

Discover Financial Services

Board of Directors Corporate Governance Policies

1. Board Membership Criteria.

The Board seeks members who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon contributions they can make to the Board and management and their ability to represent the interests of shareholders. The Board will also take into account diversity of a candidate's perspectives, background and other demographics.

2. Selection of New Directors.

The Nominating and Governance Committee has, as one of its responsibilities, the recommendation of director candidates to the full Board.

3. Assessing Board Performance.

The Nominating and Governance Committee has the responsibility to assess overall Board performance. The performance of the Board and the Nominating and Governance, Audit, Compensation and Leadership Development, and Risk Oversight Committees shall be evaluated each year. Comments regarding individual directors that arise during these evaluations will be directed for their consideration to the Chairman and to the Chairman of the Nominating and Governance Committee.

4. Mix of Inside and Outside Directors.

The Board should have a significant majority of independent directors.

5. Retirement Policy.

The Company does not have established term limits or a set retirement age for directors. The Board favors evaluation of each director annually, taking into account the results of the Board's most recent self-evaluation, the results of voting by shareholders in director elections, the director's participation in and contributions to the activities of the Board and any other factors deemed appropriate by the Nominating and Governance Committee and the Board.

6. Directors Changing Their Present Job Responsibility.

The Board expects a director who changes his or her present job responsibility to so advise, and to offer to tender his or her resignation to, the Chairman. The Chairman should refer the matter to the Nominating and Governance Committee for review with the Chairman's recommendation. The Committee should evaluate the facts and circumstances and recommend to the Board whether to seek and accept the director's resignation. The

Board expects directors to consult with the Chairman (or the Nominating and Governance Committee) on special circumstances.

7. Executive Sessions of Directors.

Executive Sessions are those sessions that only include directors. Non-Employee Director Sessions are those sessions that include only non-employee directors. Independent Director Sessions are sessions that include only independent directors.

Non-employee directors must meet regularly in Non-Employee Director Sessions without management present. If any non-employee directors are not independent, then the independent directors shall schedule an Independent Director Session at least once per year. The Chairman or, if the Chairman is not a non-employee and independent director, the Lead Director has the authority to call, and shall lead, Non-Employee Director and Independent Director Sessions. The Chairman or the Lead Director, as applicable, may retain independent legal, accounting or other advisors in connection with these sessions, and the Company shall provide appropriate funding.

8. Separate Positions of Chairman and Chief Executive Officer.

The Company's Bylaws provide that the office of the Chairman and the office of the Chief Executive Officer may be, but need not be, held by the same person.

9. Board Committees: Independent Audit, Compensation and Leadership Development, Nominating and Governance, and Risk Oversight Committees.

The Board maintains Audit, Compensation and Leadership Development, Nominating and Governance, and Risk Oversight Committees, which shall consist solely of directors qualified to serve on the Committees pursuant to the requirements of the New York Stock Exchange. The Board also may maintain additional committees to facilitate discharging its responsibilities. Before establishing any additional committee, the Board shall consider whether the membership of the committee should be limited solely to independent directors.

10. Frequency and Length of Board Committee Meetings.

The Chairman should regularly consult with Committee chairs to obtain their insights and to optimize Committee performance. The Committee chairs, in consultation with the Chief Executive Officer, Chief Financial Officer and General Counsel, should establish the frequency and length of Committee meetings.

11. Development of Committee Agenda.

The Committee chairs, working with the Chairman, should establish Committee agendas for the year. All standing Committees should meet regularly during the year and receive reports from Company personnel on developments affecting the Committee's work.

12. Selection of Agenda Items and Meeting Schedule for Board Meetings.

The Chairman, in consultation with members of the Board, should establish the agendas and schedules for Board meetings. If the Company has a Lead Director separate from the Chairman, the Lead Director shall advise the Chairman regarding Board meeting agendas and as to the appropriate schedule of Board meetings and may request inclusion of additional agenda items.

13. Distribution of Materials for Board Meetings.

The Board believes it is critical for members to have materials on topics to be discussed sufficiently in advance of the meeting date and for Board members to be kept abreast of developments between Board meetings. The Company regularly informs Board members of Company and competitive developments and currently distributes, one week in advance, written materials for use at Board meetings. If the Company has a Lead Director separate from the Chairman, the Lead Director shall advise the Chairman of the Board's informational needs.

14. Attendance of Non-Directors at Board Meetings.

The Board believes that attendance of key executive officers augments the meeting process. The Company's Chief Executive Officer, Chief Financial Officer and General Counsel regularly attend all scheduled Board meetings. The Chairman encourages these persons to respond to questions posed by Board members relating to their areas of expertise. Such persons do not attend Executive Sessions, Non-Employee Director Sessions or Independent Director Sessions, either of the Board or any committee thereof, unless requested.

The Board also believes that the Chief Executive Officer and other members of senior management can assist the Board with its deliberations and provide critical insights and analysis, particularly when the Board hears presentations on the business plan for the upcoming year. Attendance of such officers allows the most knowledgeable and accountable executives to communicate directly with the Board. It also provides the Board direct access to individuals critical to the Company's succession planning.

