Directors' report on remuneration

Lesley Knox
Chairman of the Remuneration Committee

Our remuneration report is organised into the following sections

The directors' remuneration policy was subject to a binding vote in 2017, and has applied for three years from the 2017 AGM. A proposed new remuneration policy is set out on pages 87 to 93 and will be presented for approval at the 2020 AGM. The annual report on remuneration together with the Chairman's Statement will be subject to an advisory shareholder vote.

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
Henrietta Baldock
Philip Broadley
Lesley Knox

Other regular attendees at the meeting include the following:
Group Chairman; Group Chief Executive; Director of Group Finance; Group HR Director; Group Reward Director; Head of Executive Compensation; Representative of the independent adviser Deloitte LLP

Letter from the Chairman

Dear Shareholder
I am pleased to present the Remuneration Committee's report for 2019, and also propose a new directors' remuneration policy for shareholder approval at our 2020 AGM.

This year, we have sought to improve the transparency and clarity of our remuneration report, including a 'quick read' section summarising our current remuneration policy and its implementation in 2019, showing graphically the outcomes against performance targets and the resulting remuneration received for 2019. Full details, in accordance with the remuneration reporting regulations, continue to be disclosed on pages 94 to 113 but I hope this 'quick read' summary is useful.

Link between pay and performance

Legal & General has continued to deliver strong performance during 2019. Excluding mortality reserve releases, operating profit has increased by 12% and earnings per share has continued to grow, up by 16%. In this context, and considering overall financial performance, the Committee has determined the outcomes for incentive awards.

Annual variable pay As in previous years, the Committee chose to exclude the beneficial impact of mortality assumption changes from the results when determining annual bonus (AVP) awards. However, even excluding these items, there was very strong financial performance during 2019 resulting in bonus outcomes in the range 55% to 92% of maximum. The Committee considered the AVP outcomes in the context of underlying business performance and determined that no adjustment was required.

The targets and outcomes relating to each AVP award are summarised in the 'quick read' section on page 86 and in further detail on pages 96 to 98.

Performance Share Plan The long-term incentive (PSP) awards granted in 2017 were subject to performance over the three-year period ended 31 December 2019. Total Shareholder Return (TSR) under the PSP rules was 45%, significantly outperforming the median of the FTSE 100 and the comparator group. Over the same period, Earnings Per Share (EPS) grew by 42.9% (12.6% p.a.) and Dividends Per Share (DPS) by 22.4% (7% p.a.), resulting in 86.9% of the 2017 PSP award vesting, with the remaining 13.1% lapsed and forfeited. The PSP targets and outcomes are summarised in the 'quick read' section on page 86 with further detail on page 99.

Base pay increases The average base pay increase for UK employees during 2019 was 3.6%, and the increases for Nigel Wilson, Kerrigan Procter and Michelle Scrimgeour, with effect from 1 March 2020, have been set at 3.6%, 3.8% and 3.5% respectively. As stated in our 2016 report, and again last year, the Committee may award higher increases for a recently appointed executive director who progresses in the role over time, and therefore Jeff Davies has been awarded a 6.3% increase with effect from 1 March 2020.

Board changes

As previously announced, during 2019 Mark Zinkula retired and Michelle Scrimgeour was appointed a Group Board director and Chief Executive Officer LGIM. Mark had led LGIM since 2011 and created a significant business during that time. In accordance with our approved remuneration policy and the relevant plan rules, due to his retirement Mark was designated a 'good leaver' for the purposes of his unvested share awards. Mark continued to receive his remuneration through to his leaving on 31 August 2019, and is eligible for a 2019 bonus (AVP) award pro-rated for the period through to his leaving, based on targets and performance for the full year. His bonus remains subject to the normal deferral period (three years). Mark was not granted a long-term incentive (PSP) awards grant in 2019, but his unvested PSP awards from prior years have been pro-rated and will vest on the normal dates based on targets and performance for the full performance periods, and subject to normal deferral. Malus and clawback provisions continue to apply to all of Mark's AVP and PSP awards. Full details of the treatment of Mark's AVP and PSP awards upon leaving are shown on page 103.

