

SUPPLIER ETHICAL CODE

Introduction – Building an Insurance Company for the Future

We recognise that as one of the UK's leading general insurers, our responsibilities extend beyond our commercial interests, and that we play an important role in the areas in which we trade. We wish to continually develop our focus on Environmental, Social and Corporate Governance (ESG) by focusing on our 5 sustainability pillars: customer, people, society, the planet and governance. We value that our supply chains play an essential role in us meeting our ambition to continually develop within these pillars. We wish to extend our commitments to our suppliers through specific improvement programmes and to seek to ensure our key supply chains protect people and planet whilst minimising waste and improve efficiency.

Our assessment process for our key suppliers takes into account the wide range of factors which we believe are inherent to operating as a sustainable, responsible and ethical business.

We are further committed to conducting our business with all suppliers in a fair and honest manner, with openness and integrity, in line with legal & regulatory requirements, and we expect all our suppliers to meet or exceed these same principles. The purpose of this document is to clearly articulate our position to suppliers and is divided into two parts:

Part 1 – Our commitment to suppliers, details our intentions for how we approach our interactions with our suppliers and how that aligns with the delivery of our sustainability pillars within the supply chain.

Part 2 - Our expectations of suppliers, defines the expectations of the companies that we work with. Our expectation is that all DLG suppliers confirm they agree to this policy and share this code with any employees and sub-contractors who will contribute to Direct Line Group (DLG) projects. We encourage suppliers to ensure that their own upstream supply chain adhere to the business principles outlined and we expect suppliers to inform us of any reason that they would not be able to comply with this code either now or in the future as aspects of this policy will be assured against.

PART 1 - Our commitment to our suppliers:

- Conduct
- Relationship – Partnership
- Relationship - Development
- Selection process
- Supplier diversity
- Consultation and engagement

Conduct

We are committed to conducting our business with all suppliers in a fair and honest manner, with openness and integrity, in line with legal & regulatory requirements.

Relationship - Partnership

As performance of our suppliers is critical to our business, we aim to treat our suppliers with respect and to invest in long-term partnerships that benefit both sides. DLG's objective is to deliver best value from our suppliers where appropriate on a long-term basis. While price matters, it is only part of the purchasing decision.

Relationship – Development

Our intent is to invest more time with each supplier, and to seek greater shared efficiencies throughout our supply chain. To support this, wherever practical and cost-effective, the purchasing and supply requirements of all the brands and businesses within DLG have been centralised and rationalised.

Our Selection Process

Our sourcing teams aim to conduct the supplier tendering and assessment process in an open and transparent manner, sharing information wherever appropriate to improve performance. When selecting our suppliers, we assess them against a wide range of criteria which include:

- Management capability and financial strength for long-term reliability.
- Ability to deliver enduring quality and value against the required specification and demand. We assess this by conducting rigorous due diligence before and after the bidding process, involving a full cost breakdown analysis, to ensure that the contract can be fulfilled.
- Commitment to innovation and their ability to help us develop new products, processes and ways of working that can give DLG a commercial edge.
- Commitment to the wider ESG agenda including setting Science-Based Targets and joining the Race to Zero campaign. We expect suppliers to embrace ESG activities by actively measuring and publishing Scope 1,2 and 3 emissions, commitment to SBTi (or equivalent) and net Zero, as Direct Line Group has. We will assess suppliers' commitments and practices and apply a sustainability score during the sourcing process. More details can be found in our sustainability report (see useful links).
- We periodically screen our suppliers against applicable sanctions in order to comply with our responsibilities.
- We assure against contractual obligations, legal and regulatory requirements

Supplier Diversity

DLG is committed to providing equal opportunities in sourcing and supplier partnerships, regardless of race, gender, marital status, age, disability, religious belief, political opinion, or sexual orientation.

We aim to maximise supply chain opportunities by proactively seeking and building strong, value-focused relationships with our suppliers.

We believe that diversity in our work force and in our supply, base contributes to a stronger, better organisation, able to draw from a variety of resources with the aim of delivering increased value to our customers and investors. We want value created from our supplier relationships to help us achieve long-term growth, solidify our partnerships with our customers and preserve a competitive advantage.

Consultation and Engagement

We commit to meet our key suppliers regularly to review our business relationships, share ideas and encourage best practice. We endeavour to expand this to all suppliers where appropriate in alignment with our Procurement and Supply chain governance model. Furthermore, we encourage feedback on DLG as a customer. We particularly welcome feedback on how we can improve our policies and processes.

