

# Nominations and Corporate Governance Committee report



**Sir John Kingman**  
Chairman

## The composition of the Committee

The Committee is composed of the Group Chairman and all the independent non-executive directors. The table below sets out the Committee membership during the year. The Group Chief Executive and Group HR Director may be invited to attend meetings where this may assist the Committee in fulfilling its responsibilities and, most notably, in relation to executive appointments and succession planning.

Members
Sir John Kingman (Chairman)
Henrietta Baldock
Nilufer von Bismarck (from May 2021)
Philip Broadley
Lesley Knox
George Lewis
Ric Lewis
Toby Strauss
Julia Wilson (retired March 2021)

In line with our conflicts of interest management policy, directors are asked to absent themselves from any discussions relating to their own reappointment or succession.



The Committee's terms of reference, which set out full details of the Committee's responsibilities, can be viewed on our website: [group.legalandgeneral.com/committees](http://group.legalandgeneral.com/committees)

## The role of the Committee

The role of the Committee is to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively and oversee the implementation of the Company's strategy. The Committee has overall responsibility for leading the process for new appointments to the Board. It also ensures that these appointments bring the required skills and experience to the Board to support the Board's role in the development and oversight of the group's strategy. As part of this, the Committee reviews the structure, size and composition of the Board to ensure the Board is made up of the right people with the necessary skills and experience whilst striving to achieve a Board composition that promotes diversity of thought and approach.

The Committee's key responsibilities are:

- regularly reassessing the structure, size and composition of the Board and recommending any suggested changes.
- considering succession planning for directors and other senior executives. This takes into account the promotion of diversity and inclusion, the challenges and opportunities facing the company, and the skills and expertise needed by the Board in the future. In addition, the Committee ensures the continued ability of the company to compete effectively for talent in the market place.
- reviewing the criteria for identifying and nominating candidates for appointment to the Board based on the specification for a prospective appointment including the required skills and capabilities.
- identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise, taking into account other demands on directors' time.

- reviewing the time commitment required from non-executive directors and assessing the non-executive directors' other significant commitments to ensure that they continue to be able to fulfil their duties effectively.
- overseeing and monitoring the company's corporate governance framework, ensuring compliance with the UK Corporate Governance Code while promoting the highest standards of corporate governance across the group.
- monitoring and assessing the group's commitment to diversity and inclusion across the group.

## How the Committee spent its time in 2021 Board composition and succession

In the first half of the year, the Committee undertook a rigorous review of the Board's composition to support discussions on non-executive director succession. This included a capability assessment of Board members' knowledge, skills and experience in the context of the Company's short and medium-term strategy, supported by a self-assessment analysis undertaken by each individual director, as well as various other considerations including the tenure and independence of directors, and diversity. A key theme that emerged from the review was that the Board's effectiveness in driving and monitoring technological innovation, one of the six growth drivers of the Company's strategy, could be further enhanced with the addition of a director with digital or technology experience. A second theme, looking to Committee composition in particular, was that additional accounting and financial services experience would be a beneficial addition to the Board's knowledge and skills. The recruitment of the two new non-executive directors, Laura Wade-Gery, who joined the Board in January 2022, and Tushar Morzaria, who will join the

Board in May 2022 was undertaken with these themes as a priority, in addition to the overarching requirement that the appointee must be able to operate at a high level of financial and technical complexity, to maintain effectiveness in overseeing the Company's core strategic priorities.

The Committee engaged independent external search firm Spencer Stuart to undertake a full search against a description of the roles, the time commitment expected of directors and the Board diversity policy. Spencer Stuart was chosen for its deep knowledge of the financial services and other relevant industries and its strong experience in finding diverse and inclusive leaders. A list of potential candidates was identified and these candidates were assessed against the role specification, merit and with due regard for the benefits of all forms of diversity on the Board, including diversity of gender, ethnicity and background. A short list of candidates was narrowed down from those on the long list and those candidates were invited to an interview process facilitated by the Chairman, the Group CEO, the Group HR Director and members of the Board. Following this extensive search, selection and interview process, the Committee, following discussion, recommended Laura Wade-Gery and Tushar Morzaria's appointment to the Board. The Board approved the two appointments. Laura's appointment took effect on 3 January 2022. Tushar Morzaria will join the Board from 27 May 2022.

Laura and Tushar are highly experienced and respected individuals and will add further valuable experience and insight to the Board. The biographies of these two new non-executive directors are set out on pages 62 to 63 and show the strength and depth of skills and experience they bring to the Board.

