

Sustainability

Building a sustainable business

In 2021 we continued to embed initiatives with greater confidence across our five-pillar sustainability strategy. We are aiming to take the long-term decisions that deliver benefits for our business and wider society. Looking after customers, employing great people and ensuring they flourish, tackling climate change, operating within a strong society and having a reputation for high standards of governance are not nice-to-haves, they are foundations of our future success.

Sustainability pillars

Customers

Earn our customers' trust by demonstrating how we are acting in their interests.

Our customers are at the heart of everything we do. Our reputation for excellent customer service contributes to winning new business, and delivering on that customer service year-on-year is why we have high rates of customer retention. Ensuring we continue to see the high levels of customer satisfaction in the interactions they have with us is critical to our future success.

People

Encourage a culture that celebrates difference and empowers people so that they can thrive.

Our business depends on having the best people delivering the best service for customers. Our increasingly diverse workforce gives us insights and perspectives that allow us to understand and serve our diverse customer base. Having a reputation for excellence as an employer, that is matched by the experience of working for the Group, allows us to attract, recruit and retain the people we need.

Society

Use our expertise to improve outcomes for society and the communities we serve.

As a business, we benefit from strong local communities where people and businesses flourish. Our stakeholders want us to make a positive contribution to the society around us. Our vision is to be a force for good; the ways in which we deliver on this area include the tax contribution we make, the charitable donations we give, the volunteering we undertake and the campaigns and policy debates to which we lend our expertise.

Planet

Protect our business from the impact of climate change and give back more to the planet than we take out.

Tackling climate change requires everyone to play their part. As an insurer we are passionate about our role, whether it is reducing our carbon footprint as the UK economy transitions to a net zero future, providing insight on weather-related events such as flooding and storm damage, or developing products that make it easier for customers to go green.

Governance

Look to the long term for our stakeholders, build a reputation for high standards of business conduct and a sustainable business.

Being able to demonstrate exemplary governance is of increasing importance in attracting both customers and investors. In the future, maintaining our reputation for high standards of business conduct, meeting our legal obligations and behaving ethically will be essential to doing business successfully.

Transforming our business for the better

We are very proud to have produced our second ever Sustainability Report in 2021, highlighting the progress made across our five sustainability pillars.

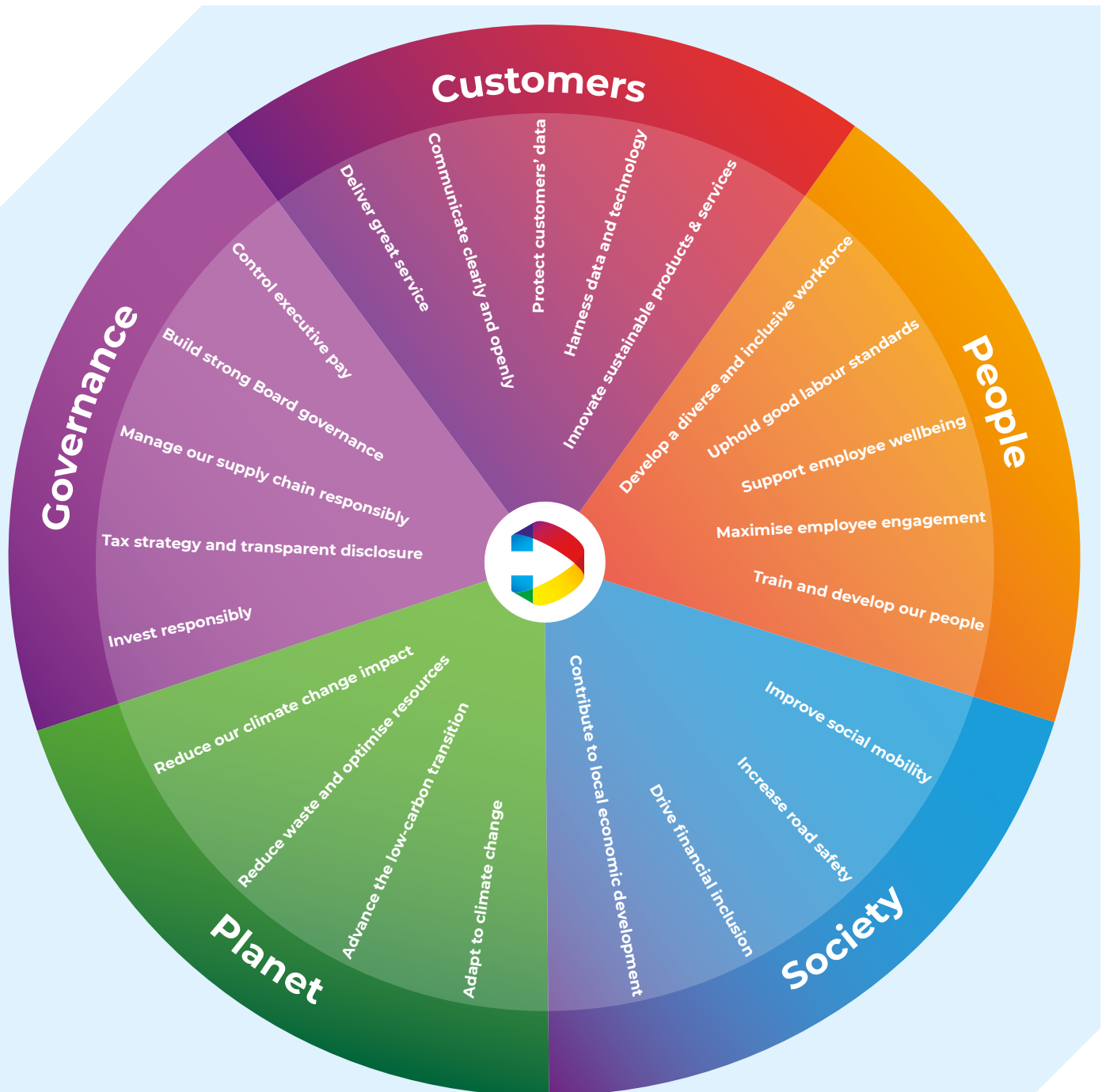
> Read our 2021 Sustainability Report
at https://www.directlinegroup.co.uk/2021_Sustainability_Report



The sustainability priorities of our stakeholders and business

When we created our sustainability strategy two years ago, our work was informed by an analysis of the issues affecting our business and a survey of our stakeholders' opinions as to the relative importance of each of those issues. The stakeholders included customers, suppliers, investors, commercial partners, non-governmental organisations and policymakers. The diagram below highlights the priorities identified within each sustainability pillar.

