

2021 Gender & Ethnicity Pay Gap Report



CEO Statement

Good progress but more to do

This report marks an important evolution of Direct Line Group's pay gap reporting. In addition to sharing our gender figures, as we have for the last four years, we are voluntarily publishing our ethnicity pay gap for the first time. As a business working to create greater equity we believe that data on pay is one measure we can use to identify impactful ways of improving and increasing diverse representation and inclusion.



Our 2021 gender pay gap was smaller than in 2020 and remains narrower than others in the financial services industry. Our 2021 ethnicity pay gap is in single digits. We're confident that we pay people fairly, irrespective of gender or ethnicity, and can see that both gaps are driven by the levels of representation of women and those from ethnic minority backgrounds across certain areas and levels of the business.

We are therefore focussing on changing representation and I'm proud that 2021 saw an increase in the diversity at the senior levels of our business. Our Executive Committee is now majority women and two members are from an ethnic minority background. Furthermore, we have made progress towards all our targets for representation of women in senior leadership and ethnic minority and Black colleagues in leadership roles. But there is still more to do which is why in 2021 amongst the additional steps taken we have:

- introduced new inclusive hiring principles and training for those making recruitment decisions
- strengthened our focus on succession planning and investing in our high potential talent
- launched a reverse mentoring scheme – with widespread participation across senior leadership including myself

“I'm proud that 2021 saw an increase in the diversity at the senior levels of our business.”

This year is an important one for us in creating an even bigger step change towards the more diverse leadership we want to see. December 31st is the deadline for achieving the targets we set ourselves for representation of women, ethnic minority and Black colleagues in senior roles. So across 2022 we will be pushing to achieve those targets, frankly assessing what has worked and what hasn't in order to define our future ambitions and set new targets to hold ourselves publicly to account.

We have made good progress but there is always more we can do to ensure that we as a company reflect the society we live in and the customers we serve.

I can confirm Direct Line Group's gender and ethnicity pay gap calculations to be accurate.

Penny James
Chief Executive Officer

Gender Pay Gap

Our 2021 figures

Our pay gap has narrowed since 2020. Whilst the proportion of men and women receiving a bonus has decreased, both the mean and median pay and bonus gap have narrowed.

Pay Gap¹

	Mean	Median
2021	16.1%	14.2%
2020	17.2%	15.4%
2019	16.3%	13.7%

Bonus Gap

	Mean	Median
2021	45.9%	34.0%
2020	47.9%	36.3%
2019	44.1%	31.4%

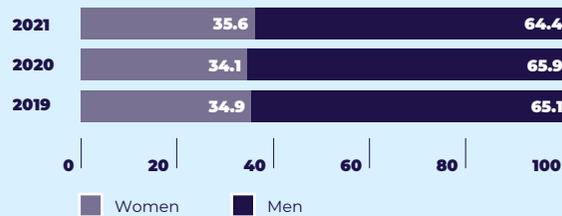
% of employees receiving bonus

	Men	Women
2021	72.7%	60.6%
2020	73.5%	62.4%
2019	72.9%	59.2%

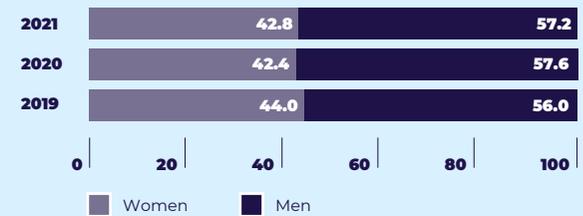
1. The Gender Pay Gap shows the difference in average pay between women and men. This is different to equal pay that is women and men receiving the same pay for work of equal value. Our reporting is based on a snapshot date of 5 April 2021.

