

# **Direct Line Insurance Group plc**

## **Notice of Annual General Meeting to be held on 11 May 2017**

### **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or transferred all of your shares in Direct Line Insurance Group plc (the "Company"), you should pass this Notice of Annual General Meeting (the "Notice") and accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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Direct Line Insurance Group plc

## **LETTER FROM THE CHAIRMAN**

**28 March 2017**

Dear Shareholder

### **Annual General Meeting ("AGM")**

I am pleased to enclose the Notice of Meeting for the Company's 2017 AGM. The AGM will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD on Thursday, 11 May 2017 at 11.00am. The AGM provides an opportunity for you to communicate with your Directors.

The Notice sets out the resolutions to be proposed, together with explanatory notes and general notes for shareholders who wish to give proxy voting instructions electronically or by post. Proxy appointment forms are also enclosed. If you have requested a printed copy of the Company's Annual Report & Accounts for the year ended 31 December 2016 (the "Annual Report & Accounts"), it has been included in this pack.

If you asked to receive the Annual Report & Accounts electronically or did not return the election card previously sent to you with your Welcome Pack on becoming a shareholder, please accept this letter as notification that the Company's Annual Report & Accounts have now been published on our website: [www.directlinegroup.com](http://www.directlinegroup.com).

### **Election and re-election of Directors**

All of the Directors are standing for re-election at this year's AGM, except for Danuta Gray and Mike Holliday-Williams who are standing for election for the first time, Danuta as an Independent Non-Executive Director and Mike as an Executive Director. Biographical details of all of the Directors are provided in the explanatory notes to the relevant resolutions proposing their election or re-election, and in the Annual Report & Accounts.

### **Final Dividend**

You will see from resolution 4 in the Notice that the Board is recommending a final dividend for the year ended 31 December 2016 of 9.7 pence per share, which, subject to declaration by shareholders, will become due and payable on 18 May 2017 to shareholders named on the Register of Members as at 17 March 2017. Under the terms of the resolution, the Board may cancel the dividend and therefore payment of the dividend at any time prior to payment, if it considers it necessary to do so for regulatory capital purposes.

### **The business we shall consider at the AGM**

The resolutions are standard matters that are normally dealt with at a listed company's AGM, save that resolutions 22 and 23 are new and are designed to provide additional flexibility to the Company in managing and raising capital. I would like to draw your particular attention to the following items of business in the Notice:

### **Directors remuneration policy (Resolution 3)**

Shareholders are asked to approve the Directors' remuneration policy which is set out in full within the Annual Report & Accounts. The amendments to the policy from that approved in 2014 are summarised and explained in the explanatory notes of this document.

### **Pre-emption rights (Resolutions 19 and 20)**

In accordance with the Pre-Emption Group's revised Statement of Principles, the Directors are seeking authority under two separate special resolutions to: disapply pre-emption rights on up to five per cent of the issued share capital; and to disapply pre-emption rights for an additional five per cent of issued share capital for any transaction which the Board determines to be an acquisition or other capital investment as defined by the Statement of Principles. There is no specific transaction or action contemplated by the Company which would require a non pre-emptive issue of shares. The Board considers, however, the additional five per cent disapplication of pre-emption rights to be in the interests of shareholders because the Company would have the flexibility to finance acquisitions or capital investments should such an opportunity arise.

## **Authority to issue Solvency II Compliant Restricted Tier 1 Capital Instruments (Resolutions 22 and 23)**

This year the Directors of the Company are requesting additional authority to issue Solvency II Compliant Restricted Tier 1 Capital Instruments ("Solvency II RT1 Instruments"). Capital sourced in this way would contribute towards the Group's Solvency II capital requirements and give the Group greater flexibility in the management of its capital. A key feature of the Solvency II RT1 Instruments is that they would automatically convert into shares in extreme circumstances, including if the amount of relevant Solvency II Own Funds were to fall below 75% of any relevant Solvency Capital Requirement at any time, below any relevant Minimum Capital Requirement at any time or below any relevant Solvency Capital Requirement for a prolonged period. The requests for these authorities should not be taken as an indication that the Company will or will not issue any Solvency II RT1 Instruments but rather they provide flexibility to the Board with regard to the management of the Group's capital. The Board would only use such authorities if the Directors considered to do so would improve the Group's capital structure and they concluded that an issue of Solvency II RT1 Instruments would be in the best interests of the Group and shareholders.

More information is available on these resolutions in the explanatory notes of this document.

## **Questions on the business of the meeting**

If you are unable to attend the meeting but have any questions on the business to be discussed, we would like to hear from you ahead of the meeting. Please send your questions to me, care of the Company Secretary at Direct Line Insurance Group plc, Churchill Court, Westmoreland Road, Bromley, BR1 1DP or by email to [shareholderenquiries@directlinegroup.co.uk](mailto:shareholderenquiries@directlinegroup.co.uk).

## **Your vote counts**

Your vote is important to us. You can vote by: submitting your proxy instruction online; signing and returning your proxy form; or by attending and voting at the AGM. Voting instructions are set out in the notes on pages 8 and 9. All resolutions will be put to a vote on a poll, rather than being decided by a show of hands. Your Directors believe that this will result in a more accurate reflection of the views of shareholders and ensure that their votes are recognised whether or not they are able to attend the meeting. On a poll, each shareholder has one vote for every share held.

The voting results will be announced to the London Stock Exchange and published on our website at [www.directlinegroup.com/investors/regulatory-news](http://www.directlinegroup.com/investors/regulatory-news) shortly after the conclusion of the meeting.

## **Recommendation**

Your Board of Directors believes the resolutions to be proposed at the AGM will promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend you vote in favour of them, as they intend to do in respect of their own beneficial shareholdings.

The Directors and I look forward to meeting as many of you as possible at our AGM and we thank you for your continued support.



**Michael N Biggs**

Chairman

Direct Line Insurance Group plc

## AGM INFORMATION

**Thursday, 11 May 2017 at 11.00am**

**The offices of Allen & Overy LLP, One Bishops Square, London E1 6AD**

### Time

The meeting will start at 11.00am. Please arrive no later than 10.45am for registration.