15. Board Access to Senior Management.

Board members have complete and open access to senior members of management. The Chairman invites key employees to attend Board sessions at which the Chairman believes they can meaningfully contribute to Board discussion.

16. Board Compensation.

The Nominating and Governance Committee recommends director compensation and benefits to the full Board. In discharging this duty, the Committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of Discover's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be easy for shareholders to understand. The Board believes that total compensation should include a significant equity component because it believes that this more closely aligns the long-term interests of directors with those of shareholders and provides a continuing incentive for directors to foster the Company's success. Directors who are employees of the Company or any of its subsidiaries do not receive compensation for their service as Directors.

17. Size of the Board.

While the Board need not adhere to a fixed number of directors, the number of directors shall be as permitted by the Company's Bylaws. The Board may review from time to time the appropriate size of the Board and any recommendations of the Nominating and Governance Committee concerning changes to the size of the Board, taking into consideration the overall responsibilities of the Board and its Committees, the number of Committees and the workload of the Directors.

18. Lead Director.

If the Chairman is a non-employee and independent director, he or she shall serve as Lead Director. If the Chairman does not so qualify, the Board believes that it is in the best interest of the Company for the independent directors to appoint a Lead Director. In such case, the Lead Director (1) shall preside at all meetings of the Board at which the Chairman is not present, and shall have the authority to call, and will lead, Non-Employee Director Sessions and Independent Director Sessions, (2) shall help facilitate communication between the Chairman/CEO and the independent directors, (3) shall advise the Chairman of the Board's informational needs, (4) shall approve the Board meeting agenda items and the schedule of Board meetings and (5) may request inclusion of additional agenda items. The Chairman and Lead Director, if separate from the Chairman, will be available, if requested by major shareholders, for consultation and direct communication.

19. Definition of "Independent" Directors.

The Board has established these guidelines to assist it in determining whether or not directors qualify as "independent" pursuant to the guidelines and requirements set forth in the New York Stock Exchange's Corporate Governance Rules. In each case, the Board will broadly consider all relevant facts and circumstances and shall apply the following standards (in accordance with the guidance, and subject to the exceptions, provided by the New York Stock Exchange in its Commentary to its Corporate Governance Rules and, with respect to the guidelines in Section 1 below, subject to the applicable Transition Rule set forth in such Rules):

1. **Employment and commercial relationships affecting independence.**

- **Current Relationships.** A director will not be independent if: (i) the director is a current partner or current employee of Discover's internal or external auditor; (ii) an immediate family member of the director is a current partner of Discover's internal or external auditor; (iii) an immediate family member of the director (a) is a current employee of Discover's internal or external auditor and (b) personally works on Discover's audit ; or (iv) the director is a current employee, or an immediate family member of the director is a current executive officer, of an entity that has made payments to, or received payments from, Discover for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.
- **Relationships within Preceding Three Years.** A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Discover; (ii) an immediate family member of the director is or was an executive officer of Discover; (iii) the director or an immediate family member of the director (a) was a partner or employee of Discover's internal or external auditor and (b) personally worked on Discover's audit within that time; (iv) the director or an immediate family member of the director received more than \$120,000 in direct compensation in any twelve-month period from Discover, other than

director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or (v) a present Discover executive officer is or was on the compensation committee of the board of directors of a company that concurrently employed the Discover director or an immediate family member of the director as an executive officer. The director will also not be considered independent if the director had a similar relationship with the Company's former parent company within the preceding three years, to the extent provided under New York Stock Exchange rules.

2. **Relationships not deemed material for purposes of director independence.**

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Discover. To assist the Board in this determination, and as permitted by the New York Stock Exchange's Corporate Governance Rules, the Board has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director's independence. Any determination of independence for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board shall disclose the basis for such determination in the Company's proxy statement.

- **Equity Ownership.** A relationship arising solely from a director's ownership of an equity or limited partnership interest in a party that engages in a transaction with Discover, so long as such director's ownership interest does not exceed 10% of the total equity or partnership interests in that other party.
- **Other Directorships.** A relationship arising solely from a director's position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization that engages in a transaction with Discover or (ii) director or trustee (or similar position) of a tax exempt organization that engages in a transaction with Discover (other than a charitable contribution to that organization by Discover).
- **Ordinary Course Business.** A relationship arising solely from banking or electronic payments transactions, including but not limited to consumer lending, securitization and deposit taking, or from other transactions for products or services, between Discover and a company of which a director is an executive officer, employee or owner of 10% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances that are substantially similar to those prevailing at the time for comparable transactions, products or services for or with unaffiliated third parties and if such transactions do not violate the standards in Section 1 above.
- **Indebtedness.** A relationship arising solely from a director's status as an executive officer, employee or owner of 10% or more of the equity of a company to which Discover is indebted at the end of Discover's preceding fiscal year, so long as the aggregate amount of the indebtedness of Discover to such company is not in excess of 5% of Discover's total consolidated assets at the end of Discover's preceding fiscal year.
- **Charitable Contributions.** A relationship arising solely from a director's status as an officer, employee, director or trustee of a tax exempt organization, and the discretionary charitable contributions by Discover (directly or through any foundation or similar organization established by Discover) to the organization are less than the greater of \$1,000,000 or 2% of the organization's consolidated gross revenues during the organization's preceding fiscal year

(automatic matching of employee charitable contributions are not included in Discover's contributions for this purpose).

