Direct Line Group Transparency Statement on Modern Slavery 2020

This statement on slavery and human trafficking is published on behalf of Direct Line Insurance Group plc and its wholly owned subsidiaries U K Insurance Limited, DL Insurance Services Limited and UK Assistance Accident Repair Centres Limited pursuant to section 54 of the Modern Slavery Act 2015 (“the Act”), each having a turnover in excess of £36m. References to “we”, “us”, “our”, and “DLG” are to all of these companies. This statement applies to the financial year for DLG ending 31 December 2020 and is the 5th annual statement produced by the organisation.

As an organisation DLG takes its responsibilities seriously. We believe that doing the right thing builds trust, that trust builds reputation and reputation builds value. We support the aims of the Act and seek to ensure slavery and human trafficking do not feature in our business or supply chain.

This is reflected through DLG’s purpose and sustainability strategy which is overseen by the Board and can be located on our website (see link). As part of the strategy, the Sustainability Committee aims to help ensure we run our business in a responsible manner, and considers emerging social, environmental and ethical issues and opportunities.

Covid Response

2020 has been an unprecedented year that has impacted all aspects of life across the UK and the rest of the world. This has resulted in a shift in our supply chain focus as we respond to the impact of the pandemic and the resulting restrictions we have faced. We have worked with our supply chain through the Covid-19 pandemic for what, for a large proportion of our suppliers, brings challenges on how they adapt and preserve their operations to survive the economic impact that the pandemic has brought.

DLG’s initial response in managing our supply chain through the pandemic required the identification of those key suppliers most impacted by the restrictions brought in by the UK government and an understanding of the implications for each supplier based on their circumstances, the impact to our customers and government guidelines. This allowed us to work closely with those suppliers and implement mitigating measures to support them through the necessary changes they have had to make to adapt to a Covid-safe way of working, which is ongoing as together we continue to navigate the uncertainty created by the pandemic and seek to ensure both customers and staff remain safe, as our supply chain continues to provide the necessary services on our behalf.
Our Organisation’s Structure

DLG is one of the leading providers of general insurance operating in the UK and through its number of well-known brands offers a range of general insurance products to customers. These brands include: Direct Line, Churchill, Privilege and our newest brand Darwin. DLG also offers insurance services for third party brands through its Partnerships division and for the commercial sector via its NIG and Direct Line for Business operations, in addition to its Rescue and Recovery offering via Green Flag. Further details of our organisation’s structure can be found on our website (see link).

We apply a multi-brand, multi-product and multi-distribution channel business model to sell to retail customers and businesses. Products can be purchased online, including via price comparison websites, by phone and indirectly through our partners, and, in our commercial business, via brokers.

Within our structure we employ approximately 10,000 people across multiple UK locations, in addition to our DLG Auto Services garage network which supports our Motor claims function through motor repairs. All direct employees of the Direct Line Group are paid a salary which exceeds the current National Living Wage.

DLG has in place robust recruitment policies that cover permanent, fixed term and contingent employees and require all employees to undergo background checking prior to beginning their employment with DLG. Supplier contracts also include requirements around background checking and suppliers must adhere to the applicable level of screening for employees working on DLG services which is based on the services being provided.

All our employees are required to adhere to our Code of Conduct which sets out to promote honest and ethical conduct and compliance with all applicable laws, rules and regulations. Adherence to this code, alongside practicing our Values, is key to the successful delivery of our business strategy.

Supply Chain

We recognise that, as one of the UK’s leading general insurers, our responsibilities can extend beyond our own commercial interests. Through our Ethical Code for Suppliers, available on our external website (see link) and shared with suppliers when tendering, we have outlined our key commitments to our suppliers and detailed our ethical expectations of suppliers that we work with.
These include adherence to: (a) the core International Labour Organisation (ILO) standards which ban the use of child labour and forced compulsory or bonded labour (including where the threat of penalty or discipline is used to compel work) whilst protecting rights to non-discrimination; and (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 suppliers to comply with the Act and provide assurances of compliance through a published statement which outlines the steps that are being taken to support the Act. In 2020 we have reviewed our actively managed supply chain (c. 80% of overall supplier spend) and have identified that 75% of those suppliers have statements published.

DLG’s supply chain covers both the provision of services for direct (claims validation and fulfilment) and indirect suppliers, including many well-known brands and industry leaders in their field. Across our direct supply base, our supply chain focuses on the fulfilment of claims across our key product areas.

**Household Claims**

Our household claims supply chain can be split into two key areas, validation and fulfilment. Fulfilment of our building claims is primarily through a network of home repair providers. Within this supply chain there is more seasonal, volume-driven and manual labour to support the service provision alongside additional subcontracted services, particularly where there is a response to severe weather events.