### Refreshments

Tea and coffee will be served from 10.20am.

### Venue

The meeting will be held on Thursday, 11 May 2017 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. If you have any queries regarding the venue, please contact Allen & Overy LLP's reception desk by telephone on +44 (0)20 3088 0000.

### Shareholders with special needs

There is wheelchair access to the venue and we have arranged for induction loop facilities to be available.

### Transport and directions to the venue

By foot:

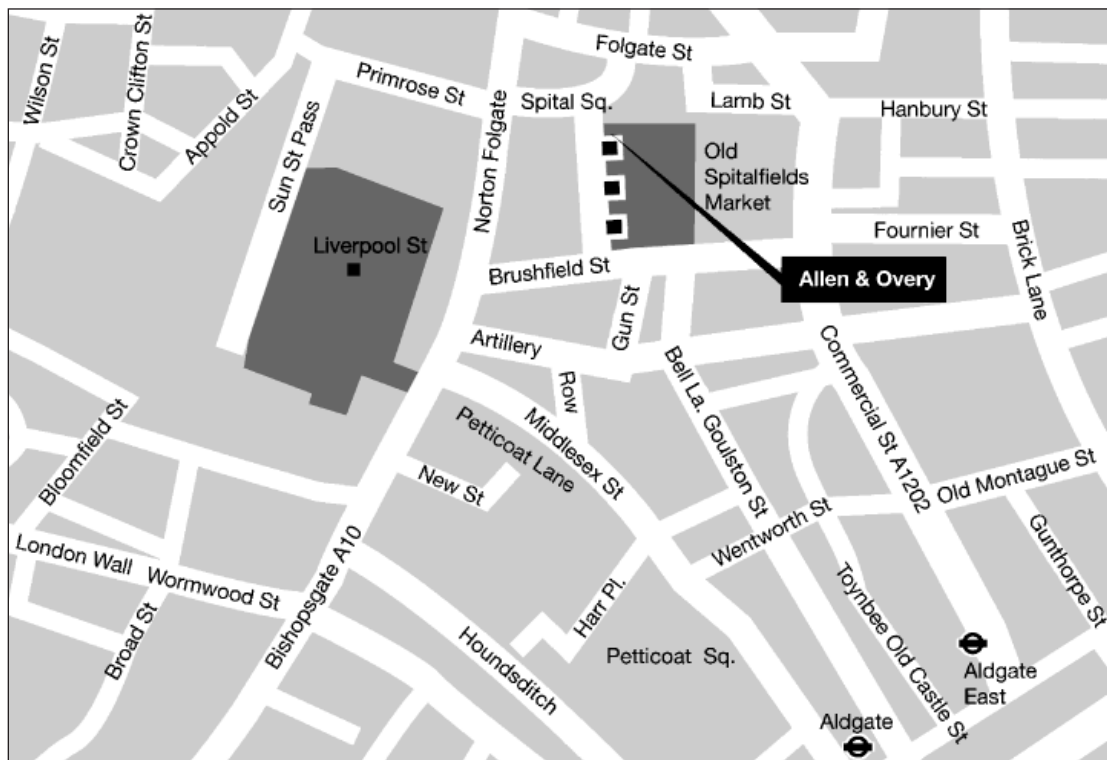
Bishops Square is within easy walking distance from Liverpool Street Station. Walk northwards up Bishopsgate and turn right into Brushfield Street. You will see an open square with trees and a white sail structure. Walk past the sail structure and take any of the three entrances to the offices of Allen & Overy LLP.

By underground:

The nearest underground station is Liverpool Street, which is on the Central, Hammersmith and City, Metropolitan and Circle lines. Other nearby underground stations are Aldgate on the Metropolitan and Circle lines and Aldgate East on the Hammersmith and City and District lines.

By taxi:

Ask your taxi driver to drop you off in Spital Square, just off Bishopsgate.



# Direct Line Insurance Group plc

**NOTICE** is hereby given that the Company's AGM will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD on Thursday, 11 May 2017 at 11.00am to transact the business set out in the resolutions below.

Resolutions 1 to 18 and 22 will be proposed as ordinary resolutions and resolutions 19 to 21 and 23 to 24 will be proposed as special resolutions. Voting on all resolutions will be by way of a poll.

## **Ordinary Resolutions:**

### **Resolution 1 – Receipt of the report and accounts**

THAT the audited accounts of the Company for the year ended 31 December 2016 together with the reports of the Directors and of the Auditor be and are hereby received.

### **Resolution 2 – Approval of the Directors' remuneration report**

THAT the Directors' remuneration report (excluding the Directors' remuneration policy) set out on pages 82 to 99 of the Annual Report and Accounts be and is hereby approved.

### **Resolution 3 – Approval of the Directors' remuneration policy**

THAT the Directors' remuneration policy, the full text of which is set out on pages 100 to 109 of the Directors' remuneration report contained within the Annual Report and Accounts, be and is hereby approved, and that such remuneration policy take effect from the date on which this resolution is passed.

### **Resolution 4 – Dividend declaration**

THAT a final dividend of 9.7 pence per ordinary share be and is hereby declared payable on 18 May 2017 to shareholders named on the Register of Members at the close of business on 17 March 2017, provided that the Board may cancel the dividend and therefore payment of the dividend at any time prior to payment, if it considers it necessary to do so for regulatory capital purposes.

### **Resolution 5 – Re-election of Director**

THAT Mike Biggs be and is hereby re-elected as a Director of the Company.

### **Resolution 6 – Re-election of Director**

THAT Paul Geddes be and is hereby re-elected as a Director of the Company.

### **Resolution 7 – Election of Director**

THAT Danuta Gray be and is hereby elected as a Director of the Company.

### **Resolution 8 – Re-election of Director**

THAT Jane Hanson be and is hereby re-elected as a Director of the Company.

### **Resolution 9 – Election of Director**

THAT Mike Holliday-Williams be and is hereby elected as a Director of the Company.