% of employees in each quartile

Pay quartile 4 (highest paid)



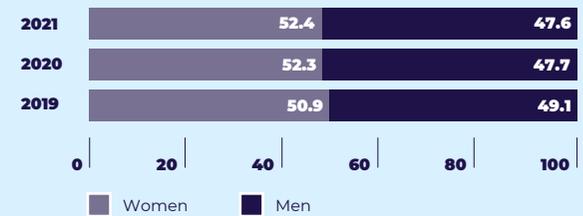
Pay quartile 3



Pay quartile 2



Pay quartile 1 (lowest paid)



Increasing representation

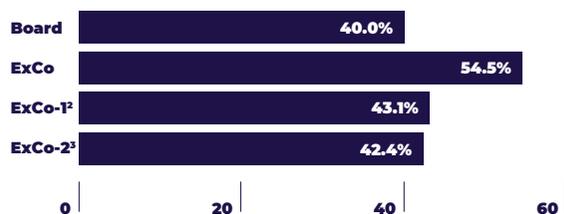
We are confident that we do not pay women and men differently and the issue we have to tackle to narrow the gap further is the representation of women in specific areas and at different levels in our business. It is why across 2021, despite the Covid-19 pandemic, we continued to invest in development programmes for high potential women, supporting their career development and progression.



Our long-term focus on investing in women means we have been able to significantly strengthen representation at the most senior levels of our business. Our breakdown of senior women by levels within the business, Women in Finance figures and the FTSE Leaders figures each cut the data in different ways.

Senior women representation¹ (%)

This year the diversity of our Executive Committee has been transformed; its composition is now six women and five men. Two of our ExCo are from an ethnic minority background.



Notes:

1. As at end of 2021.
2. Percentage of women in roles reporting directly to ExCo, excluding administrative and support staff.
3. Percentage of women in roles two reporting levels below ExCo, excluding administrative and support staff.

Women in Finance Charter

By the end of 2021 32.8% of our senior leadership roles were held by women. This puts us on track to achieve our stretch target of 35% of senior leadership roles being held by women by the end of 2022, a goal we chose to set for ourselves having achieved our previous Women in Finance Charter target of 30%.

FTSE Women Leaders Review

In 2021, we reported 40% women on our Board and 40.5% women in our Executive Committee and direct reports⁴. This met the recommendations set out in the FTSE Women Leaders Review, placing us 18th in the FTSE 250 and 3rd in life and non-life insurance sector. We are one of our four companies in the FTSE 350 to have a woman as both Chair and CEO.

Notes:

4. Board representation at 10 January 2022 and Executive Committee & direct report representation at 31 October 2021 as per FTSE Women Leaders Review data sourcing.

Ethnicity Pay Gap

Our 2021 Figures

This is the first year we are reporting our ethnicity pay gap. Whilst there is no legal requirement for us to publish this information, we have chosen to do so to hold ourselves to account and to inform diversity and inclusion initiatives across the business.

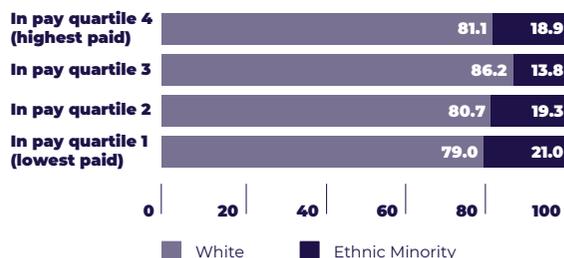
We were able to do this following an internal campaign to encourage colleagues to provide their ethnicity information so that sufficient data would be available for analysis. The data for 2021 compares the pay of ethnic minority colleagues versus White colleagues.

Ethnicity pay gap information¹

	Mean	Median
Pay Gap	3.1%	7.9%
Bonus Gap	32.9%	11.8%

% of employees	White	Ethnic Minority
Receiving bonus	68.2%	58.6%

% of employees in each quartile



Notes:

1. The Ethnicity Pay Gap shows the difference in average pay between ethnic minority 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 2021 and 85% of colleagues that have shared their ethnicity with us. As we continue to encourage colleagues to share their ethnicity with us, changes to disclosure will impact the numbers we report.