### Succession

In addition to reviewing Board composition, and in line with the recommendations coming out of the 2020 Board evaluation, in 2021 the Committee continued to focus on short, medium and long-term succession planning for the executive and senior management, with particular emphasis on how the composition of the executive management and senior leadership teams can facilitate delivering on the group's six strategic growth drivers. The Committee reviewed management succession plans and debated areas for growth, strengthening and consolidation in the context of the Company's strategy. Executive leadership of the Legal & General Institutional Retirement (LGRI) business was an important short-term succession focus for the Committee in 2021 and critical for the delivery of the strategic pillar to be a global leader in pensions de-risking and retirement income solutions. A formal process

was undertaken which included both internal and external candidates to identify the successor to Laura Mason as Chief Executive, following her appointment as Chief Executive, Legal & General Capital. At the conclusion of that process and following Committee discussions, a number of changes to our executive team were announced in October 2021, including Andrew Kail's appointment to the role of Chief Executive, LGRI. In 2021, the executive organisation structure was reviewed to understand opportunities to maximise effectiveness on delivering on another strategic pillar of helping people take responsibility for their own financial security through insurance, pensions and savings. Following discussions, it was further agreed that the group's retail businesses (Legal & General Insurance and Legal & General Retail Retirement) would be combined under the leadership of Bernie Hickman. Following well-planned and appropriate handovers, the changes to the executive team took place in January 2022.

The Committee also discussed succession planning for the chair of our Audit Committee, following Philip Broadley's six year tenure in the role and his appointment as the Senior Independent Director in 2021. Tushar Morzaria will take over from Philip as Audit Committee chair when he joins the Board in May 2022. As the current Group Finance Director of Barclays Plc, the chair of the audit committee at BP plc and with extensive accounting and financial services experience, Tushar is very well positioned to fulfil the duties as Audit Committee chair. When considering Tushar's appointment as Audit Committee chair, the Committee thought carefully about the time commitment required to undertake both this role and his other external commitments and satisfied itself that Tushar has sufficient time to fully commit to the role.

The Committee also spent time considering the successor to Lesley Knox in her role as the designated workforce director. This was an important decision for the Committee as the group's people are its most important asset. It therefore remains vital for the Board to ensure that it continues to hear the voice of the group's employees through a variety of channels, including the designated workforce director. The Committee determined that Nilufer von Bismarck OBE will be an excellent successor.

As detailed on pages 18 and 19, the group continues to show its commitment to addressing climate change, one of the group's strategic growth drivers. As part of this, and to ensure the Board's continued effectiveness in overseeing the successful implementation of the group's strategy, the Committee was delighted to recommend to the Board a designated non-executive director for climate matters across the group. The Committee

determined that Nilufer von Bismarck has the necessary skills and experience to take on the role as the Board's designated non-executive director for climate. Nilufer's appointment will further bolster the Board's focus on the group's climate commitments.

The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director's other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company. The Committee is also responsible for overseeing and monitoring the group's corporate governance framework which includes the following activities:

- monitoring the group's compliance with the UK Corporate Governance Code.
- promoting the highest standards of corporate governance across the group.
- considering and approving directors' additional external appointments, taking into account other demands on directors' time.
- ensuring that on appointment to the Board non-executive directors 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.
- overseeing the process for ensuring that non-executive directors have tailored induction programmes on appointment and ongoing development programmes, including regular Executive Business Awareness sessions, designed to maximise their effectiveness.
- overseeing the process by which the Board, each Committee and individual directors assess their effectiveness (including the use of an external facilitator periodically, as well as self-assessment) and reporting to the Board on the findings and recommendations.

Details of the group's compliance with the UK Corporate Governance Code have been provided on pages 80 and 81.

# Nominations and Corporate Governance

## Committee report continued

### Our approach to diversity and inclusion

Our ambition is to create an inclusive culture at Legal & General, where we can all perform at our best, no matter who we are. We believe not only that this is the right thing to do, but also that this aim is consistent with our objectives around inclusive capitalism. There is a clear commercial logic as well as a compelling moral case for this, and it underpins the actions we take to improve diversity and inclusion across the organisation.

The Committee has three key areas of focus for the Board as part of driving diversity and inclusion across the group.

### 1. Building a diverse and inclusive Board

An effective Board is one that embodies diversity of thought and background, and one which reflects our people as well as the businesses and communities our organisation serves. Ensuring appropriate diversity in Board composition with the right mix of skills and experience has been a key focus for the Committee during the year.

We are proud to have a Board which is diverse, both in terms of gender and ethnicity, but also diversity of thought and background. Our Board currently comprises 36% women and 64% men (this figure was 30% women and 70% men as at 31 December 2021, prior to Laura Wade-Gery joining the Board on 3 January 2022).

As at 31 December 2021, 20% of the Board was from an ethnically diverse background, which exceeds the target in our Board Diversity Policy and the recommendations of the Parker Review.

### 2. A more diverse and inclusive Senior Leadership Team

A diverse Senior Leadership Team is as important as a diverse Board, because we believe that executive decision-making is more effective if it takes into account a wider range of views and opinions. Therefore, we continue to hold ourselves to the stretching aspirational targets we set in 2017:

- 40% female representation at middle/senior management level.
- 50% female representation across our total employee base.

As of 31 December 2021, female representation across the group stood at 44.5%, down 0.2% vs our position at the end of 2020. At the middle/senior management level, representation was 35.9%, up 0.3% vs our position at the end of 2020.

Our Executive Committee comprises 25% women and 75% men, with two of our five operating businesses led by a female CEO.

Whilst we originally intended our gender targets to be achieved by the end of 2020, we have revised the outcome date to 2025. Our initial targets were aspirational, and, whilst it is disappointing to have missed them, we strongly believe in setting stretching targets to create focus. The new timeline remains challenging, although we have a clear plan to deliver against it.

