

Directors’ report on remuneration



Lesley Knox
Chairman of the Remuneration Committee

Our remuneration report is organised into the following sections

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The directors’ remuneration policy was subject to a binding vote in 2020, and applies for three years from the 2020 AGM. The annual report on remuneration together with the Chairman’s Statement will be subject to an advisory shareholder vote at the 2022 AGM.

Remuneration Committee members

The composition of the Committee

The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

| Members |
|------------------------------------|
| Lesley Knox (Chairman) |
| Henrietta Baldock |
| Philip Broadley |
| George Lewis (from 7 October 2021) |
| Ric Lewis |

Other regular attendees at the meeting include the following:

Group Chairman; Group Chief Executive Officer; Director of Group Finance; Group HR Director; Group Reward Director; Head of Executive Compensation; Representative of the independent adviser, PwC.

**Letter from the Chairman
Dear Shareholder**

In this Remuneration Committee’s report for 2021, I am pleased to describe our considerations and decisions, and the remuneration outcomes in respect of the year. The Committee is mindful of the UK Corporate Governance Code’s six principles in relation to remuneration (clarity, simplicity, risk, predictability, proportionality and alignment to culture) when it considers remuneration. The Committee’s view is that the remuneration framework at L&G is aligned with these areas and it will ensure that the new remuneration policy tabled in 2023 continues to be so aligned.

Link between pay and performance

Against a challenging global backdrop, Legal & General’s resilience and sound business model has enabled the company to return to growth with post tax profits exceeding £2 billion for the first time, earnings per share (EPS) up 19% on 2019 and ROE of 20.5%.

Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by group financial performance, measured against pre-determined targets. The outcome for all of the group financial KPIs in 2020 was below threshold, due to Covid-19 disruption, and this resulted in no bonus payments for executive directors in 2020 based on group financial performance.

2021 targets were set based off the group business plan and also recognised that there remained considerable uncertainty regarding the impact of Covid-19. As the year progressed, it became clearer that the impact on 2021 would be less than 2020 and accordingly the Committee debated whether to revise the targets mid-year,

but decided to review the outcome at the end of the full year. The outcome for 2021, was a 12% increase in net release from operations, an 11% increase in adjusted operating profit, and a 72% increase in earnings per share (with the 2020 EPS comparator excluding the one-off mortality reserve release of £153 million and the £271 million gain on the Mature Savings disposal in 2020 with no equivalent in 2021). This performance was then considered in the light of the levels to which targets might have been revised in mid-2021 and also the performance in 2020 and 2019. The Committee considered the outcome of maximum bonuses for the financial performance achieved was appropriate. The targets are shown in this report on page 104.

Strategic objectives determine the other 30% of bonus opportunity, including customer, culture and environment, social and governance (ESG) metrics, as described in more detail on page 105 and in our 2021 climate report. The environmental performance measures for 2021 are aligned to the key commitments in our 2020 Task Force on Climate-related Financial Disclosures (TCFD) report, and progress against these environmental commitments will continue to be a feature of the bonus plan.

As noted above and consistent with previous years, the Committee chose to exclude the beneficial impact of mortality assumption changes from the financial results when determining bonus awards. Even excluding these items, 2021 performance significantly exceeded that for 2020 and 2019, resulting in bonus outcomes of 94.5% and 92.2% of maximum for the executive directors. Targets and outcomes are summarised in the ‘Quick read’ section on page 99 and in further detail on page 104.

Performance Share Plan (PSP)

The long-term incentive (PSP) awards granted in 2019 were subject to EPS growth and total shareholder return (TSR) out-performance over the three-year period ended 31 December 2021. EPS grew by 41.9% over the period (12.4% per annum), and TSR grew by 46.3%, out-performing the median of the FTSE-100 and also the bespoke comparator group. This resulted in 82.9% of the 2019 PSP award vesting with the remaining 17.1% forfeited.

In accordance with the remuneration policy, the Committee assessed the formulaic outcome, considering overall performance, risk management, progress against our environmental commitments, and other capital and solvency measures, and determined that the outcome was appropriate in all the circumstances, and no downward adjustment was required. Under the terms of the PSP plan for executive directors, the vested shares will be deferred for a further two years and released in 2024. The PSP performance targets and outcomes are summarised in the 'Quick read' section on page 99.

PSP awards are normally granted each year, subject to performance. As reported last year, the awards granted in 2020 are subject to an additional provision enabling the Committee to reduce the number of shares at vesting and/or impose further conditions to neutralise any 'windfall gain' that might arise as a result of a rebound in the share price after grant. The 2020 awards were granted at an average share price of £229.26p and are scheduled to vest in 2023. The Committee will determine at that time whether any "windfall" adjustment should be made.

International Financial Reporting Standard 17 (IFRS 17), relating to profitability recognition for insurance contracts, will replace the current reporting standard (IFRS 4) with effect from 1 January 2023. For the 2022 year, key financial results will be disclosed under IFRS 4 and subsequently under IFRS 17 in 2023. This will be the only accounting period where the results under both IFRS 4 and IFRS 17 will be presented.

The current PSP performance metrics use EPS growth over a three-year period to determine 50% of the PSP award. The change in accounting reporting standard during a performance period prevents EPS from being measured on the same basis from the start to the end of that period. The Committee has considered this issue, to determine the fairest way to measure EPS growth for performance periods spanning the change in accounting reporting standard. This issue will be considered in more detail during 2022, and the methodology adopted will be disclosed in the Remuneration Committee's report for 2023.

Base pay

As reported in our annual report last year, base pay increases for executive directors were paused in 2021 due to the economic uncertainty caused by Covid-19. With that uncertainty now diminishing, the Committee considered the broader market and overall business performance, and reviewed pay and conditions across the group to determine any base pay increase for executive directors in 2022. The average base pay increase for UK employees was 2.2% in 2021 and will be 5.2% in 2022, and within the context of the total increase received by other employees in 2021 and 2022, the Committee has determined to increase base pay for Nigel Wilson (Group Chief Executive) by 5.0% and Jeff Davies (Group Chief Financial Officer) by 7.1% with effect from 1 March 2022.

As previously indicated, pension contributions for executive directors will reduce to 10% of base pay in December 2022, to align with that available to the majority of the UK workforce.

Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the group, and perform this responsibility in the knowledge that Legal & General are an accredited Living Wage employer certified by the Living Wage Foundation. The policies and practices applying to executive directors are the same as for the wider workforce in most instances, although quantum and participation by location and grade may vary. During both 2020 and 2021, it remained important to protect employees against the effects of Covid-19, with work-from-home and protected office facilities made available. All UK employees have access to private medical insurance and a 24/7/365 employee assistance helpline.

Wellbeing support is also available to employees and their family members, including childcare and eldercare support, healthcare apps, and preferential borrow/save/advance finance facilities through our partner organisation, Salary Finance. UK employees also have the opportunity to invest their own money and become shareholders in Legal & General through the Employee Share Purchase and ShareSave plans. More than two-thirds of employees now participate in these plans.

The average annual base pay increase for UK employees was around 5.2% in 2022, in recognition of the labour market and rising costs for many employees. Most employees are eligible to be considered for a bonus payment based on group, divisional, individual and/or other specific performance metrics, with bonuses for 2021 paid shortly after the year end, at the same time as bonuses are paid to executive directors.

As the group's designated workforce director, I have had the opportunity to meet with a broad range of employees during the year, in-person and remotely, to ensure their views are appropriately represented in the Boardroom, including when considering Remuneration Committee matters. My report on page 74 provides details of some of those activities, including our continuing work on employee engagement, diversity and inclusion, and achieving a further narrowing of the gender pay gap.

2022 and beyond

At the AGM in 2023, we shall submit a new directors' remuneration policy for approval by shareholders, being the maximum three years since our current remuneration policy was approved in 2020. During 2022, the Committee will closely examine our remuneration principles and policies to ensure that they remain appropriate to support future business strategy and reflect evolving best practice. I look forward to engaging with shareholders and representative bodies to seek input to this process and reporting back to you with our proposals next year.

Again this year, to improve the transparency and clarity of our remuneration report, we have included a 'Quick read' section summarising our current remuneration policy and its implementation in 2021, showing graphically the outcomes against the various performance targets and the remuneration received by executive directors. Full details continue to be disclosed on pages 102 to 117 in accordance with the remuneration reporting regulations.

I hope that you will find this report a clear account of the Committee's considerations and decisions, and the remuneration outcomes for the year.



Lesley Knox

Chairman of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2021 implementation

Remuneration element and time horizon

Base pay



Policy summary

Operation

Reviewed annually, with any increases effective 1 March.

Opportunity

No maximum, but any increases will normally be in line with the range for other UK employees. In specific circumstances, the Committee may award increases above this level.

Performance

Personal performance will be taken into consideration in determining any increase.

2021 implementation

| | Effective 1 March 2021 | Effective 1 March 2022 | % increase |
|-------------------------------------|------------------------------|---------------------------|---------------|
| Sir Nigel Wilson | £979,500 | £1,028,500 | 5.0% |
| Jeff Davies | £590,000 | £632,000 | 7.1% |
| Employees below the Board (average) | | | 5.2% |

Pension contributions



Operation

Defined contribution pension plan or a cash allowance in lieu. Base pay is the only element of pensionable remuneration.

