | **Flood resilience** | **Underwriting footprint**

Note:

1. Targets were set against a 2019 baseline and are expected to be updated and expanded according to new SBTi sector guidance, due in 2024.

Science-Based Targets

In November 2022, we had our SBTs validated by the Science Based Targets initiative ("**SBTi**"). Current guidance from SBTi has enabled us to set near-term targets for our operational emissions (Scope 1 and 2) and emissions associated with our investments, which are estimated to represent 70% of our Scope 3 emissions. This is our first year of reporting against three of our five targets with our 2023 performance summarised below. We are due to report against our commercial property and real estate loans targets for the first time in 2024. While we wait for finalised sector guidance from SBTi in 2024, we have also set an internal target to reduce our supply chain emissions through to 2030.

2023 performance | **Progress against targets**

Operational emissions (Scope 1 and 2)

Covering

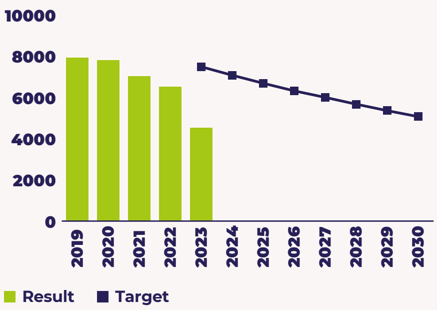
Operational footprint

Our buildings and garage network Including our 23 auto services sites and 13 offices.

Targets

1. Reduce emissions by 46% across our offices and accident repair centres by 2030 against the 2019 baseline.

Operational emissions (Scope 1 and 2)



In 2023 we further reduced these emissions by 31%[1] compared to 2022 as we continue to make progress in downsizing and investing in our office estate, electrifying our auto services sites and using alternative fuels in our recovery trucks. Overall we have now reduced our Scope 1 and 2 emissions by 43%[1] against our 2019 baseline meaning we are on track to deliver our 2030 target of a 46% reduction. Our work will continue this year and beyond as we look to renegotiate our renewable energy contracts, continue the electrification of our auto services sites and explore fossil fuel alternatives for our recovery trucks.

1. We are required to use Scope 1 and Scope 2 market-based emissions for SBTi operational target-setting and reporting. When including Scope 2 location-based emissions this reduction is equivalent to a 22% reduction when compared to 2022 and a 52% reduction overall.

Investments (Scope 3)

Covering

Corporate bonds

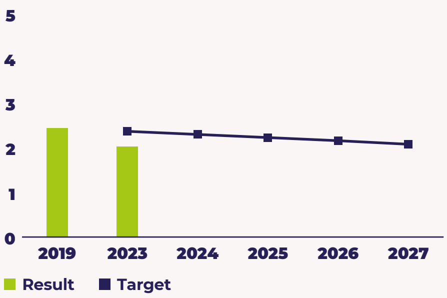
The largest asset class in our investment portfolio and typically short-duration holdings.

Targets

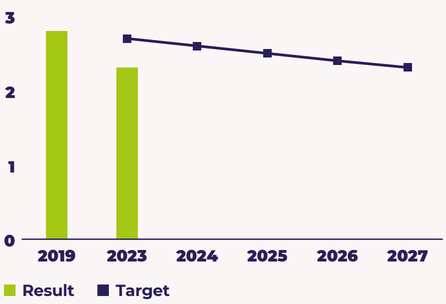
2. Align our Scope 1 and 2 corporate bonds portfolio temperature rating to 2.08°C by 2027 from 2.44°C in 2019.

3. Align our Scope 1, 2 and 3 portfolio temperature rating to 2.31°C by 2027 from 2.8°C in 2019.

Corporate bonds
Scope 1 and 2 temperature rating



Corporate bonds
Scope 1, 2 and 3 temperature rating



Our performance in 2023 shows we were successful in reducing the temperature rating of this portfolio to 2.02°C for Scope 1 and 2 against our 2019 baseline of 2.44°C (Target 2) and to 2.31°C for Scope 1, 2 and 3 (Target 3) against our 2019 baseline of 2.8°C. This means we have hit our 2027 targets early, something we have achieved through working with our investment managers and providing them with clear mandates.

