

*Sustainability Accounting  
Standards Board disclosure  
2021*



## Introduction

# Sustainability at the heart of our business

**We are pleased to be reporting against the Sustainability Accounting Standards Board (“SASB”) framework for the first time and recognise its value in how we communicate our approach to managing environmental, social and governance (“ESG”) matters.**

We are one of the UK’s leading insurers providing general insurance products to millions of customers through our well-known brands, including Direct Line, Churchill, Privilege and Green Flag.

Our strength lies in the diversity of our propositions, offering a range of products, powerful brands and multiple routes to market, underpinned by a determination to aim higher for our customers, people, shareholders and wider stakeholders.

As we build an insurance company of the future we are putting sustainability at the heart of how we do business because it allows great people to thrive, creates a better corporate culture, drives competitiveness and provides a foundation for long-term rewards for our shareholders.

Our sustainability strategy is always evolving to meet future challenges and we are committed to enhancing our approach so that we take into account the needs of the business and the expectations of external stakeholders, including reporting on progress transparently.

Our established five-pillar sustainability strategy, endorsed by the Board, aims to foster the highest standard ESG practice and deliver long-term sustainability for our stakeholders.

For more information on our five-pillar strategy and how we are building a sustainable business see **pages 54 to 75** of our Annual Report and Accounts 2021 (“**ARA**”) and our **Sustainability Report 2021**. Also see **pages 76 to 87** of the ARA 2021 for our latest disclosure against the Task Force on Climate-related Financial Disclosures (“**TCFD**”) recommendations and the Streamlined Energy and Carbon Reporting (“**SECR**”) requirements.

This disclosure considers how our existing reporting aligns to the recommended SASB standards for insurers and includes references to published material that supports our disclosure against each metric. Where necessary, there has been adaptation in the reporting against the recommended metrics to ensure disclosure of the most appropriate information applicable to our business.

### Key:

**ARA**

Group Annual Report & Accounts 2021

**TCFD**

Task Force on Climate-related Financial Disclosures 2021

**SFCR**

Solvency and Financial Condition Report 2021

**GW**

Group website

**AP**

Analyst presentation FY 2021 results

**COBC**

Code of Business Conduct

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Transparent Information &amp; Fair Advice for Customers</b>		
Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	FN-IN-270a.1	<p>There is no material information to disclose relating to this metric.</p> <p><b>ARA</b> There is no appetite for material risks resulting in reputational damage, regulatory or legal censure, poor customer outcomes, fines or prosecutions and other types of non-budgeted operational risk losses associated with the Group's conduct and activities. The Group will maintain a robust and proportionate internal control environment – <a href="#">page 90</a></p> <p><b>ARA</b> The Group carefully assesses and outlines the principal risks facing the business, including those associated with operational and regulatory and compliance risk – <a href="#">pages 91 – 92</a></p> <p><b>ARA</b> The Group did not have any material provisions in respect of legal proceedings relating to customers as at 31 December 2021 – <a href="#">page 233</a></p>
Complaints-to-claims ratio*	FN-IN-270a.2	<p><b>ARA</b> Number of complaints received during the year as a proportion of the average number of in-force policies – <a href="#">page 31</a></p> <p><b>GW</b> The volume of complaints reportable, twice annually, to the Financial Conduct Authority (“<b>FCA</b>”). Data is reported as the number of complaints opened in the reporting period per 1,000 in-force policies for the Group's principal underwriter, U K Insurance Limited – <a href="#">link</a></p> <p><b>*Note: in accordance with FCA reporting requirements we publish the number of complaints received during the reporting period per 1,000 in-force policies and not, as recommended by the SASB framework, per 1,000 claims filed.</b></p>

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Transparent Information &amp; Fair Advice for Customers (continued)</b>		
Customer retention rate	FN-IN-270a.3	<p><b>AP</b> Direct own brands retention rates for Motor, Home and Rescue (Green Flag direct) operating segments – <b>page 21</b></p> <p><b>AP</b> Net promoter scores (“NPS”) for our Direct Line and Churchill brands – <b>page 21</b></p>
Description of approach to informing customers about products	FN-IN-270a.4	<p><b>COBC</b> We make sure that our products and services are designed to meet an identified need and that customers are provided with clear information, are kept informed and can make amendments easily. We regularly monitor our performance in relation to standards of service, product performance and customer outcomes – <b>page 5</b></p> <p>We communicate with our customers through a variety of channels and literature. Customer communications include, but are not limited to, all financial promotions, website content, social media content, policy documentation and system generated communications.</p> <p>To ensure our customers can make informed decisions we provide information regarding, but not limited to, the suitability of products, the terms and scope of insurance coverage, insurance policy exclusions, the cost structure of insurance policies and the processes for making an insurance claim.</p> <p>The Group’s conduct objective in relation to product marketing is to ensure our customer communications are clear, fair and not misleading, targeted appropriately and include the relevant information in a way that is accessible and easily understood.</p>

