

Nominations and Corporate Governance Committee report



Sir John Kingman
Chairman

The composition of the Committee

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

Members
Sir John Kingman
Julia Wilson
Henrietta Baldock
Philip Broadley
Lesley Knox
George Lewis
Toby Strauss

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



The Committee's terms of reference, which set out full details of the Committee's responsibilities, can be viewed on our website:
<https://www.legalandgeneralgroup.com/about-us/corporate-governance/>

The Committee's key responsibilities are:

- Regularly reassessing the structure, size and composition of the Board and recommending any suggested changes.
- Considering succession planning for directors and other senior executives. This takes into account the promotion of diversity and inclusion, the challenges and opportunities facing the company, and the skills and expertise needed by the Board in the future. In addition, the Committee ensures the continued ability of the company to compete effectively in the market place.
- Reviewing the criteria for identifying and nominating candidates for appointment to the Board based on the specification for a prospective appointment including the required skills and capabilities.
- Identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise, taking into account other demands on directors' time.
- Reviewing the time commitment required from non-executive directors and assessing the non-executive directors' other significant commitments to ensure that they continue to be able to fulfill their duties effectively.
- Overseeing and monitoring the company's corporate governance framework, ensuring compliance with the UK Corporate Governance Code while promoting the highest standards of corporate governance across the group.

The role of the Committee

This year the Nominations Committee and the Corporate Governance Committee were merged. This reflects that the work of the two Committees is strongly aligned around corporate governance matters and the role of the Board in relation to Board appointments and succession planning. The remit of the joined Committee places a diverse and experienced Board at the heart of strong corporate governance standards.

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



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How the Committee spent its time in 2019

During 2019 the Committee has focused in particular on the recruitment of the new Legal & General Investment Management (LGIM) CEO, Michelle Scrimgeour. Her biography is set out on

page 56 and shows the strength and depth of skills and experience she has brought to the Board, in particular her extensive asset management experience. The process involved in Michelle’s appointment was as follows:

The process for the appointment of new LGIM CEO

Role requirements	Process	Search	Recruitment
A detailed specification was prepared for the role of CEO of LGIM and Group Board Executive Director, specifying the skills, knowledge, experience and attributes required.	The Committee directed the selection process, appointing a sub-committee to manage the process. Korn Ferry, an external search consultant, was engaged to facilitate the search and selection process.	Potential candidates identified were assessed against the role specification and shortlisted for interview. Interviews focused on each candidate’s skills and experience for the role.	The Committee agreed that Michelle Scrimgeour was the right candidate for the role and should be proposed to the Board for appointment as LGIM CEO and Group Board executive director. The Board approved her appointment, which took effect on 2 September 2019. Regulatory approval of Michelle’s appointment to LGIM was received on 6 September 2019.

An effective Board is one that represents both diversity of thought and background. Ensuring appropriate diversity in Board composition with the right mix of skills and experience has been a key focus for the Committee during the year. The Committee undertook an assessment of the skills and competencies required for non-executive roles for the Board to effectively develop and oversee the group’s strategy. The Committee also identifies any gaps which could be filled to enhance the Board’s future performance. The Committee determined that the Board is the right size, sufficiently international and able to manage the demands of the group concluding that no further additions to the Board were required at this time. Looking forward, the group’s ambition is to improve ethnic diversity at senior management and Board level in accordance with the Board Diversity Policy and is aspiring to meet the recommendations made by the Parker review.

The Committee has continued to focus on contingency, medium-term and long-term succession planning for the executive and senior management, with particular emphasis on leadership succession and capabilities evaluation. The CEO and the HR Director engaged a leadership consultancy to provide insights, recommendations and independent assurances in relation to succession planning and executive capabilities. The findings were shared with the Board and were used to help facilitate discussions at the Committee in relation to succession planning and to identify

key attributes and capabilities for future leaders. The report drafted by the consultancy was discussed by the Committee with a view to further developing internal succession planning and the capabilities of the executive and senior management. This activity will continue to evolve during the course of 2020. The Committee also approved the launch of the new Leadership Principles for the group, being ‘Ambitious, Authentic and Agile’.

The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director’s other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company. As Julia Wilson has served on the Board for eight years, her continued independence was subject to a more rigorous review. Committee members considered Julia’s external interests and other relationships which could materially interfere with her ability to exercise independent judgement. It was concluded that there were no circumstances which would affect Julia’s ability to act in the best interest of the company and that her length of tenure had no detrimental impact on her level of independence.

Nominations and Corporate Governance Committee report continued

The Committee also considered the Chairman's new role as a Board member of Tesco Bank. The Committee discussed the time commitment this would involve and whether it may have a material impact on the Chairman's commitments to Legal & General. The Committee determined that the Chairman had sufficient time to perform the new role as Board member of Tesco Bank and that the Chairman's time commitments would continue to be reviewed. The Chairman provided assurance to the Committee that his primary responsibility would be to give the full time commitment necessary to Legal & General.

Our approach to diversity

Our approach to diversity on the Board is set out in our Group Board Diversity Policy, which is reviewed annually. We have continued to recruit based on merit while remaining committed to diversity in the widest sense including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, when seeking to fill vacant Board positions and for the company more generally.

