

Directors' report on remuneration



Committee overview

Committee meetings and membership

The Committee met eight times during the year. The Committee comprises only independent non-executive directors, fulfilling the requirements of the UK Corporate Governance Code. The Board is satisfied that the members of the Remuneration Committee have the relevant expertise and experience to deliver its responsibilities. The majority of members of the Committee are also members of the Risk Committee, ensuring appropriate identification and consideration of any issues that are relevant to both committees.

Meeting attendance

Member	Scheduled	Ad hoc
Laura Wade-Gery (Chair)	6/6	2/2
Henrietta Baldock	6/6	2/2
Philip Broadley	6/6	2/2
Lesley Knox ¹	6/6	1/2
George Lewis	6/6	2/2
Ric Lewis ¹	6/6	1/2
Tushar Morzaria	6/6	2/2

1. Unable to attend due to prior commitment.

Key responsibilities

- Determine and make a recommendation to the Board on the Group's remuneration policy.
- Determine the contractual terms and remuneration of the Chair, executive directors and designated senior managers, including base salary, policy and scope for pension arrangements, share and other incentive plans, bonus arrangements and shareholding requirements.
- Determine the framework for the remuneration policy for all other employees of the Group.
- Design of, or amendment to, any share- or cash-based performance-related pay plans operated by the Company.
- Exercise the powers of the employer in relation to the operation of the Group ShareSave Plan, Employee Share Plan and share incentive plans.
- Review the ongoing appropriateness and relevance of the Group's various remuneration policies and compliance with all regulatory requirements.

Committee's terms of reference

The Committee's terms of reference can be viewed on our website:

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I am pleased to present the Remuneration Committee's report for 2024, having taken over as the Chair of the Committee from Lesley Knox in February 2024. On behalf of the Committee, I would like to thank Lesley for her work as Chair. This report sets out remuneration outcomes for 2024 as well as information on how we intend to implement our remuneration policy in 2025.

Link between pay and performance

2024 was a year of change for L&G. António Simões commenced in role on 1 January and after six months of getting to understand the business in detail, he announced our new strategy to the market on 12 June. The management team have been focused on the delivery of this new strategy.

Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by Group financial performance, measured against pre-determined targets. This scorecard contains a number of financial metrics which assess both our in year profitability and performance as well as growth metrics, assessing the extent to which new business is written in the year which will generate profits for shareholders in future years. Targets and outcomes are summarised in the 'Quick read' section on page 90.

The overall outcome across all financial measures is 34.9%. There have been a range of outcomes for the various measures, but with the majority scoring between threshold and maximum against targets set. In year performance was strong with our adjusted operating profit outcome exceeding target and operating ROE exceeding maximum. Whilst a number of growth metrics performed well, we did not meet the threshold level of performance for net movement in CSM and Asset Management ANNR.

The outcome in net movement in CSM is heavily impacted by our pivot to a gilts-based investment strategy in how we write our PRT business. Adopting this strategy lowers the level of CSM recorded for the same volume of business. However this strategic pivot is in the interest of shareholders, materially decreasing the level of strain and increasing the level of funds available to return to shareholders. The incentive outcome is materially below threshold, and whilst we are not adjusting this formulaic outcome, the Committee's view is that this understates the strong level of performance in the year.

Similarly, whilst the Asset Management ANNR metric was marginally below threshold, this is a business which has gone through material strategic change during 2024, following the merger of the former Investment Management and Capital divisions.

The Committee are confident that this business is in a strong position to target growth opportunities in 2025 and beyond.

Strategic objectives determine the other 30% of bonus opportunity, including strategy, customer and culture, and risk, with climate measures operating as an underpin. In line with previous years, customer and culture and risk measures are assessed taking into account a very wide range of quantitative and qualitative measures. For 2024, the strategic measure was primarily assessed against the development and initial delivery of our new strategy. This measure scored highly, and initial progress has been very strong. The announcements we made on 7 February 2025, including the sale of our US protection business for \$2.3 billion, and the creation of a long-term strategic partnership with Meiji Yasuda, and an expectation of returning c.40% of our market cap to shareholders over 2025 – 2027 through a combination of dividends and buybacks, are emerging evidence of how this strategy is increasing returns to shareholders.

Overall bonus outcomes are 60.4% and 56.4% of maximum for the CEO and CFO and the Committee are comfortable that these formulaic outcomes are appropriate and consistent with performance.

Performance Share Plan (PSP)

The long-term incentive (PSP) awards granted in 2022 were subject to earnings per share (EPS) growth and total shareholder return (TSR) growth over the three-year period ended 31 December 2024. Both measures were below threshold and therefore no shares have vested from the 2022 PSP awards. The PSP performance targets and outcomes are summarised in the 'Quick read' section on page 93.