Opportunity

For executive directors, appointed since 2019, pension contributions are aligned to that available to the majority of the workforce (currently 10% of base pay). Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK, but will be aligned with the majority of the UK workforce by 2022.

Performance

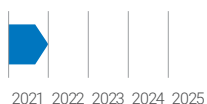
No performance conditions.

Pension contributions during 2021 (as % of base pay):

| | |
|---------------------------------|-------|
| Sir Nigel Wilson* | 15% |
| Jeff Davies* | 13.2% |
| Majority of UK workforce | 10% |
| Other senior managers in the UK | 15% |

* From 2022 pension contributions will be 10% of base pay in line with the majority of the UK workforce.

Benefits



Operation

In line with benefits provided to other employees and senior managers in the UK.

Opportunity

Maximum amount is the cost of providing benefits, subject to the limits of the benefits plans and HMRC rules.

Performance

No performance conditions.

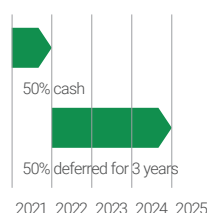
Benefits during 2021 included:

- Allowance in lieu of a company car.
- Private medical insurance.
- Life insurance.
- Income protection.
- All-employee (ShareSave and Share Purchase) plans.

Remuneration policy summary and 2021 implementation

Remuneration element and time horizon

Annual variable pay (AVP)



Policy summary

Operation

Performance assessed over a one-year period, with targets and weightings set annually. Awards are determined after the year end, taking into consideration performance against targets, individual performance and overall business performance. 50% of any AVP award is paid in cash, and 50% is deferred into shares for a further three years. Malus and clawback provisions apply.

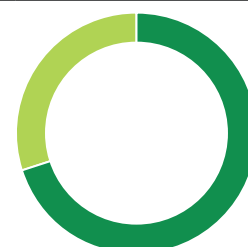
Opportunity

Up to 150% of base pay for the Group Chief Executive and Chief Financial Officer. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.

Performance

Financial performance (at least 70% weighting), plus strategic and personal performance, including ESG measures.

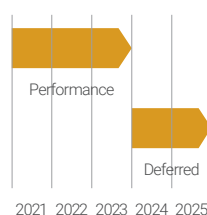
2021 implementation



● 70% Financial performance
● 30% Strategic and personal performance

| Bonus for 2021 (as % of base pay): | At target | At max. | Actual 2021 (as % of max.) |
|---------------------------------------|--------------|------------|----------------------------------|
| Sir Nigel Wilson | 75% | 150% | 94.5% |
| Jeff Davies | 75% | 150% | 92.2% |

Performance Share Plan (PSP)



Operation

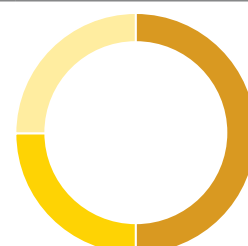
Conditional award of shares, subject to a performance period of no less than three years and a holding period such that no awards are released before five years from grant. Performance targets are set annually by the Committee, aligned with the delivery of shareholder returns over the longer term. The Committee may amend the vesting downwards (but not increase the level of vesting) depending on the overall performance of the group. PSP awards are subject to malus and clawback.

Opportunity

The maximum award opportunity is 300% of base pay (although the normal award opportunity is 250% of base pay). 15% of the award vests for threshold performance, increasing to 100% of the award vesting for achievement of maximum performance.

Performance

An appropriate mix (normally an equal weighting) of earnings performance and shareholder return.



● 50% EPS
● 25% TSR (vs FTSE 100)
● 25% TSR (vs comparator group)

| PSP grants in 2021 (as % of base pay): | Maximum | 2021 grant | Vesting period end 2021 (% of grant) |
|---|---------|---------------|---|
| Sir Nigel Wilson | 300% | 250% | 82.9% |
| Jeff Davies | 300% | 250% | 82.9% |

Quick read summary
continued

Shareholding requirements

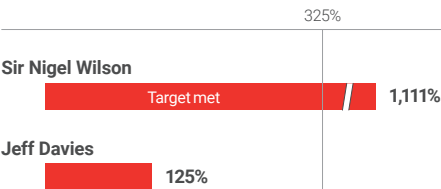
Executive directors' share ownership



Executive directors are expected to retain any after tax vested shares until their shareholding requirements are met, and maintain that shareholding requirement (or actual shareholding if lower) for at least two years after leaving employment.

The shareholding requirement is 325% of base pay for all executive directors.

Share ownership at 31 December 2021

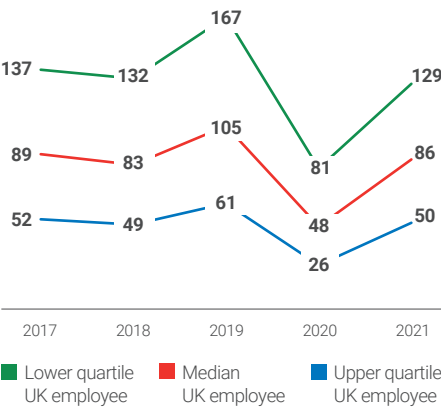


CEO pay ratio

Total remuneration

The chart opposite shows the ratio between the CEO single figure total remuneration (as disclosed on page 113) in comparison with the total remuneration of UK employees at lower, median, and upper quartiles.

For 2021, the CEO pay ratio has increased, reflecting the higher bonus and higher level of vesting of PSP awards in respect of 2021 compared to 2020.



Alignment with strategy and 2021 performance outcomes

The performance measures for the incentive plans are directly aligned to the group's key performance indicators (KPIs). The Group Board reviews the KPIs annually and adds to or changes them where appropriate. KPIs are explained in more detail on pages 26 to 27 and further details of performance measures and outcomes are provided on pages 104 to 107.

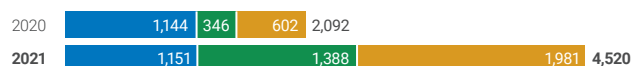
| Overarching drivers of the business | Group KPIs | Incentive plans (weightings) | | 2021 performance targets and outcomes | | | |
|-------------------------------------|---|------------------------------|------|---------------------------------------|---------|---------|---------|
| | | AVP | PSP | Threshold | Target | Maximum | Actual |
| Profitability | Net release from operations (NRO) | 20% | | £1,374m | £1,477m | £1,529m | £1,688m |
| | Adjusted operating profit | 25% | | £1,893m | £2,018m | £2,081m | £2,262m |
| | Earnings per share (EPS) 1 year growth | 12.5% | | 22.4p | 26.1p | 29.7p | 34.2p |
| | Return on Equity (ROE) | 12.5% | | 14.5% | 15.8% | 17.0% | 20.5% |
| | Earnings per share (EPS) 3 year average annual growth | | 50% | 5.0% | | 12.0% | 12.4% |
| Shareholder value creation | TSR vs FTSE 100 (rank out of 94) | | 25% | 46.5 | 36.6 | 19.0 | |
| | TSR vs comparator group (rank out of 24) | | 25% | 12.5 | | 6.2 | 5.0 |
| Strategic priorities | (see page 105): | 30% | | | | | |
| | | 100% | 100% | | | | |

Total remuneration received (£'000)

The charts below provide a breakdown of the total remuneration received by the Executive Directors and their maximum total remuneration opportunity.

Sir Nigel Wilson

Actual remuneration

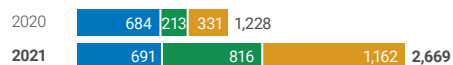


Maximum remuneration



Jeff Davies

Actual remuneration



Maximum remuneration



Key

- Fixed (base pay, benefits and pension contributions)
- Annual Variable Pay (AVP)
- Performance Share Plan (PSP)

The values for the 2018 PSP, which vested in 2020, in the charts above have been adjusted to reflect the share price at vesting on 11 March 2021, which was not known at the publication date of the 2020 report. Further details can be found on page 102.