### **Resolution 10 – Re-election of Director**

THAT Sebastian James be and is hereby re-elected as a Director of the Company.

### **Resolution 11 – Re-election of Director**

THAT Andrew Palmer be and is hereby re-elected as a Director of the Company.

### **Resolution 12 – Re-election of Director**

THAT John Reizenstein be and is hereby re-elected as a Director of the Company.

### **Resolution 13 – Re-election of Director**

THAT Clare Thompson be and is hereby re-elected as a Director of the Company.

### **Resolution 14 – Re-election of Director**

THAT Richard Ward be and is hereby re-elected as a Director of the Company.

### **Resolution 15 – Re-appointment of the Auditor**

THAT Deloitte LLP be and is hereby re-appointed as the Company's Auditor until the next AGM.

### **Resolution 16 – Authority to agree the Auditor's remuneration**

THAT the Audit Committee of the Board be and is hereby authorised to agree the remuneration of the Auditor.

### **Resolution 17 – Political donations and expenditure**

THAT in accordance with sections 366 and 367 of the Companies Act 2006, the Company and all companies that are its subsidiaries, as defined in section 1159 of the Companies Act 2006, at any time during the period for which this resolution has effect are hereby authorised, during the period commencing on the date of this resolution and ending at the conclusion of next year's AGM, or, if earlier, at the close of business on 30 June 2018, to:

- i) make political donations to political parties, political organisations other than political parties and/or independent election candidates not exceeding £100,000 in total; and
- ii) incur political expenditure not exceeding £100,000 in total;

provided that the aggregate amount of any such donations and expenditure shall not exceed £100,000 during the period from the date of this resolution until the conclusion of the next AGM of the Company or, if earlier, close of business on 30 June 2018. For the purpose of this resolution, the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings set out in sections 363 to 365 of the Companies Act 2006.

# Direct Line Insurance Group plc

## NOTICE *continued*

### **Resolution 18 – Authority to allot new shares**

THAT

- i) the Directors be authorised to allot shares in the Company, or grant rights to subscribe for or to convert any security into shares in the Company:
  - a) in accordance with article 7 of the Company's articles of association (the "Articles") up to a maximum nominal amount of £50,000,000 (such amount to be reduced by the nominal amount of any equity securities (as defined in article 8 of the Articles) allotted under paragraph b) below in excess of £50,000,000); and
  - b) comprising equity securities (as defined in article 8 of the Articles) up to a maximum nominal amount of £100,000,000 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph a) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Articles);
- ii) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 30 June 2018;
- iii) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date); and
- iv) this authority is in addition to any authority conferred by resolution 22 (authority to allot new shares in relation to an issue of Solvency II RTI Instruments).

### **Special Resolutions:**

### **Resolution 19 – General authority to disapply pre-emption rights**

THAT

- i) in accordance with article 8 of the Company's articles of association (the "Articles"), the Directors be given power to allot equity securities for cash;
- ii) the power under paragraph i) above (other than in connection with a rights issue, as defined in article 8 of the Articles) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £7,500,000; and
- iii) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution, or, if earlier, at the close of business on 30 June 2018.

### **Resolution 20 – Additional authority to disapply pre-emption rights**

THAT

- i) in addition to any authority granted under resolution 19, the Directors be given power:
  - a) subject to the passing of resolution 18, to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the authority conferred on them by that resolution under section 551 of that Act; and
  - b) to allot equity securities as defined in section 560(3) of that Act (sale of treasury shares) for cash,

in either case as if section 561 of that Act did not apply to the allotment or sale, but this power shall be:

- a) limited to the allotment of equity securities up to a maximum nominal amount of £7,500,000; and
- b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;
- ii) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 30 June 2018; and
- iii) the Company may, before this power expires, make an offer or enter into an agreement, which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

### **Resolution 21 – Authority to purchase own shares**

THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares on such terms and in such manner as the Directors of the Company may determine, subject to the following conditions:

- i) the maximum number of ordinary shares hereby authorised to be purchased shall be 137,500,000;
- ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is the nominal value of that share;
- iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
  - a) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company as derived from the London Stock



# Direct Line Insurance Group plc

## NOTICE *continued*

Exchange Daily Official List for the five business days immediately prior to the day on which the ordinary share is contracted to be purchased; and

- b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);
- iv) the authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 30 June 2018;
- v) a contract to purchase ordinary shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after the expiry of this authority; and
- vi) all existing authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

### **Ordinary Resolution:**

#### **Resolution 22 – Authority to allot new shares in relation to an issue of Solvency II RT1 Instruments**

THAT in addition to the authority granted pursuant to Resolution 18 (authority to allot new shares), the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

- i) up to an aggregate nominal amount of £23,250,000 in relation to any issues of Solvency II RT1 Instruments where the Directors consider that such an issuance of Solvency II RT1 Instruments would be desirable, including in connection with, or for the purposes of, complying with or maintaining compliance with the regulatory requirements or targets applicable to the Group from time to time; and
- ii) subject to applicable law and regulation, at such allotment, subscription or conversion prices (or such maximum or minimum allotment, subscription or conversion price methodologies) as may be determined by the Directors from time to time.

Unless previously renewed, revoked or varied, the authority conferred by this resolution shall apply in addition to all other authorities under section 551 of the Companies Act 2006 until the conclusion of the next AGM of the Company after

the date on which this resolution is passed or, if earlier, the close of business on 30 June 2018, but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to be granted after the authority expires and the Directors of the Company may allot shares or grant such rights under such an offer or agreement as if the authority conferred hereby had not expired.

### **Special Resolutions:**

#### **Resolution 23 – Disapplication of pre-emption rights in relation to an issue of Solvency II RT1 Instruments**

THAT, subject to the passing of Resolution 22, the Directors be generally empowered, pursuant to section 570 of the Companies Act 2006, to allot equity securities (as such phrase is defined in section 560 (1) of the Companies Act 2006 and is to be interpreted in accordance with section 560(2) of the Companies Act 2006) for cash pursuant to the authority granted by resolution 22 up to an aggregate nominal amount of £23,250,000 in relation to any issues of Solvency II RT1 Instruments, free of the restriction in section 561 of the Companies Act 2006.

