



# **Direct Line Insurance Group plc**

## **Notice of Annual General Meeting to be held on Thursday 14 May 2020**

### **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 (except any personalised form of proxy) 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

14 April 2020

Dear Shareholder,

### Annual General Meeting (“AGM”)

I am pleased to enclose the Notice of Meeting for the Company’s 2020 AGM (the “Notice”). The AGM will be held at the offices of the Company, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, 14 May 2020 at 11.00 a.m. or at such other location as the Company may announce before the date of the meeting, including if restrictions on travel and public gatherings remain in force under the Government’s Stay at Home Measures issued on 23 March 2020. **In accordance with the Stay at Home Measures, shareholders other than those forming the minimum quorum will not be admitted to the meeting.**

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 and accounts for the year ended 31 December 2019 (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, please accept this letter as notification that the Company’s Annual Report & Accounts have now been published on the Investor section of our website: [www.directlinegroup.co.uk/en/investors](http://www.directlinegroup.co.uk/en/investors).

### Chairman Succession

As announced on 3 March 2020, it is my intention to step down from the Board in 2020 following the appointment of a successor. As I am now approaching the ninth anniversary of my appointment, and as our new senior management team is now firmly established, I believe that the time is right for the Company to be searching for my successor. I will stand for re-election at this year’s AGM and will remain Chairman until my successor has been appointed in order to ensure a smooth handover.

### Coronavirus (COVID-19)

We are closely monitoring developments in connection with the spread of Coronavirus (COVID-19), including guidance and directions provided by HM Government and public health advisers. The Board’s priority is to safeguard the wellbeing of our colleagues, shareholders and wider communities and we will take all necessary and appropriate precautions to ensure their safety. Our current expectation is that the Stay at Home Measures will remain in place on the date of the AGM. We encourage shareholders to watch for updates about the AGM on the Company’s website ([www.directlinegroup.co.uk/en/investors/shareholder-centre](http://www.directlinegroup.co.uk/en/investors/shareholder-centre)) and regulatory news services. The Board recognises the importance to shareholders of the business to be dealt with at the AGM and intends to proceed with the meeting at 11.00 a.m. on Thursday, 14 May 2020. However, the proceedings will be restricted to formal business only and, in accordance with the Stay at Home Measures, shareholders must not attend the AGM in person; any shareholder seeking to attend (other than those forming the quorum, which will be facilitated by the Company) will not be admitted.

The Board encourages shareholders to vote on the resolutions set out in this Notice by submitting their proxy forms online or sending them in advance to our registrar, Computershare Services PLC. Shareholders are encouraged to send any questions about the business of the AGM to the Company Secretary at the Company’s registered office or by email to [ShareholderEnquiries@directlinegroup.co.uk](mailto:ShareholderEnquiries@directlinegroup.co.uk). We will provide written answers to questions registered in this way.

### Election and re-election of Directors

All of the Directors are standing for re-election at this year’s AGM, except for Tim Harris who is standing for election by shareholders for the first time. Biographical details of all of the Directors are provided in the explanatory notes to the relevant resolutions, and in the Annual Report & Accounts. The Board has assessed the performance and time commitments of all of the Directors and recommends that shareholders vote in favour of those resolutions.

### Final dividend withdrawn

On 8 April 2020, we announced that, taking into consideration guidance from the Prudential Regulation Authority and EIOPA and heightened uncertainty in the macroeconomic environment due to the impact of COVID-19, the Board had decided no longer to recommend a final dividend for the year ended 31 December 2019, notwithstanding the Group’s strong capital position. Acknowledging the importance of dividends to shareholders, the Board will review this position alongside the Group’s 2020 interim results and on an ongoing basis once it is possible to have a better understanding of the impact of COVID-19 on customers and the business.

### Authority to purchase shares and share buyback

On 19 March 2020 we announced a suspension of the share buyback programme that had been launched on 5 March 2020 as a result of the volatile conditions and uncertainties arising from the effects of COVID-19. Up to this date nearly £29 million of cash had been returned through the programme. The Company will be keeping the position under review to assess opportunities to undertake

further share repurchase exercises in future, subject to prevailing market conditions. As in previous years, shareholders are being asked to approve a standard resolution allowing repurchases of shares up to an amount equal to 10% of our share capital.

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

The resolutions cover standard matters that are normally dealt with every year at a listed company's AGM, except for the following resolutions to which I would like to draw your attention:

#### **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 on pages 128 to 138. The amendments to the Policy that was approved in 2017 are summarised and explained in the explanatory notes of this document.

#### **Long Term Incentive Plan and Deferred Annual Incentive Plan (Resolutions 17 and 18)**

The Long Term Incentive Plan (the "LTIP") and the Deferred Annual Incentive Plan (the "DAIP") adopted by the Company in 2012 (together the "Existing Plans") will expire in 2022, ahead of the next shareholder vote on the Directors' Remuneration Policy at the 2023 AGM. We are asking shareholders to approve the renewal of the LTIP and the DAIP (together the "Plans") for a period of ten years. The Plans are based on the Existing Plans, except for updates to reflect developments in best practice and legislative changes that have taken place since 2012. You can find a summary of the Plans in the Appendix on pages 18 to 21 of this document.

#### **Authority to issue Restricted Tier 1 Capital Instruments (Resolutions 23 and 24)**

Shareholders will recall that for the last three years we have requested shareholder approval for the Company to issue restricted tier 1 capital instruments compliant with the prudential regime applicable to the Company ("RT1 Instruments"). In December 2017 the Directors used the authority granted at the 2017 AGM for the issue of RT1 Instruments with a nominal value of £350 million. Since 2017, the Directors have not used the authority granted at the 2018 AGM and the 2019 AGM. The 2019 authority expires at the end of this AGM and we are seeking revised authorities (in resolutions 23 and 24) to allow the Company to have continued flexibility to issue further RT1 Instruments to manage and maintain its and the Group's capital more effectively. Capital sourced in this way contributes towards the Group's prudential capital requirements. A key feature of RT1 Instruments is that they would automatically convert into shares (1) if at any time the amount of relevant Own Funds Items were to fall below the level necessary to exceed (a) any relevant Minimum Capital Requirement or (b) 75% of any relevant Solvency Capital Requirement or (2) if we were to breach any relevant Solvency Capital Requirement and fail to remedy that breach within three months. If one of those triggers were to occur, the £350 million RT1 Instruments we issued in December 2017 would convert into approximately 137 million shares (based on the current conversion price).