Reductions have been largely driven by an increasing number of investee companies achieving lower temperature ratings by setting ambitious greenhouse gas reduction targets including SBTs. This has helped to lower the aggregate portfolio temperature score. To a lesser extent, reducing exposure to US dollar denominated corporate bonds (as part of the Group-wide capital de-risking exercise in summer 2022) has helped as firms in the dollar universe have been relatively slower to set targets for emissions reduction than in Europe. Although the weight to US dollar debt will likely increase in 2024, we do not expect the temperature score to materially rise as managers are expected to largely target bonds issued from companies with stronger climate credentials.

Commercial property 4. Reduce commercial property emissions by 58% per square metre by 2030 compared to the 2019 baseline.	Investment portfolio consisting of prime UK commercial properties.	2023 performance will be reported with a one-year lag in the 2024 Annual Report and Accounts.
Real estate loans 5. Reduce real estate loans emissions by 58% per square metre by 2030 compared to the 2019 baseline.	Investment portfolio consisting of short-dated loans backed by UK commercial properties.	2023 performance will be reported with a one-year lag in the 2024 Annual Report and Accounts.

Our investments

All external investment managers are signatories of the United Nations Principles for Responsible Investment ("**UN PRI**"), which ensures that Environmental, Social, and Governance ("**ESG**") criteria are integrated into the investment process.

For investment-grade corporate bond portfolios, as an added measure, we require that managers maintain an average MSCI ESG rating equivalent to or higher than that of the ESG-weighted reference index each portfolio is managed against.

We have set ourselves the target of achieving Net Zero emissions from the investment portfolio by 2050 as part of our alignment with the Race to Zero campaign on climate change.

In addition to our SBTs, we are keeping our target of reducing the greenhouse gas ("**GHG**") emissions intensity of our corporate bond portfolio by 50% by 2030 versus a 2020 baseline as a backward looking indicator, to ensure emissions are reducing at the required pace over time to achieve our longer-term Net Zero goal.

We also require the below exclusions and preferences:

- The exclusion of any companies with a low MSCI low-carbon transition score, indicating assets could be economically stranded.
- The exclusion of companies involved in thermal coal activity, either mining or power generation, at greater than 5% of revenues.
- Preference for investments in green bonds where the risk return characteristics are similar to conventional bonds.

Energy efficiency measures[1]

In 2023, we made progress in reducing our footprint, investing in energy efficient measures to help us work towards meeting our SBTs. Compared to last year, we have:

- expanded the use of hydrogenated vegetable oil ("**HVO**") in our repair centres as an alternative fuel for our recovery trucks. This initiative has now been implemented at 95% of our auto services sites, resulting in an estimated saving of 2,025 tCO_2e in 2023;
- removed gas from all paint spray booths in one of our auto services sites, providing an estimated saving of 277 tCO_2e per year;
- completed the installation of LED lights across all 23 auto services sites; and
- been awarded a silver SKA rating for the fit out of our new Riverbank House office. An SKA rating is a recognised means of assessing the refurbishment of existing buildings to ensure the retrofit is carried out in an environmentally considerate way.

Supply chain sustainability programme

We continue to make headway with our supply chain sustainability programme, liaising with and influencing suppliers so we can make the transition to a pathway consistent with a 1.5°C scenario. We have now engaged with our managed supply chain, of which 20% have signed up to SBTi targets or an equivalent, and have updated our processes to ensure we are continuously engaging with our key suppliers to understand their plans to reduce emissions and set targets.

During the year, we also worked on reviewing our sourcing processes, communicating to our key managed suppliers our intention to increase the weighting on sustainability questions from 5% to 10% for contracts over £1 million from January 2024.

While we work towards our internal emissions reduction target, we also look forward to the final publication of the Financial Institutions Net-Zero Standard from the SBTi, which is expected in 2024.

Note:

1. Data is reported in compliance with the SECR requirements (see page 85).

"It's been great switching our paint booths from gas to electric, helping to reduce our footprint."

Elliott Henry-Hughes | Technical Engineering Graduate 2022

Group emissions

We believe accurate measurement and transparency can guide the business in making targeted interventions as part of our carbon reduction strategy. During the year we implemented a number of test and learn activities, and continue to innovate and explore a range of solutions such as the electrification of the paint spray booths at our auto services sites.

We have provided a comparison of emissions data for Scope 1, 2 and 3 which includes our Investment emissions for the first time. We are reporting on the temperature rating of our corporate bonds and private placements for 2023. Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, emissions for commercial property and real estate loans will be reported with a one-year time lag. This approach was agreed with the SBTi when our targets were approved in 2022.