Unless previously renewed, revoked or varied, the power conferred by this resolution shall apply until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, the close of business on 30 June 2018, but, in each case, so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under such an offer or agreement as if the power conferred hereby had not expired.

This authority is in addition to the authority conferred by Resolutions 19 (general authority to disapply pre-emption rights) and 20 (additional authority to disapply pre-emption rights).

#### **Resolution 24 – Notice period for general meetings other than AGM**

THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By Order of the Board

Roger C Clifton  
Company Secretary  
28 March 2017

# Direct Line Insurance Group plc

## GENERAL NOTES

### Appointment of proxy

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC (the "Registrar") on +44 (0)370 873 5880.
2. To be valid, any proxy form or other instrument appointing a proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority must be received at the office of the Registrar (Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY) or at the electronic address provided in Note 6, in each case no later than 11.00am on 9 May 2017.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in Note 8) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so. You must inform the Company's Registrar in writing of any termination of the authority of a proxy.

### Nominated persons

4. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.

### Electronic submission of proxy form

6. It is possible for you to submit your proxy votes via the internet. You can do so by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will require the control number and your unique PIN and Shareholder Reference Number ("SRN"). This information can be found on your form of proxy, or if you receive communications from us electronically, voting information will be contained within your email broadcast.

co.uk/eproxy. You will require the control number and your unique PIN and Shareholder Reference Number ("SRN"). This information can be found on your form of proxy, or if you receive communications from us electronically, voting information will be contained within your email broadcast.

### CREST electronic proxy voting

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar (ID number 3RA50) by no later than 11.00am on 9 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

# Direct Line Insurance Group plc

## GENERAL NOTES *continued*

10. The Company may treat a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as invalid.

### **The Company's total voting rights**

11. As at 15 March 2017 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 1,375,000,000 ordinary shares, all carrying one vote each. Therefore, the total number of voting rights in the Company as at 15 March 2017 was 1,375,000,000.

### **Corporate representatives**

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

### **Attendance**

13. Only those shareholders registered in the Register of Members of the Company as at 8.00pm on Tuesday, 9 May 2017 shall be entitled to attend and vote at the meeting in person or by proxy in respect of the number of shares registered in their names at that time (or, in the event of any adjournment, on the date which is not more than 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
14. Any member attending the meeting in person or by proxy has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### **Shareholder requisition rights**

15. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or

vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 29 March 2017, being the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual reports and accounts were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006, and it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

### **Notice of Annual General Meeting**

17. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.directlinegroup.com/annualgeneralmeetings](http://www.directlinegroup.com/annualgeneralmeetings).

### **Inspection of documents**

18. Copies of the following documents will be available for inspection at the registered office of the Company on any weekday (excluding Saturdays, Sundays and public holidays) during normal office hours from the date of this Notice until the date of the AGM and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD for 15 minutes prior to and during the meeting:
- i) the service contract of each Executive Director; and
  - ii) the letter of appointment of each Executive Director.
19. You may not use any electronic address provided either in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those stated.

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES

### **Resolution 1 – Receipt of the report and accounts**

The Directors must lay before the shareholders the reports and accounts of the Company for the financial year ended 31 December 2016, which include the strategic report and the reports of the Directors and of the Auditor.

### **Resolution 2 – Approval of the Directors’ remuneration report**

The Directors’ remuneration report has been prepared in accordance with the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Directors’ remuneration report meets the requirements of the Financial Conduct Authority’s Listing Rules and describes how the Board has implemented the Directors’ remuneration policy and applied the principles of good governance relating to Directors’ remuneration. The report is set out in full on pages 82 to 99 of the Annual Report & Accounts. As required by the Companies Act 2006, an ordinary resolution to approve the report is proposed at the AGM. This vote is advisory and the Directors’ entitlement to receive remuneration is not conditional on it.

### **Resolution 3 – Approval of the Directors’ remuneration policy**

Shareholders are requested to approve the Directors’ remuneration policy which is set out on pages 100 to 109 of the Directors’ remuneration report contained within the Annual Report and Accounts. The following changes are proposed to the Directors’ remuneration policy:

- i) to reflect developments in best practice, the introduction of a holding period for Executive Directors under the LTIP. LTIP awards granted from August 2017 onwards will be subject to an additional two year holding period to defer vesting following the end of the three year performance period; and
- ii) some further minor changes to the policy including (i) to enable the claw back provisions to be extended for a further period if the Company is investigating whether the relevant circumstances exist; and (ii) expressly providing for the reimbursement of travel expenses on a grossed-up basis to Non-Executive Directors.

In accordance with section 439A of the Companies Act 2006, a separate resolution on the Directors’ remuneration policy will be put to a vote by shareholders. The vote is binding which means that payments cannot be made under the revised policy until it has been approved by shareholders. Once the Directors’ remuneration policy is approved the Company will not be able to make a remuneration payment to a current or prospective director or a payment for loss of office to a current or past director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

The Directors’ remuneration policy must be put to shareholders at least every three years. The Company currently intends to submit the policy for approval by shareholders on a three yearly basis.

### **Resolution 4 – Dividend declaration**

Shareholders may declare the final dividend payable for each ordinary share held and the proposal recommended by the Directors in this resolution is 9.7 pence for each ordinary share. If approved by shareholders, this final dividend for the financial year ended 31 December 2016 will become due and payable on 18 May 2017 to shareholders named on the Register of Members as at 17 March 2017, provided that the Board of Directors may cancel the dividend and therefore payment of the dividend at any time prior to payment. In compliance with the rules issued by the Prudential Regulation Authority (“PRA”) relating to the implementation of the Solvency II Directive (as it relates to regulated insurance companies) and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to its being paid on 18 May 2017, and to be cancelled if, prior to payment, the regulated insurance companies in the Group cease to hold capital resources equal to or in excess of their Solvency Capital Requirement, or if that would be the case if the dividend were paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes.