#### **Articles of Association (Resolution 26)**

The Current Articles have been in place since the initial public offering in 2012. Shareholders are requested to approve certain amendments to the Current Articles, primarily to reflect changes in the law and developments in market practice and technology since 2012. You can find more information on these resolutions in the explanatory notes of this document.

#### **Your vote counts**

Your vote is important to us. You can vote by submitting your proxy instruction online or by signing and returning your proxy form. Voting instructions are set out in the notes on pages 7 and 8. The voting results will be announced to the London Stock Exchange and published on our website at [www.directlinegroup.co.uk/en/investors/regulatorynews](http://www.directlinegroup.co.uk/en/investors/regulatorynews) following 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.



**Michael N Biggs**  
Chairman

# Direct Line Insurance Group plc

**NOTICE** is hereby given that the Company's AGM will be held at the offices of the Company, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, 14 May 2020 at 11.00 a.m. to transact the business set out in the resolutions below.

Resolutions 1 to 19 (inclusive) and 23 will be proposed as ordinary resolutions and resolutions 20 to 22 (inclusive), and 24 to 26 (inclusive) will be proposed as special resolutions.

## **Ordinary Resolutions:**

### **Resolution 1 – Receipt of the Report and Accounts**

THAT the audited accounts of the Company for the year ended 31 December 2019 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 106 to 138 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 128 to 138 of the Annual Report and Accounts, be and is hereby approved, and will take effect from the date on which this resolution is passed.

### **Resolution 4 – Re-election of Director**

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

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

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

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

THAT Mark Gregory be and is hereby re-elected as a Director of the Company.

### **Resolution 7 – Re-election of Director**

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

### **Resolution 8 – Election of Director**

THAT Tim Harris be and is hereby elected as a Director of the Company.

### **Resolution 9 – Re-election of Director**

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

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

THAT Gregor Stewart be and is hereby re-elected as a Director of the Company.

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

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

### **Resolution 14 – Re-appointment of the Auditor**

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

### **Resolution 15 – 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 16 – Political donations and expenditure**

THAT in accordance with section 366 of the Companies Act 2006 the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect are authorised to:

- (a) make political donations to political parties or independent election candidates, not exceeding £100,000 in total;
- (b) make political donations to political organisations other than political parties, not exceeding £100,000 in total; and
- (c) 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 beginning with the date of the passing of this resolution and ending 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 2021.

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 17 – To approve the Direct Line Insurance Group plc Long Term Incentive Plan**

THAT the rules of the Direct Line Insurance Group plc Long Term Incentive Plan (the "LTIP"), the principal terms of which are summarised in the Appendix to this Notice, be approved and the Directors of the Company be authorised to do all acts and things they consider necessary or expedient to implement and give effect to the LTIP, and to establish further plans based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under any further plans will count against any limits on individual or overall participation in the LTIP.

### **Resolution 18 – To approve the Direct Line Insurance Group plc Deferred Annual Incentive Plan**

THAT the rules of the Direct Line Insurance Group plc Deferred Annual Incentive Plan (the "DAIP"), the principal terms of which are summarised in the Appendix to this Notice, be approved and the Directors of the Company be authorised to do all acts and things they consider necessary or expedient to implement and give effect to the DAIP, and to establish further plans based on the DAIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under any further plans will count against any limits on individual or overall participation in the DAIP.

### **Resolution 19 – 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 £49,620,058 (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 £49,620,058; and
    - b) comprising equity securities (as defined in article 8 of the Articles) up to a maximum nominal amount of £99,240,116 (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 2021;
  - 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 23 (authority to allot new shares in relation to an issue of RTI Instruments).

### **Special Resolutions:**

#### **Resolution 20 – 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 £7,443,009; 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 2021.

#### **Resolution 21 – Additional authority to disapply pre-emption rights**

THAT

- i) in addition to any authority granted under Resolution 20, the Directors be given power:
  - a) subject to the passing of Resolution 19, 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 £7,443,009; 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 2021; 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 22 – Authority to purchase own shares**

THAT, in accordance with section 701 of the Companies Act 2006, 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 136,455,160;
- 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 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 on the trading venue where the purchase is carried out;
- 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 2021; and
- 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.

**Ordinary Resolution:****Resolution 23 – Authority to allot new shares in relation to an issue of RT1 Instruments**

THAT, in addition to the authority granted pursuant to Resolution 19 (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 RT1 Instruments where the Directors consider that such an issuance of 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 2021, 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 24 – Disapplication of pre-emption rights in relation to an issue of RT1 Instruments**

THAT, subject to the passing of Resolution 23, 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 23 up to an aggregate nominal amount of £23,250,000 in relation to any issues of 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 2021, 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 authorities conferred by Resolutions 20 (general authority to disapply pre-emption rights) and 21 (additional authority to disapply pre-emption rights).

**Resolution 25 – Notice period for general meetings other than an AGM**

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

**Resolution 26 – Adoption of new Articles of Association.**

THAT, with effect from the conclusion of the AGM, the articles of association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

By Order of the Board

Roger C Clifton  
Company Secretary  
14 April 2020



## 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. In view of the Government's current restrictions on public gatherings of more than two people, we are strongly advising members to appoint the Chairman of the Meeting as their proxy.
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 11.00 a.m. on Tuesday, 12 May 2020.
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. However, please note the information in the Chairman's Letter (on pages 2 and 3) regarding attending the AGM in person. 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, 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 11.00 a.m. on Tuesday, 12 May 2020. 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 8 April 2020 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 1,364,551,605 ordinary shares, all carrying one vote each. Therefore, the total number of voting rights in the Company as at 8 April 2020 was 1,364,551,605. No shares are held in treasury.

### **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.

### **Voting record date**

13. Only those shareholders registered in the Register of Members of the Company as at 8.00 p.m. on **Tuesday, 12 May 2020** 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, at the time which is not more than 48 hours before the time of the adjourned meeting (disregarding non-business days)). 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. Please note the information in the Chairman's Letter (on pages 2 and 3) regarding attending the AGM in person.

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.

### **Audit Statements**

15. 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 Annual Report and 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**

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

### **Inspection of documents**

17. 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 conclusion of the AGM:

- i) the service contract of each Executive Director;
- ii) the letter of appointment of each Non-Executive Director;
- iii) the rules of the LTIP and DAIP as proposed under Resolutions 17 and 18; and
- iv) a copy of the proposed new articles of association of the Company and a copy of the Current Articles, marked to show all the changes proposed by Resolution 26.