PART 2 - Our Expectations of Suppliers

Purpose and Scope of this Code

As a financial services business, many of our social and environmental impacts can be manifested through the operations and activities of our suppliers. To ensure that we continue to improve our ESG performance, achieve ESG targets we have committed to and adhere to any applicable regulations, it is imperative that we work with suppliers who:

- 1 - Share our determination to be highly successful and customer focused
- 2 - Run their businesses to the same high standards as our own
- 3 – Responsibly manage (or demonstrate their intention to work towards) their ESG impacts and activities to the same or advanced level as DLG

Our expectation on all suppliers that work with DLG is that you confirm you agree to this code, you share this code with any employees and sub-contractors who will contribute to DLG projects. We encourage you to ensure that your own upstream supply chain adhere to the spirit of these business principles, and we expect you inform us of any reason that you would not be able to comply with this code either now or in the future.

Ethical Code for Suppliers

- Legal and Regulatory Compliance
- Business Principles
- Human Rights & Labour Standards
- People and Society
- Environment
- Governance

Legal and Regulatory Compliance

We insist that all suppliers adhere rigorously to all relevant legislation and regulation in their operations. This includes all applicable employment, health, safety and environmental law alongside key Anti-Bribery & Corruption, Privacy and Data Protection, and Anti-Money Laundering & Sanctions legislation. Regulatory breaches that come to our attention will be taken into account when renegotiating supplier relationships.

At an organisational level DLG has a strict policy on Anti-Bribery and Corruption. It will not engage in bribery or corruption in any form and has a zero-tolerance approach to any breach whether it involves private individuals or public officials (including in relation to facilitation payments). As such we expect that our suppliers enforce an equally robust Anti-Bribery & Corruption policy of their own, as well as complying with any relevant legislation.

Our expectations of suppliers go beyond regulatory compliance as demonstrated by DLG's policy on Anti- Bribery and Corruption.

Business Principles

We expect that suppliers mirror DLG's business conduct principles by doing business with us in a fair and honest manner, with openness and integrity, we further expect that suppliers are committed to operating to relevant best-practice standards of employment, health, safety and environmental management in the workplace, and that suppliers provide adequate working facilities for all employees.

Human Rights & Labour Standards

We expect that our suppliers adhere to the core International Labour Organisation (ILO) standards including

- banning the use of child labour and compulsory/bonded labour
- protect workers' rights to non-discrimination and
- Compliance with relevant legislation in both the United Kingdom and the country of operation

Furthermore, we also expect our suppliers to adhere to 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 excessive
- abuse and intimidation are prohibited
- to exercise the same promotion of these requirements and standards across their supply chain

Suppliers should also comply with UK legislation, including The Modern Slavery Act 2015 which requires organisations to support the eradication of modern slavery through increased transparency across their supply chains. Suppliers that fall within the reporting threshold should provide assurances via a published statement outlining the steps that are being taken to support The Act, which should be up to date and available on request. In addition, those who fall outside the reporting threshold should be aware of their requirements in relation to the Act, understanding their own supply chain and ensuring steps are being taken to identify, manage and report on risks associated with Modern Slavery

People & Society

As a company that encourages a culture of openness, inclusivity and celebrates difference, we encourage suppliers to consider diversity and inclusion, employee engagement and the wider society within their top priorities. We look to embrace and support suppliers that have:

- Robust diversity and inclusion programmes
- Have made external diversity and inclusion pledges or commitments
- Measure employee engagement and satisfaction levels
- Support local communities
- Support continuous development or wider society through mechanisms such as apprentice schemes

Environment

As a business committed to strong business growth that is not achieved at the expense of the environment, we expect all suppliers to do their utmost to mitigate environmental risks and reduce their impact on the environment.

DLG, as a provider of financial services, may affect the environment directly through its own operational activities (scope 1 & 2 activities) and indirectly through the activities of our suppliers and investments (scope 3). The environmental challenges facing us all include our use of resources, the creation of pollution, the effects of its activities on climate change, and our impact on species and habitats. It is important that we not only monitor our own behaviour but also encourage others to adopt best practice.

In relation to climate change, we expect that Suppliers should be taking action to reduce environmental impact by specifically:

- Measuring and publishing Scope 1,2 and 3
- Have set, or are working towards setting a Science-Based Target through the SBTi (Or equivalent accreditation scheme)
- Have made a net zero commitment
- Working towards becoming the lowest carbon emitters within their industry

We encourage suppliers to undertake initiatives to offset emissions whilst they work towards reduction targets and undertake initiatives that reduce the impact and promote greater environmental responsibility for all other environmental challenges.

As a company that wants to work with sustainable businesses with a reputation for high standards of business conduct and a clear company vision, we encourage suppliers to demonstrate clear company governance by setting and actively reviewing published and internal statements on subjects that include sustainability, business policies, ethics and legislation that supports the operations being undertaken by Direct Line Group.