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 expectations of external stakeholders and the needs of the business.



United Nations Sustainable Development Goals

The United Nations created a number of Sustainable Development Goals ("SDGs") in 2015 focused on achieving a better and more sustainable future for all. The goals address numerous global issues such as fighting inequality, helping to end poverty and tackling climate change.

Aligned with our sustainability pillars, we contribute to several of the SDGs through our work across the Group.



External ratings, memberships and benchmarks

We support various initiatives aligned to our five pillar sustainability strategy, including a range of external partnerships where we play an active role and also receive performance ratings.



The Carbon Disclosure Project is a globally recognised platform measuring reporting performance and this year the Group achieved a B- rating based on 2021 activity.



We were again ranked as an ESG leader out of all companies assessed in the Property and Casualty insurance sector and maintained our top decile position in the broader insurance industry group of 261 companies.



Our rating was upgraded from 'A' to 'AA' in 2021. We were recognised for our improvement in underwriting practices, our focus on climate change as an emerging risk and climate risk modelling, our efforts to integrate ESG principles into our investment decisions, alongside some of our HR initiatives.



We were awarded the EcoVadis Gold medal for Sustainability Performance in 2021. The Group is in the top 10% of companies rated by EcoVadis in the Insurance, reinsurance and pension funding (except compulsory social security) industry.



We support the Get Nature Positive campaign, focused on restoring nature and biodiversity. In line with this aim, we announced a partnership with the nature recovery charity Heal, providing a £3 million loan facility that can support the purchase of two initial sites.



As part of HRH The Prince of Wales's Sustainable Markets Initiative, we signed up to the Terra Carta Charter, supporting a roadmap towards a sustainable future, harnessing the power of nature, innovation and resources of the private sector. We are an active participant in the Sustainable Markets Initiative Insurance Taskforce.



We support the UN-backed Race To Zero campaign and are committed to tackling climate change by setting Science-Based Targets to a 1.5°C emissions scenario.



We are a supporter of the Social Mobility Pledge which encourages organisations to support social mobility through access, outreach and recruitment initiatives.



We are a signatory to HM Treasury's Women in Finance Charter. We are proud that the majority of our Executive Committee are women.

Customers

Earn our customers' trust by demonstrating how we are acting in their interests



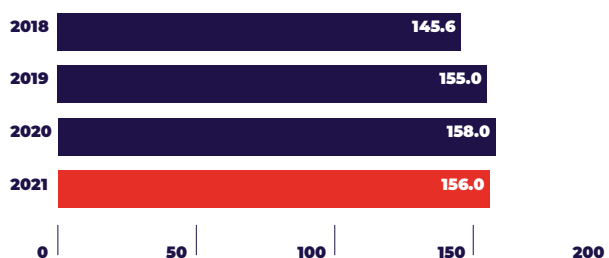
We are one of the UK's leading insurers, providing general insurance products to millions of customers through our well-known brands, including Direct Line, Churchill, Privilege and Green Flag.

Our aim has always been to understand customer expectations, anticipate future trends and deliver exceptional service, underpinned by a quality claims service, because this is how we hope to earn trust and customer loyalty. It is one part of how we are striving to make a sustainable business.

Net Promoter Score

We maintained a strong Net Promoter Score in 2021 and our performance over the last few years has shown that customers are willing to recommend our Direct Line brand to others.

Net Promoter Score¹ – Direct Line brand



Customer Pillars



Expectations

Manage and exceed my expectations



Ease

Make it as effortless as possible for me



Fix-it

Identify the issue, own it and fix it



Trust

Earn my trust



Personalisation

Treat me like a real person and not like a process



Empathy

Understand me and work hard to build a relationship

Note:

- Please see Net Promoter Score KPI on page 31 for further information.

Mileage refunds

From the start of Covid-19 we have been clear we wanted to do right by our customers, so we have taken a number of steps in response to the changes we've seen in driving behaviour.

During the first lockdown in 2020 we offered refunds to all Motor customers, recognising significantly reduced driving levels due to the restrictions and in 2021 we did the same again.

Our Direct Line customers continue to benefit from our Mileage MoneyBack offer, where they can get money back if they drive less than the expected mileage they registered when taking out the policy¹.

For our other Motor brands, Churchill, Privilege and Darwin, customers have been offered refunds which could either be paid to them or donated to charity. Our customers were outstandingly generous and their combined donations led to significant sums being donated to NSPCC, Mind and UK Sepsis Trust.

£411k
NSPCC

£381k
Mind

£167k
Sepsis Trust

Supporting customers

CONNECT training

We have an established training programme called CONNECT to help our consultants respond with empathy to differing customer needs, while also taking responsibility and accountability. This is particularly important for customers who may be experiencing issues such as illness, bereavement or vulnerability. Based on the CONNECT training, those people who successfully demonstrate high levels of customer service receive a certificate of accreditation from the Institute of Customer Service. In 2021, over 1,700 of our customer-facing and support staff have received new additional training to recognise, engage and support our vulnerable customers.

“In 2021, over 1,700 of our customer-facing and support staff have received new additional training to recognise, engage and support our vulnerable customers.”

Bereavement team

We are proud of our established team of consultants who are skilled in dealing with queries when someone loses a loved one because we know that managing financial matters can be the last thing on people's minds following a death. All queries are dealt with sensitively and in one place, to provide peace of mind at a difficult time for customers.

Recognising differing customer needs

We know some customers find it difficult, upsetting or simply time consuming to disclose their vulnerability each time they are in contact with us. That's why we ask them if they are happy to have details of how best we can support them recorded on our system. If they agree, we tag their record with a heart, so colleagues dealing with that individual in the future know to read the details of the specific case and the support that may be required. If someone says they do not want it recorded on their file, we don't record it.