18. 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 Report and Accounts of the Company for the financial year ended 31 December 2019, 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). It 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 Directors’ Remuneration Report is set out in full on pages 106 to 138 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 upon the resolution being passed by shareholders.

### **Resolution 3 – Approval of the Directors’ Remuneration Policy**

Shareholders are requested to approve the Directors’ Remuneration Policy which is set out on pages 128 to 138 of the Annual Report and Accounts. The following changes are proposed to the previous Directors’ Remuneration Policy:

- i) to reflect recent developments in best practice: the alignment of pension contributions for current and future Executive Directors with the majority of the employee population; the increase in the level of share ownership guidelines from 200% to 250% of salary for the Chief Executive Officer; the introduction of a post-employment shareholding requirement for Executive Directors; and adding discretion to override formulaic outcomes included in the AIP and LTIP in exceptional circumstances; and
- ii) to enhance clarity in the policy: the separation of the AIP from the DAIP; the inclusion of information clarifying the treatment of dividends under the DAIP and the maximum remuneration scenarios possible under the LTIP; and minor wording changes to the LTIP and AIP performance measures.

Further information about the changes are also described in the Remuneration Committee Chair’s Statement set out on pages 106 to 109 of the Annual Report and Accounts.

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 Directors’ Remuneration 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 Directors’ Remuneration 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 Directors’ Remuneration Policy for approval by shareholders on a three yearly basis.

### **Resolutions 4 to 13 – 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.

Tim Harris was appointed to the Board as an Executive Director on 1 October 2019 and a resolution will be proposed for his election at this year’s AGM.

Mike Biggs, Danuta Gray, Mark Gregory, Jane Hanson, Penny James, Sebastian James, Fiona McBain, Gregor Stewart 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; it is confirmed that each Director contributes effectively and continues to demonstrate commitment to the role. Through its Nomination and Governance 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.

Biographical details, in support of each Director’s election or re-election, including an explanation of why each Director’s contribution is, and continues to be, important to the Company’s long-term sustainable success, are provided below.

**Mike Biggs, Chairman**

*Appointed: 2012*

Mike is Chairman of the Board and of the Nomination and Governance Committee. The Board benefits from his extensive experience as a Director and Chairman in the insurance industry, which makes him well suited to the role of Chairman, enabling him to lead the Board and ensure its effectiveness.

Mike serves as Chairman of Close Brothers Group plc and its regulated bank, Close Brothers Limited.

Mike's previous positions include Chairman of Resolution Limited, then a FTSE 100 UK life assurance business, 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.

**Danuta Gray, Independent Non-Executive Director**

*Appointed: 2017*

Danuta is Chair of the Remuneration Committee. The Board benefits from her previous experience as a Chief Executive and Non-Executive Director (including two positions as Chairs of Remuneration Committees), significant experience in sales, marketing, customer services and technology and in leading and changing large businesses.

Danuta is Non-Executive Chair of St. Modwen Properties plc. She is also Senior Independent Director ("SID") of Aldermore Group plc and a Non-Executive Member of the Defence Board of the UK Ministry of Defence.

Danuta was Chairman of Telefónica 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. Before working at Telefónica, Danuta held various senior positions within BT Group from 1984 to 2001. Until June 2018, Danuta was a Non-Executive Director and Chairman of the Remuneration Committee at both PageGroup plc and Old Mutual plc.

**Mark Gregory, Independent Non-Executive Director**

*Appointed: 2018*

Mark is Chair of the Investment Committee. The Board benefits from his previous extensive experience and knowledge of the financial services sector, particularly in life and general insurance, gained through his roles at Legal & General. Additionally, he has a detailed understanding of the retail sector and customer service.

Mark is Chief Executive Officer of Merian Global Investors Limited.

Mark previously held the role of Group Chief Financial Officer and Executive Director at Legal & General Group plc ("Legal & General") until March 2017. During his 19-year career at Legal & General, he held a variety of senior roles including Chief Executive Officer of the Savings business, Managing Director of the With-Profits business, and Resources & International Director. Before joining Legal & General, Mark held senior financial and business development roles at ASDA and Kingfisher. Mark is an Associate of the Institute of Chartered Accountants in England and Wales.

**Jane Hanson, Independent Non-Executive Director**

*Appointed: 2011*

Jane is Chair of the Board Risk Committee. The Board benefits from Jane's significant experience of risk management, corporate governance, internal control and developing and monitoring customer and conduct risk frameworks. This experience as well as extensive experience in overseeing IT and transformation programmes, makes her well suited to the role of Independent Non-Executive Director and Chair of the Board Risk Committee.

Jane is a Non-Executive Director of William Hill plc and Chair of Reclaim Fund Ltd. She is an Independent Member of the Fairness Committee at ReAssure Ltd. Jane is the Honorary Treasurer and a Trustee of the Disasters Emergency Committee and has her own financial sector consulting business.

Jane spent her early career with KPMG, latterly becoming responsible for delivery of corporate governance, internal audit and risk management consulting services in the north of England. Jane has also held many executive roles, including Director of Audit and Risk and Governance Director at Aviva plc. She 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 is also a Magistrate.

## Direct Line Insurance Group plc

THE BUSINESS OF THE AGM – EXPLANATORY NOTES *continued***Tim Harris**, *Chief Financial Officer*

*Appointed: 2019*

Tim joined Direct Line Group as Chief Financial Officer on 1 October 2019. The Board benefits from Tim's many years of experience as a finance director in the insurance industry, his detailed knowledge of capital markets and his track record of successfully leading finance transformation programmes.

Tim is a member of the Association of British Insurers Board and is Chair of their Prudential Financial and Taxation Committee. He is also a member of the PRA's Practitioner Panel.

Tim was Deputy Chief Executive and Group Finance Director of the Royal London Group until July 2019. He joined Royal London as Group Finance Director in May 2014 and was additionally appointed as Deputy Chief Executive in January 2018. Before joining Royal London, Tim had been Group CFO of Torus Insurance, Deputy Group CFO and Chief Capital Officer of Aviva plc and a Partner in the Global Capital Markets practice of PricewaterhouseCoopers. Tim is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Insurance Practitioner.