- **Products and Services.** A relationship arising solely from a director utilizing products or services (e.g., credit cards or ATM/debit networks) of Discover in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third parties.
- **Professional, Social and Religious Organizations and Educational Institutions.** A relationship arising solely from a director's membership in the same professional, social, fraternal or religious association or organization, or attendance at the same educational institution, as an executive officer.
- **Family Members.** Any relationship or transaction between an immediate family member of a director and Discover shall not be deemed a material relationship or transaction that would cause the director not to be independent if the standards in this Section 2 would permit the relationship or transaction to occur between the director and Discover.

20. Term Limits.

The Board does not favor term limits for directors, but believes that it is important to monitor individual director performance.

21. Management Development and Succession Planning.

The Compensation and Leadership Development Committee oversees plans for management development and succession. Senior Company executives serving on the Executive Committee should evaluate, nominate and compile a succession plan for their areas of responsibility that should be reviewed with the Chief Executive Officer. The Chief Executive Officer should provide input on each succession plan and discuss the plans with the Compensation and Leadership Development Committee. The Chief Executive Officer reviews with the Compensation and Leadership Development Committee succession planning for his successor at least annually. The Compensation and Leadership Development Committee periodically reviews with the Board succession plans for the Chief Executive Officer and the areas of responsibility for senior executives serving on the Executive Committee. Succession planning should include policies and principles for Chief Executive Officer selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

22. Board Interaction with Institutional Investors, Peers, Customers, etc.

The Board believes that under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. At the request of management, individual Board members may meet with or communicate with various constituencies that are involved with the Company.

23. Cumulative Voting.

The Board strongly supports the "one share/one vote" concept and opposes cumulative voting. It opposes the ability of a single investor or group of investors to band together to achieve a goal, such as the election of a director, which is not supported by a majority of the Company's shareholders.

24. Director Stock Ownership.

When non-employee directors are first elected to the Board, and when they are reelected, they receive restricted stock units. This incentive helps align non-employee directors' interests with shareholders' interests.

25. Repricing of Stock Options.

The Board opposes repricing of incentive based options by a reduction in the option's exercise price. The Board favors equitable adjustment of an option's exercise price in connection with a reclassification of the Company's stock; a change in the Company's capitalization; a stock split; a restructuring, merger, or combination of the Company; or other similar events in connection with which it is customary to adjust the exercise price of an option and/or the number and kind of shares subject thereto.

26. Consulting Agreements with Directors.

The Board believes that the Company should not enter into paid consulting arrangements with non-employee directors.

27. Service on Multiple Boards.

Directors are expected to devote sufficient time to carry out their duties and responsibilities effectively. Accordingly, Directors shall notify the Chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another public company board. The Nominating and Governance Committee shall consider the nature of and time involved in a Director's service on other boards in evaluating whether any additional participation may impair the Director's ability to objectively and effectively serve on the Company's Board.

28. Orientation for New Directors; Continuing Education for Directors.

The General Counsel and Chief Financial Officer shall be responsible for providing an orientation program for new directors. Orientation shall include personal briefing by senior management on the Company's strategic plans, its financial statements and its key policies and practices. The General Counsel and Chief Financial Officer shall make available to continuing directors the opportunity to attend educational sessions on subjects that would assist them in discharging their duties. The Company will reimburse directors for reasonable costs incurred attending these sessions.

29. Director Access to Independent Advisors.

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors.

30. Director Responsibilities.

Directors are expected to exercise their business judgment to act in good faith, on an informed basis and in what they reasonably believe to be the best interest of the Company and its shareholders. A Director should deal in confidence on all matters involving the Company until the Company has made a general public disclosure concerning the matter. Directors are expected to attend the meetings of the Board and the committees on which they serve and to review in advance materials distributed before the meeting.

The Board believes that director attendance at shareholder meetings is appropriate and can assist directors in carrying out their duties. When directors attend shareholder meetings, they are able to hear directly shareholder concerns regarding the Company. Each director will attend annual shareholder meetings unless he or she is unable to attend a meeting due to extenuating circumstances.

31. Review of Resignations by Certain Incumbent Directors.

The Board expects that an incumbent director who fails to receive a majority of the votes cast in an election that is not a Contested Election (as defined in the Company's Bylaws) and who tenders his or her resignation pursuant to the Company's Bylaws shall not participate in any proceedings by the Board or any committee thereof regarding whether to accept or reject such director's resignation, or whether to take other action with respect to such director.

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The Board may amend the Policies from time to time.

As Amended: May 7, 2014