100% of the emissions reported in the table on page 64 relate to our operations, all of which are based in the UK. The data is reported in compliance with the Streamlined Energy and Carbon Reporting ("**SECR**") requirement to disclose annual global GHG emissions.

Definitions

Scope 1: This covers direct emissions from owned or controlled sources. For example, our office sites throughout the UK using gas boilers, the paint booths in our auto services sites currently relying on gas powered processes, and our fleet vehicles.

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

Scope 3: These are indirect emissions that occur in our investments and the value chain to support our company operations. For example, employee commuting, activities related to the disposal of waste, and the goods and services we purchase to fulfil customer claims as part of our supply chain.

Group greenhouse gas emissions reporting

Scope 1	**2023**	2022	2021	2019 (Baseline)
Office sites	**671**	1,023	1,220	1,418
DLG Auto Services[1]	**3,829**	5,506	5,812	6,506
Total (tCO$_2$e)[1]	**4,500**	6,529	7,032	7,924

Scope 2	**2023 Location-based**	**2023 Market-based[2]**	2022 Location-based	2022 Market-based[2]	2021 Location-based	2021 Market-based[2]	2019 (Baseline) Location-based	2019 (Baseline) Market-based[2]
Office sites	**642**	**33**	1,089	0	1,372	0	4,516	0
DLG Auto Services	**1,824**	**0**	1,364	0	1,783	0	2,093	0

	2023	2022	2021	2019 (Baseline)
Total (tCO$_2$e)	**2,499**	2,453	3,155	6,609
Total Scope 1 and 2 (tCO$_2$e)[1]	**6,999**	8,982	10,187	14,533
Of which: Office sites (tCO$_2$e)	**1,346**	2,112	2,592	5,934
Of which: DLG Auto Services (tCO$_2$e)[1]	**5,653**	6,870	7,595	8,599
Scope 3				
Purchased goods and services[3]	**242,364**	244,316	268,696	294,080
Fuel and energy-related activities (not included in Scope 1 and 2)	**1,354**	1,518	2,586	2,459
Upstream transportation and distribution	**1,641**	1,890	655	4,173
Waste generated in operations	**1,762**	2,523	1,990	3,358
Business travel	**1,287**	475	91	1,807
Employee commuting[4]	**7,100**	7,227	5,962	3,176
Of which: homeworking emissions[5]	**5,256**	5,583	5,501	–
Upstream leased assets[6]	**131**	189	110	514
Downstream leased assets[1,7]	**2,878**	1,552	964	1,658
Total Scope 1, 2 and 3 excluding investments (tCO$_2$e)	**265,516**	268,672	291,241	325,758

Investments[8,9,10]	**2023**	2022	2021	2019 (Baseline)
Corporate bonds and private placements Scope (1 and 2)	**2.02°C**			2.44°C
Corporate bonds and private placements Scope (1, 2 and 3)	**2.31°C**			2.80°C
Real estate investments (tCO$_2$e)	–	4,630		5,197
Real estate investments – intensity (kCO$_2$e/m^2)	–	54		67
Real Estate Loans (tCO$_2$e)	–	10,011		13,769
Real Estate Loans – intensity (kCO$_2$e/m^2)	–	72		81

Intensity metrics	**2023**	2022	2021	2019 (Baseline)
Scope 1 and 2 emissions (tCO$_2$e) per £ million of net insurance revenue[11]	**2.2**	2.9		
Scope 1 and 2 emissions (tCO$_2$e) per average number of employees for the year	**0.7**	0.9	1.0	1.3

Notes:

1. The 2019 reported Scope 1 emissions baseline differs from our previously reported baseline following a review of courtesy car fuel, by Accenture. As a result, 1,658 tCO$_2$e has been reclassed from Scope 1 emissions to downstream leased assets (Scope 3, Category 13), which represents the emissions from any additional fuel used by customers in courtesy cars. An additional 183 tCO$_2$e has been included within Scope 1 emissions to account for the initial on-site refuelling of courtesy cars.
2. Figures for Scope 2 use standard location-based methodology. We follow the GHG Protocol to disclose both location and market-based figures; and as we have secured our energy from 100% renewable sources since 2014, our Scope 2 market-based results are nil prior to 2023. From 2023, emissions from electric and plug-in hybrid vehicles in the company car fleet have been reported within Scope 2 market-based for the first time. Prior period data for these emissions is not available.
3. In accordance with the GHG Protocol under which we report, the following are excluded from the total: operational control activities already detailed under Scope 3 emissions; cash payments to customers or other insurance companies/legal firms as compensation; intragroup transfers between our operating companies for financial accounting purposes as the actual purchase of goods and services to our third-party suppliers is already captured; and reinsurance costs to third-party reinsurers as this is a financing transaction.
4. Employee commuting is based on estimated UK national averages, not actual individual methods of transport of Direct Line Group employees commuting.
5. Homeworking emissions are reported under the employee category in line with the GHG Protocol.
6. Upstream leased assets refer to (1) leased office space locations where Direct Line Group does not directly control the energy provision (2) auto services pods in retail car park locations.
7. Downstream leased assets includes DLG Auto Services courtesy cars emissions as referenced in footnote 1.
8. The investment portfolio emissions are being reported for the first time where available. The corporate bonds emissions and corresponding temperature ratings relate to 2023 performance. Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, emissions for commercial property and real estate loans will be reported with a one-year time lag. This approach was agreed with the SBTi when these targets were approved in 2022.
9. Investment emissions for the corporate bonds portfolio are expressed as temperature scores (°C). The temperature scores have been generated using the Carbon Disclosure Project temperature rating tool.
10. Investment emissions for the commercial property and real estate loans portfolio are emissions-based expressed as emissions intensity per m^2 of floor area (kCO$_2$e/m^2). The underlying emissions are calculated in accordance with Partnership for Carbon Accounting Financials for accounting and reporting emissions generated from investment activities.
11. Following adoption of IFRS 17, the Group restated its 2022 results. As such, we now calculate this intensity metric using net insurance revenue (previously calculated using net earned premium) and the 2022 metric has been re-presented accordingly. Analysis for periods prior to 2022 is not available. For historic reporting, see previous publications, including page 70 of the 2022 Annual Report and Accounts.

Reporting methodology

We apply the relevant greenhouse gas reporting requirements contained within Schedule 7, Part 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and apply the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our emissions, which includes emissions associated with electricity consumption. We use the operational control method to define the boundary for consolidating GHG emissions.

Our carbon emissions are calculated by an external third party and reviewed internally. The calculation method used for our 2023 emissions reporting remains consistent with prior periods and with the reporting standards stated above. For the year ended 31 December 2023, Accenture provided limited assurance for Scope 1, 2 and partial Scope 3 emissions reporting. This verification exercise was performed to the ISO 14064-3 standard.

Scope 3 emissions

The GHG Protocol defines Scope 3 emissions as all other indirect emissions that occur in a company's value chain. These include Scope 3, Category 1: Purchased Goods and Services (or 'supply chain') and Scope 3, Category 15: Investments (or 'financed emissions').

In estimating the emissions from our supply chain, we use the GHG Protocol's spend-based approach. This involves using supplier spend data and multiplying these values by a relevant emissions factor to estimate the amount of emissions associated with purchased goods or services.

We have applied the Partnership for Carbon Accounting Financials ("**PCAF**") methodology to calculate emissions associated with our investment activities, in line with industry best practice. We have included our corporate bonds, commercial property and real estate loans within our financed emissions calculations.

Our Net Zero ambition

We aim to become a Net Zero business across all scopes by 2050, with external near-term targets and plans that cover our operational emissions (Scope 1 and 2) and our investments. At present, we have not set an external target for our supply chain emissions while we await the publication of the Financial Institutions Net-Zero Standard from the SBTi, which is expected in 2024. We expect this new standard to enable us to set targets that are consistent with our ambition of achieving Net Zero across all scopes by 2050. For more information on our supply chain sustainability programme, please see page 63.

Energy consumption (kWh)[1,2]

	2023	2022
Electricity	**11,906,788**	12,686,882
Gas	**19,779,732**	21,485,898
Total	**31,686,520**	34,172,780

Our approach to offsetting

Our primary focus is on reducing absolute emissions as quickly as possible in line with our Science-Based Targets and we recognise that using carbon credits to offset residual emissions in reaching Net Zero is a last resort. As we decarbonise our business, we currently choose to support projects that help to offset our remaining Scope 1 and 2 emissions.

Working with Climate Impact Partners, an organisation that develops and delivers high quality carbon financed projects, we supported a new afforestation initiative in Uruguay from November 2023. We have selected this project as it is a verified carbon removal project to offset our Scope 1 and 2 emissions for the next 3 years. Our support contributes to the reforestation of land where eucalyptus plantations have been established, helping to develop a sustainable approach to wood production, provide employment opportunities for the local community and enhance biodiversity and carbon sequestration opportunities.