**Penny James**, *Chief Executive Officer*

*Appointed: 2017*

Penny was Chief Financial Officer of Direct Line Group until her appointment as Chief Executive Officer in May 2019. The Board benefits from Penny's deep understanding of our sector as well as her leadership skills, financial and risk expertise, strategic thinking and cultural alignment. As CEO, Penny is leading both the delivery of the Group's short-term strategic imperatives, including technological and business transformation, and the development of the next stage of our strategy of targeting long term sustainability.

Penny is a member of the Association of British Issuers Board. Penny was previously Group Chief Risk Officer and Executive Director at Prudential plc, where she was responsible for leading risk oversight globally. Before this, she was Director of Group Finance at Prudential. Penny had previously been Group CFO at Omega Insurance Holdings Limited and CFO, UK General Insurance, at Zurich Financial Services. She was a Non-Executive Director of Admiral Group plc from January 2015 to September 2017. She is an Associate of the Institute of Chartered Accountants in England and Wales.

**Sebastian James**, *Independent Non-Executive Director*

*Appointed: 2014*

Sebastian is Chair of the Corporate Responsibility Committee. The Board benefits from Sebastian's extensive experience in retail and consumer practice at large groups, his detailed understanding of the UK consumer markets, products and brands as well as his strategic and operational experience running Dixons Carphone plc and Boots.

Sebastian is President and Managing Director of Boots, and Senior Vice President of Walgreen Boots Alliance, Inc. He is also a Trustee of the Museum of Modern Art Limited.

Until 2018, Sebastian was Group Chief Executive of Dixons Carphone plc having previously held the role of Group Chief Executive of Dixons Retail plc from 2012 to 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 has a degree in law from the University of Oxford and an MBA from INSEAD. He began his career at The Boston Consulting Group.

**Fiona McBain**, *Independent Non-Executive Director*

*Appointed: 2018*

The Board benefits from Fiona's profound knowledge of the financial services industry and her previous extensive experience as both a business leader and an auditor makes her well suited to her role as a member of the Audit and Board Risk Committees.

Fiona is Chair of Scottish Mortgage Investment Trust plc and a Non-Executive Director of Dixons Carphone plc. She is also a Non-Executive Director of Monzo Bank Limited.

Fiona has over 30 years' experience in retail financial services, in the industry and as an auditor, in the UK and the USA. She is an Associate Member of the Institute of Chartered Accountants in England & Wales, qualifying as an accountant early on in her career at Arthur Young (now EY). Until January 2019 she was Vice-Chairman of Save the Children UK and a Trustee Director of the Humanitarian Leadership Academy. Previously, Fiona served as Chief Executive Officer of Scottish Friendly Group for 11 years, before which she was Scottish Friendly Group's Finance Director.

**Gregor Stewart**, *Independent Non-Executive Director*

*Appointed: 2018*

Gregor is Chair of the Audit Committee. The Board benefits from his wide-ranging experience of the financial services sector, and in particular, significant experience gained in the insurance and investment management sectors. His career and experiences at Ernst & Young and Lloyds in particular, make him suitable to chair the Audit Committee.

Gregor is Chairman of Alliance Trust plc and Chairman of Quilter Financial Planning Limited. He is a Non-Executive Director of FNZ Group and Chairman of FNZ UK Limited. Gregor is also Honorary Treasurer of the charity International Alert.

Gregor worked at Ernst & Young for 23 years, including 10 years as a partner in the financial services practice. Following his career at Ernst & Young, he was Finance Director for the Insurance division at Lloyds Banking Group plc, which included Scottish Widows, from 2009 to 2012. Gregor is a member of the Institute of Chartered Accountants of Scotland.

**Richard Ward**, *Independent Non-Executive Director and SID*

*Appointed: 2016*

Richard is the Senior Independent Director. 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.

Richard is Executive Chairman of Specialty at the Ardonagh Group.

Richard was Chief Executive of Lloyd's of London from 2006 to 2013. Richard was Non-Executive Chairman of Brit Syndicates Limited and Executive Chairman of Cunningham Lindsey from 2014 to 2018. He was a Non-Executive Director of Partnership Assurance Group plc, now part of Just Group plc, between 2013 and 2016. Before being Chief Executive of Lloyd's of London he was previously Chief Executive, later Vice Chairman, of the International Petroleum Exchange, rebranded ICE Futures. Before this, he held a range of senior positions at British Petroleum and was a research scientist for the Science and Engineering Council. Richard was also a Non-Executive Director of London Clearing House, a member of the PwC Advisory Board and a Board member of the Geneva Association.

**Resolution 14 – Re-appointment of the Auditor**

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

**Resolution 15 – Authority to agree the Auditor's remuneration**

This resolution is separate to resolution 14 and proposes to give authority to the Audit Committee of the Board to determine the Auditor's remuneration.

**Resolution 16 – 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 and to incur political expenditure 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 17 – Approval of the LTIP**

The Company's existing Long Term Incentive Plan is due to expire during the term of the Company's new Directors' Remuneration Policy which is proposed to shareholders at resolution 3. This resolution seeks shareholders' approval for the updated Direct Line Insurance Group plc Long Term Incentive Plan (the "LTIP"), on terms broadly similar to the previous Long Term Incentive Plan, but with amendments to take account of developments in market practice. The principal terms of the LTIP are summarised in the Appendix to this Notice.

**Resolution 18 – Approval of the DAIP**

The Company's existing Deferred Annual Incentive Plan is due to expire during the term of the Company's new Directors' Remuneration Policy which is proposed to shareholders at resolution 3. This resolution seeks shareholders' approval for the updated Direct Line Insurance Group plc Deferred Annual Incentive Plan (the "DAIP"), on terms broadly similar to the previous Deferred Annual Incentive Plan, but with amendments to take account of developments in market practice. The principal terms of the DAIP are summarised in the Appendix to this Notice.

**Resolution 19 – Authority to allot new shares**

At the AGM on 9 May 2019, 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 2019 AGM to allot shares. Paragraph i) a) of this resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £49,620,058. This amount represents one-third (33.33%) of the issued ordinary share capital of the Company as at 8 April 2020, 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 £99,240,116 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 8 April 2020, 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 2021 (the latest date by which the Company must hold an AGM in 2021) and the conclusion of the AGM of the Company held in 2021.