Green Flag

In our Green Flag business we offer roadside rescue and recovery services, recognising that some customers require assurance that we are on the way. Our customer-facing teams therefore actively prioritise customers who might need immediate support, such as lone or vulnerable travellers on the roadside at night or families with young children.

Building a quality claims experience

In a normal year, we handle around 1 million claims, fix approximately 200,000 cars and pay out claims totalling in the region of £1.8 billion.

To make claiming easier we are increasingly digitalising the customer journey, providing peace of mind when our customers need it most:

- **100%** of Motor and Home claims can now be registered online
- **Reducing the time to settle** total loss claims in our Motor business by developing our own in-house damage evaluation tool that identifies how best to support customers by either fixing their vehicle or providing a cash settlement
- **Whole process online** for simple Home claims so customers can complete their claim without needing to call us if they don't want to

Note:

1. At the end of the policy year, once they are sent their renewal invite, the customer is required to submit a new mileage reading. The mileage driven is then compared to the estimated mileage on the policy with a 2% refund for every 1,000 miles driven under the estimate up to a maximum of 20%.

Sustainability *continued*

Communicating clearly with customers



Plain Numbers

Clear. Fair. Never misleading.

In line with our company behaviour to 'Encourage simplicity', this year we collaborated with Plain Numbers, an organisation which aims to change the way numbers are presented to improve comprehension, particularly for vulnerable customers.

In the Plain Numbers trial alongside the Bank of England and other major companies, we used the Plain Numbers approach to reduce technical language, define complex terms more simply, and place numbers that were less important further down a page to avoid confusion.

The trial showed that using the approach improved the number of people who could understand individual communications.

We are now reviewing the results and beginning to consider how some of the changes can be added into the current design of documents to help customer understanding and will be looking to train staff in the Plain Numbers approach.

We are also evaluating changes across the multiple channels we use and the online content we produce, to ensure that communications and language are clear across the Group.



People

Encourage a culture that celebrates difference and empowers people so that they can thrive



At DLG we believe that the best way to serve our customers is by having the best possible people. Our millions of customers have individual needs and we know that we will understand them better if our workforce reflects that diversity.

It's why we work hard to attract, develop and retain excellent people from a diverse range of backgrounds. We do this by offering rewarding and enjoyable careers, with the scope to learn new skills, contribute new ideas and work with great colleagues.

We look after our people and reward them for their hard work with a generous range of benefits.

Supporting our people through the pandemic

Across 2021 we continued to support our people through the pandemic. From working at home, to ensuring as safe an environment as possible for those colleagues who continued to physically come into work, from allowing people time off for vaccinations, to offering flexibility for those having to home-school and then working to make time in the office feel secure. We've been supporting and caring for each other every step of the way.

A diverse workforce

We are proud to be one of only four companies in the FTSE 350 that has both a female CEO and a female Board Chair¹. This year the diversity of our Executive Committee has been transformed; its composition is now six women and five men. Two of our Executive Committee are from a minority ethnic background. You can't be what you can't see, so we hope our diverse leadership team will inspire more colleagues to aspire to the top roles.

But we know that inspiration is not enough, which is why we are offering our people the practical support they need to succeed and removing barriers to their success.

We have introduced new recruitment principles for senior roles, including anonymised CVs², a stronger focus on diverse shortlists and panel-based assessment to help protect against bias.

"This year the diversity of our Executive Committee has been transformed; its composition is now six women and five men."

Notes:

1. Source: <https://www.gov.uk/government/news/sea-change-in-uk-boardrooms-as-women-make-up-nearly-40-of-ftse-100-top-table-roles>
2. Anonymised CVs do not apply to Executive Committee and Board Roles.

Sustainability *continued*

Our values

**Do the right thing**

Build sustainable outcomes not processes. Think commercially and choose the right path for our customers, our people and wider stakeholders.

**Aim higher**

Be ambitious to achieve even better results. Have confidence, innovate and try new things. Embrace change to deliver for each other, our customers and our shareholders.

**Take ownership**

Own our success by getting things done. Take the initiative and be accountable. Be curious and own your development and performance.

**Say it like it is**

Challenge drives progress. Your input matters so have the courage to say what you think and the patience to listen to others. Keep it simple and customer-focused.

**Work together**

Nobody has all the answers. Collaborate and draw upon the diverse skills across our business. Trust each other and focus on customer outcomes to win against our competitors.

**Bring all of yourself to work**

Diversity delivers better outcomes. Be the real you and celebrate difference. Respect others, have fun and make this a great place to be.

Bring your whole self to work

We know we will never be an inclusive and diverse workforce if people don't feel free to be themselves. That's why "bring all of yourself to work" is one of our core values. To bring this to life we have a thriving Diversity Network Alliance (DNA), run by our people, with communities of colleagues that champion diversity and inclusion within our business.

This year each strand 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.



REACH (Race, ethnicity, and cultural heritage)



Neurodiversity and Disability



Belief



Social Mobility



LGBT+



Thrive (gender)



Life (working families and carers)

The Inclusive Top 50 UK Employers List

This year we were 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.

The Charter for Faith & Belief Inclusion

In 2021 we signed up to The Charter for Faith & Belief Inclusion, which aims to help create understanding between people of different faiths and beliefs and a society which is fair to people of all backgrounds – religious and non-religious.



Gender

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 Women in Finance figures, FTSE Leaders figures and breakdown by levels within the organisation each cut the data in different ways.

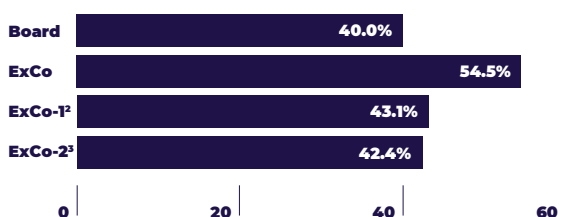
Women in Finance

Having achieved our Women in Finance target for 30% of women in senior leadership roles back in 2019 we chose to push ourselves further by targeting reaching 35% by the end of 2022. At the end of 2021, representation of women in senior leadership roles has risen to 32.8%.