Michelle joined on 1 July 2019, and was appointed an executive director on 2 September 2019. Her annual base pay was set at £575,000 which is lower than Mark's base pay of £638,000 but recognising that this is her first board appointment. In accordance with the approach we have taken with other new executive directors, we have set base pay at a lower level so that subject to continued performance, the Committee may reposition her base pay as she progresses in the role over time. Annual bonus (AVP) award and long-term incentive (PSP) awards for Michelle have been set in line with Mark's previous opportunities, at a maximum of 175% and 250% of base pay respectively. Michelle's pension contributions have been set at 10% of base pay, in line with the majority of the UK workforce. Michelle was eligible to receive a 2019 bonus (AVP) award pro-rated for her period of service during 2019, and subject to deferral, malus and clawback, as normal.

On appointment, Michelle forfeited cash and share awards from her previous employer, Columbia Threadneedle Investments (CTI). In accordance with our policy on recruitment remuneration, the Committee granted to Michelle cash and share awards, matching as closely as possible the value and timescale to vesting of her forfeited CTI awards. The details of these awards are set out on pages 102 to 103 which are subject to malus and clawback in the normal way, and furthermore will be forfeited if Michelle resigns prior to the third anniversary of her commencement date (i.e. before 1 July 2022).

Consideration of the wider workforce

The Committee considers remuneration across the wider workforce when determining executive director remuneration, policy and practices. Although quantum and participation will vary, the policies and practices applying to executive directors are the same as for the wider workforce in most instances. In 2019, changes were made to the benefits provided to UK employees. Private medical insurance is now available to every UK employee, with increased life insurance, and improved holiday and family-friendly policies (maternity, paternity, adoption and shared parental leave). During 2020, there will be a further review of employee benefits, including a review of UK pension contributions.

As the group's designated workforce director, I meet a broad range of our employees, ensuring they are appropriately represented in the Boardroom and when making Remuneration Committee decisions. My report on page 65 explains some of those activities undertaken during the year, and our work on diversity and inclusion, gender pay gap, and employee engagement is set out on page 51. Again this year, we adopted a stratified approach to distributing base pay increases for UK employees, with the lowest paid (less than £30,000 a year) receiving thei highest increases (generally 4% of base pay) recognising their greater exposure to price inflation.

The CEO pay ratio for 2019 to median is 112 as detailed on page 109. Variations in the vesting of long-term incentives (PSP) awards can cause short-term variations in the total remuneration pay ratio, but the general trend when looking at base pay has been for a slight reduction in the ratio.

We continue to be encouraged by the number of employees choosing to invest in the company's Share Purchase and ShareSave plans. Around two thirds of all employees now participate, becoming shareholders in our company, contributing to and benefiting from our collective success.

Remuneration policy review

It will be three years since our directors' remuneration policy was last approved by shareholders in 2017. Therefore at our 2020 AGM, we will submit a new policy for approval.

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. I am grateful for all the responses received, which have helped shape our thinking.

Since 2017, we have made some progressive changes within the bounds of our current policy, by simplifying the performance measures and extending the holding period to five years for PSP awards. Post employment shareholding requirements and the alignment of pension contributions for new executive directors with the majority of the UK workforce were introduced in 2019. These changes are now formally included in our proposed new remuneration policy.

During the course of the review, the Committee considered a number of alternative approaches, including a restricted stock plan. However, reflecting on our long-term strategic priorities, we concluded that the current framework remains aligned with and continues to drive the delivery of our business strategy, maintaining the link between remuneration and shareholder returns, and reflecting best practice and investor expectations. As such, the proposed new remuneration policy remains very similar to the existing policy (except as noted below), with no new incentive plans or changes to the current incentive opportunities. The proposed new remuneration policy is set out on pages 87 to 93, including the following proposed changes:

- **Shareholding requirements** increased to 325% of base pay for all executive directors, with a post-employment shareholding requirement at the same level for at least two years post-cessation of employment.
- **Relocation benefits,** where an executive director may be required to relocate or perform duties outside their home country, any such benefits (including housing, school fees, home travel, etc.) will be limited to a maximum period of two years.
- **Bonus moderator** to be explicitly included in the AVP determination, enabling the Committee to reduce (but not increase) formulaic outcomes, if not justified in the context of a range of factors, including risk management, behaviours, culture, capital generation, Solvency II coverage ratio and sustainable financial performance.
- **Environmental, social and governance (ESG)** targets to be included as a specific performance measure from 2021 for the AVP, and also considered when assessing the vesting outcome of the PSP.
- **Pension contributions** for new executive directors are already aligned with that available to the majority of the UK workforce (currently 10% of base pay), but pension contributions will be aligned between the UK workforce and all executive directors by 2022.