We are committed to increasing the ethnic diversity of our workforce, including at our most senior grades. We have a clear strategy and plan to do this, which includes a focus on recruitment and retention of minority ethnicity talent and the creation of career development and progression opportunities for under-represented groups. Employee data is important to help us track progress and identify issues and we are keen to improve the quality of the data that we hold. As data is disclosed on a discretionary basis by employees, we have put our efforts into communicating the importance of this data, with the result that disclosure rates, for ethnicity, have increased in the year, from 52.6% to 67.9%. We will continue to engage our employees about the importance of sharing diversity data in 2022.

Recognising that our ethnicity data is not complete, as of 31 December 2021, minority ethnicity representation across the group stood at 11.9%. At senior management level, representation was 12.0%.

We continue to take practical and purposeful steps towards redressing under-representation in our workforce, including, during 2021:

- a diversity and inclusion-led audit of our recruitment processes (early careers, core and volume hiring) across all diversity and inclusion dimensions including gender and ethnicity.

- ongoing investment in development for line managers, with around 200 line managers taking part in either "D&I Basics" or "Inclusive Line Management" training.
- the introduction of anonymised CVs into the recruitment process.
- continued investment in our employee networks across the full spectrum of D&I themes, including gender and ethnicity: 2021 saw the launch of a new internal Women & Tech network to connect women working in technology and data roles and the development of a tech and digital recruitment campaign which cited attracting more women into these roles as an explicit objective.
- provision of wellbeing resources including access to a backup network for child, adult and elder care.
- ongoing external validation and benchmarking through the Women in Finance Charter, the Bloomberg Gender Equality Index, Invest in Ethnicity Matrix, Social Mobility Employers Index and Hampton-Alexander Review.

### 3. Broadening the diversity & inclusion agenda across our organisation

Our Global Diversity and Inclusion Council (D&I Council) continued to promote our agenda of creating a diverse and inclusive business. It is chaired by Laura Mason, CEO of LGC and our Global Diversity and Inclusion Sponsor. The D&I Council is tasked with developing our plans for improving diversity and inclusion across the group.

The Board is responsible for overseeing the implementation of our group-wide D&I policy. During 2021, members of the Board, including the Chairman, participated in The Listening Project, an exercise which involved Legal & General employees sharing their perspectives on ethnic diversity and lived experience as employees of the group.

Our D&I policy applies to everyone directly employed by the group and forms the basis of our engagement with our clients, suppliers and other third-party providers. Our standards include:

- we will be fair and transparent, and treat our people with integrity and openness. We will be respectful of differences and we will not tolerate behaviour that marginalises, disadvantages or devalues others.
- we will aim to build a workforce that reflects the diverse communities we serve. We will invest in our hiring processes so we can attract a more diverse pool of people, and we will tackle barriers that prevent us from attracting and retaining more diverse talent.
- we will create an inclusive environment where people feel comfortable sharing their opinions and feel like they belong. We will encourage our people to embrace difference, to listen to other points of view, and work together to achieve the best outcome.

- we will ensure that everyone across Legal & General understands their responsibilities in driving an inclusive and diverse culture and the opportunities it can bring.

For more information on our D&I activity during 2021, please see page 48 of the Sustainable Business section of this report.

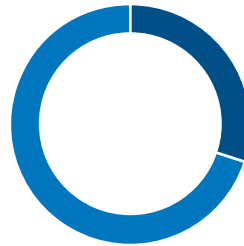
The Committee recognises that being diverse itself will help to promote diversity when considering succession planning, assessing Board and executive candidates and recommending appointments to the Board. As at 8 March 2021, the Committee comprises 44% women and 56% men and comprises individuals from the following ethnic groups:

- Asian – 11%.
- Black – 11%.
- White – 78%.

The Committee only engages executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice for corporate board searches. During the year, the company engaged Spencer Stuart, which is a signatory to this Code. This search firm has no other connection to the company or individual directors.

The Committee briefs the search firm to ensure that the pool of candidates presented includes a diverse range of candidates with an appropriate range of experience, knowledge and background, and who demonstrate independence of approach and thought. As detailed on pages 82 to 83, this process was followed for the recruitment of our new non-executive directors.

**Diversity Gender**

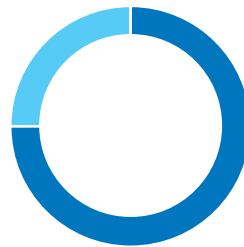


As at 31 December 2021 the Board comprised:

- 30% Women
- 70% Men

As at 8 March 2022: 36% Women and 64% men

**Tenure**



As at 31 December 2021 the length of tenure of the non-executives varied:

- 0% Over six years
- 75% Between three and six years
- 25% Between zero and three years

**Ethnicity**



As at 31 December 2021 the Board comprised individuals from the following ethnic groups:

- 10% Asian
- 10% Black
- 80% White



**Finding what you need online**

We have published our gender pay gap data which can be found online at [group.legalandgeneral.com/reports](http://group.legalandgeneral.com/reports)

A summary is available on page 49 of this report.