FTSE Women Leaders Review

Last year we exceeded the Hampton-Alexander Review's 2020 target for FTSE 350 companies to have at least 33% representation of women on their Board and in their Executive Committee and direct reports. We are pleased that for 2021, we have reported 40% women on our Board and 40.5% women in leadership roles in the FTSE Women Leaders Review, placing us 18th in the FTSE 250 and 3rd in life and non-life insurance sector¹ and meeting the new FTSE Women Leaders Review recommendations on gender balance and women in the most senior board and leadership roles.

Senior women representation (%)



Pay Gap Reporting

Our gender pay gap continues to be low compared with the broader financial services sector, but we know there is still more to do. We're comfortable that we don't pay people differently because of their gender and believe that the way to reduce the gap in the medium- to long-term is to take concerted action now to address the disproportionate representation of women across certain areas and levels of the business.

This year we announced that from 2022 we will also voluntarily publish our ethnicity pay gap, showing the difference in average pay between our ethnic minority and white colleagues across the whole organisation.

Notes:

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

Ethnicity



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 (leadership roles are defined and fixed as those above a certain level in our internal grading structure). We know more needs to be done and are committed to building on progress year on year:

- **Growing 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%.

- **Growing 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.

To hold ourselves to account internally, we produced a specific report detailing the steps the Group has taken across 2020-21 towards "Building a diverse business; improving Black inclusion" in October to coincide with Black History Month.

In addition we have signed up to:

Business in the Community's Race at Work Charter,



which commits us to act and take positive action towards supporting ethnic minority representation and inclusion.

The If Not Now, When? campaign for Black inclusion



within business, calling for organisations to commit to sustainable and long-term actions on Black inclusion in the workplace.

The 10,000 Black interns programme,



which aims to transform the prospects of young Black people across the UK through paid internships across a range of industries. We will be welcoming our first interns in Summer 2022.

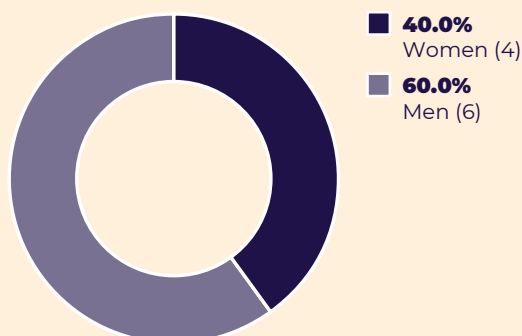
The 5% Club



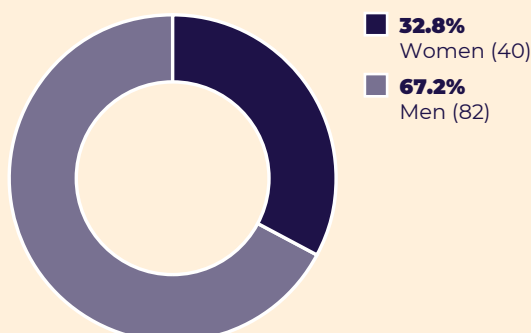
This year we joined the 5% Club, committing that within five years 5% of our workforce will be apprentices, graduates and sponsored students.

Sustainability *continued*

Gender diversity of our board

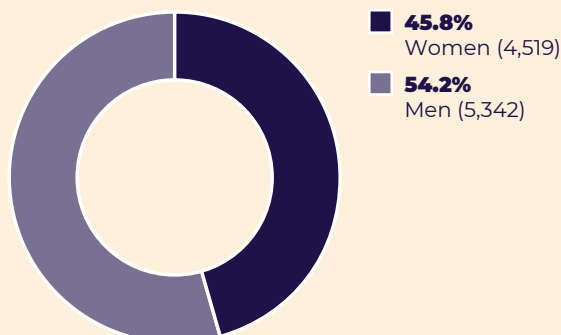


Gender diversity of senior leadership



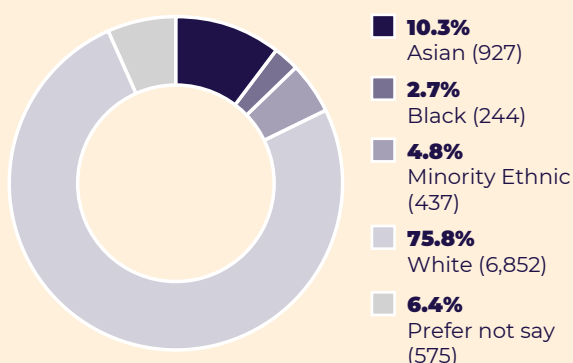
Gender diversity of senior leadership figures based on 2021 Women in Finance reporting

Gender diversity of all employees



Excludes an estimated 0.5% colleagues who identify as non-binary, gender-fluid or other gender due to data reporting constraints

Ethnicity of all employees



Excludes 8.4% of colleagues who have not submitted an option for ethnicity

> For more information on leadership gender diversity, including gender diversity of the Board see page 114

Looking after our people

Mixed model working

During the pandemic, the Group moved quickly to enable over 9,000 of its staff to work from home. Over the following 18 months we learnt that we can serve our customers effectively and deliver big transformation projects while giving our people the flexibility they've told us they want.

Therefore we have chosen to move to a mixed model that combines remote working with using our offices in a different way. Trusting our people to get the job done wherever they are working from. From September 2021, our people have been able to come into the office for collaboration, training and team building and continue to log on from home to do computer and phone work. We believe this offers our people the best of both worlds and it helps to maintain the culture our people enjoy.

Early careers

We have always been a great place for people to start their career. We now want to build on the early career opportunities it offers, playing our part in improving the career prospects and enhancing the skills of the UK's young people.

Making Flexible Work Charter



**Making
Flexible
Work**

This year we signed up to the Association of British Insurers 'Making Flexible Work' Charter because we know one size does not fit all. We are actively looking at

how we can build on the flexible options we already offer.

Mental health

We strongly encourage our people to be open about how they feel and that's never been more important than during Covid-19 with all the additional pressures and concerns that have arisen. We have a cohort of colleagues who are trained as mental health first aiders that people can reach out to, as well as a confidential external service that they can call for help, support and advice.