A further explanation for each of these proposed policy changes is set out on page 87.

I hope that you will find this report a useful and clear account of the Committee's decisions and remuneration outcomes for the year. Furthermore, I hope that you will support the proposed changes to our remuneration policy, which are designed to strengthen our approach, and continue to improve the link between director remuneration and shareholder returns.

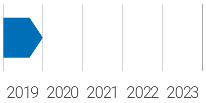
Lesley Knox
Chairman of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2019 implementation

Remuneration element and time horizon	2019 policy summary	2019 implementation

Base pay



Operation
Reviewed annually, with increases effective 1 March.

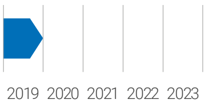
Opportunity
No maximum, but any increase will normally be in line with the range for other UK employees. In specific circumstances, the Committee may award increases above this level, for example where base pay for a newly appointed executive director has been set with a view to allow the individual to progress in the role over time.

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

	Effective 1 March 2019	Effective 1 March 2020	% increase
Nigel Wilson	£945,500	£979,500	+3.6%
Jeff Davies	£555,000	£590,000	+6.3%
Kerrigan Procter	£525,000	£545,000	+3.8%
Michelle Scrimgeour	£575,000*	£595,000	+3.5%
Mark Zinkula	£638,000#	n/a	n/a
Employees below the Board (average)			*3.6%*

* Effective from joining 1 July 2019
# Effective until leaving 31 August 2019

Benefits



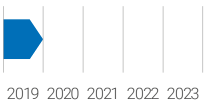
Operation
Market competitive, in line with benefits provided to other senior employees in the UK.

Opportunity
No maximum, except for plan limits and HMRC rules, in line with other UK employees.

Performance
No performance conditions.

Benefits during 2019 include:
- Allowance in lieu of a company car
- Private medical insurance
- Life insurance
- Income protection
- All-employee ShareSave plan (SAYE)
- All-employee share purchase plan (SIP)

Pension contributions



Operation
Defined contribution pension plan or a cash allowance in lieu of pension. Non-UK nationals may be permitted to participate in home-country pension plans where relevant. Base pay is the only element of pensionable remuneration.

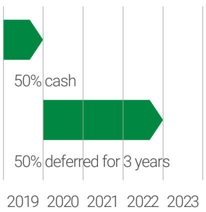
Opportunity
Up to 15% of base pay, in line with other senior employees in the UK. For new executive directors, pension contributions are aligned to that available to the majority of the workforce (currently 10% of base pay).

Performance
No performance conditions.

Pension contributions during 2019 (as % of base pay):

Nigel Wilson	15%
Jeff Davies	13.8%
Kerrigan Procter	15%
Michelle Scrimgeour	10%
Mark Zinkula	15%
Majority of workforce	*10%*
Other senior employees in the UK	*15%*

Annual Variable Pay (AVP)



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, the underlying performance of the business, and individual performance. The Committee may adjust and amend the awards if circumstances justify a change. 50% of any AVP award is deferred into shares for three years, malus and clawback provisions apply.

Opportunity
Up to 150% of base pay for the Group Chief Executive and Chief Financial Officer, and 175% of base pay for the other executive directors. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance (up to 60% of maximum is payable for target performance for Mark Zinkula).

Performance
Measures selected by the Committee aligned with the group's strategic priorities, based on an appropriate mix of group and/or divisional financial performance targets as well as strategic and personal measures.