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 20 – General authority to disapply pre-emption rights (special resolution)**

This resolution renews, in line with institutional guidelines, the authority that was given at the AGM on 9 May 2019, 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 £7,443,009. This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 8 April 2020, 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 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles") in their use of this general authority 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 Statement of Principles), without prior consultation with shareholders.

Allotments made under the authorisation in paragraph i) of resolution 19 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 2021 (the latest date by which the Company must hold an AGM in 2021) and the conclusion of the AGM of the Company held in 2021.

**Resolution 21 - Additional authority to disapply pre-emption rights (special resolution)**

Resolution 21 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 Statement of Principles and will expire on 30 June 2021 or at the conclusion of the AGM in 2021, 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 £7,443,009, which represents approximately 5% of the issued ordinary share capital of the Company as at 8 April 2020, 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 20. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £14,886,018 which represents approximately 10% of the issued ordinary share capital of the Company as at 8 April 2020, the latest practicable date prior to publication of this Notice.

#### **Resolution 22 – Authority to purchase own shares (special resolution)**

This resolution renews the authority that was given at the 2019 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 is 136,455,160 which represents 10% of the issued ordinary shares of the Company as at 8 April 2020, 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 highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

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.

As a result of the share buyback programme announced in the Preliminary Results and referred to in the Chairman's letter on pages 2 and 3, the Directors have exercised the authority granted at the 2019 AGM to purchase the Company's own shares, but the share buyback programme is currently suspended.

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 8 April 2020, being the latest practicable date prior to the publication of this Notice, was 19,075,063. The proportion of issued share capital that they represented at that time was 1.39% and the proportion of issued share capital that they would represent if the full authority to purchase shares (existing and being sought) were used is 1.74%.

#### **Resolution 23 – Authority to allot new ordinary shares in relation to an issue of RT1 Instruments**

Resolution 23, will, if approved, renew the authority granted to Directors at the 2019 AGM 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 RT1 Instruments which is, in aggregate, equivalent to approximately 15.6% of the issued ordinary share capital of the Company as at 8 April 2020, being the last practicable date prior to the publication of this Notice.

The Directors believe that it is in the best interests of the Company to have the flexibility to issue RT1 Instruments from time to time and the authority sought in resolution 23 may be used if, in the opinion of the Directors, at the relevant time such an issuance of RT1 Instruments would be desirable to improve the capital structure of the Company. However, the request for authority in resolution 23 should not be taken as an indication that the Company will or will not issue any, or any given amount of, RT1 Instruments. This authority is in addition to the authority proposed in resolution 19, 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 2021. However, the Directors may seek a similar authority in the future.

#### **Resolution 24 – Disapplication of pre-emption rights in relation to an issue of RT1 Instruments (special resolution)**

Resolution 24, which will be proposed as a special resolution, proposes that, in addition to any authority conferred by resolutions 20 (general authority to disapply pre-emption rights) and 21 (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 RT1 Instruments, which is equivalent to 15.6% of the issued ordinary share capital of the Company as at 8 April 2020, 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 24 would permit the Company the flexibility necessary to allot equity securities pursuant to any proposal to issue RT1 Instruments without the need to comply with the strict pre-emption requirements of the UK statutory regime. Together with resolution 23, resolution 24 is intended to provide the Directors with the continued flexibility to issue 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 2021. However, the Directors may seek a similar authority in the future.

Conditional upon the passing of resolutions 23 and 24, the Directors would not expect to make use of the authorities to allot shares and to disapply pre-emption rights granted by resolutions 19 to 21 to issue RT1 Instruments. Any exercise of the authorities in resolutions 19 to 21 (if passed) would be separate from and in addition to the exercise of any powers under these resolutions 23 and 24 and would also have a dilutive effect on existing shareholdings.

As noted on page 3 of this document, the Directors made use of the authorities to issue RT1 Instruments that were granted at the 2017 AGM in connection with the Group's issue of such instruments in December 2017. The Directors have not used the authority granted at the 2018 AGM or the 2019 AGM.

#### **Resolution 25 – Notice period for general meetings other than the 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 2019 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 proposed.

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, 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.

#### **Resolution 26 – Adoption of new Articles of Association**

It is proposed to adopt new articles of association (the 'New Articles') in order to update the current articles of association (the 'Current Articles'), primarily to reflect changes in the law and developments in market practice and technology since the Current Articles were adopted in 2012. The principal changes introduced in the New Articles are summarised below. Minor, technical and clarifying changes have not been noted. A copy of the New Articles and a copy of the Current Articles, marked to show all the changes proposed, are available for inspection as noted on page 8.

##### Electronic participation in general meetings

The New Articles include provisions enabling the holding of "combined physical and electronic general meetings". A "combined physical and electronic general meeting" is a general meeting (including an annual general meeting) held at a physical venue with additional facilities for shareholders to attend the meeting by electronic means. The New Articles are intended to allow (but not to require) the Company to embrace new technology as it develops. The New Articles are in line with best practice and do not permit the holding of "virtual only" general meetings.

##### Cancellation of dividends by the Board (compliance with prudential regulatory regime)

In order for the Company's ordinary shares to be counted towards the Group's regulatory capital requirements for the purposes of the prudential regulatory regime (which is the EU prudential regulatory regime for insurers), any dividends declared by the Company must be capable of being cancelled or deferred at any time prior to payment if the relevant capital requirements have been breached or payment of the dividend would lead to non-compliance with those requirements. These rules have applied to the Company since 2016, and the opportunity is now being taken to include a provision in the New Articles, in line with the applicable prudential regime and consistent with the Company's established approach when asking shareholders to approve dividends. This approach has been that any dividend may be cancelled by the Board before payment in certain circumstances and has been widely drafted to give the Directors sufficient flexibility and discretion to ensure the Company complies with the applicable prudential regime. The Directors will exercise their discretion in line with

their duties to the Company. The Directors do not expect to use any discretion to cancel a dividend except in a situation where they are required to do so by the PRA or where they believe it is necessary or desirable in the light of applicable legal or regulatory requirements or otherwise for regulatory capital purposes.

#### Method of payment of dividends

The New Articles update the provisions of the Current Articles that relate to the way dividends are paid, in line with recent market practice and guidance issued in 2014 by the ICSA Registrars' Group. The New Articles confirm the existing flexibility under the Current Articles to allow the payment of dividends by different methods (including cheque, dividend warrant and bank transfer) and additionally permit the directors to decide which payment method is to be used on any particular occasion. The Directors consider it important to have the flexibility to cater for new developments and changes in practice, including considering the efficiency and cost savings if, in the future, the Company changed to electronic payment only.