Employee Representative Body (ERB)

Our ERB meets regularly, has an engaged membership and is much valued by our people. It brings colleagues together from across the business to discuss and input into proposals and initiatives that may affect our future and impact our people. It also offers the opportunity for individuals, via their ERB reps, to feed in their views and suggestions. More information on the work of the ERB can be found in the Corporate Governance report on pages 109 and 111.

Pensions

We want to support our people to save for their retirement. That's why all our people are offered an additional 9% on top of their salary a year to go into their pension.

Rewarding our people

Our people work hard on behalf of our customers so it's only right they should receive proper financial reward for their contribution. In 2021 salary increases were awarded of between 1.5% to 2% and, in addition, a £400 one-off "thank you" bonus was given in April 2021 to everyone who is not usually eligible for a bonus.

In April 2021 all eligible colleagues received £350 of free shares, making this our sixth award of free shares since 2012. These shares are now worth £2,059 or £2,888 inclusive of dividends received¹.

Minimum salaries

We strive to ensure that our colleagues are rewarded for the contribution they make to our success. While we seek to ensure the pay proposition is good for all our people, we have shown a clear commitment to lifting the salaries of our lowest-paid colleagues. We have done this through ensuring the minimum pay ranges are ahead of the National Living Wage and the Real Living Wage.

During 2021 the minimum salary was £19,500 for a 37.5 hour week. This was 11% above the Government's statutory National Living Wage (April 2021 figure for those aged 23 or over), and 5% above the Living Wage Foundation's Real Living Wage (November 2020 figure for roles outside London).

The business has announced that from 1 April 2022 our minimum salary will rise by 6.7%, seeing pay for a 37.5 hour week rise to £20,800². This will be 12.3% above the Government's statutory National Living Wage (April 2022 figure for those aged 23 or over), and 7.7% above the Living Wage Foundation's Real Living Wage (November 2021 figure for roles outside London). In keeping with our learning culture the decision has also been taken that apprentices will be paid our minimum salary rate from that date³.

Human rights

As we work to become increasingly sustainable we want our people to both flourish and to build a reputation for ethical business and this drives our commitment to have employment practices and policies that exceed those in the Universal Declaration of Human Rights. We are committed to ensuring modern slavery is not present in our supply chain. Our risk profiling, including specific requirements within our due diligence and assurance processes, incorporates the Modern Slavery Act 2015.

Listening and responding to our people

It's important to us to understand how our people are feeling so we can take action, which is why we conduct regular employee engagement surveys. This year we have improved our capability by bringing in a new survey platform which provides enhanced functionality. This has made it even easier for colleagues to give feedback and for people leaders to understand the results.

In response to 2021 survey findings, we have focused on supporting a successful transition to mixed model working by:

- **Creating an intranet hub** which provides our people access to all the practical guidance and support materials they need for a successful transition to mixed model working. It is regularly updated with new information in response to colleagues' requirements
- **Delivering new technology bundles**, direct to colleagues' homes, equipping them with the right tools to work at their best, both at home or when on the move
- **Keeping people involved and in touch** and building a real sense of connectivity with ExCo members, participating in regular interactive "ask anything" sessions including virtual townhalls, business update calls and getting to know you online 'cuppas'.



Notes:

1. Based on the share price at 31 December 2021.
2. Subject to satisfactory performance and excluding apprentices in DLG Auto Services who receive different rates of pay.
3. DLG Auto Services apprentices will receive a different level of pay for the course of their apprenticeship.

Society

Use our expertise to improve outcomes for society and the communities we serve



We know that being a force for good means more than just providing great customer service. Our stakeholders expect us to make a positive contribution to the society around us and we do this in many ways, whether it is the causes our Community Fund supports, the campaigns we run on issues like social mobility, or the tax contribution we make.

As a business we aim to have a wider impact on the communities we serve and society as a whole. This has been particularly important in 2021, as many people continued to live with the impact of Covid-19. In response, colleagues across the business have found new ways to support families and individuals via our Community Fund, driven by our Diversity Network Alliance (“DNA”) and Community and Social Committees (“CASCs”).

“Our colleagues across the business have found new ways to support families and individuals via our Community Fund, driven by our Diversity Network Alliance and Community and Social Committees.”

This year we have made further progress on our social mobility journey and in driving inclusion for left-behind groups. We have provided chances for young people still at school to broaden their understanding of the opportunities available within financial services, offering more apprenticeships as a route in, and helping our Social Mobility Employee Network to provide support, broaden understanding and advocate for change.



Social Mobility Action Plan

Getting In, Getting On, Getting Ahead

In partnership with the Social Mobility Pledge, we launched our Opportunity Action Plan setting out a series of recommendations the Group can implement to strengthen our contribution to addressing social mobility within the UK. Recommendations included:

- Targeting efforts towards areas around the Group's sites with the widest inequalities and maximising remote working opportunities
- Utilising our Community Fund to prioritise social mobility causes in partnership with charities and organisations that aim to make positive change
- Monitoring and tracking employee data to understand potential barriers for colleagues and gain better insight into how people are progressing to senior positions within the Company
- Evaluating over time how the Group's actions can be measured to quantify impact

Targeting social mobility cold spots

Coming out of the pandemic we want to harness the benefits of remote working, because we recognise we can offer opportunities in areas of the country where we have traditionally been unable to recruit. At the start of the year we piloted a remote customer service apprentice scheme, targeting social mobility cold spots in Derby, Mansfield, Hastings and Crawley where we relaxed traditional recruitment criteria so that we assessed candidates on panel-based assessment, rather than on professional experience.

Social mobility insight days

Building on the success of last year, we held two insight days in 2021 in conjunction with the Social Mobility Business Partnership and the Social Mobility Foundation, for bright students from less-advantaged backgrounds, to break down barriers around careers in insurance and to develop their skills.