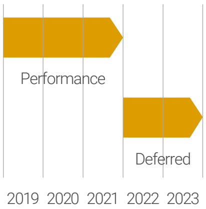
70% Financial performance
30% Strategic and personal objectives

Bonus opportunity for 2019 (as % of base pay):	At target	At maximum
Nigel Wilson	75%	150%
Jeff Davies	75%	150%
Kerrigan Procter	87.5%	175%
Michelle Scrimgeour	87.5%	175%
Mark Zinkula	105%	175%

Remuneration policy summary and 2019 implementation

Remuneration element and time horizon	2019 policy summary	2019 Implementation

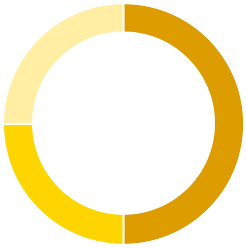
Performance Share Plan (PSP)



Operation
Conditional award of shares, subject to the achievement of financial performance targets set annually by the Committee, with a performance period of normally no less than three years, and awards released on the fifth anniversary of the grant date. The Remuneration Committee may amend the vesting downwards (but not increase the level of vesting) dependent on the underlying 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 for maximum performance.

Performance
Measures selected by the Committee aligned with the group's long-term strategic priority of delivering sustainable returns to shareholders, with normally 50% based on total shareholder return (TSR) and 50% on financial measures.



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

PSP award grants in 2019 (as % of base pay):	Maximum
Nigel Wilson	250%
Jeff Davies	250%
Kerrigan Procter	250%
Michelle Scrimgeour	n/a
Mark Zinkula	Nil

Shareholding requirements

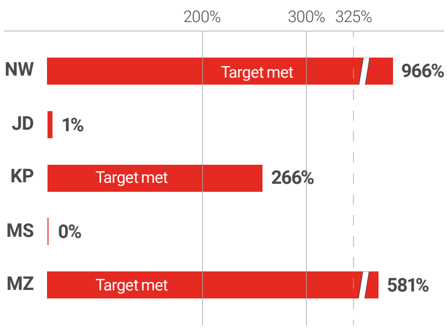
Executive directors' share ownership

The Group Chief Executive is expected to build a shareholding of 300% of base pay and the other executive directors 200% of base pay, with any after tax vested shares retained until the guideline is met, to be maintained for at least two years after leaving employment.

From 2020, the shareholding requirement is proposed to be increased to 325% of base pay for all executive directors.

All executive directors are on target to fulfil their share ownership requirements within five years of appointment.

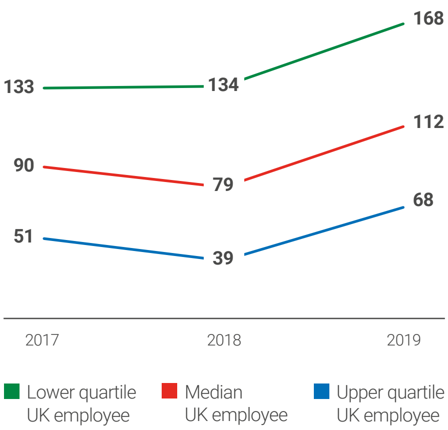
Share ownership at 31 December 2019



CEO pay ratio

Total remuneration
Since 2016 we have been voluntarily disclosing the details of the pay ratio in relation to the Group CEO and the wider UK employee population. The chart opposite provides an indication of the change in the pay ratio, for total remuneration, since 2017, the period for which we have a consistent basis for the calculation.

For 2019 the pay ratio for total remuneration has increased as a result of the higher level of vesting of the 2019 PSP award, which is a reflection of the sustained financial performance and high total shareholder return delivered over the last three years. Further details of the pay ratio are provided on page 109.