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

1. Building a diverse and inclusive Board

We have a responsibility to develop and sustain a panel of Board members that are diverse, and are reflective of our people as well as the businesses and communities our organisation serves.

We have maintained the gender diversity on our Board which comprises 36% females and 64% males following the appointment of Michelle Scrimgeour. The Board continues to support Lord Davies' and the Hampton-Alexander voluntary targets, namely for a third of all Board members in FTSE 350 companies and FTSE 100 companies to be women by 2020. The chart overleaf demonstrates the Board's current position.

We are committed to increasing ethnic diversity representation at all grades across the Group.

2. Building a diverse Senior Leadership Team

The Board plays an important role in modelling and promoting 'difference' across the Group's senior leadership population. This includes monitoring and guiding the Group to achieve its gender diversity target of 40% female leadership by 2020 and ensuring effective career plans are in place to build a diverse talent pipeline. It also includes shaping and supporting future goals across the senior leadership population.

Our Executive Committee comprises 31% females and 69% males and two of our five business divisions are led by a female CEO. Gender data at management and employee level is available on page 50. The Board firmly supports Legal & General's gender balance goal of 50/50 by 2020 which aims to have a 50/50 balance of men and women right through the organisation by 2020. Achieving this remains a challenging task but we have made steady progress as a result of a number of planned actions. Some examples include:

- inclusive hiring practices like balanced shortlists and diverse interview panels;
- introduction of a digital, strengths-based assessment tool to reduce bias in talent decisions;
- continued commitment to our female mentoring programme;
- introduction of agile working practices so individuals can balance busy lives;
- wellbeing resources including access to a backup network for child, adult and elder care; and
- ongoing external validation and benchmarking through the Women in Finance Charter, the Bloomberg Gender Equality Index and Hampton Alexander Review.

The Board continues to support the delivery of the talent and leadership programmes within the wider organisation which seek to address diversity and inclusion by removing barriers that prevent people from realising their potential. Board members actively participate in discussions relating to talent and leadership and a number of Board members act as mentors to individual employees who have been identified as future leaders.

3. Driving diversity & inclusion across our organisation

The Board is responsible for overseeing the implementation of our Group-wide diversity and inclusion policy. This policy applies to all people directly employed by the Group and forms the basis of our engagement with our clients, suppliers and other third-party providers. Our standards include:

- We will be fair and transparent, and treat our people with integrity and openness. We will be respectful of differences and we will not tolerate behaviour that marginalises, disadvantages or devalues others.
- We will aim to build a workforce that reflects the diverse communities we serve. We are committed to creating social value and being led by the needs of our customers. We will invest in our hiring processes so we can attract a more diverse pool of people, and we will tackle barriers that prevent us from attracting and retaining more diverse talent.
- We will create an inclusive environment where people feel comfortable sharing their opinions and feel like they belong. We will encourage our people to embrace difference, to listen to other points of view, and work together to achieve the best outcome.
- We will ensure that everyone across Legal & General understands their responsibilities in driving an inclusive and diverse culture and the opportunities it can bring. We will develop a robust governance framework and use data and insights to shape our actions, measure our progress, and drive accountability.

More information relating to diversity and inclusion across our organisation can be found on page 50.

4. Corporate Governance

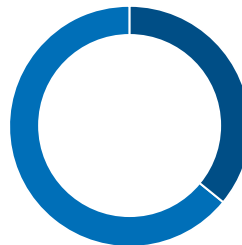
The Board is also responsible for overseeing and monitoring the group's corporate governance framework which includes the following activities:

- Monitoring the group's compliance with the UK Corporate Governance Code.
- Promoting the highest standards of corporate governance across the company.
- Considering and approving directors' additional external appointments, taking into account other demands on directors' time.
- Ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.
- Overseeing the process for ensuring that non-executive directors have tailored induction programmes on appointment and on-going development programmes, including regular Executive Business Awareness sessions, designed to maximise their effectiveness.
- Overseeing the process by which the Board, each Committee and individual directors assess their effectiveness (including the use of an external facilitator periodically, as well as self-assessment) and report to the Board on the findings and recommendations.

Details of the group's compliance with the UK Corporate Governance Code have been provided on pages 70 to 71.

Diversity

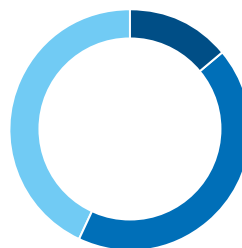
Gender



As at 31 December 2019 the Board comprised:

- 36% Females
- 64% Males

Tenure



The length of tenure of the non-executives varies:

- 14% Over six years
- 43% Between three and six years
- 43% Between one and three years

The Committee only engages executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice for corporate Board searches. In 2019, the company engaged JCA Group and Korn Ferry which are both signatories to this Code. Both of these search firms have no other connection to the company or individual directors.

The Committee briefs the search firm to ensure that the pool of candidates presented includes candidates with an appropriate range of experience, knowledge and background, and who demonstrate independence of approach and thought. As detailed on page 73, this process was followed for the recruitment of our new executive director appointed in 2019.



Finding what you need online

We have published our Gender Pay Gap data, which can be found online at www.legalandgeneralgroup.com/media-centre/reports.

A summary is available on page 51 of this report.