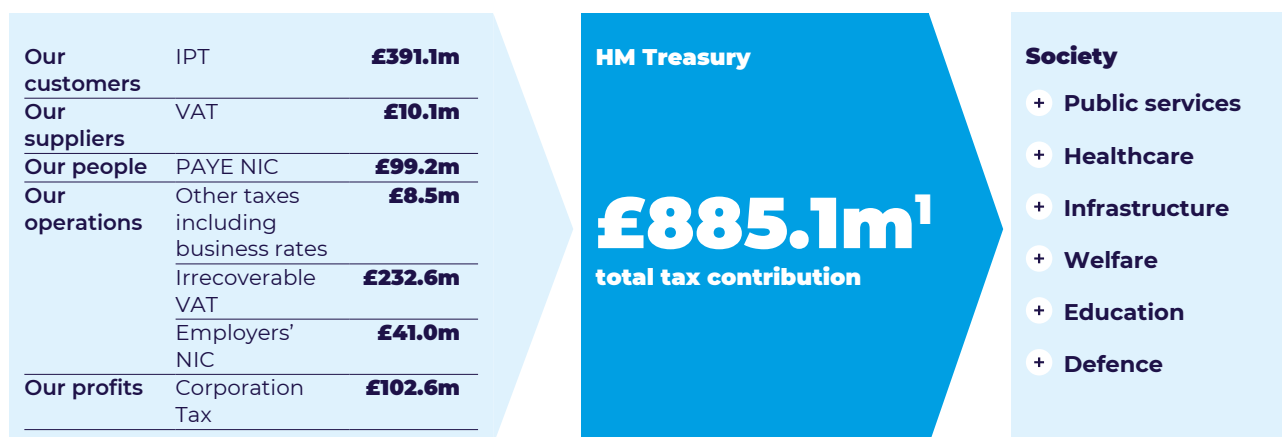
We've also partnered with Teach First and Envision to support training and provide mentoring through colleagues across our business.

Read more about our Opportunity Action plan at www.directlinegroup.co.uk/en/sustainability/our-society/



Our 2021 tax contribution

We ensure that we are compliant with all applicable tax laws and regulations and that we meet our responsibilities both as a contributor of corporate taxes and as a collector of taxes on behalf of HMRC. For 2021, our total tax contribution was £885.1 million which included the Group's direct and indirect taxation.



Note:

1. The Group's total tax contribution in 2021, including direct and indirect tax contributions.

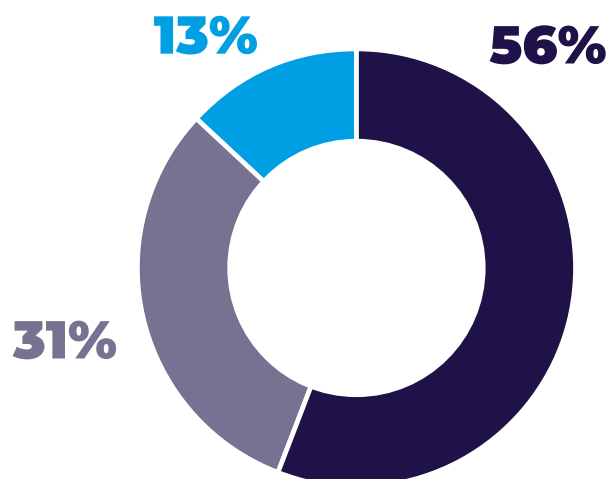
Community Fund 2021

Our Community Fund has gone from strength to strength in 2021. We continued to work with a number of the charities where we had pre-existing relationships and forged new partnerships by addressing three priority areas:

1. Marginalised Groups and Loneliness

2. Mental Health and Wellbeing

3. Food Poverty



Some of the charities and organisations we have donated to are:



Kids Out

We delivered over 300 laptops and tablets for 100 refuges throughout the UK. The funding supports vulnerable schoolchildren, many of whom have fled domestic violence and on average spend at least three to four months in refuge accommodation where over 50% do not attend school for fear of meeting their abuser. Colleagues also dedicated their time to call refuges and identify what individual sites' needs were so they could receive the right equipment.



Sepsis Trust

We helped raise awareness of the condition sepsis through our customer newsletter which reached over 2 million people. Amazingly, one of our customers recognised the signs in her partner after reading the newsletter and he managed to receive lifesaving treatment as a result of our partnership.

DNA strands

We empowered our DNA network to nominate several charity partners to support, helping us to bring to life the 'personal and inclusive' element of our vision. In total, £100,000 was distributed to a number of organisations.

> [Read more about our DNA Strands on page 62](#)

Sprintathon

We continued to support Stand up to Cancer with colleagues completing as many 100m legs of a 400 metre track as possible within an hour. In total, we raised over £125,000 to help accelerate life-saving research and cancer treatments.

£1.5m

given out in 2021

£225k

donated for laptops
and tablets

£120k

for emergency funding
and equipment supplies
in UK hospices

Community Fund 2022

We are incredibly proud of what the Community Fund has managed to achieve over the last two years. It has been a huge success from delivering immediate support to those who needed it the most to empowering colleagues to be at the heart of decision making.

Looking to 2022, we want to capitalise on these building blocks and focus the Community Fund on improving social mobility and driving inclusion in the UK.



NSPCC

During the pandemic, through our Mileage MoneyBack scheme, we offered customers the opportunity to donate their mileage refund to a number of charities including NSPCC. Over the last year our customers gave £411,000 to NSPCC, helping to keep children safe across the country.

Mind

Building on the great work of our partnership from last year, we continued to train mental health first aiders and break down barriers so that colleagues feel empowered to discuss mental health issues. We additionally delivered pro-bono support for Mind's operations and ran a graduate fundraising initiative.

Community and Social Committees

Our employee-led CASCs, which involve colleagues across all of our sites to co-ordinate local volunteering and charitable giving, delivered over £100,000 in funding for IT equipment to schools during the height of lockdown and £100,000 to food banks and local causes during Christmas time.



Green Flag community deliveries

From March 2021, with the support of Business in the Community, our Green Flag recovery drivers have helped to deliver food parcels, laptops and other essential items to families, children, and local councils across the country.