#### Untraced members- tracing enquiries and sale of shares

The New Articles, in line with market practice, update the process the Company would intend to follow in relation to any exercise of its power to sell the shares of "untraced members". "Untraced members" would be shareholders who have not claimed or cashed a dividend payment over a period of at least twelve years provided, during that time, at least three cash dividends have become payable. The New Articles replace the requirement in the Current Articles to place notices in newspapers with a requirement that the Company must send a notice to the last registered address of the shareholder stating that it intends to sell the shares. Before sending such a notice, the Company must have made tracing enquiries for the purpose of contacting the shareholder, which the directors consider to be reasonable and appropriate in the circumstances. The New Articles provide that, if no valid claim for the proceeds of a sale has been received by the Company during a period of two years from the date on which the relevant shares are sold, the net proceeds of the sale will be forfeited and will belong to the Company. The Company would be permitted to use the sale proceeds for any purpose the directors may decide. The New Articles also provide that, if the Company exercises its power of sale in respect of any share of an untraced member, any dividend (and any other moneys) payable on the share at the time the share is sold will be forfeited.

#### Shareholder communications

The New Articles provide, in line with market practice, that a member ceases to be entitled to receive communications from the Company if, on two consecutive occasions, notices, documents or information have been sent or supplied to that member and returned undelivered. A member becomes entitled to receive communications again when he or she has supplied the Company or its registrar with updated contact details.

#### Receipt of proxy

The New Articles clarify, in line with market practice and the Companies Act 2006 that, in calculating the proxy appointment deadline for a general meeting of not more than 48 hours before the time for the holding of the meeting, no account needs be taken of non-working days.

#### Retirement of directors

The New Articles provide, in line with common practice, that at each annual general meeting every director who held office on the date seven days before the date of notice of the annual general meeting shall retire from office, but is eligible for re-election. All of the Company's directors are subject to annual re-election by shareholders, in accordance with the UK Corporate Governance Code.

#### Vacation of office of director

The New Articles include updated wording, in line with relevant legislation, regarding the circumstances in which a director must vacate office where the director has become physically or mentally ill, subject to a resolution of the board. The updated wording applies the same test to both physical and mental illness of whether in the opinion of a medical practitioner the director is rendered incapable by his illness of acting as a director for more than three months.

#### Capitalisation of reserves- employees' share schemes

The New Articles include an updated provision, in line with market practice, that clarifies the approach the Company would intend to take to employees' share schemes in the context of a capitalisation of reserves.

# Direct Line Insurance Group plc

## SHAREHOLDER INFORMATION

### Shareholder helpline

The shareholder helpline is run by the Registrar, and is available between Monday and Friday, 8.30 a.m. to 5.30 p.m. (excluding public holidays). The helpline also contains automated self-service functionality which is available 24 hours a day, 7 days a week. Using your SRN on your proxy form, 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 and 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 proxy form, last dividend confirmation or share certificate.

### 2020 key financial dates\*

First quarter trading update	6 May
Half-year report	4 August
Ex-dividend date for 2020 interim dividend	13 August
Record date	14 August
Payment of 2020 interim dividend	11 September
Third quarter trading update	10 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.co.uk/dividends](http://www.directlinegroup.co.uk/dividends).

### Electronic communications

The Company actively encourages all shareholders to register for the electronic communications service. You can register for this by visiting [www.directlinegroup.co.uk/alerts](http://www.directlinegroup.co.uk/alerts) 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 11.00 a.m. on Monday, 11 May 2020 from participants in the Company's share incentive plans and the vested share account and must receive proxy appointments no later than 11.00 a.m. on Tuesday, 12 May 2020 from ordinary shareholders.

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

## APPENDIX

### SUMMARY OF THE PRINCIPAL TERMS OF THE LONG TERM INCENTIVE PLAN

#### 1. Introduction

- 1.1 The Direct Line Insurance Group plc Long Term Incentive Plan (the "Plan") will permit the grant of conditional share awards and options (together referred to as "Awards") over ordinary shares in the Company ("Shares").
- 1.2 The Plan will be administered by the Remuneration Committee of the Board of Directors (the "Committee").
- 1.3 The Plan will expire ten years following the approval of the Plan by the Company's shareholders.

#### 2. Eligibility

All employees (including executive directors) of the Company or a subsidiary of the Company (the "Group"), will be eligible to participate in the Plan. The Committee will determine which employees will be granted Awards and what type of Awards will be granted. Employees holding an Award are referred to as "participants".

#### 3. Grant of Awards

- 3.1 Awards will normally be granted in the period of six weeks beginning with the dealing day after the date on which the Company announces its annual or half yearly results for any period. Awards may also be granted at other times if the Committee determines that there are sufficiently exceptional circumstances.
- 3.2 Awards cannot be granted at a time during which dealing in Shares is prohibited.

#### 4. Holding Period

Following the vesting of an Award, Shares subject to the Award may be subject to a holding period, (determined by the Committee at the time of grant), during which they may not be transferred, assigned or disposed of without consent from the Committee.

#### 5. Performance condition

- 5.1 The vesting of Awards may be subject to the satisfaction of a performance condition which will be stated at the date of grant. The Committee will determine any performance condition that will apply to an Award and whether and to what extent any performance condition has been met.
- 5.2 If the Committee considers it appropriate, taking into account the performance of the Company, an individual or business, it may adjust the level of vesting to a different amount (including to zero).

#### 6. Dividend equivalent

Awards will not confer any shareholder rights prior to the record date on which the Shares have been allotted or transferred to a participant following the Vesting Date. However, a participant's Award shall increase by a whole number of additional Shares

that could have been acquired with the dividends (net of any tax credits) that would have been paid on the Shares under their Award during the period from the date of grant to the date of vesting (or to the expiry of the holding period, if applicable).

#### 7. Individual limit

The maximum total market value of Shares which may be subject to an Award granted to an employee during any financial year will be 200 per cent. of the employee's annual base salary. If the Committee decides that exceptional circumstances exist in relation to the recruitment or retention of an employee, then the maximum total market value of Shares subject to an Award is 300 per cent. of the employee's annual base salary.