Biodiversity

Globally, nature is declining at an unprecedented rate and the UK is one of the most nature-depleted countries in the world. This degradation affects society as a whole and while our sector may not have the same degree of direct impacts and dependencies on biodiversity as some others, it is a crisis that demands the attention of all businesses. We also recognise that conserving and restoring nature, and the biodiversity it contains, is essential for limiting emissions and adapting to climate impacts.

We are a supporter of the Get Nature Positive movement, a UK initiative founded by the Council for Sustainable Business and supported by Defra, which seeks to build momentum on nature and biodiversity. In 2023, we continued to fund a tree planting project on a flood prevention scheme in Yorkshire, replacing the trees we removed when home insurance policyholders make subsidence claims. Working in partnership with nature recovery charity Heal, we also provided a loan to acquire a 460 acre site in Bruton, Somerset where rewilding is in progress and wildlife is flourishing.

The publication of the Taskforce on Nature-related Financial Disclosures ("**TNFD**") final framework on nature-related risk management and disclosure in September 2023 provides welcome guidance for businesses to report and act on evolving nature-related dependencies, impacts, risks and opportunities. We will continue to review our practices and approach against these new standards.

Notes:

1. 100% of GHG emissions and energy consumption reported relates to operations, all of which are based in the UK.
2. Data is reported in compliance with the Streamlined Energy and Carbon Reporting ("**SECR**") requirements (see page 85).

Governance

Good governance is the foundation of our approach to sustainability and our ability to operate ethically and responsibly.

This starts with a clear commitment from the Board to align sustainability goals across the Group, supported by our Committee structure including the work of our dedicated Customer and Sustainability Committee, whose role it is to challenge and scrutinise the Group's approach and performance in the pursuit of our goals.

While we report on our approach and progress in our priority governance-related issues in this section, the corporate governance section incorporates information on the role and activities of the Board and our Committees in relation to sustainability in 2023, including:

- Board leadership and company purpose (page 102)
- The role of the Board in the Company's culture (page 103)
- How the Board engages with stakeholders (pages 107 to 108)
- Colleague engagement (pages 108 to 109)
- The Board's approach to inclusion and diversity (page 112)
- The Customer and Sustainability Committee (pages 127 to 128)
- Responsible investment (page 130)

For further information on how we're embedding sustainability considerations into Senior Management performance and long-term incentive plans, please see page 141 and 143 of the remuneration report.

Business ethics

We are committed to the highest possible standards of professional and ethical conduct across the Group as a prerequisite to building a sustainable business for the future that serves all our stakeholders. Our Code of Conduct sets out the ethical standards that are required of all those working for or on behalf of our business – our people, contractors and partners – in relation to areas including discrimination, harassment or bullying, treating customers and suppliers fairly, diversity and inclusion, fair competition and contributing to society and the environment.

This is underpinned by a comprehensive policy framework, each of which outlines our commitments and expectations of our people and partners in relation to specific areas.

All of our Group policies and statements including our Code of Business Conduct, Ethical Code for Suppliers, Prevention of Financial Crime and Whistleblowing policies, and our latest modern slavery statement can be found at www.directlinegroup.co.uk

Anti-bribery, anti-corruption and financial crime prevention

We are committed to the detection, prevention and reporting of financial crime which includes:

- bribery and corruption;
- money laundering;
- terrorist financing;
- fraud; and
- sanctions.

Our approach is based on maintaining robust systems and controls with clearly defined policies and minimum standards to promote compliance with all applicable legislation, as well as regulation and industry-approved guidance. These are regularly reviewed to ensure they remain fit for purpose and align to the Group risk framework which includes a robust financial crime governance framework and internal reporting and escalation channels.

Mandatory financial crime awareness training (which covers anti-money laundering, counter-terrorist financing, financial sanctions, fraud and the prevention of the facilitation of tax evasion) is undertaken by all employees at induction and annually thereafter, including an assessment element that must be passed. In 2023, 96% of our employees completed our annual programme of mandatory financial crime awareness training.

In addition, mandatory anti-bribery and whistleblowing training is undertaken by all employees at induction and annually thereafter, again including an assessment element that must be passed. In 2023, 97% of our employees completed our annual programme of mandatory anti-bribery training.

