

# Long-term sustainability for our stakeholders

Under the leadership of our Board, responsibility is at the heart of how we think about our business. Our five pillar ESG strategy ensures that we target delivering long-term sustainability for our customers, our people and our shareholders and that we consider the impact we have on our society and our planet.

## Our approach to responsibility is structured around five pillars:

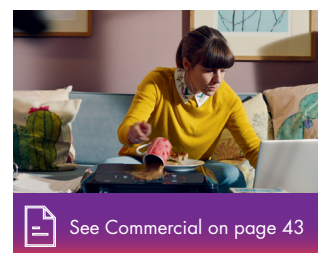
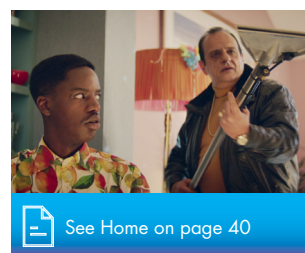
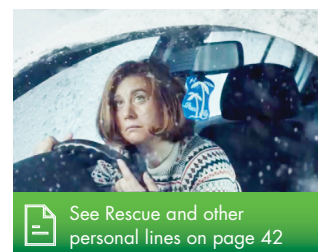
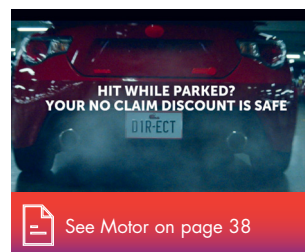
| Our customers   | Our society   | Our planet  | Our people  | Our governance   |
|---|---|---|---|--|
| Making insurance much easier and better value   | Playing an active role in issues that affect our society  | Reducing, reusing and recycling to build a sustainable future                                   | Investing in our talented people, encouraging everyone to aim higher                                  | Creating a long-term business that serves all of our stakeholders  |
|  See page 52 |  See pages 53 – 54 |  See page 55 |  See pages 56 – 59 |  See pages 60 – 121 |

## Our customers

Customers are at the heart of everything we do, and as such our work in pursuit of making insurance much easier and better value for our customers is highlighted throughout this report. You can read about our brands, products and channels on the following pages. Our latest customer propositions can be found on pages 39 and pages 41 to 43 and our strategy in action on pages 20 and 21 outlines how we are delivering outcomes for our customers.

We've built a reputation for delivering for our customers by regularly developing new and different ways to make our products easier and better value for our customers. Propositions such as our Churchill Vandalism Promise, Direct Line's Fair Claim Commitment or Fast Response are ways of making insurance easier and we've used training to help our people have far more empathetic and powerful conversations with our customers.

We recognise that our customers are always raising their expectations and one of our values is to "aim higher". The relationship between NPS and customer retention shows there's a direct link between customer experience and our success as a business and that's why this year we launched an initiative designed to help us identify, meet and exceed customer expectations when we make decisions and choices about how we run our business.



**One claim every single minute of every single hour, every day of the year**

## Our society

### Brake and PACTS

We continue to engage with important partners in the road safety debate, including road safety charity Brake, the Parliamentary Advisory Council for Transport Safety ("PACTS") and the Department for Transport.

We remain a committed partner to the road safety charity Brake, campaigning throughout the year to make our streets safer.

Working with politicians, our partnership has raised the profile of local campaigns leading to meaningful change in constituencies throughout the UK. Highlights this year have included the introduction of 20 mph zones near schools, reducing the speed limit on major A roads and tackling speeding on rural roads through greater law enforcement.

We celebrated the successes at Brake's annual parliamentary reception with hundreds of Brake supporters, volunteers and parliamentarians.



Steve Maddock, our Chief Operating Officer, and Judith Cummins MP, who was awarded Brake and Direct Line Group's Parliamentary of the Year Award and who campaigned for tougher sentences for dangerous drivers.

### Sprintathon

422 of our people took part in a Sprintathon this year, where they ran 100m sprints to cover the marathon distance of 26.2 miles. Our aim was to complete a marathon in the shortest possible time and, more importantly, raise money for Stand Up to Cancer.

An astounding £60,000 was raised for Cancer Research UK, who carry out work that accelerates new cancer treatments and tests for UK patients, and patients across the world, to ultimately save more lives.

Our people pulled together to get involved in this great cause and it was an engaging and rewarding group experience where each individual effort combined to fight cancer. This was a fun and collaborative way to really live our value of 'Working Together'. The marathon was completed in under two hours and there's not many people in the world who can say they achieved that!



**422**  
of our people  
took part

**£60,000**  
raised for Cancer  
Research UK

## Shotgun

As Britain's leading personal motor insurer we want, for both our customers and society, to keep Britain's roads safe. This is particularly true for young drivers where inexperience often leads to more accidents.

The facts are stark:

- The part of the brain that helps assess risk is not fully developed until we reach our mid 20s
- 17 to 19 year olds are involved in 9% of all fatal and serious crashes, despite representing just 1.5% of all drivers
- One in four 18 to 24 year olds crash within two years of passing their driving test

That's why we developed our driving app called Shotgun with the aim of cutting the number of young driver deaths to zero in the first 1,000 miles after passing their test, even if they insure their car with someone else.