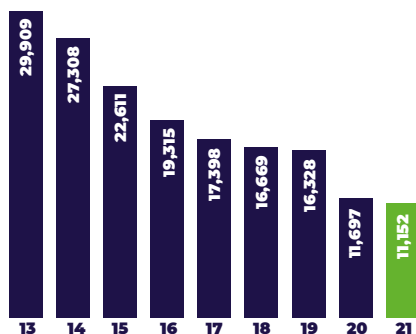
Planet

Protect our business from the impact of climate change and give back more to the planet than we take out



We view the climate emergency as a race to find solutions. Across the business we are focused on climate risk mitigation and playing our part in accelerating the transition to a low-carbon future. There are three steps to our plan:

Greenhouse gas emissions (tCO₂e)^{1,2,3}



Energy consumption (kWh)^{2,3}

	2021	2020
Electricity	14,856,315	16,669,842
Gas	24,286,023	21,699,765
Total	39,142,338	38,369,607

Step 1

Disclose to track progress

We have done a lot of work to understand where the most carbon-intensive areas of our business are, because only by understanding and reporting our carbon footprint can we find solutions.

We have measured and disclosed our Scope 1 and 2 emissions and certain Scope 3 emission categories since 2013. In recent years, we have expanded the categories we report under Scope 3 to include some of the Green House Gas Protocol categories which are material to our business operations. We have also measured and disclosed our Supply Chain emissions since 2020 and this year, for the first time, we are disclosing our Homeworking emissions in recognition of more colleagues working from home.

In regards to progress made, we have:

- Reduced our energy consumption by 45% since 2013⁴
- Procured 100% renewable electricity for our operations since 2014
- Diverted 100% of our office waste from landfill

We are focused on providing greater transparency and want to now go further in our disclosures which is why we report our office, accident repair centre and supply chain emissions to guide our carbon reduction strategy going forward.

Step 2

Commit to tangible actions

Target setting

We have committed to set Science-Based Targets for Scope 1, 2 and 3 emissions via the Science Based Targets initiative ("SBTi") and this year joined the Race to Zero because we recognise our role in taking a leadership position as we reduce emissions. It means we will set targets in line with a 1.5°C emissions scenario where we are aiming to achieve net zero emissions by 2050 at the latest.

As we work to set targets, the most carbon-intensive areas of our business – our accident repair centres, supply chain and investments – are already starting to put in place plans.

Establishing Strategic Management Actions

In 2021, we established the following Strategic Management Actions which business areas are now prioritising:

- **Electric vehicles** – improving our capability and understanding to support the transition to EVs.
- **Supply chain** – implementing a Supply Chain Sustainability Programme to engage and influence suppliers.
- **Flood resilience** – engaging with policymakers on the importance of flood defences and helping to shape thinking around resilient repairs.
- **Underwriting footprint** – evaluating the impact of climate change on our underwriting footprint so that we can manage risks to our business and help inform strategic decision making.

Step 3

Offset while we reduce

We know that it will take time to reduce emissions and facilitate the transition to net zero, whilst we enhance our approach to sustainability across the Group and set Science-Based Targets.

Last year we took the step to become a carbon neutral business by offsetting our Scope 1 and 2 emissions as well as elements of our Scope 3 emissions under our direct control by partnering with ClimateCare, an organisation that is dedicated to tackling climate change and improving lives by financing, developing and managing carbon reduction projects across the world.

From November 2020 to November 2023, we've pledged support to carbon offsetting projects which will deliver high social impact benefits to communities and environments in three countries.



> Read more about DLG Auto Services on page 74



> See page 73 for more information on our offsetting projects

Notes:

1. Total Scope 1 and 2 emissions. The 2020 result of 11,697 tCO₂e differs from the reported result of 12,137 tCO₂e in the 2020 Annual Report and Accounts following recalculation.
2. 100% of the GHG emissions and energy consumption reported relates to operations all of which are based in the UK.
3. Data is reported in compliance with the SECR requirement to disclose annual global GHG emissions and annual global energy consumption (see page 87).
4. Reduction in energy consumption is reported on a like-for-like basis.

Sustainability *continued*

Group emissions

We believe accurate measurement and transparency can guide the business in making targeted interventions as part of our carbon reduction strategy. We implemented a number of test and learn activities, and continue to innovate and explore a range of solutions. We have provided a comparison of emissions data for Scope 1, 2 and 3 with greater clarity of the activities under our direct control, as well as our supply chain emissions. 100% of the emissions reported relates to operations all of which are based in the UK. The data is reported in compliance with the SECR requirement to disclose annual global GHG emissions (see page 87 for more information).

Definitions

Scope 1: This covers direct emissions from owned or controlled sources. For example, our office sites throughout the UK using gas boilers, the paint booths in our Auto Services sites currently relying on gas powered processes and our fleet vehicles.

Scope 2: These are indirect emissions. They are emissions associated with the production and transmission of energy we eventually use as a company across our office and Auto Services sites. For example, the production of the electricity we buy to heat and cool our buildings generates emissions.

Scope 3: These are indirect emissions that occur in the value chain to support our company operations. For example, employee commuting, activities related to the disposal of waste and the goods and services we purchase to fulfil customer claims as part of our supply chain. It will also include our investment portfolio which we are currently evaluating as we work to set Science-Based Targets.

Reporting methodology

We comply with the applicable greenhouse gas reporting requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and apply the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our emissions, which includes emissions associated with electricity consumption.

Our carbon emissions are calculated by an external third party and reviewed internally. The calculation method used for 2021 remains consistent with prior periods and with the reporting standards stated above.

Scope 1	2021		2020		2019 baseline	
Office sites ¹	1,220		1,339		1,881	
Auto Services ¹	6,777		6,472		7,838	
Total (tCO₂e)¹	7,997		7,811		9,719	
Scope 2	2021		2020		2019 baseline	
	Location-Based ²	Market-Based ²	Location-Based ²	Market-Based ²	Location-Based ²	Market-Based ²
Office sites	1,372	0	2,176	0	4,516	0
Auto Services	1,783	0	1,710	0	2,093	0
Total (tCO₂e)	3,155		3,886		6,609	
Total Scope 1&2 (tCO₂e)¹	11,152		11,697		16,328	
Of which: office sites (tCO ₂ e) ¹	2,592		3,515		6,397	
Of which: Auto Services (tCO ₂ e) ¹	8,560		8,182		9,931	
Scope 3 emissions under our direct control	2021		2020		2019 baseline	
Fuel and energy related activities	2,586		2,332		2,465	
Waste generated in operations	474		413		1,245	
Business travel – air travel	28		198		928	
Business travel – hotel night stays	34		75		469	
Business travel – rail	29		63		410	
Employee commuting ^{3,4}	5,962		1,450		4,599	
Of which: homeworking emissions ⁴	5,501		–		–	
Upstream leased assets ⁵	110		63		193	
Upstream transportation and distribution of auctioned vehicles	655		625		912	
Total (tCO₂e)	9,878		5,219		11,221	
Total emissions under our direct control (tCO₂e)^{1,6}	21,030		16,916		27,549	
Scope 3 – supply chain	2021		2020		2019 baseline	
Total procured goods and services (tCO₂e)⁷	217,062		144,114		249,929	
Direct Line Group carbon footprint (operational control)	2021		2020		2019 baseline	
Total (tCO₂e)¹	238,092		161,030		277,478	
Of which: under our direct control ^{1,4}	21,030		16,916		27,549	