Our mean and median pay gaps by ethnicity

We recognise that different communities can have different experiences so we have further broken down the data to understand pay gaps for our Black, Asian, Mixed and other ethnicity colleagues versus White colleagues. It's important to note that when pay gap data is based on a smaller number of individuals, it can vary significantly over time due to colleague changes during the year.

Mean and median pay gaps by ethnicity²

	Mean Pay Gap	Median Pay Gap
Black	7.0%	3.5%
Asian	3.9%	15.2%
Mixed	4.8%	12.5%
Other	-3.5%	-17.2%

Notes:

2. Ethnicity pay gap in comparison to White colleagues

Increasing representation

As with gender we are confident that we do not pay ethnic minority and White colleagues differently so again the issue we are tackling is the representation of ethnic minority colleagues in specific areas and at different levels in our business.



Increasing representation in Senior Leadership

Across 2021 we have continued to focus on delivering the targets we set ourselves in 2020 to increase ethnic minority and Black representation in leadership by the end of 2022.

Our target is to grow ethnic minority representation from 10% to 13% – increasing roles at this level by around a third. At the end of 2021, representation of ethnic minority colleagues in leadership roles has risen to 11.7%.

Our target is to grow Black representation from 0.5% to 1.5% – quadrupling roles at this level. At the end of 2021, representation has increased to 0.9% of Black colleagues in leadership roles.

Additional information is contained within our Creating a Diverse Business and Improving Black Inclusion Report which can be viewed on our website.



> Read our 2021 Black Inclusion Report
www.directlinegroup.co.uk/Black_inclusion_report_2021

Committing to change

Business in the Community's Race at Work Charter

As part of holding ourselves publicly accountable in October 2020 DLG became a signatory to Business in the Community's Race at Work Charter committing ourselves to act in five areas to seek to ensure that that ethnic minority employees are represented at all levels in an organisation.

1. Appoint an Executive Sponsor for race
2. Capture ethnicity data and publicise progress
3. Commit at board level to zero tolerance of harassment and bullying
4. Make clear that supporting equality in the workplace is the responsibility of all leaders and managers
5. Take action that supports ethnic minority career progression

Supporting inclusion in 2021

Keeping up The pace

We recognise that diversity goes hand in hand with inclusion and over the year we continued to push forward on building a culture that celebrates difference and empowers people to succeed in their careers.

Reimagining our recruitment practices

Over 2021, we continued to embed a stronger approach to inclusive hiring for senior roles, including the use of anonymised CVs, a stronger focus on diverse shortlists, and panel-based assessment. All recruiting managers now complete mandatory 'Recruitment Ready' training, which supports inclusive practices.



Building empathy and a greater understanding of issues

Each of our diversity employee networks has delivered an extensive programme of activity to build greater empathy and understanding around the things that matter to the communities they represent. This has included people-stories, vodcasts, panel discussions and external speakers, which have helped to raise awareness of issues and drive more open conversations. We've covered topics from celebrating what it means to be Black and British, to de-bunking myths and stereotypes around different faiths, to exploring gender identity and non-binary inclusion.

Opening minds to difference

In early 2021 we began a reverse mentoring programme to enable our senior leaders to build a greater appreciation of issues faced by colleagues who may have very different life experiences to them and to gain new perspectives. Around 70 of our senior leadership team have participated in the programme, which has provided them with deep insights into the barriers faced by marginalised communities and in turn enabled them to offer valuable career advice and guidance.

Developing capability through training

Over 300 of our leaders have completed an inclusive leadership masterclass as part of a broader development programme. This explores bias and behaviours that impact on inclusion, with practical support on techniques to create an inclusive environment. For 2022, we have developed a new programme that will provide a structured way to learn about inequity and to grow the capability and skills of each of our leaders, people managers and colleagues to be more inclusive.

The Inclusive Top 50 UK Employers List

Although we know there is more to be done, we were proud to be listed 13th on the Inclusive Companies Top 50 UK Employers List, which recognises those companies that promote inclusion throughout each level of employment within their organisation.



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