### **Resolutions 5 to 14 – Directors standing for election or re-election**

The Company’s articles of association require Directors to submit themselves for election or re-election at each AGM.

Danuta Gray was appointed to the Board as an Independent Non-Executive Director on 1 February 2017 and a resolution will be proposed for her election at this year’s AGM.

Mike Holliday-Williams was appointed to the Board as an Executive Director on 1 February 2017 and a resolution will be proposed for his election at this year’s AGM.

Mike Biggs, Paul Geddes, Jane Hanson, Sebastian James, Andrew Palmer, John Reizenstein, Clare Thompson and Richard Ward are seeking re-election at this year’s AGM. The performance of each Director has been reviewed as part of the Board effectiveness review which confirms that the Directors contribute effectively and continue to demonstrate commitment to their roles. Through its Nomination Committee, the Board has undertaken appropriate due diligence on the Directors’ other interests and external time commitments and has concluded that the Non-Executive Directors are able to commit fully to their roles and are free from any relationship or circumstances that could affect their judgement and are accordingly considered independent by the Board. The Chairman was considered independent on appointment.



# Direct Line Insurance Group plc

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES *continued*

Biographical details in support of each Director's election or re-election are provided below.

**Mike Biggs** joined the Board as Chairman in April 2012 and is Chair of the Nomination Committee.

Mike was appointed as a Non-Executive Director and Chairman designate of Close Brothers Group plc on 14 March 2017. He was previously Chairman of Resolution Limited, then a FTSE 100 UK life assurance business, and before that acted as Group Finance Director and then Chief Executive Officer of Resolution plc. He was also previously Group Finance Director of Aviva plc. Mike is an Associate of the Institute of Chartered Accountants in England and Wales and has a Masters degree in History from the University of Oxford.

Mike has over 40 years' experience of the financial services sector, and is well regarded by City investors. His extensive experience as a Director and Chairman in the insurance industry makes him well suited to the role of Chairman, enabling him to lead the Board and ensure its effectiveness. Having reviewed his performance, other interests, external time commitments and the contribution he has made to date, the Board recommends his re-election as a Director.

**Paul Geddes** joined the Board as an Executive Director in August 2009 and is Chief Executive Officer.

Paul was the Chief Executive Officer of the mainland UK retail banking business of the Royal Bank of Scotland Group plc ("RBS Group"), having joined in 2004 as Managing Director with responsibility for products and marketing. Before joining RBS Group, Paul held a number of senior roles in multi-channel retailing in businesses that were then parts of the Great Universal Stores (GUS) and Kingfisher groups. He started his career in marketing, with UK and European roles at Procter & Gamble. Paul is Deputy Chairman of the Association of British Insurers ("ABI") and a Non-Executive Director of Channel Four Television Corporation. He read PPE at St Peter's College, Oxford.

Since his appointment as Chief Executive Officer of the Company, Paul's leadership has delivered positive returns for shareholders and improved investor confidence. His focus on new strategies has generated positive trends in customer experience and other brand metrics and delivered a positive performance on gross written premium in the last 12 months, whilst continuing to improve employee engagement and maintaining costs. Having reviewed his performance, other interests, external time commitments and the contribution he has made to date, the Board recommends his re-election as a Director.

**Danuta Gray** joined the Board as an Independent Non-Executive Director on 1 February 2017.

Danuta was Chairman of Telefónica O2 in Ireland until December 2012, having previously been its Chief Executive from 2001 to 2010. During her nine year tenure as Chief Executive, she increased the customer base from just under 1 million to over 1.7 million. Prior to Telefónica O2, Danuta held various senior positions within BT Group from 1984 to 2001.

Danuta is interim Chairman of Aldermore Group plc, a Non-Executive Director and Chairman of the Remuneration Committee of PageGroup plc, a Non-Executive Director and Chairman of the Remuneration Committee of Old Mutual plc, a Non-Executive Director of PaddyPower Betfair plc and a Non-Executive Member of the Defence Board of the UK Ministry of Defence.

The Board benefits from her previous experience as a Chief Executive and Non-Executive Director and significant experience in sales, marketing, customer services and technology and in leading and changing large businesses. The Nomination Committee undertook appropriate due diligence on Danuta's other interests and external time commitments as part of her recruitment process and the Board recommends her election as a Director.

**Jane Hanson** joined the Board as an Independent Non-Executive Director in December 2011 and is Chair of the Board Risk Committee.

Jane is Chair of Reclaim Fund Ltd and an Independent Member of the Fairness Committee at ReAssure Ltd. She is a magistrate and also has her own financial sector consulting business, delivering audit, enterprise risk management and corporate governance advisory and consulting services to the financial sector. Jane has a degree in Music from the University of York and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Jane spent her early career with KPMG, working in the financial sector, latterly becoming responsible for delivery of corporate governance, internal audit and risk management services in the north of England. Jane has also held a number of executive roles including Director of Audit, and Risk and Governance Director at Aviva's UK Life business. Jane's previous significant experience of risk management, corporate governance and internal control and developing and monitoring customer frameworks makes her well suited to the role of Independent Non-Executive Director and Chair of the Board Risk Committee. Having reviewed her performance, other interests, external time commitments and the contribution she has made to date, the Board recommends her re-election as a Director.

**Mike Holliday-Williams** joined the Board as an Executive Director on 1 February 2017.

Mike is Managing Director, Personal Lines. He joined Direct Line in 2014 and has over 10 years' insurance industry experience. He was previously Chief Executive Officer of RSA Group's Scandinavian businesses, Codan A/S and Trygg-Hansa, and before that UK Managing Director of Personal Lines at RSA, responsible for the MORETH>N, Partnerships and the Broker businesses. He started his career at WHSmith plc, before moving to various Centrica-owned businesses, including British Gas and Onetel. Mike is also a member of the Association of British Insurers General Insurance Council.

The Board benefits from his experience as the executive responsible for the Personal Lines division and his experience in many marketing and customer growth roles across several industries including the energy, telecoms and retail sectors. The Board recommends his election as a Director.