Remuneration policy (summary)

The directors' remuneration policy was approved by shareholders by way of a binding vote at the 2020 AGM on 21 May 2020 and applies for three years from the 2020 AGM. The policy table, which contains key aspects of the approved policy, is set out below. A copy of the full remuneration policy, including accompanying disclosure, can be found in the 2019 annual report, and on the company's website.

| | Fixed pay | | | Annual Variable Pay (AVP) |
|-------------------------------------|---|---|--|---|
| | Base pay | Pension contributions | Benefits | |
| Purpose and link to strategy | Provides a fixed level of earnings, appropriate to the market and requirements of the role. | Provides a basis for savings to provide an income in retirement. | Provides benefits and allowances appropriate to the market, and to assist employees in efficiently carrying out their duties. | Incentivises and rewards the achievement of annual financial performance and delivery of strategic priorities. 50% of any AVP award is deferred into shares, reinforcing retention and alignment with shareholders by encouraging long-term focus and risk alignment. |
| Operation | <p>Reviewed annually with effect from 1 March, taking into account:</p> <ul style="list-style-type: none"> the individual's skills, experience and performance; scope of the role; external market data, including other FTSE 100 companies and other financial and non-financial institutions; pay and conditions elsewhere in the group overall business performance. <p>There is no obligation to increase base pay upon any such review, and any decision to increase base pay will take into account the associated impact on overall quantum.</p> | <p>In line with other employees in the UK, executive directors may:</p> <ul style="list-style-type: none"> Participate in a defined contribution pension plan; or Receive a cash allowance in lieu; or Receive some combination thereof. <p>Non-UK national executives may be permitted to participate in home-country pension plans where relevant.</p> <p>Base pay is the only element of pensionable remuneration.</p> | <p>In line with other employees in the UK, benefits currently include:</p> <ul style="list-style-type: none"> Private medical insurance; Life insurance; Income protection; and All-employee (ShareSave and Share Purchase) plans. <p>Executive directors may participate in voluntary benefits and choose to acquire Legal & General products which they fund themselves, sometimes through salary sacrifice.</p> <p>In line with other senior managers in the UK, executive directors receive a non-pensionable cash allowance in lieu of a company car.</p> <p>Where an executive director is required to relocate, or perform duties outside their home country, additional benefits may be provided (including healthcare and assistance for housing, school fees, home travel, relocation costs and tax compliance advice) for a period not exceeding two years.</p> | <p>In normal circumstances:</p> <ul style="list-style-type: none"> Performance is assessed over a one-year period. Performance measures and weightings are set annually to ensure they are appropriately stretching, and aligned with the group's strategic priorities. Performance targets take into account internal forecasts, market expectations and prior year performance. Targets normally equate to the forecast in the strategic plan, with maximum set at an appropriate stretch above plan, but still within the company's risk appetite. AVP awards are determined after the year end, taking into consideration performance against targets, individual performance, and overall business performance. 50% of any AVP award is paid in cash, after the year end, with 50% deferred into restricted shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements) for a further three years. Dividends or dividend equivalents may accrue during the deferral period and vest and are paid in shares upon vesting. Malus and clawback apply to both cash awards and deferred awards. |
| Opportunity | <p>There is no set maximum base pay, but any increases will normally be in line with the range of increases for other UK employees. In specific circumstances, the Committee may award increases above this level, for example where:</p> <ul style="list-style-type: none"> Base pay for a recently appointed executive director has been set with a view to allowing progression in the role over time; or There has been a significant increase in the size or scope of an executive director's role or responsibilities; or There is a significant change in the regulatory environment. | <p>For new executive directors, pension contributions are aligned to that available to the majority of the workforce (currently up to 10% of base pay).</p> <p>Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK defined contribution pension plan (currently up to 15% of base pay).</p> <p>Pension contributions will be aligned between the majority of the UK workforce and all executive directors by 2022.</p> | <p>The maximum amount paid in respect of benefits will be the actual cost of providing those benefits which, particularly in the case of insured benefits, may vary from year to year, although the Committee is mindful of achieving the best value from benefit providers.</p> <p>The maximum opportunity for participation in the all-employee share plans is the same for all employees and takes into account prevailing HMRC rules.</p> | <p>The maximum opportunity in respect of any financial year is:</p> <ul style="list-style-type: none"> 150% of base pay for the Group Chief Executive and Chief Financial Officer. 175% of base pay for other executive directors. <p>No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.</p> <p>The Committee will consider the calculated outcome in the context of a range of factors (not just the specific performance measures) including risk management, behaviours, culture, capital generation, Solvency II coverage ratio and sustainable financial performance, and may apply a 'moderator' to reduce (but not increase) an AVP award if there are factors that warrant such a reduction.</p> |
| Performance | Personal performance will be taken into consideration in determining any base pay increase. | There are no performance conditions. | There are no performance conditions. | <p>A combination of:</p> <ul style="list-style-type: none"> Financial performance (primary measure with at least 70% weighting) – to ensure growth and return to shareholders; and Strategic and personal performance – to safeguard the future, with the development of future income streams, and focus on key metrics including customers, culture and (from 2021) ESG. |

| | Performance Share Plan (PSP) | Non-executive directors' fees | Shareholding requirements |
|-------------------------------------|---|---|--|
| Purpose and link to strategy | Provides a direct and transparent link between executive pay and the delivery of shareholder returns over the longer term. | Compensates non-executive directors for their responsibilities and time commitment. | Provides alignment with shareholder returns and ensures the impact on directors' shareholdings moves in line with Legal & General's share price. |
| Operation | <p>A conditional award of shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements). In normal circumstances:</p> <ul style="list-style-type: none"> • Subject to a performance period of no less than three years. • Subject to a holding period such that no awards are released before five years from the date of grant. • Performance measures and targets are set annually by the Committee to ensure they are relevant and appropriately stretching, and aligned with the delivery of shareholder returns over the longer term. • Performance targets take into account, internal forecasts, any guidance provided to the market, market expectations, prior performance, and the company's risk appetite. • Dividends or dividend equivalents may accrue in the period following the end of the performance period until vesting and release; and • Malus and clawback apply. <p>Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including:</p> <ul style="list-style-type: none"> • Lengthen the performance period and/or the holding period for future awards. • Reduce (but not increase) the level of vesting dependent upon the performance of the group. | <p>Fees for the Chairman and non-executive directors are set at an appropriate level to reflect:</p> <ul style="list-style-type: none"> • Time commitment required to fulfill the role • Responsibilities and duties of the positions; and • Typical competitor practice in the FTSE 100 and other financial services institutions. <p>Fees comprise a base fee for membership of the Board, plus (where applicable) additional fees for:</p> <ul style="list-style-type: none"> • Senior Independent Director (SID). • Committee chairmanship; and • Committee membership (not including the Nominations and Corporate Governance Committee). <p>Additional fees for membership of Committee, or chairmanship or membership of subsidiary boards, or other fixed fees may apply if justified by time or commitment.</p> <p>The Chairman receives an inclusive fee for the role. The Chairman's fee is reviewed annually by the Committee, and the non-executive directors' fees are reviewed by the executive directors. There is no obligation to increase fees upon any such review.</p> | <p>Executive directors are expected to retain any after tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the group.</p> <p>The Committee retains the discretion to withhold future PSP grants if executive directors are not making sufficient progress towards their shareholding requirement.</p> <p>Non-executive directors may elect to receive a proportion of their fees (normally 50%) in Legal & General shares until their shareholding requirement is met.</p> <p>The sale of shares prior to the shareholding requirements being met may be permitted in extenuating situations, for example, a change to personal circumstances or ill health.</p> |
| Opportunity or requirement | <p>The maximum opportunity for an executive director in respect of any financial year is 300% of base pay (although the Committee's current intention is that the normal award opportunity will be 250% of base pay).</p> <ul style="list-style-type: none"> • 15% of the award vests for threshold performance. • 100% of the award vests for achievement of maximum. <p>The Committee assesses the formulaic vesting outcome, and may amend the vesting downwards (but not increase the level of vesting) considering a range of factors including overall performance, risk management, capital generation, Solvency II coverage ratio, and (from 2021) ESG.</p> | <p>Fees are subject to the aggregate limit in the company's Articles of Association. Any changes in this limit would be subject to shareholder approval.</p> <p>The Chairman and non-executive directors are not eligible to participate in any benefit, pension or incentive plan. However, additional benefits may be provided if the Board feels this is justified, such as tax compliance advice, work permits or similar. Expenses incurred in carrying out duties (and any associated tax liability) may be reimbursed or paid directly by the Company.</p> | <p>Shares owned outright equivalent to:</p> <ul style="list-style-type: none"> • 325% of base pay for executive directors; and • 100% of base fee for non-executive directors. |
| Performance | <p>An appropriate mix (normally an equal weighting) of:</p> <ul style="list-style-type: none"> • Earnings performance – to incentivise growth in earnings; and • Shareholder return – to deliver a competitive return for shareholders. | No performance conditions. | Not applicable. |

Annual report on remuneration

Audited information

Content contained within a grey outline box indicates that all the information in the panel is audited.

Planned implementation for 2022

Content contained within a black outline box indicates that all the information in the panel is planned for implementation in 2022.

'Single figure' of remuneration – executive directors

The following table shows a single total figure of remuneration for each executive director in respect of qualifying services for the 2021 financial year, together with a comparative figure for 2020.

Single figure table

| Executive director | Fixed | | | | Variable | | | | | Total £'000 |
|--------------------|-------------------|-------------------|-------------------|-------------------------|--------------|---------------------|--------------------------------------|----------------------------|-------|----------------|
| | Base pay £'000 | Benefits £'000 | Pensions £'000 | Total fixed £'000 | PSP | | | Total variable £'000 | | |
| | | | | | AVP £'000 | Face value £'000 | Share price appreciation £'000 | | | |
| | | | | | | | | | | |
| 2021 | | | | | | | | | | |
| Sir Nigel Wilson | 980 | 24 | 147 | 1,151 | 1,388 | 1,960 | 21 | 3,369 | 4,520 | |
| Jeff Davies | 590 | 23 | 78 | 691 | 816 | 1,150 | 12 | 1,978 | 2,669 | |
| 2020 | | | | | | | | | | |
| Sir Nigel Wilson | 974 | 24 | 146 | 1,144 | 346 | 561 ¹ | 41 | 948 | 2,092 | |
| Jeff Davies | 584 | 23 | 77 | 684 | 213 | 309 ¹ | 22 | 544 | 1,228 | |

1. Reporting of the 2018 PSP in the 2020 annual report

The vesting date of the 2018 PSP award occurred after the 2020 results announcement. As a result, the PSP figures recognised in the 2020 annual report were based on a three-month average share price to 31 December 2020. The 2018 PSP figures reported in the 2020 single figure table above now reflect the share price at vesting on 11 March 2021, at 286.7p per share. The figures in the 2020 report were £479,323 (Sir Nigel Wilson) and £263,705 (Jeff Davies).