Notes:

- The 2020 Scope 1 total of 7,811 tCO₂e (office sites: 1,339 tCO₂e, Auto Services: 6,472 tCO₂e) differs from our previously reported figures of 8,251 tCO₂e (office sites: 1,432 tCO₂e, Auto Services: 6,819 tCO₂e) in the 2020 Annual Report and Accounts following recalculation.
- Figures for Scope 2 use standard location-based methodology. We follow GHG Protocol to disclose both location and market-based figures; and as we have secured our energy from 100% renewable sources since 2014, our Scope 2 market-based results are nil.
- Employee commuting is based on UK national averages, not actual individual methods of transport of Direct Line Group employees commuting. This data is not currently tracked.
- In line with the GHG Protocol standards our homeworking emissions are reported under the Scope 3 category 'Employee Commuting'. Prior period measurement is not available.
- Upstream leased assets refer to leased office space locations where Direct Line Group does not directly control the energy provision as it is included in the service agreement.
- Total of Scope 1 & 2 emissions and Scope 3 emissions under our direct control.

Intensity metric

We monitor the intensity metric of emissions¹ per £ million annually of net earned premium. This is a measure of how efficiently we provide our insurance products and allows us to compare our performance year-on-year and against other insurance companies.

Year	Emissions per £ million of net earned premium ²
2021	3.8
2020 ³	4.0
2019	5.5
2018	5.4
2017	5.5
2016	6.4
2015	7.7
2014	9.1
2013	9.5

Notes:

1. Scope 1 and 2 emissions.
2. Prior to 2019, the emissions used in the calculation of the intensity metric excluded emissions from additional vehicles used during repairs, courtesy car fuel usage and vehicles that are Company funded, as these were not previously tracked.
3. The 2020 result of 4.0 differs from the previously reported result of 4.1 in the 2020 Annual Report and Accounts following recalculation of our Scope 1 emissions (see footnote 1, page 72).

Offsetting projects

We supported three high-impact projects in Kenya, Bangladesh and Brazil to reduce carbon and support communities for a cleaner future. Over the last year, activity has progressed on all these projects, as they have not only reduced emissions, but delivered a range of benefits for people and planet.

Water filters, Kenya

We have provided funding which has helped the continued manufacture and distribution of Aqua Clara water filters.

Our support has contributed to the provision of over 8 million litres of safe water to Kenyan schools and households and is enabling future growth of the programme through further training and expanding distribution.



Clean cookstoves, Bangladesh

Through our support of this Gold Standard-verified project, we have contributed financing to subsidise the manufacture, distribution and after-sales support of Bondhu Chula cookstoves throughout local communities in Bangladesh, improving air quality and lowering household costs.

Our help has contributed to the distribution of almost 6,000 cookstoves, lowering fuel costs and improving household air quality for over 25,000 people.



Rainforest protection, Brazil

Our financial assistance for this project is helping to provide benefits to the local ecosystem by providing jobs in forest conservation and training in agroforestry techniques, in addition to protecting multiple vulnerable species that live within the region.

Local communities are empowered by offering land use and tenure rights in exchange for positive conservation results. This provides access to loans from development banks in Brazil, which can deliver a transformative impact on the area.



Notes (continued):

7. In accordance with the GHG Protocol under which we report, the following are excluded from the total:
 - a. operational control activities already detailed under 'Scope 3 emissions under our direct control';
 - b. cash payments to customers or other insurance companies / legal firms as compensation;
 - c. intragroup transfers between our operating companies for financial accounting purposes as the actual purchase of goods and services to our third-party suppliers is already captured; and
 - d. reinsurance costs to third-party reinsurers as this is a financing transaction.

Sustainability *continued*

DLG Auto Services

Direct Line Group writes close to 4 million in-force motor insurance policies, and customers are supported by our 22 Auto Services accident repair centres throughout the UK. We have the largest insurer-owned body shop business in the UK, and operate a partnership network with other body shop suppliers around the country.

Our Auto Services are fundamental to our claims and supply chain operation, but we also recognise they are one of the most carbon-intensive areas of the business. We are exploring a range of solutions to embed our environmental goals as part of our emissions reduction strategy:



Moving away from reliance on gas powered repair processes

Paint booths that currently rely on gas could be switched to electricity derived from renewable sources. We are trialling this in our Birmingham site.

Taking advantage of innovative products

Working collaboratively with commercial partnerships can realise environmental benefits. For instance, new paint technologies might reduce or remove the need to cure paint used on vehicles, thereby reducing energy consumption.

“As a major UK motor insurer we believe our ‘green’ USP should be to insure and fix electric vehicles, while aiming to do this in the most energy-efficient repair network in the UK.”

Green parts

Offering customers the option of ‘green’ parts could reduce the need for new replacement parts. It could also provide confidence about what can be recycled from salvage operations if motorists select this option when fitting parts to their vehicle.



Using alternative fuels

Testing the viability of alternative fuels, such as hydrogenated vegetable oil (“HVO”), to power recovery trucks which play an important part in servicing customer motor claims.



Energy-efficient lighting

Introducing LED lighting is more energy efficient and is preferred by our technicians who can see jobs more clearly. Our Weybridge site is enabling energy savings of up to 60% and a reduction in maintenance costs over a projected lifespan of 10 to 20 years.