Implementation of remuneration policy for 2025

Base pay

Having reviewed pay and conditions across the Group, and considered the broader market and overall business performance, the Committee have determined to increase base pay for António Simões by 3% to £1,210,300, below the increase for the wider UK workforce of 3.6%.

Since António has been in role, one of his immediate areas of focus has been to review the roles, responsibilities, and make-up of his senior team to ensure that L&G is well positioned to target a number of growth opportunities. Jeff Davies, as Group CFO, is a critical member of the team to deliver this growth and ultimately shareholder value. As we announced in June 2024, this has included taking on additional responsibility for Corporate Investments, which relates to the management of all non-strategic assets, with the goal of maximising shareholder value ahead of potential divestment. Jeff also played a significant role in developing our strategic partnership with Meiji Yasuda. In recognition of Jeff's responsibilities and criticality to the Group, the Committee has determined to increase base pay to £800,000.

Before finalising this decision, the Committee consulted with our largest shareholders to explain our intended approach, including consideration of his target total remuneration, ensuring that it is in line with the median for FTSE 100 financial services companies.

The Committee are cognisant of the fact that this is a material increase to base pay but recognise the significant value that Jeff brings to L&G.

Both of these will be effective from 1 March 2025.

AVP

The proportion of the annual bonus measures assessed against financial metrics will remain 70%, with 30% assessed against non-financial objectives. For 2025, we are making two changes to our measures.

Firstly, net movement in CSM is being replaced with New Business CSM. This change is being made to ensure that the incentive measure better reflects the contribution that management make during the year.

Secondly, operating ROE is being replaced by core operating EPS. In recent years, we have seen material changes in investment variance, which is primarily outside of management's control. Investment variance impacts our operating ROE measure, but does not impact core operating EPS. With this in mind, the Committee believes that core operating EPS will provide a better reflection of business performance and our ability to return capital to shareholders. Further details on measures are shown on page 99.

PSP

PSP measures will be unchanged from 2025, with 40% based on EPS growth, 40% based on relative TSR and 20% based on progress against our published climate commitments. The Committee believes this is an appropriate combination of measures in assessing our absolute and relative growth whilst ensuring that growth does not come at the expense of our overarching ESG commitments. Further details on measures and targets are shown on pages 102 and 103.

Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the Group. 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 2024, L&G undertook a review of the reward strategy for the wider workforce looking at all aspects of reward to ensure that remuneration structures continue to be appropriate and aligned with the longer-term ambitions of the Company. The Committee also approved a further increase to the employer pension contribution of 1% of base salary for UK employees below senior management, effective from 1 April 2025, following on from the 1% increase in 2024, with a view to aligning employer pension contributions with those for senior management.

The average annual base pay increase for UK employees was 4.5% in 2024 with base pay increases stratified so that higher base-salary increases applied to employees in lower-paid roles, reflecting their proportionally greater exposure to price inflation. A similar approach has also been adopted for 2025 with those in more junior roles receiving a base pay increase of 3.8%.

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 performance during 2024 paid shortly after the year end, at the same time as bonuses for executive directors.

The Committee continues to maintain an oversight of progress on continuing work on diversity and inclusion and achieving a further narrowing of the gender pay gap. Further details on this can be found on page 40 and in our social impact report.

2025 and beyond

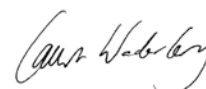
At the AGM in 2026, we shall submit a new Directors' remuneration policy for approval by shareholders, when our previous policy, which was approved by over 95% of shareholders in 2023, expires.

The key focus of the Committee in 2025 will therefore be in reviewing this policy to ensure it best aligns with both our evolving strategy and the external market environment. Since the previous policy was introduced, we have appointed a new CEO, who is now established in their role with a clearly communicated strategy to deliver sustainable growth and enhanced returns, and we are in our third year of reporting under IFRS 17 which has driven a material change in how we consider various KPIs. The review of our policy will take into account both of these factors, as we focus on ensuring we have the right incentives in place to incentivise management and measure the successful delivery of our strategy.

As we progress with our review during 2025 we will be engaging with major shareholders and representative bodies. It is very important to me that any proposals we bring forward have the support of our shareholders and that we take on board their views and expertise and I greatly look forward to engaging with them later this year.

Conclusion

In a year of material evolution at L&G, the Committee believes that management have delivered a strong set of results, have developed an aspirational and exciting new strategy and that we are well set to deliver on these growth opportunities. I hope that you will find this report a clear summary of our decision making in the year. I look forward to your support at the AGM in May and engaging with you in 2025.



Laura Wade-Gery
Chair of the Remuneration Committee