Base pay

| Executive director | Annual base pay as at 1 January 2021 | Annual base pay effective 1 March 2021 | Total base pay paid in 2021 | | |
|--------------------|---|---|--------------------------------|---|---------------|
| | | | | Annual base pay effective 1 March 2022 | % increase |
| Sir Nigel Wilson | 979,500 | 979,500 | 979,500 | 1,028,500 | 5.0% |
| Jeff Davies | 590,000 | 590,000 | 590,000 | 632,000 | 7.1% |

Benefits

Benefits include the elements shown in the table below.

| Executive director | Car allowance, insurances and taxable expenses £'000 | Dividends £'000 | Discount SAYE and SIP matching shares £'000 | Total benefits £'000 |
|--------------------|---|--------------------|--|----------------------------|
| 2021 | | | | |
| Sir Nigel Wilson | 19 | 4 | 1 | 24 |
| Jeff Davies | 20 | 1 | 2 | 23 |
| 2020 | | | | |
| Sir Nigel Wilson | 19 | 4 | 1 | 24 |
| Jeff Davies | 20 | 1 | 2 | 23 |

The Share Incentive Plan (SIP) matching shares and dividends relate to the all-employee share purchase plan. No dividends are payable on outstanding Share Bonus Plan (SBP) or PSP awards. Save As You Earn (SAYE) is calculated based on the value of the discount on SAYE share options exercised in the year.

Benefits for 2022

Benefits for 2022 remain in line with policy.

Pension

Sir Nigel Wilson received a cash allowance in lieu of pension contributions equal to 15% of base pay. Jeff Davies received a cash allowance of 13.2% of base pay. All cash allowances are subject to normal payroll deductions for income tax and national insurance.

Pension for 2022

From December 2022, Sir Nigel Wilson and Jeff Davies will receive a cash allowance of 10% of base pay, aligned with employer pension contributions for the majority of the UK workforce. Prior to this change the cash allowance will remain at the current level.

Annual report on remuneration

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2021 Annual Variable Pay (AVP) awards

The 2021 AVP awards are based on performance for the year ended 31 December 2021. 70% of the bonus opportunity is determined by financial performance and 30% is based upon the achievement of strategic objectives.

The figures below represent the total 2021 AVP awards to be paid, incorporating the amount payable in cash in 2022 (50%), and amount deferred into restricted shares for a further three years to be released in 2025 (50%) subject to continued employment with malus and clawback provisions.

| Performance measure | 2021 performance targets and outcome | | | | Outcome (% of max) | | Weighting | AVP award (% of maximum) | |
|--|--------------------------------------|---------------------|-----------------------|---------|-----------------------|-------|-----------|-----------------------------|-------------|
| | Threshold (0% max) | Target (50% max) | Maximum (100% max) | Actual | | | | Sir Nigel Wilson | Jeff Davies |
| Net release from operations (NRO) | £1,374m | £1,477m | £1,529m | £1,688m | 100% | x | 20% = | 20% | 20% |
| Adjusted operating profit | £1,893m | £2,018m | £2,081m | £2,262m | 100% | x | 25% = | 25% | 25% |
| Earnings per share (EPS) | 22.4p | 26.1p | 29.7p | 34.2p | 100% | x | 12.5% = | 12.5% | 12.5% |
| Return on Equity (ROE) | 14.5% | 15.8% | 17.0% | 20.5% | 100% | x | 12.5% = | 12.5% | 12.5% |
| Strategic – Sir Nigel Wilson | | See table below | | | | 81.7% | 30% = | 24.5% | |
| Strategic – Jeff Davies | | See table below | | | | 74.0% | | | 22.2% |
| Total (% of maximum) | | | | | | | 100% | 94.5% | 92.2% |
| | | | | | | | | x | x |
| Maximum bonus opportunity (% of base pay) | | | | | | | | 150% | 150% |
| | | | | | | | | x | x |
| Base pay | | | | | | | | £979,500 | £590,000 |
| | | | | | | | | = | = |
| 2021 AVP award | | | | | | | | £1,388,400 | £815,900 |

Strategic objectives comprise a qualitative assessment by the Remuneration Committee of operational performance and risk management, customer and culture metrics, and other strategic objectives set by the Committee, including ESG objectives. A qualitative assessment, rather than an outcome based only on pre-determined numerical targets, is considered more appropriate for the assessment of strategic objectives, as this enables the Committee to consider performance in the context of a range of factors and changing situations during the year.

Key focus areas are identified at the beginning of each year, and strategic objectives may be set individually for each executive director or assessed as their individual contribution to joint objectives. Normally, 10% of the total bonus opportunity is allocated to each category encompassing:

- **Operational performance and risk management:** determined by the Committee and supported by analysis from the Director of Group Finance and Chief Risk Officer, using quantitative and qualitative metrics, including divisional and group operational performance, capital management, prudential risk, IT and cyber risk, and internal audit.
- **Customer and culture assessment:** based on a range of metrics including customer performance scores and feedback, employee engagement scores, and progress of gender and other diversity goals.
- **Other strategic objectives:** focus on safeguarding the future and developing future income streams. For 2021, this includes progress of key environmental commitments as referenced in our 2020 climate report, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Some strategic objectives may be commercially sensitive and accordingly they will not be disclosed in this year's report or any future report until such time as they are considered no longer commercially sensitive.

A list of the key focus areas and outcomes for 2021 is set out below.

| Focus areas | Assessment (out of 30%) | |
|---|----------------------------|-------------|
| | Sir Nigel Wilson | Jeff Davies |
| Operational performance and risk management: | | |
| • Strong performance against Solvency II operational surplus goals (£3.1 billion at the end of 2021) and against ambition for Solvency II net surplus generation to cumulatively exceed dividends paid over 2020 – 2024 (£0.3 billion accrued to the end of 2021) | | |
| • Strong operational performance across all divisions including: | | |
| • Building 4,364 new homes in 2021 (an increase from 3,374 in 2020) | | |
| • Supporting PodPoint to scale up at pace and deliver a successful IPO in Nov. 2021 | | |
| • £611 million of investments in start ups during 2021 | | |
| • Continued development of Fintech solutions | | |
| Customer and culture: | | |
| • Positive customer feedback with 80% of customers scoring Legal & General 7 out of 10 or higher for customer satisfaction | | |
| • Net promoter score of +73 within our institutional retirement division | | |
| • Reduction in claims timings for retail protection clients (reduction of 19 days for non-medical claims from Q2 to Q4 2021) | 24.5/30 | 22.2/30 |
| • Continued positive employee feedback with employee satisfaction index at 76% (higher than pre-Covid 19 levels) | | |
| • Progressive narrowing of gender pay gap (median gap falling from 26.6% in 2020 to 24.1% in 2021) | | |
| Other strategic: | | |
| • Portfolio carbon emission intensity reduced by half by 2030, with 2021 reduction of at least 2% (actual reduction of 17.0% compared to 2020). | | |
| • Provisional science-based targets (SBTs) developed for key group businesses and on track for submission within 2 year deadline | | |
| • Operational footprint (occupied offices and business travel) net zero carbon emissions from 2030, with initial reduction pathway mapped during 2021 to align with science-based targets (SBTs) (2021: achieved) | | |
| • Other specific strategic targets (not disclosed). | | |

In addition, the Committee considers the Solvency II coverage ratio (2021: 187%) and sustainable financial performance, and may apply a 'moderator' to reduce (but not increase) an AVP award if there are factors that warrant such a reduction. For 2021, it was determined that no adjustment was necessary to the calculated AVP awards.

Annual report on remuneration

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Risk consideration

The Committee reviewed a comprehensive report from the Chief Risk Officer to ascertain that the executive directors' objectives had been fulfilled within the risk appetite of the group. In addition, the Committee received feedback from the Group Regulatory Risk and Compliance function that there were no issues to consider relating to regulatory breaches or customer outcomes that would prevent payment of any AVP award or trigger a recommendation that malus should be applied. The Committee was satisfied that the AVP awards should be paid.

Deferral policy

In line with the remuneration policy, 50% of all 2021 AVP awards have been deferred for three years into restricted shares, subject to continued employment and with malus and clawback provisions.

AVP potential 2022

In line with the remuneration policy, for 2022 the target and maximum AVP opportunities for our executive directors will be:

| Executive director | Target opportunity (% of base pay) | Maximum opportunity (% of base pay) |
|--------------------|---------------------------------------|--|
| Sir Nigel Wilson | 75% | 150% |
| Jeff Davies | 75% | 150% |

Performance will be based on group financial performance targets aligned to the group's key performance indicators, as well as strategic (including environmental, social and governance measures) and personal measures. The percentage weightings will be the same as in 2021. Group financial targets will be disclosed in the 2022 annual report. Some strategic and personal targets are considered confidential and will not be disclosed in any future report.