#### 8. Dilution limits

- 8.1 No Award may be granted under the LTIP if it would cause the number of Shares issued or issuable under the Company's share plans in the preceding ten years to exceed 10% of the Company's issued ordinary share capital at that time.
- 8.2 No Award may be granted under the LTIP if it would cause the number of Shares issued or issuable under the LTIP or any other executive share plan in the preceding ten years to exceed 5% of the Company's issued ordinary share capital at that time.
- 8.3 Treasury shares will count towards the dilution limits above (unless this ceases to be required under institutional investor guidelines),

#### 9. Normal vesting

- 9.1 Awards will normally vest, subject to the satisfaction of any applicable performance condition, on the third anniversary of their date of grant (the "Vesting Date"), provided that the participant is still employed by the Group at that time, and subject to the terms of any applicable holding period.
- 9.2 The Shares in respect of which a conditional share award has vested and an option has been exercised will be delivered to the participant as soon as reasonably practicable after vesting or exercise (as applicable).
- 9.3 Vesting of an Award may be delayed if the participant is subject to disciplinary action, or if the Committee is considering the application of malus or clawback.
- 9.4 Once an option has vested, it will normally remain exercisable until the tenth anniversary of its date of grant.

#### 10. Cash alternative

The Committee may determine that a participant will receive, in substitution of a right to acquire vested Shares, a cash sum equal to the market value of the number of vested Shares under the Award. The Committee cannot make such a determination where it would result in a tax liability in relation to the Award at an earlier time than would otherwise be the case (unless the Committee disapplies such

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## APPENDIX *continued*

restriction at grant), nor where to do so would be unlawful in any jurisdiction.

### 11. Leavers

11.1 If a participant ceases to be employed within the Group before the Vesting Date of an Award because of death, injury, ill health, disability, redundancy or retirement (with agreement of the employer), because of the sale of the participant's employing company or business out of the Group, or for any other reason determined by the Committee, the participant's Award will vest on the normal Vesting Date (or, if later, the expiry of any applicable holding period) or, if the Committee determines that there are exceptional circumstances, on the date of cessation. In such circumstances, options will remain exercisable for a period of 12 months after vesting (18 months in the case of death).

11.2 The number of Shares that will vest will be determined by the Committee (a) applying the performance conditions; and (b) applying a pro rata reduction based on the period of time between the date of grant and the date of cessation, relative to the three year vesting period (unless the Committee decides such reduction is inappropriate).

11.3 If a participant ceases employment by reason of ill-health, injury or disability after the Vesting Date of an option, the option may be exercised for the period of 12 months (18 months in the case of death) following cessation and will then lapse.

11.4 If a participant ceases employment before the Vesting Date in other circumstances the participant's Awards will lapse immediately on such cessation.

11.5 If a participant ceases employment during the holding period, their Award will either vest at the end of the holding period (and an option must be exercised within 12 months of the end of the holding period), or if the Committee determines it appropriate, it may vest on the date of cessation (and an option must be exercised within 12 months). If the reason for cessation is misconduct (as determined by the Committee) the Award will lapse on cessation.

11.6 Where an individual retains an Award after ceasing employment but engages in behaviour that is detrimental to the Group before the Award vests, the Award may lapse at the discretion of the Committee.

### 12. Change of control or winding-up of the Company

12.1 If there is a change of control or winding-up of the Company, Awards will normally vest on the date that the Company notifies them of such an event, and options will be exercisable for one month following notification of the relevant event (following which options will lapse). Comparable provisions apply in the event of a demerger, special dividend or other similar event that would affect the market price of the Shares to a material extent, if the Committee

considers it appropriate.

12.2 The number of Shares that will vest will be determined by the Committee (a) applying the performance conditions; and (b) applying a pro rata reduction based on the period of time between the date of grant and the date of cessation, relative to the three year period (unless the Committee decides such reduction is inappropriate).

12.3 The Committee may decide that Awards will not vest on a change of control but will, be automatically surrendered in consideration for the grant of a new award on terms agreed with the acquiring or another company (which the Committee determines is equivalent to the Award it replaces).

### 13. Adjustment

In the event of a variation in the share capital of the Company or a demerger, special dividend or other similar event which affects the market price of Shares to a material extent, the Committee may adjust the number of Shares over which an Award has been granted.

### 14. Malus

The Committee may reduce (including to zero) the number of Shares subject to an Award following the grant of the Award but before the vesting of the Award (or exercise of an option) in circumstances where the Committee determines such action is justified.

### 15. Clawback

The Committee may at any time within a period determined at the date of grant (usually seven years), determine that a participant may be obliged to repay amounts received in respect of their Award to the Group, in circumstances where the Committee determines such action is justified.

### 16. Amendment

16.1 The Committee may amend the rules of the Plan, provided that no amendment to the advantage of participants or employees may be made to: (a) the provisions relating to who is eligible to participate in the Plan, (b) the individual limits on participation, (c) the overall limits on the number of Shares that can be issued or transferred from treasury under the Plan, (d) the basis for determining a participant's entitlement to, and the terms of, Shares or cash, (e) the adjustments that may be made in the event of any variation of capital, or (f) the adjustment provision in the Plan rules, without the prior approval of the shareholders of the Company in a general meeting.

16.2 No alteration to the material disadvantage of participants may be made unless approved by a majority of participants.

16.3 The above rule does not apply if the amendment is minor and made to benefit the administration of the

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## APPENDIX *continued*

Plan, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

- 16.4 The Committee may (acting fairly and reasonably) amend the performance condition(s) if an event has occurred which causes the Committee to consider it would be appropriate to do so, provided that the altered conditions would be not materially less difficult to satisfy than before.

### 17. Other provisions

- 17.1 The board of directors has authority to establish schedules amending the Plan and / or further sub-plans based on the Plan to enable the Plan to operate in jurisdictions outside the UK.
- 17.2 The rights and terms of participants' terms of office / employment are not affected by their participation in the Plan.
- 17.3 Awards are not pensionable benefits and may not be transferred, assigned, charged or otherwise disposed of to any person (other than to a personal representative on the death of a participant).

**Note:** The above is a summary of the main features of the rules of the Plan, does not form part of the rules and will not affect their interpretation.