**Sebastian James** joined the Board as an Independent Non-Executive Director in August 2014 and is Chair of the Corporate Social Responsibility Committee.

Sebastian is Group Chief Executive of Dixons Carphone plc. He is also a Trustee of the charities Save the Children and Dixons Carphone Foundation. He has a degree in Law from the University of Oxford and an MBA from INSEAD. Sebastian was Group Chief Executive of Dixons Retail plc from 2012 until its merger with Carphone Warehouse Group plc in August 2014. Before this, he was Chief Executive Officer of Synergy Insurance Services Limited, a private equity backed insurance company, and was previously Strategy Director at Mothercare plc. Sebastian began his career at The Boston Consulting Group.

The Board benefits from Sebastian's knowledge of customer service in a digital retail market as well as his current strategic and operational experience as Chief Executive of a FTSE 100 company. Having reviewed his performance, other interests, external time commitments and the contribution he has made to date, the Board recommends his re-election as a Director.

**Andrew Palmer** joined the Board in March 2011 as an Independent Non-Executive Director and is Chair of the Audit Committee and the Investment Committee.

Andrew is a Non-Executive Director of Royal London Mutual Insurance Society Limited and Royal London Asset Management Limited. He is also a member of the Financial Reporting Review Panel of the Financial Reporting Council.

He is a Trustee of the Royal School of Needlework and a Trustee and Treasurer of Cancer Research UK. Andrew is also a Fellow of the Institute of Chartered Accountants in England and Wales.

Andrew retired from Legal & General Group plc, where he held a number of senior operational and strategic roles, including Group Finance Director from 2001 to 2009. Andrew's previous experience, together with his insight into best practice in financial reporting and understanding of accounting and Solvency II requirements, make him well suited to the role of Independent Non-Executive Director and Chair of the Audit Committee.

Andrew's performance and independence were subject to a particularly rigorous review by the Nomination Committee pursuant to the requirements of the UK Corporate Governance Code. The Board is satisfied that he remains independent, continues to make a significant contribution to the Board and its Committees, and provides valuable continuity to the Board. The Board recommends his re-election as a Director.

**John Reizenstein** joined the Board as an Executive Director in December 2010 and is Chief Financial Officer.

John is an experienced Chief Financial Officer and former banker with extensive City and financial services experience. He was previously an Executive Director at the Co-operative Insurance Society, CIS General Insurance and The Co-operative Bank. He was Chief Financial Officer of these organisations between 2003 and 2007 and subsequently Managing Director, Corporate and Markets. Prior to that, John spent more than 20 years in investment banking with UBS and Goldman Sachs. He is a Trustee and Director of Farm Africa and an alternate representative of the ABI on the Panel on Takeovers and Mergers. John has a Masters degree in Economics from the University of Cambridge.

Since his appointment as Chief Financial Officer of the Company, John has led the delivery of cost reduction initiatives, improved reserving processes and generated value for the Company's shareholders. He also played a lead role in the successful Solvency II Internal Model application process. Having reviewed his performance, other interests, external time commitments and the contribution he has made to date, the Board recommends his re-election as a Director.

# Direct Line Insurance Group plc

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES *continued*

**Clare Thompson** joined the Board as an Independent Non-Executive Director in September 2012 and is Chair of the Remuneration Committee.

Clare is a Non-Executive Director of the British United Provident Association Limited ("Bupa"), Chair of its Audit Committee and a member of its Risk Committee and UK regulated entities' boards. She is also a Non-Executive Director of Retail Charity Bonds plc, a Non-Executive member of the Partnership Board of Miller Insurance Services LLP and a Trustee and Treasurer of the Disasters Emergency Committee. Clare has a degree in Mathematics from the University of York and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Clare has significant financial and audit experience gained from her role as a partner at PricewaterhouseCoopers LLP ("PwC") from 1988 to 2011, including as Head of the UK insurance practice and Lead Audit Partner on major financial services clients. She also has extensive experience and knowledge of people and remuneration gained from her roles at PwC. As People Partner for Assurance her focus was on talent management and career development planning as well as involvement in the design and operation of remuneration structures across PwC UK. Having reviewed her performance, other interests, external time commitments and the contribution she has made to date, the Board recommends her re-election as a Director.

**Richard Ward** joined the Board as an Independent Non-Executive Director and Senior Independent Director in January 2016.

Richard is Chairman of Brit Syndicates Limited and Executive Chairman of Cunningham Lindsey Group. He is also a member of the PRA's Practitioner Panel. Richard was Chief Executive of Lloyds of London from 2006 to 2013. He was previously Chief Executive, later Vice Chairman, of the International Petroleum Exchange, rebranded ICE Futures. Prior to this, he held a range of senior positions at British Petroleum and was Head of Marketing and Business Development for energy derivatives worldwide at Tradition Financial Services. Richard has also been a Non-Executive Director of London Clearing House, a member of the PwC Advisory Board and a Board member of the Geneva Association.

Richard's previous experience as a Chief Executive, a Non-Executive Director and a Chairman makes him well suited to the role of Senior Independent Director of the Company. The Board benefits from his experience in the insurance industry and his insight into prudential regulation. Having reviewed his performance, other interests, external time commitments and the contribution he has made to date, the Board recommends his re-election as a Director.

### **Resolution 15 – Re-appointment of the Auditor**

This resolution proposes the re-appointment of the Company's existing Auditor, Deloitte LLP, until the next annual general meeting at which the Company's accounts are presented.

### **Resolution 16 – Authority to agree the Auditor's remuneration**

This resolution is separate to resolution 15 and proposes to give authority to the Audit Committee of the Board to determine the Auditor's remuneration.