In line with the remuneration policy, 50% of all 2022 AVP awards will be deferred for three years into restricted shares, subject to continued employment, with malus and clawback provisions.

Details of how the 2019 PSP award vested

The 2019 PSP award vested at 82.9% of maximum in March 2022 based on a combination of total shareholder return (TSR) out-performance (50%) and earnings per share (EPS) growth (50%) over the three-year performance period ended 31 December 2021.

| Performance measure | Weighting | Outcome (% of maximum) |
|---------------------------------|-----------|------------------------|
| TSR vs FTSE 100 | 25% | 45.5% |
| TSR vs bespoke comparator group | 25% | 86.0% |
| EPS growth (% p.a.) | 50% | 100% |
| Total (% of maximum) | 100% | 82.9% |

The bespoke comparator group comprises:

Abrdn, Aegon, Ageas, Allianz, Ameriprise Financial, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., ING Groep, Lincoln National, Mapfre, Metlife, Muenchener Ruck., Phoenix Group Holdings, Principal Financial Group, Prudential, Prudential Financial, Sampo, Swiss Re, Talanx, Zurich Insurance Group.

The Committee reviewed the company's overall performance taking into consideration an assessment of Solvency II performance and progress against long-term environmental, social and governance (ESG) objectives. The Committee was satisfied that the PSP awards should vest in accordance with the TSR and EPS growth outcomes.

The results are shown below:

| Grant date | Performance period | Comparator group | Legal & General's TSR ¹ | Median rank | 80th percentile rank | Legal & General's rank | Outcome (% of maximum) |
|---|------------------------------------|--------------------------|------------------------------------|-------------|------------------------------|------------------------|--|
| 16 April 2019 | 1 January 2019 to 31 December 2021 | FTSE 100 | | 46.5 | 19.0 | 36.6 | 45.5% |
| | | Bespoke comparator group | 46.3% | 12.5 | 5.0 | 6.2 | 86.0% |
| Performance target | | | | | | | |
| Performance condition | | | | Threshold | Maximum | Actual performance | Outcome (% of maximum) |
| EPS growth (% p.a.) | | | | 5.0% | 12.0% | 12.4% | 100% |
| <p>1. TSR is calculated in accordance with the Performance Share Plan rules using the three-month average prior to the start and end of the performance period.</p> <p>The PSP award will vest on 11 March 2022. As the share price at the date of vesting was not known as of the date of this report, the value included in the 'single figure' of remuneration on page 102 has been calculated based on the number of shares vesting multiplied by the average share price over the quarter ended 31 December 2021 (288.5p). The actual share price and value at vesting will be reported in the 2022 annual report.</p> | | | | | | | |
| Executive director | Shares granted in 2019 | | Vesting outcome (% of maximum) | | Shares vesting in March 2022 | | Estimated value of shares on vesting (£) |
| Sir Nigel Wilson | 828,107 | | 82.9% | | 686,501 | | 1,980,555 |
| Jeff Davies | 486,091 | | 82.9% | | 402,969 | | 1,162,567 |

Performance Share Plan (PSP) 2022 awards: Sir Nigel Wilson and Jeff Davies will each be granted an award with a face value of 250% of base pay.

For the 2022 award, the following performance measures will be used:

- TSR performance relative to the FTSE 100 (25% of award)
- TSR performance relative to a bespoke comparator group of companies (25% of award).
- EPS growth (50% of award).

Vesting of awards will be subject to an assessment of performance against Solvency II objectives and progress against long-term ESG objectives.

Having considered the business plan over the next three years and market expectations of performance, and given the level of stretch within the TSR performance conditions, the Committee considered it appropriate for vesting to be based on performance as set out in the table below:

| | Below Threshold | Threshold | Maximum |
|-----------------|-----------------|-----------|-----------------|
| Vesting | 0% | 15% | 100% |
| TSR performance | Below median | Median | 80th percentile |
| EPS growth | <5% p.a. | 5% p.a. | 12% p.a. |

Performance below threshold results in nil vesting, and performance between threshold and maximum vests on a straight line basis between 15% and 100% of maximum.

Annual report on remuneration

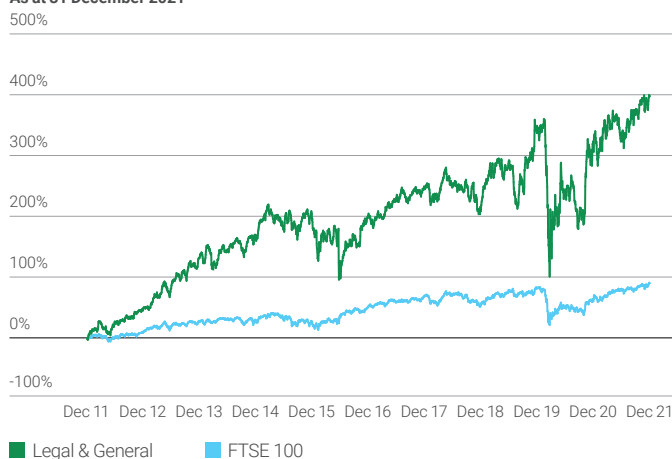
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Other remuneration information

Total shareholder return (TSR)

The chart shows the value, as at 31 December 2021, of £100 invested in Legal & General shares on 31 December 2011, compared to £100 invested in the FTSE 100 on the same date. The FTSE 100 Index was chosen as the comparator because the Company is a member of this index.

As at 31 December 2021



Group Chief Executive – historic remuneration information

The table below shows the remuneration of the Group Chief Executive in place at the time over the same period.

| Year | Name | Group Chief Executive single figure of total remuneration (£'000) | Annual variable element against maximum opportunity | PSP vesting rates against maximum opportunity |
|------|---|--|--|--|
| 2021 | Sir Nigel Wilson | 4,520 | 94.5% | 82.9% |
| 2020 | Sir Nigel Wilson | 2,092 | 23.5% | 24.2% |
| 2019 | Sir Nigel Wilson | 4,592 | 91.1% | 86.9% |
| 2018 | Sir Nigel Wilson | 3,398 | 80.4% | 48.7% |
| 2017 | Sir Nigel Wilson | 3,439 | 85.3% | 59.9% |
| 2016 | Sir Nigel Wilson | 5,417 | 87.8% | 76.6% |
| 2015 | Sir Nigel Wilson | 5,497 | 86.3% | 100% |
| 2014 | Sir Nigel Wilson | 4,213 | 90.7% | 100% |
| 2013 | Sir Nigel Wilson | 4,072 | 93.1% | 100% |
| 2012 | Sir Nigel Wilson – appointed 30 June 2012 | 898 | 96.0% | 0% ¹ |
| | Tim Breedon – retired 30 June 2012 | 3,280 | 84.8% | 100% ² |

1. The 2009 PSP vested in full in 2012. However, no PSP is shown in the figure for Sir Nigel Wilson as, while he received the PSP, it vested during the time he was Chief Financial Officer.
2. The 2009 PSP vested in full in 2012. The PSP figure that vested for Tim Breedon is shown in his figure as it vested during the time he was Group Chief Executive.

Due to the timing of the vesting of PSP awards, initially PSP figures within the single figure of remuneration are calculated based on the average share price for the three months ended 31 December in the respective year. As noted under the single figure of remuneration table on page 102, the figures are restated in the following year's report to reflect the actual share price on the vesting date. The figures in the table above have been restated to reflect the actual share price on vesting for the years 2015 – 2020.

Scheme interests awarded during the financial year

The following table sets out details of deferred annual variable pay (AVP) and performance share plan (PSP) awards made in 2021.

| Executive director | Reason for award | Award type | Awards granted in 2021 | Grant price £ | Face value at grant price £ |
|--------------------|------------------|-------------------|------------------------|------------------|--------------------------------|
| Sir Nigel Wilson | PSP | Nil-cost option | 832,341 | 2.9420 | 2,448,747 |
| | Deferred AVP | Restricted shares | 58,520 | 2.9537 | 172,851 |
| Jeff Davies | PSP | Nil-cost options | 501,359 | 2.9420 | 1,474,998 |
| | Deferred AVP | Restricted shares | 36,039 | 2.9537 | 106,448 |

Performance conditions for PSP awards granted in 2021

The PSP awards were granted on 13 April 2021. 25% of the award will vest based on TSR performance relative to the FTSE 100, 25% of the award will vest based on TSR performance relative to a bespoke peer group (comprising Abn-Amro, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., Lincoln National, M&G, Mapfre, Metlife, Muenchener Ruck., NN Group, Phoenix Group, Principal Financial, Prudential Financial, Prudential, Sampo A, Swiss Re, Talanx and Zurich Insurance Group), and 50% of the award will vest based on the EPS growth. Vesting will be based on performance as set out in the table below:

| | Below threshold | Threshold | Maximum |
|-----------------|-----------------|-----------|-----------------|
| Vesting | 0% | 15% | 100% |
| TSR performance | Below median | Median | 80th percentile |
| EPS growth | <5% p.a. | 5% p.a. | 12% p.a. |

Performance below threshold results in a nil vesting, and performance between threshold and maximum vests on a straight line basis between 15% and 100% of maximum.