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Incorporation of Environmental, Social, and Governance Factors in Investment Management</b>		
Total invested assets, by industry and asset class*	FN-IN-410a.1	<p><b>ARA</b> Investment holdings and yields – <a href="#">page 44</a></p> <p><b>ARA</b> Debt securities and infrastructure debt by industry sector classifications – <a href="#">page 198</a></p> <p><b>ARA</b> Credit quality of debt securities and financial and insurance assets – <a href="#">page 203</a></p> <p><b>ARA</b> Duration profile of financial assets and derivative financial instruments – <a href="#">pages 204 to 205</a></p> <p><b>ARA</b> Financial investments and cash and cash equivalents by asset class – <a href="#">pages 224 to 225</a></p> <p><b>*Note: the North American Industry Classification System (NAICS) for classifying invested assets is not relevant for the Group.</b></p>
Description of approach to incorporation of ESG factors in investment management processes and strategies	FN-IN-410a.2	<p><b>ARA</b> Integration of ESG considerations into our investment strategy – <a href="#">page 75</a></p> <p><b>TCFD</b> Scenario analysis exploring the financial impact of transition risk on the Solvency II balance sheet value of investment assets – <a href="#">pages 79 to 80</a></p> <p><b>TCFD</b> Implementation of climate-related initiatives into our investment strategy – <a href="#">pages 83 and 86</a></p> <p><b>CW</b> Additional responsible investment initiatives incorporated in our investment strategy – <a href="#">link</a></p>

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Policies Designed to Incentivise Responsible Behaviour</b>		
Net premiums written related to energy efficiency and low carbon technology	FN-IN-410b.1	We do not disclose written premium for policies related to energy efficiency and low carbon technology.
Discussion of products and/or product features that incentivise health, safety, and/or environmentally responsible actions and/or behaviours	FN-IN-410b.2	<p><b>ARA</b> Our “Mileage Moneyback” proposition for all Direct Line motor policyholders enables customers to receive a refund at the end of their policy period where they have driven less than expected – <b>pages 47 and 59</b></p> <p><b>ARA</b> Our newly established Strategic Management Actions include steps we are taking to support the transition to electric vehicles and to help shape thinking around resilient repairs to homes damaged by flood – <b>page 71</b></p> <p><b>TCFD</b> Making electric easy – launch of our electric vehicle proposition for all new Direct Line customers – <b>page 81</b></p> <p>Our telematic policies encourage younger drivers to develop safe driving habits whilst also providing the opportunity to receive policy premium discounts.</p>
<b>Environmental Risk Exposure</b>		
Probable Maximum Loss of insured products from weather-related natural catastrophes	FN-IN-450a.1	<p><b>ARA</b> Catastrophe reinsurance protects us against an accumulation of claims arising from a natural perils event. The retained deductible is £150 million and cover is placed annually up to a modelled 1-in-200 year loss event of £1,150 million – <b>page 43</b></p>

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Environmental Risk Exposure (continued)</b>		
<p>Total amount of monetary losses attributable to insurance payouts from:</p> <ol style="list-style-type: none"> <li>1. modelled natural catastrophes, and</li> <li>2. non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)</li> </ol>	FN-IN-450a.2	<p><b>ARA</b> Home and Commercial claims costs related to major weather events, including inland and coastal flooding and storms – <b>page 35</b></p> <p><b>ARA</b> Loss ratio for major weather events – <b>page 35</b></p> <p><b>TCFD</b> The impact of severe weather on the Group’s combined operating ratio – <b>page 85</b></p>
<p>Description of approach to incorporation of environmental risks into:</p> <ol style="list-style-type: none"> <li>1. the underwriting process for individual contracts, and</li> <li>2. the management of firm-level risks and capital adequacy</li> </ol>	FN-IN-450a.3	<p><b>TCFD</b> TCFD disclosure – <b>pages 76 to 87</b></p>
<b>Systemic Risk Management</b>		
<p>Exposure to derivative instruments by category:</p> <ol style="list-style-type: none"> <li>1. total potential exposure to non-centrally cleared derivatives,</li> <li>2. total fair value of acceptable collateral posted with the Central Clearinghouse, and</li> <li>3. total potential exposure to centrally cleared derivatives</li> </ol>	FN-IN-550a.1	<p><b>ARA</b> Use of derivative financial instruments in interest rate and currency risk management – <b>pages 200 to 201</b></p> <p><b>ARA</b> Analysis of the undiscounted cash flows of derivative financial instruments by contractual maturity – <b>page 205</b></p> <p><b>ARA</b> Fair value of derivative financial instruments – <b>pages 221 and 237</b></p>

# SASB Disclosure 2021

Accounting Metric	Code	Disclosure
<b>Systemic Risk Management (continued)</b>		
Total fair value of securities lending collateral assets	FN-IN-550a.2	 Collateral management arrangements – <a href="#">page 201</a>
Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities.	FN-IN-550a.3	 Risk management – <a href="#">pages 89 to 93</a>
		 Sensitivity analysis – <a href="#">page 201</a>
		 Credit risk management – <a href="#">pages 201 to 203</a>
		 Liquidity risk management – <a href="#">pages 204 to 205</a>
		 Risk profile – liquidity risk – <a href="#">page 37 to 38</a>
		 Risk profile – sensitivity analyses detailing scenario impacts on the Group's solvency capital ratio – <a href="#">pages 32 to 39</a>
<b>Activity Metrics</b>		
Number of policies in force, by segment: 1. property and casualty, 2. life, 3. assumed reinsurance.	FN-IN-000.A	 In-force policies reported by operating segment – <a href="#">page 34</a>



**Direct Line Insurance Group plc©**

Registered in England & Wales No. 02280426  
Registered Office: Churchill Court,  
Westmoreland Road, Bromley, BR1 1DP