### **Resolution 17 – Political donations and expenditure**

The Company does not intend to change its current practice of not making donations to political parties in the European Union ("EU"). However, the Companies Act 2006 contains restrictions on companies making donations or incurring expenditure in relation to EU political parties, other political organisations or independent election candidates. Part 14 of the Companies Act 2006 defines political parties, other political organisations and independent election candidates very widely and, as a result, it is possible that they may include, for example, donations to bodies concerned with policy review and law reform, with the representation of the business community or sections of it, or with the representation of other communities or special interest groups which are in the shareholders' interest for the Company to support. Amongst other things, the Companies Act 2006 prohibits the Company or its direct or indirect subsidiaries from making donations or incurring expenditure in relation to political parties, other political organisations or independent election candidates in a 12 month period in excess of an aggregate of £5,000, unless such donations have been authorised by the Company's shareholders. The Company is therefore seeking authority under this resolution to make political donations to EU political parties, other political organisations or independent election candidates of up to £100,000 in aggregate in order to prevent an inadvertent breach of the Companies Act 2006. As permitted under the Companies Act 2006, this resolution covers the Company and extends to all companies that are subsidiaries of the Company at any time the authority is in place.

### **Resolution 18 – Authority to allot new shares**

At the AGM on 12 May 2016, shareholders approved resolutions to authorise the Directors to allot shares, to allot equity securities for cash, and to make market purchases of the Company's own shares.

This resolution renews the authority that was given at the 2016 Annual General Meeting. Paragraph i) a) of this resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £50,000,000. This amount represents one-third (33.33%)

of the issued ordinary share capital of the Company as at 15 March 2017, the latest practicable date prior to the publication of this Notice.

In line with guidance issued by The Investment Association (the "IA"), paragraph i) b) of this resolution would give the Directors the authority to allot ordinary shares in connection with a pre-emptive offer by way of a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £100,000,000 including, within such limit, the nominal amount of any shares issued under paragraph i) a) of this resolution. This amount represents two-thirds (66.67%) of the issued ordinary share capital of the Company as at 15 March 2017, the latest practicable date prior to the publication of this Notice.

The authorities sought under this resolution will expire on the earlier of 30 June 2018 (the latest date by which the Company must hold an AGM in 2018) and the conclusion of the AGM of the Company held in 2018.

The Directors have no present intention of exercising either of the authorities sought under this resolution; however, if they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the IA. As at the date of this Notice, no ordinary shares are held by the Company in treasury.

### **Resolution 19 – General authority to disapply pre-emption rights (special resolution)**

This resolution renews, in line with the most recent institutional guidelines, the authority that was given at the AGM on 12 May 2016, and would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

Except as noted in the next paragraph, this authority would be limited to allotments or sales in connection with pre-emptive offers or otherwise up to an aggregate nominal amount of £7,500,000. This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 15 March 2017, the latest practicable date prior to the publication of this Notice. The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not allot shares for cash on a non-pre-emptive basis in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling three-year period (other than in connection with an acquisition or specified capital investment as described in the Pre-Emption Group's Statement of Principles), without prior consultation with shareholders.

Allotments made under the authorisation in paragraph i) b) of resolution 18 would be limited to allotments by way of a rights issue only (subject to the right of the Directors to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

This authority will expire on the earlier of 30 June 2018 (the latest date by which the Company must hold an AGM in 2018) and the conclusion of the AGM of the Company held in 2018.

### **Resolution 20 – Additional authority to disapply pre-emption rights (special resolution)**

Resolution 20 requests further shareholder approval, by way of a separate special resolution in line with the best practice guidance issued by the Pre-Emption Group, for the Directors to allot equity securities or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. The proposed resolution reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles") and will expire on 30 June 2018 or at the conclusion of the AGM in 2018, whichever is the earlier.

The authority granted by this resolution, if passed:

- i) will be limited to the allotment of equity securities and sale of treasury shares for cash up to an aggregate nominal value of £7,500,000, which represents approximately 5% of the issued ordinary share capital of the Company as at 15 March 2017, the latest practicable date prior to publication of this Notice; and
- ii) will only be used in connection with an acquisition or other capital investment of a kind contemplated by the Statement of Principles, and which is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authority granted by this resolution would be in addition to the general authority to disapply pre-emption rights under resolution 19. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £15,000,000, which represents approximately 10% of the issued ordinary share capital of the Company as at 15 March 2017, the latest practicable date prior to publication of this Notice.



**Resolution 21 – Authority to purchase own shares (special resolution)**

This resolution renews the authority that was given at the 2016 AGM, permitting the Company to buy its own ordinary shares in the market. The maximum number of shares that can be bought under this authority must not exceed 10% of the issued ordinary shares of the Company as at 15 March 2017, the latest practicable date prior to the publication of this Notice. The maximum price payable (exclusive of expenses) must not exceed the higher of:

- i) 105% of the average of the middle market quotations for the ordinary shares of the Company, as derived from the London Stock Exchange Daily Official List, for the five business days immediately prior to the date of purchase; and
- ii) the higher of the price of the last independent trade of an ordinary share and the higher current independent bid for an ordinary share as derived from SETS.

The Directors do not intend to exercise the Company's power to purchase its own shares other than in circumstances where they believe this would result in an increase in earnings per share and be in the best interests of shareholders generally.

The Companies Act 2006 enables companies to hold any of their own shares which they have purchased as treasury shares with a view to possible resale at a future date, rather than cancelling them. The Company holds no ordinary shares in treasury at the date of this Notice. Treasury shares would provide the Company with additional flexibility in the management of its capital base, enabling it either to sell the treasury shares quickly and cost-effectively or to use the treasury shares to satisfy awards under the Company's employee share schemes. If the Directors exercise the authority conferred by this resolution, they may consider holding the shares in treasury, rather than cancelling them.

The total number of options to subscribe for ordinary shares that was outstanding at 15 March 2017, being the latest practicable date prior to the publication of this Notice, was 14,631,192. The proportion of issued share capital that it represented at that time was 1.06% and the proportion of issued share capital that it would represent if the full authority to purchase shares (existing and being sought) were used is 1.33%.