At the end of the three-year performance period commencing 1 January 2021, the Committee will assess whether the formulaic vesting outcome is justified by looking at a number of factors including: whether the result is reflective of overall performance and has been achieved within the Company's risk appetite, the Solvency II coverage ratio, the quality of earnings, nature of any changes in leverage or key assumptions and progress against long-term ESG objectives. If such considerations mean that the formulaic outcome of the vesting is not considered to be justified, the Committee can amend the vesting downwards (but not increase the level of vesting). The Remuneration Committee may also consider reducing the number of shares vesting and/or impose further conditions on the award to neutralise any 'windfall gain' that may have arisen.

Payments for loss of office and to past directors

There were no payments to directors for loss of office and no payments to past directors during 2021.

Statement of directors' shareholding and share interests

Total shareholding of executive directors:

| Type | Owned outright/ vested shares | Subject to deferral/ holding period | Total vested and unvested shares (excludes any shares with performance conditions) | Subject to performance conditions | Shares sold or acquired during the period 1 January 2022 and 8 March 2022 | |
|------------------|----------------------------------|--|---|---|--|--|
| | | | | | Owned outright/ vested shares | Subject to deferral/ holding period |
| Sir Nigel Wilson | Shares | 3,637,332 | 530,996 | 4,168,328 | – | – |
| | ESP | 19,324 | 5,295 | 24,619 | – | 132 |
| | Options | – | 475,161 | 475,161 | 2,728,558 | – |
| Jeff Davies | Shares | 244,739 | 311,031 | 555,770 | – | – |
| | ESP | 3,476 | 1,282 | 4,758 | – | 132 |
| | Options | – | 269,933 | 269,933 | 1,630,824 | – |

Annual report on remuneration

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Shareholding requirement – executive directors

The shareholding requirement for all executive directors is 325% of base pay.

| | Actual share ownership as % of 2021 base salary: vested shares ¹ | Shareholding requirement met | Shares owned at 1 January 2021 | Shares owned at 31 December 2021 | Shares sold or acquired during the period 1 January 2022 and 8 March 2022 |
|------------------|---|------------------------------|--------------------------------|----------------------------------|---|
| Sir Nigel Wilson | 1,111% | Yes | 3,316,706 | 3,656,656 | 205 |
| Jeff Davies | 125% | No | 81,610 | 248,215 | 205 |

1. Closing share price as at 31 December 2021: £2.975

Notes

Shares used for the above calculation exclude those with performance conditions, any unexercised options, those shares subject to a period of deferral and any shares held in a private trust where the executive director is not a trustee. They include vested shares where the executive director has beneficial ownership, shares independently acquired in the market and those held by a spouse or civil partner or dependant child under the age of 18 years.

Although the shareholding requirement is not contractually binding, executive directors are expected to retain any after tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment. The Committee retains the discretion to withhold future grants under the PSP if executives are not making sufficient progress towards their shareholding requirement. Once shareholding requirements have been met, executive directors may sell shares in excess of the shareholding requirement if they wish. The Committee has discretion to allow executive directors to sell shares prior to the shareholding requirement being met in extenuating situations, for example, a change to personal circumstances or ill health, etc.

Share options exercised during 2021

PSP awards may be granted in the form of nil-cost options with an exercise date no earlier than the normal vesting date. Executive Directors may also participate in the Company's ShareSave scheme. Where such share awards have been exercised during 2021 they are shown below:

| Executive director | Date of grant | Shares exercised | Exercise date | Share price at date of exercise £ | Gain £ |
|--------------------|---------------|------------------|---------------|-----------------------------------|---------|
| Sir Nigel Wilson | 21/04/2016 | 171,349 | 12/04/2021 | 2.962 | 507,536 |
| Sir Nigel Wilson | 18/04/2017 | 287,560 | 12/04/2021 | 2.962 | 851,753 |
| Jeff Davies | 18/04/2017 | 158,174 | 15/03/2021 | 2.870 | 453,959 |
| Jeff Davies | 06/04/2018 | 2,037 | 01/06/2021 | 2.843 | 1,473 |

Non-executive directors' remuneration – 2021

Non-executive directors' fees

The fees for the Chairman and non-executive directors were reviewed during 2021 and with effect from 1 August 2021 the fee for the Chairman was increased from £523,000 to £550,000. From 1 August 2021 the additional fee for chairing a Board committee was increased from £30,000 to £40,000 and the committee membership fee was increased from £10,000 to £15,000 for the Audit, Remuneration and Risk committees. No fee was paid for membership of the Nominations and Corporate Governance or Technology committees. The current limit for base fees paid to non-executive directors is an aggregate of £1,500,000 per annum. The table below sets out the current fees.

| Annual fees | Current fee £ |
|--|---------------|
| Chairman | 550,000 |
| Base fee | 75,000 |
| Additional fees: | |
| Senior Independent Director | 30,000 |
| Committee Chairmanship fee (Audit, Remuneration and Group Risk Committees) | 40,000 |
| Committee membership fee (Audit, Remuneration and Group Risk Committees) | 15,000 |

The table below shows the actual fees paid to our non-executive directors in 2021 and 2020.

| Non-executive director | | Fees for 2021 | Benefits for 2021 ³ | Total remuneration for 2021 | Fees for 2020 | Benefits for 2020 | Total remuneration for 2020 |
|--------------------------------|---------------------------------|---------------|--------------------------------|-----------------------------|---------------|-------------------|-----------------------------|
| Sir John Kingman | Chairman T N | 534,250 | 64 | 534,314 | 512,500 | – | 512,500 |
| Henrietta Baldock ¹ | N R Ri | 200,833 | – | 200,833 | 199,167 | – | 199,167 |
| Nilufer von Bismarck | A T N Ri – appointed 1 May 2021 | 67,770 | – | 67,770 | – | – | – |
| Philip Broadley | A T N R Ri | 155,833 | 1,521 | 157,354 | 119,167 | 3,053 | 122,220 |
| Lesley Knox ² | N R Ri | 223,750 | 3,263 | 227,013 | 219,167 | 1,628 | 220,795 |
| George Lewis | A N R Ri | 102,917 | – | 102,917 | 71,458 | 21,227 | 92,685 |
| Ric Lewis | N R Ri | 99,167 | – | 99,167 | 49,532 | – | 49,532 |
| Toby Strauss | A T N Ri | 121,250 | – | 121,250 | 115,000 | 444 | 115,444 |
| Julia Wilson | | 31,250 | – | 31,250 | 119,167 | 89 | 119,256 |

Key:

NED Committee membership:
A = Audit

N = Nominations and Corporate Governance
R = Remuneration

Ri = Risk
T = Technology

- Henrietta Baldock is also Chair of the Legal & General Assurance Society Board for which she receives a separate fee to that paid to her as a non-executive director of the Company. The actual fees in the table above include her total fees for both roles. Henrietta was also a member of the Audit Committee until 31 March 2021.
- Lesley Knox is also Chair of the Legal & General Investment Management (Holdings) Limited Board for which she receives a separate fee to that paid to her as a non-executive director of the Company. The actual fees in the table above include her fees for both roles. Lesley was also a member of the Audit Committee until 31 March 2021.
- The Chairman and non-executive directors are not eligible to participate in any benefits, pension or incentive plan. The amounts disclosed in the benefits section above relate to taxable travel and accommodation expenses incurred while undertaking their roles as non-executive directors for the Company.

Shareholding requirements – non-executive directors

Non-executive directors are required to build up a shareholding equivalent to 100% of base fee, typically within three years of appointment.

Non-executive directors may elect to receive a proportion of their fees (normally 50%) in shares until their shareholding requirement is met.

The table below shows their shareholding as at 4 January 2022, taking into account share purchases in relation to December 2021 fees.

| Name | Shareholding as at 4 January 2022 | Shareholding as a % of base fee | Guideline met | Shares purchased from 5 January 2022 to 8 March 2022 |
|--|-----------------------------------|---------------------------------|------------------------|--|
| Sir John Kingman | 274,303 | 148% | Met | 1,723 |
| Henrietta Baldock | 37,732 | 150% | Met | 2,380 |
| Nilufer von Bismarck – appointed 1 May 2021 | 13,933 | 55% | On target ¹ | 5,967 |
| Philip Broadley | 92,260 | 366% | Met | – |
| Lesley Knox | 77,600 | 308% | Met | – |
| George Lewis | 41,407 | 164% | Met | 2,977 |
| Ric Lewis | 19,711 | 78% | On target ¹ | 3,270 |
| Toby Strauss | 71,045 | 282% | Met | 3,224 |
| Julia Wilson – retired from the Board on 31 March 2021 | 51,823 | 206% | Met | – |

- Director's are on track to meet the shareholding requirement within 3 years based on the proportion of their fee received in shares.