Our contents claims routes for validation and fulfilment include repair and replacement of household contents, including electrical goods, furniture, carpets and valuables. Our supply chain within this category is made up of a combination of UK-based goods fulfilment and service providers offering repair services; however, due to the nature of the goods requiring fulfilment by our supply chain (including raw materials) extends outside of the UK.

**Motor Claims**

Within our motor claims supply chain we look at the potential aspects of a motor claim journey including motor repair garages, recovery providers and salvage services. In addition, we also source goods provided to facilitate vehicle repairs, including parts replacement and paint. Both parts and paints categories have elements where we
source goods from third parties outside the UK, either directly or through our suppliers’ supply chains.

**Travel Claims**

Our travel claims supply chain is service-based – focusing on cost containment and patient repatriation and based in a variety of locations worldwide to service our Travel insurance policy holders should they require medical care or repatriation whilst travelling.

**Indirect Supply Chain**

Our indirect supply chain provides us the necessary services to run our business including technology, facilities (catering and cleaning), professional services, marketing, print and recruitment. In addition, we receive back-office and claims handling services from our offshore service providers located in India and South Africa.

Although our core operations (and most of our immediate supply chain) are based in the UK, we are aware that we could have risks of potential modern slavery risk exposures within our supply chain, and the supporting processes we follow across our Procurement and Supply Chain function are key to supporting our adherence to the Act.

**Procurement Processes**

The Procurement & Supply Chain processes include steps intended to ensure that risks associated with modern slavery within the supply chain are identified, managed and mitigated.

DLG has a centralised Procurement & Supply Chain function that operates to the processes established within our Supplier Management and Outsourcing policy. Our processes are designed to ensure we select and manage our suppliers appropriately to support the given service provision and potential risk exposure to DLG, and our Policy sets out the mandatory requirements for the Group when procuring goods and services as follows.

Our suppliers are segmented based on multiple factors including value, expenditure and risk exposures, and our supporting processes provide a higher level of assurance, oversight and diligence for those suppliers and services segmented at higher levels.

In addition to our existing supplier segmentation process, annually we also review our modern slavery risk assessment, which was developed to assess the likelihood of modern slavery occurring in our supply chain. This allows us to identify where we may have increased or reduced risk
exposure across areas including the geographical location from which goods or services are provided, length of the supply chain, use of migrant or temporary labour and the nature of the goods or services being supplied.

Due diligence is undertaken on new suppliers sourced through the Procurement & Supply Chain function – we require suppliers either to provide a link to their most recent modern slavery statement or (should they fall below the reporting threshold) to respond to a number of questions, in order to articulate the steps they are undertaking to support the Act.

On-boarded suppliers are then subject to assurance activity. Our Supplier Compliance Monitoring team conducts regular field reviews of our actively managed suppliers, and the scope includes the requirement to ascertain the supplier’s adherence to the Act and confirmation of the activity they are undertaking to comply with the Act. This is tailored dependant on the supplier’s alignment to the reporting threshold. In addition, background checking of compliance with contractual clauses also forms part of the assurance scope.

Findings from assurance activity is documented, managed and reported through Procurement & Supply Chain governance and escalated as appropriate within the DLG governance framework.

During the course of 2020, due to the restrictions faced throughout the Covid pandemic the volume of external field audits has not been to the level usually achieved by the team; however, where possible more virtual audits have taken place across suppliers, assessing the same scope of assurance but with altered approaches to assuring evidence provided by suppliers.

Supporting processes are reviewed on an annual basis to ensure alignment with legislation and raise awareness of modern slavery to encourage any employees who do identify potential modern slavery issues within our business or supply chain to report their concerns, either through normal channels of escalation or via our whistle-blowing line.

**Next steps**

Owing to the need in 2020 to respond to the Covid-19 pandemic and manage our supply chain to ensure minimal disruption for our customers, we have not progressed the areas of improvement and development identified within our modern slavery 2019 statement to the extent planned; however, we made progress in all areas identified and will look to continue working on the key areas identified in our 2019 statement, alongside reviewing any updated legislation and
supporting government guidance following the outcome of the 2020 consultation process.

**Next steps will include the following:**

Induction training on modern slavery will be rolled into our first Procurement & Supply Chain induction sessions of 2021 following the refresher training for members of the Procurement & Supply Chain function in the first half of the year.

Approval of the initial Key Risk Indicators identified will be sought after a period of initial tracking across the first half of the year rolling into an ongoing reporting process in time for our next Statement review. Enhanced supply chain mapping across categories where there is a higher risk of the occurrence of modern slavery will be undertaken throughout the course of 2021.

**Click on link below to read the signed statement**