**Resolution 22 – Authority to allot new ordinary shares in relation to an issue of Solvency II RT1 Instruments**

Resolution 22, will, if approved, give the Directors authority to allot ordinary shares in the Company or grant rights to subscribe for, or to convert any security into, ordinary shares in the Company, in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £23,250,000 in connection with the issue of Solvency II RT1 Instruments which is, in aggregate, equivalent to approximately 15.5% of the issued ordinary share capital of the Company as at 15 March 2017, being the last practicable date prior to the publication of this Notice.

The Directors believe it is in the best interests of the Company to have the flexibility to issue Solvency II RT1 Instruments from time to time and the authority sought in resolution 22 may be used if, in the opinion of the Directors at the relevant time such an issuance of Solvency II RT1 Instruments would be desirable to improve the capital structure of the Company. However, the request for authority in resolution 22 should not be taken as an indication that the Company will or will not issue any, or any given amount of, Solvency II RT1 Instruments. This authority is in addition to the authority proposed in resolution 18, which is the usual authority sought on an annual basis in line with the guidance issued by the IA.

This authority will expire at the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, on 30 June 2018. However, the Directors may seek a similar authority in the future.

**Resolution 23 – Disapplication of pre-emption rights in relation to an issue of Solvency II RT1 Instruments (special resolution)**

Resolution 23, which will be proposed as a special resolution, proposes that, in addition to any authority conferred by Resolutions 19 (general authority to disapply pre-emption rights) and 20 (additional authority to disapply pre-emption rights), the Directors be empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash up to a nominal amount of £23,250,000 in relation to the issue of Solvency II RT1 Instruments, which is equivalent to 15.5% of the issued ordinary share capital of the Company as at 15 March 2017, being the last practicable date prior to publication of this Notice, as if section 561 of the Companies Act 2006, did not apply to any such allotment.

Resolution 23 would permit the Company the flexibility necessary to allot equity securities pursuant to any proposal to issue Solvency II RT1 Instruments without the need to comply with the strict pre-emption requirements of the UK statutory regime. Together with resolution 22, resolution 23 is intended to provide the Directors with the flexibility to issue Solvency II RT1 Instruments which may convert into ordinary shares. This will enhance the Company's ability to manage its capital.

This authority will expire at the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, on 30 June 2018. However, the Directors may seek a similar authority in the future.

Conditional upon the passing of resolutions 22 and 23, the Directors would not expect to make use of the authorities to allot shares and to disapply pre-emption rights granted by resolutions 18 to 20 to issue Solvency II RT1 Instruments. Any exercise of the authorities in resolutions 18 to 20 (if passed) would be separate from and in addition to the exercise of any powers under these resolutions 22 and 23 and would also have a dilutive effect on existing shareholdings.

**Resolution 24 – Notice period for general meeting other than AGM (special resolution)**

The notice period required by the Companies Act 2006 for general meetings of the Company is 21 clear days, unless shareholders approve a shorter notice period, which cannot however, be less than 14 clear days (AGMs must always be held on at least 21 clear days' notice). At the Company's 2016 AGM, shareholders authorised the calling of general meetings, other than an AGM, on not less than 14 clear days' notice, and it is proposed that this authority be renewed. The approval granted by this resolution, if passed, will be effective until the Company's next AGM, when it is intended that a similar resolution will be propose.

Note that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. The flexibility offered by this resolution will be used when, taking into account the circumstances, and noting the recommendations of the UK Corporate Governance Code, the Directors consider this appropriate in relation to the business to be considered at the meeting and in the interests of the Company and shareholders as a whole.

# Direct Line Insurance Group plc

## SHAREHOLDER INFORMATION

### Shareholder helpline

The shareholder helpline is run by the Registrar, and is available between Monday and Friday, 8.30am to 5.00pm (excluding public holidays). The helpline also contains automated selfservice functionality which is available 24 hours a day, 7 days a week. Using your SRN on your share certificate or dividend confirmation, the self-service functionality will allow you to:

- confirm the latest share price;
- confirm your current shareholding;
- confirm your payment history; and
- order a Change of Address, Dividend Bank Mandate or Stock Transfer Form.

The number to call is +44 (0)370 873 5880.

### Registrar's Investor Centre

Investor Centre is a free and secure share management website provided by the Company's Registrar. Managing your shares online means you can access information quickly, securely and minimise postal communications. This service will allow you to:

- view your share portfolio and see the latest market price of your shares;
- elect to receive your shareholder communications online;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change address details; and
- use online dealing services.

To take advantage of this service, please log in at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) and enter your SRN and the Company's name. This information can be found on your last dividend confirmation or share certificate.

### 2017 key financial dates\*

Payment of 2016 final dividend	18 May
First quarter trading update	3 May
Half-year report	1 August
Payment of 2017 interim dividend	8 September
Third quarter trading update	7 November

### Dividend payments

Shareholders can elect for dividends to be paid by mandate directly to a UK bank or building society account, effecting payment on the relevant payment date through the Bankers' Automated Clearing Services (BACS) or the Clearing House Automated Payment System (CHAPS). The Company also offers shareholders a Dividend Reinvestment Plan ("DRIP"). Further information regarding the DRIP, including its terms and conditions, election form and online application instructions can be found on our website at [www.directlinegroup.com/DRIP](http://www.directlinegroup.com/DRIP).

### Electronic communications

The Company actively encourages all shareholders to register for the electronic communications service. You can register for this by visiting [www.directlinegroup.com/site-services/email-alert](http://www.directlinegroup.com/site-services/email-alert) and following the online instructions.

### Electronic proxy voting

You can register to give your AGM proxy voting instructions electronically and to access details of your individual shareholding quickly and securely online by visiting [www.investorcentre.co.uk](http://www.investorcentre.co.uk) and following the online instructions.

The Registrar must receive voting instructions by no later than 11.00am on Monday, 8 May 2017 from participants in the Company's share incentive plans and the vested share account and must receive proxy appointments no later than 11.00am on Tuesday, 9 May 2017 from ordinary shareholders.

\*Please note that these dates are provisional and subject to change. Please access our financial calendar at [www.directlinegroup.com/investors/financialcalendar/](http://www.directlinegroup.com/investors/financialcalendar/) 2017 which is updated regularly.