Non-executive directors' terms of employment

| | Current letter of appointment start date | Current letter of appointment end date |
|----------------------|--|--|
| Sir John Kingman | 24 October 2021 | 24 October 2025 |
| Henrietta Baldock | 04 October 2021 | 04 October 2024 |
| Nilufer von Bismarck | 01 May 2021 | 01 May 2024 |
| Philip Broadley | 08 July 2019 | 08 July 2022 |
| Lesley Knox | 01 June 2019 | 01 June 2022 |
| George Lewis | 01 November 2021 | 01 November 2024 |
| Ric Lewis | 18 June 2020 | 18 June 2023 |
| Toby Strauss | 01 January 2020 | 01 January 2023 |
| Laura Wade-Gery | 03 January 2022 | 03 January 2025 |

Julia Wilson stepped down from the Board on 31 March 2021. The standard term for non-executive directors is three years and for the Chairman is five years. All non-executive directors are subject to annual re-election by shareholders.

Annual report on remuneration

continued

Remuneration for employees below Board

General remuneration policy

The group's remuneration policy is designed to reward, motivate and retain high performers in line with the risk appetite of the group. Remuneration is considered within the overall context of the group's sector and the markets in which it operates. The policy for the majority of employees is to pay around the relevant mid-market range with a competitive package designed to align the interests of employees with those of shareholders, and with an appropriate proportion of total remuneration dependent upon performance.

We define core remuneration as base pay, annual bonus and other benefits such as pension. Key employees are also eligible to participate in the performance share plan (PSP).

Summary of the remuneration structure for employees below the Board

| Element | Policy |
|---|---|
| Fixed | |
| Base pay | <p>We aim to attract and retain key employees by paying base pay which delivers competitive total remuneration. Factors taken into account when determining salaries include:</p> <ul style="list-style-type: none"> • the individual's skills, experience and performance. • scope of the role. • external market data. • pay and conditions elsewhere in the group. • overall business performance. <p>As a member of the Living Wage Foundation, base pay is also set with reference to the Foundation's UK and London living wage levels.</p> <p>During 2021 the approach adopted was for the lowest paid employees (less than £30,000) to receive, on average, the highest increases (generally 3% of base pay). For 2022, the average increases will be around 5.2%.</p> |
| Benefits | All UK employees have access to private medical insurance, life insurance, and a range of family-friendly policies (maternity, paternity, adoption and shared parental leave). In addition there are several wellbeing support packages including Unmind (a confidential mental health app), childcare and elderly care support. |
| Pension | All employees are given the opportunity to participate in a Group Pension Scheme. The pension opportunity offered to the majority of the UK workforce is 10% of base pay. |
| Variable | |
| Annual bonus | <p>The majority of employees participate in a discretionary bonus plan, unless an alternative plan applies based on role. An employee will be considered for a discretionary bonus award based on achievement against objectives, conduct and behaviours, the role performed during that year and internal relativities.</p> <p>The group operates bespoke bonus plans where business appropriate. However, the Remuneration Committee has ultimate discretion over all bonus plans.</p> <p>Bonuses above a certain threshold are subject to deferral with the deferral amount increasing with the size of the bonus. Deferred awards are normally held in shares for three years and are subject to malus and clawback.</p> <p>The company reserves the right to adjust deferral levels for Code staff as deemed necessary to comply with regulatory requirements.</p> |
| Performance share plan (PSP) | <p>Participation in the PSP is offered to a small number of senior management each year in recognition of the strategic and influential role that they hold in terms of driving company performance, as well as their individual contribution. Participation in the plan for one year does not guarantee participation in future years.</p> <p>PSP awards were made to around 92 employees during 2021.</p> <p>Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.</p> |
| Other | |
| Other share plans and long-term incentives | The Company operates a Share Bonus Plan (SBP) which provides the vehicle for deferral of annual bonuses in the majority of cases and also allows for a limited number of awards of shares to high potential individuals and those with critical skills. |
| Employee share plans | All employees are given the opportunity to participate in a ShareSave plan and an Employee Share Purchase plan. These are both HMRC-approved plans which offer all employees the opportunity to share in the success of the business. |

Annual equal pay review

The group seeks to ensure that our pay policies and practices are free from unfair bias. Part of the pay review process is an annual equal pay review that reviews pay and bonus decisions by gender, ethnicity, age and full-time versus part-time working. In addition, it considers the application of the pay policy more widely, in particular looking at decisions made in the annual pay review across grades, functions and divisions.

Gender pay reporting

The group has published its gender pay report for 2021. Further details can also be found on page 49 of the annual report.

Pay ratio in relation to the Group Chief Executive Officer

Since 2016 we have voluntarily disclosed details of the pay ratio in relation to the Group Chief Executive Officer and the wider UK employee population. From 2018 we made some amendments to how we report the information in order to align with the reporting requirements set out by BEIS, which came into effect for financial years starting 1 January 2019.

The tables below provide the ratio between the base pay and single figure total remuneration of the Group Chief Executive Officer and the base pay and total remuneration of UK employees at the upper quartile (75th percentile), median (50th percentile) and lower quartile (25th percentile).

Total remuneration

| Year | Method | Pay ratio | | | All UK employees £ | | |
|-------------|----------|-----------------|-----------|-----------------|--------------------|---------------|-----------------|
| | | 75th percentile | Median | 25th percentile | 75th percentile | Median | 25th percentile |
| 2021 | B | 50 | 86 | 129 | 90,039 | 52,466 | 34,974 |
| 2020 | A | 26 | 48 | 81 | 78,989 | 43,726 | 25,839 |
| 2019 | A | 61 | 105 | 167 | 70,892 | 40,982 | 25,814 |
| 2018 | A | 49 | 83 | 132 | 69,923 | 40,814 | 25,730 |
| 2017 | A | 52 | 89 | 137 | 66,572 | 38,802 | 25,023 |

Base pay

| Year | Method | Pay ratio | | | All UK employees £ | | |
|-------------|----------|-----------------|-----------|-----------------|--------------------|---------------|-----------------|
| | | 75th percentile | Median | 25th percentile | 75th percentile | Median | 25th percentile |
| 2021 | B | 14 | 22 | 34 | 68,832 | 43,579 | 28,500 |
| 2020 | A | 15 | 26 | 42 | 65,101 | 37,677 | 23,232 |
| 2019 | A | 16 | 27 | 42 | 60,000 | 35,000 | 22,550 |
| 2018 | A | 16 | 27 | 41 | 57,853 | 34,475 | 22,781 |
| 2017 | A | 16 | 27 | 42 | 58,020 | 33,649 | 22,148 |

Pay ratio commentary

Between 2020 and 2021 the ratio of total remuneration for the Group CEO compared to UK employees has increased. The increase is the result of the higher bonus award and vesting level of the 2019 PSP compared with the PSP awards in the previous year.

Methodology

The Companies (Miscellaneous Reporting) Regulations 2018 permit different options for calculating the pay ratio. We have chosen option B as our method for calculating the pay ratio for 2021, consistent with the methodology for gender pay reporting. The total remuneration figures for the UK employees are based on salaries at 1 December 2021. Bonus amounts for 2021 are not able to be determined for some eligible employees until after publication of this report, and therefore it is not possible to determine the exact 2021 total remuneration for all UK employees as is required for option A within this timescale. For completeness and transparency, we have included the pay ratios based on the option A method for previous years and we will also retrospectively disclose the pay ratio for 2021 based on the option A method in the 2022 report. We do not believe that this will result in pay ratio figures that are materially different to the 2021 figures disclosed above.



Gender pay gap report

Our 2021 gender pay gap report is available on our group website. See: group.legalandgeneral.com/reports

Annual report on remuneration

continued

Percentage change in directors' 2021 remuneration compared with all UK employees

As required by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the analysis covers all executive directors and non-executive directors.

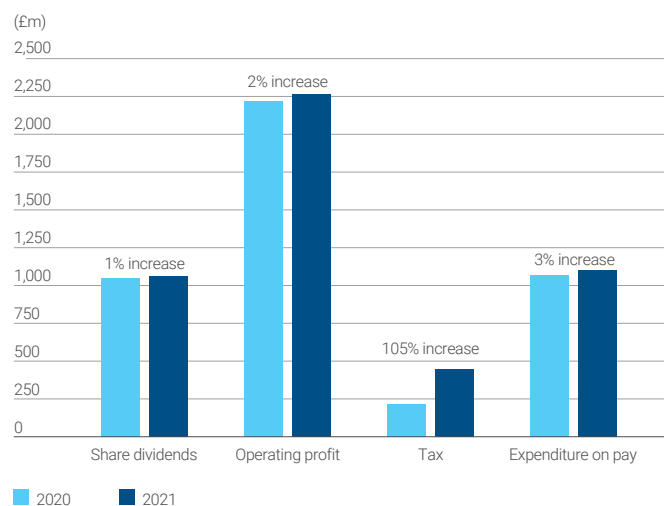
| | Year ended 31 December 2021 | | | Year ended 31 December 2020 | | |
|---|------------------------------|------------------------|-------------------|------------------------------|------------------------|-------------------|
| | Base pay/ fees (% change) | Benefits (% change) | AVP (% change) | Base pay/ fees (% change) | Benefits (% change) | AVP (% change) |
| Executive directors | | | | | | |
| Sir Nigel Wilson | 0.0% | 3.3% | 301.6% | 3.4% | 3.4% | (73.2)% |
| Jeff Davies | 0.0% | 0.7% | 282.2% | 6.6% | 6.3% | (72.1)% |
| Chairman and Non Executive Directors¹ | | | | | | |
| Sir John Kingman | 4.2% | n/a | n/a | 3.3% | n/a | n/a |
| Henrietta Baldock | 0.8% | n/a | n/a | 4.5% | n/a | n/a |
| Nilufer von Bismarck – appointed 1 May 2021 | n/a | n/a | n/a | n/a | n/a | n/a |
| Philip Broadley | 28.7% | n/a | n/a | 3.6% | n/a | n/a |
| Lesley Knox | 2.8% | n/a | n/a | 1.9% | n/a | n/a |
| George Lewis | 11.0% | n/a | n/a | 4.9% | n/a | n/a |
| Ric Lewis | 7.8% | n/a | n/a | n/a | n/a | n/a |
| Toby Strauss | 5.0% | n/a | n/a | 0.0% | n/a | n/a |
| Julia Wilson | 4.8% | n/a | n/a | 3.6% | n/a | n/a |
| Average for UK employees | 2.4% | 2.4% | 19.6% | 3.5% | 3.5% | 2.7% |

1. The increase in fees for non-executive directors of the Company reflects the changes in the fee structure in relation to chairing a committee and membership of a committee as well as changes to the membership of the committees. The base fee for non-executive directors has not changed since 2019.