These and other related policies are supported by our whistleblowing policy and approach which sets out the controls within which the Group promotes a culture of openness and creates a positive working environment in which anyone can raise any concerns without fear of reprisals. All employees and contractors can raise concerns via their people manager or utilise the services provided by an independent third party that provides a free, confidential 24/7 telephone helpline and web-based service for disclosures to be made.

Responsible procurement

As a financial services business, many of our social and environmental impacts manifest through the operations and activities of our suppliers. Our relationships with and the performance of our suppliers is therefore critical to our business and our ability to operate sustainably, responsibly, and ethically. As such, our aim is always to maximise supply chain opportunities by proactively seeking and building strong, value-focused relationships with our suppliers.

Our approach to working with our suppliers is underpinned by our Ethical Code for Suppliers which outlines both our commitments to our suppliers and our expectations of suppliers including areas such as human rights and labour standards, people and society, environment, and governance. This Code was refreshed in 2022 and rolled out to all managed suppliers in Q1 2023. All suppliers that we work with are required to confirm that they agree to this Code and we encourage them to ensure their own upstream supply chain adheres to the spirit of our business principles.

We maintain a centralised procurement and supply chain function that operates the processes designed to ensure we select and manage our suppliers appropriately to support the given service provision and potential risk exposure to our business. These processes, which include supplier segmentation based on multiple factors including risk exposures, due diligence on new suppliers, on-boarding, ongoing management and assurance, are reviewed and refreshed on an annual basis to ensure they remain relevant and aligned with the potential exposures faced by the business.

When selecting new suppliers, our sourcing teams conduct an open and transparent sourcing and assessment process during which potential suppliers are assessed against a wide range of criteria including commitment to and practices relating to the wider ESG agenda such as reducing environmental impacts, with a sustainability score being applied during the sourcing process. Through ongoing monitoring of our supply chain we are able to assess their contribution to our scope 3 emissions and work with them on initiatives that will support the delivery of our strategic objectives.

For more information on our supply chain sustainability programme, please see page 63.

Human rights and modern slavery

Although as a general insurer, we may be seen as within a lower risk industry, we recognise the importance of understanding and managing the areas within our supply chain that can be more vulnerable to potential human rights risks. Our Ethical Code for Suppliers expects our suppliers to adhere to:

a. The core International Labour Organisation ("**ILO**") standards which ban the use of child labour and forced compulsory or bonded labour.

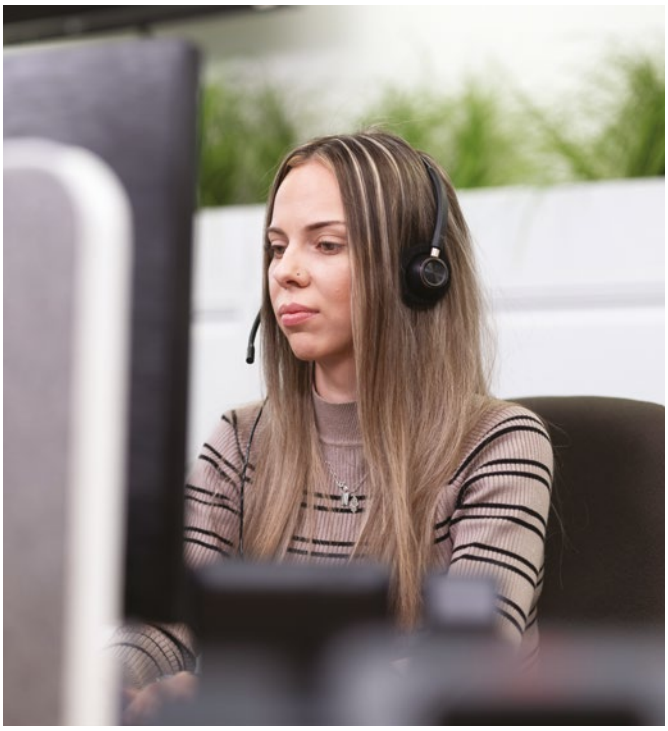
b. The non-core ILO standards which include statements that workers should have safe and hygienic working conditions, a living wage should be paid, working hours are not to be excessive, and abuse and intimidation are prohibited.

In addition, we expect our suppliers to comply with the UK Modern Slavery Act (2015) and provide assurances of compliance through a published statement which outlines the steps that are being taken to support the Act, where applicable.