Shotgun's real-time feedback after every journey has already led to driver improvement on important safety metrics such as speeding, braking and smoothness.

There is clearly demand for Shotgun, which rewards drivers for good driving. With over 27,000 downloads since launch, we've analysed 3.6 million car journeys covering 32.8 million miles, helping young drivers to be safer on our roads.

## One Day

We give every colleague the opportunity to do a full day each year out of the office either individually or as a team, to volunteer for a charity or a community group day.

Our One Day initiative is hugely popular, giving everyone the time to support causes they are personally dedicated to.

This year several of our people supported our national charity Mind, by taking part in a Retail Challenge, where teams competed against each other to raise the most money for the Mind shop they worked in.



One of Direct Line Group's teams competing in Mind's Retail Challenge.

## Financial responsibility

### Responsible investing

As the Group's investment strategy evolves, it is constantly looking for ways to enhance its investment practices with regard to ESG issues.

To date, the Group's investment strategy has reflected the following initiatives:

- Approximately 95% of externally managed assets are run by managers who are currently signatories to the United Nations-supported Principles for Responsible Investment
- Almost 90% of the investments in the infrastructure debt portfolio are in schools, hospitals and other social infrastructure assets
- The commercial property portfolio invests only in assets with an energy efficiency level of D or higher (or with apportioned funds to achieve this level), exceeding the government minimum requirement of an E rating

During 2018 a significant new initiative was approved to strengthen further the Group's ESG credentials:

- In the first half of 2019, the majority of investment grade bond mandates will transition to be managed against ESG weighted indexes
- Investment guideline amendments now instruct the portfolio managers to prefer investment in green bonds where they offer a similar risk-reward profile to other issues

The Investment Committee's section of the Annual Report can be found on page 87.

### Tax

As part of our contribution to society we believe that it is important to pay the appropriate amount of tax and manage our tax obligations responsibly. For the first time, this year we are publishing the Group's total tax contribution of £961.7 million, which includes the Group's direct and indirect tax contribution as well as amounts collected on behalf of the UK Exchequer. See the full tax contribution note and tax strategy on page 37.

### Suppliers

The Prompt Payment Code sets out standards for payment practices for the benefit of suppliers. The Group is committed to maintaining the highest possible standards of integrity with suppliers and partners and is a long-standing signatory of the Prompt Payment Code. During the financial year, the Group remained committed to prompt payment terms to ensure fair payment practices.

Our diversity and inclusion practices are in line with the Universal Declaration of Human Rights. Our Ethical Code for Suppliers requires that all our suppliers adhere to the core International Labour Organisation standards. We support the aims of the Modern Slavery Act 2015 and are committed to ensuring that modern slavery is not present in our supply chain.



## Our planet

### Environmental credentials

Our 'Reduce, Reuse, Recycle' strategy guides the Group in meeting its environmental objectives. Simple changes have proven successful:

- Targeting a 30% reduction in energy consumption by 2020 against a 2013 baseline
- Introducing 'travel free weeks' reducing our CO<sub>2</sub> emissions
- Diverting 100% of office waste from landfill
- Maintaining our commitment to source 100% of our electricity from renewable sources

This year we have taken further steps to build a sustainable future.

### Recycling coffee cups

The popularity of coffee presents a recycling challenge for a company our size.

That's why we have partnered with a company called Simply Cups, which works with companies to help them separate the plastic film that can make recycling difficult. We have successfully introduced a pilot in our Bromley office where dedicated recycling points are encouraging our people to use them throughout the building. Simply Cups collects our cups and sends them to a specialist processor which enables us to recycle 20,000 cups per month.

### Environmental Champions

To further entrench the importance of sustainability across the Group we have appointed 10 'Environmental Champions' in our core sites. Working with the Institute for Environmental Management they have received accredited training, increasing their awareness of how sustainability issues affect the workplace. They are using this knowledge to discuss a range of environmental issues and drive change across the Group.



Our Head Office in Bromley is successfully recycling 20,000 coffee cups per month.

### Emissions

You can find information on Group-wide greenhouse gas ("GHG") emissions in the chart below – and more details of our emissions in the Directors' report on page 120.

In absolute terms, we have reduced our emissions significantly after rationalising and implementing an energy-savings plan across our estate over the last six years, resulting in a 46% reduction in GHG emissions.

We communicate the details of a carbon management programme through the Carbon Disclosure Project and this year achieved a rating of 'B'.

### Waste

We remain focused on improving our waste management systems. In 2018, 98% of total waste produced across the Group was recycled or recovered for energy use. This compares with 72% last year.

### Climate change

The Group's use of catastrophe reinsurance mitigates against many of the worst potential physical risks from climate change, and the Group regularly reassesses its use of catastrophe models with the objective of ensuring they fully capture climate-related risks.

Efforts to mitigate against climate change are driving a de-carbonisation of the economy, including a transition towards electric vehicles. While this does not fundamentally change the business model, the Group continues to develop the new processes, skills and technical knowledge required to keep pace with changes in vehicle technology.

The Group has reviewed its investment strategy, deciding that a greater weighting should be given towards issuers with stronger ESG credentials (including climate change). More information can be found in the Investment Committee's section of the Annual Report on page 87.

### Greenhouse gas emissions (tonnes)

