

Direct Line Insurance Group plc (the “Company”)
Terms of Reference of the of Nomination and Governance Committee (the “Committee”)

Chair	<p>The Chairman of the Board of the Company.</p> <p>In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.</p>
Members	<p>At least three independent Non-Executive Directors or two independent Non-Executive Directors plus the Committee Chair (provided the Committee Chair was independent on appointment as Chairman of the Board).</p> <p>A majority of members must be independent Non-Executive Directors.</p> <p>The Committee Chair shall be appointed by the Board, on the recommendation of the Nomination Committee.</p> <p>Members of the Committee shall be appointed by the Board.</p>
In Attendance (if applicable)	<p>Only members of the Committee have the right to attend Committee meetings. However, the Committee may at its discretion invite other individuals to attend meetings. In particular, the Chief Executive Officer and the Human Resources Director are usually invited to attend.</p>
Quorum	<p>Any two members.</p> <p>A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p>
Meeting Frequency	<p>The Committee shall meet at least twice a year at appropriate times in the reporting cycle and otherwise, as required.</p>
Secretary	<p>The Company Secretary, or his or her nominee, shall act as Secretary of the Committee unless the Committee determines otherwise and shall attend each meeting.</p>
1. Main Responsibilities	<p>The Committee will be responsible for the following:</p> <ol style="list-style-type: none">1.1 keeping the composition of the Board of Directors and its Committees under review, leading the process for appointments to the Board and making recommendations to the Board;1.2 overseeing and monitoring the corporate governance framework of the Group and making recommendations to the Board to ensure that the framework is consistent with best corporate governance standards and practices; and1.3 overseeing executive succession planning at high level to ensure the development of a diverse senior management talent pipeline appropriate to the Group's purpose, strategy and culture.1.4 The Committee will operate under delegated authority from the Board and has full power to make decisions concerning matters referred to in these terms of reference, whilst any matters included in the Schedule of Matters Reserved to the Board must be referred to the Board and any matters specifically within

the terms of reference of other Committees of the Board will be dealt with by such Committees; and

- 1.5 All other matters will be dealt with by the Chief Executive Officer or his delegates under the general management authority delegated by the Board.

2. Detailed Responsibilities

The Committee will be responsible for:

- 2.1 Keeping the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board under regular review, and making recommendations to the Board with regard to any changes as necessary.
- 2.2 Before any appointment is considered by the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment.
- 2.3 For the appointment of the Chairman (the selection of whom is a matter reserved to the Board), preparing a job specification, including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise.
- 2.4 When identifying and nominating suitable candidates the Committee should:
 - 2.4.1 use open advertising and/or the services of external advisers to facilitate the search;
 - 2.4.2 consider candidates from a wide range of backgrounds;
 - 2.4.3 take into account the other demands on candidate's time; and
 - 2.4.4 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.
- 2.5 Identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise.
- 2.6 Ensuring that, on appointment to the Board, Non-Executive Directors (including the Chairman) receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.
- 2.7 Prior to the appointment of a Director, requiring the proposed appointee to disclose any other business interests that may result in a conflict of interest and thereafter requiring such appointee to report any future business interests that could result in a conflict of interest.
- 2.8 Recommending to the Board the appointment or removal of the Chairs of the Audit, Board Risk, Corporate Social Responsibility, Investment, Nomination or Remuneration Committees; and recommending to the Board the appointment or removal of any members of the Audit, Board Risk, Corporate Social Responsibility, Investment, Nomination or Remuneration Committees, in consultation with the Chairs of those Committees.
- 2.9 Considering, and recommending to the Board, suitable candidates for the role of Senior Independent Director.

- 2.10 Considering succession planning for Directors and Senior Management positions and overseeing the development of a diverse pipeline for succession.
- 2.11 Keeping under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.
- 2.12 Reviewing the continued independence of the Non-Executive Directors and making recommendations to the Board prior to the submission of any Non-Executive Director for re-election at an Annual General Meeting of the Company.
- 2.13 Making recommendations to the Board concerning:
 - 2.13.1 the re-election by shareholders of directors under the annual re-election provisions of the UK Corporate Governance Code as amended from time to time (the 'Code') or the Articles of Association; and
 - 2.13.2 the re-appointment of directors at the conclusion of their specified term of office;

in each case having due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills, experience required and the need for progressive refreshing of the Board (applying a particularly rigorous review in relation to Directors being re-elected for a term beyond six years).
- 2.14 Reviewing annually the time required from Non-Executive Directors (including the Chairman). Performance evaluations should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties.
- 2.15 Keeping up to date and fully informed about strategic issues and commercial changes affecting the Group and the markets in which it operates.
- 2.16 Considering any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Group subject to the provisions of the law and their service contract, and making recommendations to the Board accordingly.
- 2.17 Recommending to the Board the appointment of any Director to executive or other office within the Group, or of an Executive Director to any office outside the Group.
- 2.18 Keep under review the Company's compliance with the Code and recommend to the Board any changes to the Company's corporate governance practices that the Committee considers necessary or desirable.
- 2.19 Monitoring emerging trends in, and consultations on, corporate governance matters, considering their potential effect on the Group's governance arrangements and recommending any relevant changes to the Board as appropriate.
- 2.20 Reviewing and monitoring the Group's approach to subsidiary governance.

3. Governance and Resources

The Committee shall:

- 3.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 3.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 3.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 3.4 oversee any investigation of activities which are within its terms of reference; and
- 3.5 arrange for periodic reviews of its own performance and, annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The Committee is authorised to:

- 3.6 select external consultants to assist the Committee in discharging any of its responsibilities including, but not limited to, searching for candidates for appointment to the Board;
- 3.7 seek any information it requires from any employee or contractor of the Group in order to perform its duties and may call any employee or request any contractor to be questioned at a meeting of the Committee;
- 3.8 obtain, at the Group's expense, external legal or other professional advice on any matter within its terms of reference; and
- 3.9 have the right to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

4. Reporting

The Committee's duties and activities during the year shall be disclosed in the Annual Report and Accounts. The relevant report should include:

- 4.1 the process the Committee has used in relation to Board appointments, its approach to succession planning and how both support developing a diverse pipeline;
- 4.2 how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual directors, the outcomes and actions taken, and how it has or will influence Board composition;
- 4.3 where an external search company has been used, it shall be identified in the Annual Report and a statement made as to whether it has any connection with the Company or individual directors;
- 4.4 the gender balance of those in the Senior Management and their direct reports;
- 4.5 a statement of the Board's policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and

4.6 all other information requirements set out in the legislation, regulation or the Code.

The Committee shall make its terms of reference available to shareholders on the Group's website.

The Committee Chair shall attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

The Committee Chair shall report formally to the Board on its proceedings after each meeting.