The processes we follow across our procurement and supply chain function are key to supporting our adherence to the Act, with modern slavery considerations fully integrated across our sourcing process, ongoing assurance activity and mandatory annual training. In 2023, this training was enhanced through the trialling of a government-sponsored module.

Prompt Payment Code

We have always had a strong commitment to engage with and treat our partners in the right way being longstanding signatories to the Prompt Payment Code, a voluntary code of practice for businesses to ensure payments are made to suppliers on time. In 2023, for the second year in a row, we were awarded a Fast Payer Accreditation Award by Good Business Pays acknowledging our role in supporting our suppliers in this way.



"We know how important it is to support our suppliers, playing our role in being a responsible corporate citizen and it's fantastic to be recognised with the fast payer accreditation award."

Darren Braham, Results Production Analyst

Data ethics

Consumers are becoming more aware of their data rights and the industry is gathering more data than ever before as it increasingly explores more sophisticated processing capabilities, such as artificial intelligence ("**AI**") and machine learning. Against this backdrop, we have continued to embed ethical considerations as a foundation of our approach to the use of data so we can both protect our customers and use more advanced technology to drive better customer outcomes.

We have established and embedded a holistic data ethics framework to enable ethical data-driven decision-making across the business and drive a culture of transparency, accountability and data literacy. At the heart of the framework are eight principles which act as guardrails to ensure that we meet the core tenets of fairness, transparency, accountability and lawfulness:

1. Respect the person behind the data.
2. Ethics will be designed into data processes and solutions from the outset.
3. Understand and document the purpose for any data collected, used and/or shared.
4. Comply with applicable laws and regulations in connection with data, its collection and use.
5. Understand limitations and quality of the data we use and how this may impact the decisions we make.
6. Actively pursue a fair, explainable and transparent approach to algorithmic and statistical decision-making.
7. Ensure accountability and appropriate governance for any automated decision process.
8. Provide appropriate guidance and training to support and encourage responsible data use.

Data privacy and security

We have implemented and maintain an extensive privacy and security framework to effectively manage privacy and security risks and to meet our responsibilities under the UK's General Data Protection Regulation ("**UK GDPR**") and the Data Protection Act 2018. All business areas within the Group and our subsidiaries are required to meet the standards set out in the framework and are required to evidence compliance with UK GDPR obligations, including implementing privacy by design, fulfilling data subjects rights and reporting and resolving potential incidents.

Our cyber security programme is led by the Chief Information Security Officer who has responsibility for cyber security, first line technology risk and operational resilience. We employ sophisticated tools designed to protect information and prevent data breaches and routinely perform self-assessments against regulatory frameworks such as the NIST (National Institute of Standards and Technology) cyber security framework. Our internal controls are validated through the use of security monitoring and rigorous internal audits, with external independent audits conducted at least once every two years.

All staff, including temporary staff and contractors, are provided with training on their data protection and security responsibilities as part of our annual programme of mandatory training.

External ratings, memberships and benchmarks

We actively support a variety of membership organisations, and disclose information to ratings and benchmarking authorities, as well as receive ESG performance ratings.

MSCI

In 2023, we received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment

Sustainalytics

As of October 2023, we received an ESG Risk Rating of 23.2 and were assessed by Sustainalytics to be at a medium level of risk[1,2]

Ecovadis

We were awarded a silver medal in 2023

Carbon Disclosure Project

We were awarded a C score in 2023

Science Based Targets initiative

In 2023, we made progress in working towards our Science-Based Targets, after having our targets approved in November 2022

Race to Zero

As part of our Race to Zero pledge, we have signed the Business Ambition for 1.5°C

Get Nature Positive

We are a supporter of the Get Nature Positive campaign, focused on restoring nature and biodiversity

Inclusive top 50 employers

We ranked 17th on the Inclusive Top 50 UK Employers List 2022/23

Social Mobility Pledge

We support the Social Mobility Pledge and have focused on helping students with their careers through our Community Fund

Women in Finance

We are a signatory to HM Treasury's Women in Finance Charter

Race at Work Charter

We support the Race at Work Charter to take positive action towards supporting ethnic minority representation and inclusion

The Faith & Belief Forum

We are a signatory of the Charter for Faith & Belief Inclusion which aims to help create understanding between people of different faiths and beliefs and a society which is fair to people of all backgrounds – religious and non-religious

Notes:

1. Assessed to be at a medium level of risk of experiencing material financial impacts from ESG factors.
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