As with prior years the whole UK employee population has been selected as the comparator group. This group was chosen because it includes a wider cross section of the group's employees. The increase in benefits for the employee comparator group relates to the impact of base pay increases.

Relative importance of spend on pay

The chart opposite shows the relative importance of expenditure on pay compared to share dividends, adjusted operating profit and tax for the year. Adjusted operating profit has been shown because it is a key performance indicator of the business. No share buybacks were made in 2020 or 2021.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2021.

Committee members, attendees and advice

Meetings in 2021

During 2021, the Committee met five times and in addition had ongoing dialogue via email and other telecommunications. An outline of the Committee undertakings in each quarter during 2021 is shown in the table below. During 2021 the Remuneration Committee comprised the following non-executive directors:

| Year | Number of Remuneration Committee meetings attended during 2021 |
|------------------------------------|--|
| Lesley Knox | 5/5 |
| Henrietta Baldock | 5/5 |
| Philip Broadley | 5/5 |
| George Lewis (from 7 October 2021) | 1/1 |
| Ric Lewis | 5/5 |

Committee undertakings

| Quarter | Governance | Performance | Remuneration policy | Regulatory |
|---------------|--|--|---|--|
| First | <ul style="list-style-type: none"> Reviewed findings of the independent Board evaluation | <ul style="list-style-type: none"> Reviewed findings of the CRO report and group-wide culture review. Approved the 2020/21 annual pay review and executive pay awards. Approved vesting of the 2018 PSP, LGIM and CALA LTIPs. | <ul style="list-style-type: none"> Approved the 2021 AVP performance measures. Approved 2021 PSP awards. Approved the 2021 ShareSave invitation. | |
| Third | <ul style="list-style-type: none"> Reviewed outcomes of AGM. | <ul style="list-style-type: none"> Financial update and indicative variable pay update for executive teams. Debated adjustments to 2021 AVP targets | <ul style="list-style-type: none"> Approved pension plan arrangements for LGIM Japan. Reviewed proposals for new business unit LTIP. | |
| Fourth | <ul style="list-style-type: none"> Reviewed and approved Committee terms of reference. Reviewed report on the activities of the Group Reward Steering Committee in 2021. | <ul style="list-style-type: none"> Reviewed the base pay increase budget proposals for 2022. Considered incentive out-turns in respect of 2021. | <ul style="list-style-type: none"> Reviewed AVP and PSP performance measures and targets for 2022. | <ul style="list-style-type: none"> Reviewed findings of internal audit of remuneration. Reviewed Code staff lists. Approved remuneration policy statements for FCA and PRA. Reviewed IFPR requirements and impact on remuneration. |

At the invitation of the Remuneration Committee, the Group Chairman attends Committee meetings. Where appropriate, the Group Chief Executive, the Group HR Director, Group Reward Director, Head of Executive Compensation, Director of Group Finance and Group Chief Risk Officer also attend meetings. No person is present during any discussion relating to that person's own remuneration.

At the invitation of the Remuneration Committee, a representative from PriceWaterhouseCoopers (PwC) also attends Committee meetings. During 2021, PwC principally advised the Committee on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. PwC were appointed by the Committee. The Committee reflects on the quality of advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received from the PwC engagement team is objective and independent. PwC are signatories to the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The total fees paid to PwC in relation to Remuneration Committee work during 2021 were £131,650 (excluding VAT). While fee estimates are required for bespoke pieces of work, fees are generally charged based on time with hourly rates in line with the level of expertise and seniority of the adviser concerned. During the year, PwC also provided the Company with HR consulting services including advice to management on regulatory aspects of reward, as well as other professional services including tax, consulting, accounting regulatory compliance, and other advice to the group.

Annual report on remuneration

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Terms of reference

The Committee's terms of reference are available on the Company's website. The remit of the Committee includes the remuneration strategy and policy framework for the group as well as for the executive directors.

The Committee particularly focuses on:

- Determining the individual remuneration for executive directors and for other designated individuals or for those who are discharging a head of control function role.
- Undertaking direct oversight on the remuneration of other high earners in the group.
- Oversight of the remuneration of Code staff and employees in the control and oversight functions.
- Oversight of remuneration policies and structures for all employees.

Considering risk

The Reward Steering Committee (RSC) and the Group Regulatory Risk and Compliance Function make a key contribution to the process of designing reward structures and evaluating whether achievement of objectives and any payment from plans have taken into account the overall risk profile of the group.

Reward Steering Committee (RSC)

Reporting to the Remuneration Committee, the RSC helps set the framework within which incentive arrangements are normally reviewed and implemented, with a view to supporting business strategy, whilst acting within the group's risk appetite. The members of the RSC include the Group HR Director, Group Chief Risk Officer, Group Conduct Risk Director, Regulatory Risk Director, LGIM Chief Compliance Officer, the Director of Group Finance, the Group Reward Director and the Head of Executive Compensation.

Where a business unit tables a proposal for consideration, the relevant business manager is required to attend the RSC meeting to explain the background and to answer any questions from the RSC.

Group Regulatory Risk and Compliance Function

The Remuneration Committee also works closely with the Group Regulatory Risk and Compliance Function with respect to remuneration proposals.

In particular, the function reports to the Committee on an annual basis on whether any risks have been taken outside of pre-agreed parameters, whether there have been regulatory breaches, or they are aware of any other considerations that may lead the Committee to consider whether it should impact payments to employees (including in particular the executive directors and Code staff).

The Group Chief Risk Officer also specifically looks at the overall risk profile of the group and whether executive directors have achieved objectives within the group's accepted risk appetite, and the CRO also reviews the executive directors' objectives for the forthcoming year to ensure they are in line with the risk parameters.

Since the implementation of a new Solvency II remuneration policy in 2016, the scope of the Group Chief Risk Officer's report has been extended to consider whether there are any risk considerations which may warrant adjustments to the overall level of corporate annual variable pay awards.

Engagement with key stakeholders

The Committee seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance and any changes to the group's executive pay arrangements. During 2019, we reviewed our approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from shareholders and representative bodies. The responses that we received helped shape our thinking with respect to the new remuneration policy which was approved by shareholders at the 2020 AGM in May 2020.

During 2022 the Committee will closely examine our remuneration principles and policies to ensure they remain appropriate in the context of future business strategy, updated investor guidelines and evolving best practice and will consult with the group's largest shareholders on any proposed changes, prior to presenting the remuneration policy for shareholder approval at the 2023 AGM.

We engaged regularly with our workforce throughout 2021, including via our workforce representative bodies Unite (the trade union) and our Management Consultative Forum, on a number of topics including pay and propose to continue this dialogue in 2022, including in relation to our new remuneration policy.

Statement of voting at the Annual General Meeting (AGM) 2021

The table below shows the voting outcomes on the directors' remuneration policy at the 2020 AGM in May 2020 and the directors' remuneration report at the last AGM in May 2021.

| Item | For | Against | Abstain number |
|---------------------|---------------|-------------|----------------|
| Remuneration policy | 95.71% | 4.29% | |
| | 4,089,839,555 | 197,291,047 | 19,465,659 |
| Remuneration report | 97.17% | 2.83% | |
| | 3,858,805,163 | 112,466,802 | 510,910 |

Dilution limits

The company's share plans operate within the Investment Association's dilution limit of 5% of issued capital in 10 years for executive schemes, and all its plans will operate within the limit of 10% of issued capital in 10 years for all schemes.

As at 31 December 2021, the company had 4.92% of share capital available under the 5% in 10 years limit and 9.60% of share capital under the 10% in 10 years limit.

As at 31 December 2021, 40,331,837 shares were held by the Employee Benefit Trust in respect of outstanding awards of 71,133,543 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

During 2021 the executive directors held no external appointments.

Any external appointments are subject to annual agreement by the Board and must not be with competing companies. Fees may be retained by the individual subject to the Board's agreement.