### SUMMARY OF THE PRINCIPAL TERMS OF THE DEFERRED ANNUAL INCENTIVE PLAN

#### 1. Introduction

- 1.1 The Direct Line Insurance Group plc Deferred Annual Incentive Plan (the "Plan") provides for a part of a participant's annual incentive award in respect of a financial year granted under the Company's normal annual incentive plan to be awarded in the form of options over ordinary shares ("Shares") in the Company ("Awards"), at the discretion of the Remuneration Committee of the Board of Directors (the "Committee").
- 1.2 An Award may be granted over 40% (or such other percentage as the Committee may determine) of the annual incentive plan outcome determined for each participant (before any tax deductions), with the remaining 60% (or such other percentage as the Committee may determine) of the annual incentive plan outcome to be paid out in cash.
- 1.3 The Committee will be responsible for the operation of the Plan. The Plan will expire ten years following the approval of the Plan by the Company's shareholders.

#### 2. Eligibility

- 2.1 To be eligible to receive an Award an individual must (i) be an employee (including an executive director) of the Company or any of its subsidiaries (the "Group") or (ii) a former employee of the Group, who in either case has achieved an annual

incentive award for the preceding financial year of the Company. Employees holding an Award are referred to as "participants".

#### 3. Grants of Awards

- 3.1 Awards will normally be granted in the period six weeks beginning with the dealing day after the date on which the Company announces its results for a financial year in respect of which an annual incentive plan outcome was determined. Awards may also be granted at other times if the Committee determines that there are sufficient exceptional circumstances.
- 3.2 Awards cannot be granted at a time during which dealing in Shares is prohibited.

#### 4. Dividend equivalent

Awards will not confer any shareholder rights prior to the record date on which the Shares have been allotted or transferred to a participant. However, a participant's Award shall increase by a whole number of additional Shares that could have been acquired with the dividends (net of any tax credits) that would have been paid on the Shares under their Award during the period from the date of grant to the date of vesting.

#### 5. Dilution limits

- 5.1 No Award may be granted under the Plan if it would cause the number of Shares issued or issuable under the Company's share plans in the preceding ten years to exceed 10% of the Company's issued ordinary share capital at that time.
- 5.2 No Award may be granted under the Plan if it would cause the number of Shares issued or issuable under the Plan or any other executive share plan in the preceding ten years to exceed 5% of the Company's issued ordinary share capital at that time.
- 5.3 Treasury shares will count towards the dilution limits above (unless this ceases to be required under institutional investor guidelines),

#### 6. Normal vesting

- 6.1 Awards will normally vest on the third anniversary of the date of grant (the "Vesting Date"), provided that the participant is still employed by the Group at that time.
- 6.2 Once vested, an Award will normally remain exercisable until the tenth anniversary of its date of grant.
- 6.3 Vesting of an Award may be delayed if the participant is subject to disciplinary action, or if the Committee is considering the application of malus or clawback.

#### 7. Leavers

- 7.1 If a participant ceases to be employed by the Group by reason of resignation prior to the Vesting Date or if they are dismissed for cause prior to such date, their Award will lapse (unless, in the case of resignation only, the Committee determines otherwise). If a participant ceases to be employed

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## APPENDIX *continued*

by the Group after the Vesting Date, or where the participant's employment ceases prior to the Vesting Date for any other reason (and also where the Committee exercises its discretion for the Award not to lapse in the case of resignation), then the Committee may either:

- (a) allow the participant's outstanding Awards to be retained and to vest on the normal Vesting Date; or
- (b) in exceptional cases, allow the participant's outstanding Awards to vest on the date that the participant ceases employment.

7.2 In either case, the period for exercising such Awards will end 12 months (18 months in the case of death) from the date that the Award becomes exercisable (where the Awards were not vested on the date of cessation) or from the date of cessation (where the Awards were vested at the date of cessation).

7.3 Where an individual retains an Award after ceasing employment but engages in behaviour that is detrimental to the Group before the Award vests, the Award may lapse at the discretion of the Committee.

### 8. **Cash alternative**

The Committee may determine that a participant will receive, in substitution of a right to acquire vested Shares, additional employment income in a sum equal to the market value of the number of vested Shares under the Award. The Committee cannot make such a determination where it would result in a tax liability in relation to the Award at an earlier time than would otherwise be the case (unless the Committee disapplies such restriction at grant), nor where to do so would be unlawful in any jurisdiction.

### 9. **Change of control or winding-up of the Company**

In the event of a change of control or winding-up of the Company, Awards will normally vest on the date that the Company notifies them of such an event (if they have not already), and will be exercisable for one month following notification of the relevant event (after which it will lapse). Comparable provisions may apply on a demerger, special dividend or similar event that would affect the market price of the Shares to a material extent, if the Committee considers it appropriate.

### 10. **Adjustment**

In the event of a variation in the share capital of the Company or a demerger, special dividend or other similar event which affects the market price of Shares to a material extent, the Committee may adjust the number of Shares over which an Award has been granted, or the price (if any) payable for the Shares.

### 11. **Malus**

The Committee may reduce (including to zero) the number of Shares subject to an Award following the grant of the Award but before the vesting of the Award (or exercise of an option) in circumstances where the Committee determines such action is justified.

### 12. **Clawback**

The Committee may at any time within a period determined at the date of grant (usually seven years), determine that a participant may be obliged to repay amounts received in respect of their Award to the Group, in circumstances where the Committee determines such action is justified.

### 13. **Amendment**

13.1 The Committee may amend the rules of the Plan, provided that no amendment to the advantage of participants or employees may be made to: (a) the provisions relating to who is eligible to participate in the Plan, (b) the individual limits on participation, (c) the overall limits on the number of Shares that can be issued or transferred from treasury under the Plan, (d) the basis for determining a participant's entitlement to, and the terms of, Shares or cash, (e) the adjustments that may be made in the event of any variation of capital, or (f) the adjustment provision in the Plan rules, without the prior approval of the shareholders of the Company in a general meeting.

13.2 The above rule does not apply if the amendment is minor and made to benefit the administration of the Plan, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

13.3 No alteration to the material disadvantage of participants may be made unless approved by a majority of participants.

### 14. **Other provisions**

14.1 The board of directors has authority to establish schedules amending the Plan and / or further sub-plans based on the Plan to enable the Plan to operate in jurisdictions outside the UK.

14.2 The rights and terms of participants' terms of office / employment are not affected by their participation in the Plan.

14.3 Awards are not pensionable benefits and may not be transferred, assigned, charged or otherwise disposed of to any person (other than to a personal representative on the death of a participant).

**Note:** The above is a summary of the main features of the rules of the Plan, does not form part of the rules and will not affect their interpretation.