Quick read summary continued

Alignment with strategy and 2019 performance outcomes

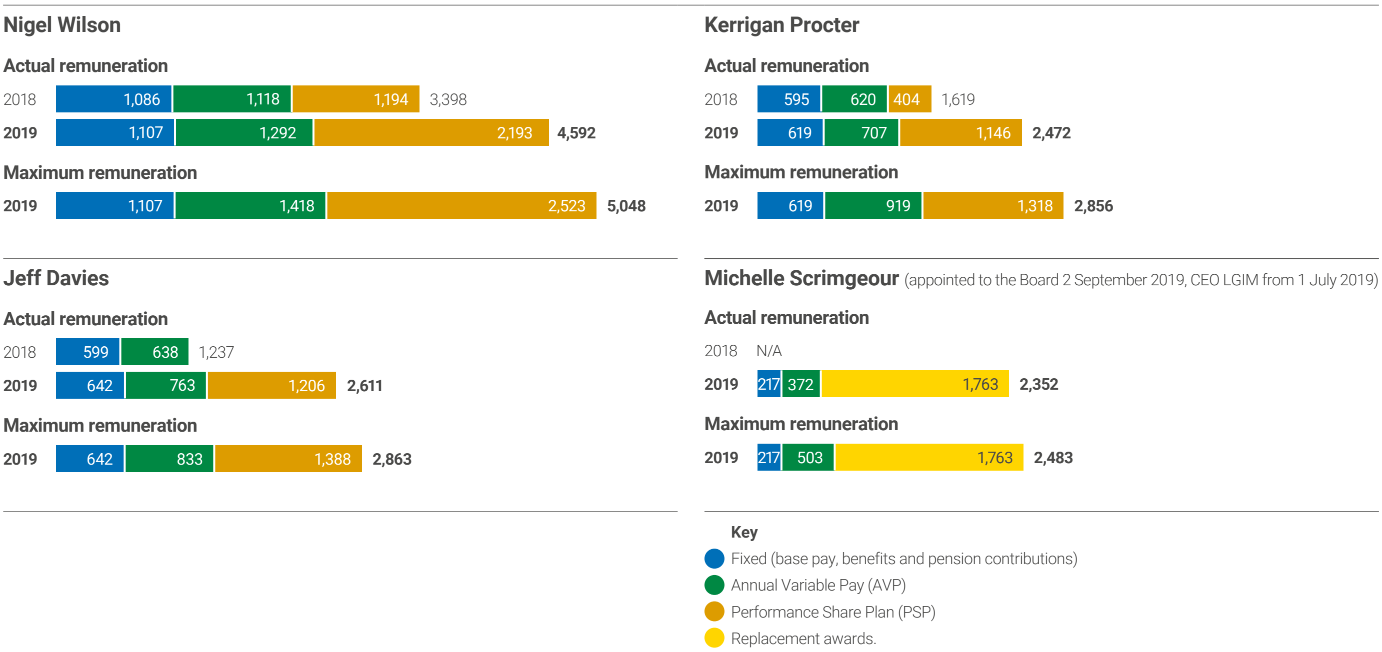
The performance measures for the incentive plans are directly aligned to the group's key performance indicators. The Group Board reviews the KPIs annually and adds or changes them where appropriate. The purpose of each KPI is explained in more detail on pages 19 and 20. Further details of performance measures and outcomes are provided on pages 96 and 98.

Overarching drivers of the business	Group KPIs	Incentive plans (weightings): AVP Group CEO & CFO	AVP Divisional CEOs	PSP	2019 performance targets and outcomes: Threshold	Target	Maximum	Actual[1]
Profitability	Net release from operations (NRO)	20%	10%		£1,396m	£1,458m	£1,502m	£1,578m
	Operating profit	25%	12.5%		£1,823m	£1,883m	£1,977m	£2,085m
	Earnings per share (EPS) 1 year growth	12.5%	6.25%		24.1p	25.3p	26.5p	28.8p
	Return on Equity (ROE)	12.5%	6.25%		17.3%	18.1%	18.8%	19.2%
	Divisional financial performance (see page 97)		35%					
	Earnings per share (EPS) 3 year average annual growth			50%	5.0%		14.0%	12.6%
	Dividend per share (DPS) 3 year average annual growth				5.0%		14.0%	7.0%
Shareholder value creation	TSR vs FTSE 100			25%	47.5 Median		19.0 Top 20th	27.4
	TSR vs comparator group			25%	13.5 Median		6.0 Top 20th	8.4
Strategic priorities	(see page 97):	30%	30%					
		100%	100%	100%				

1. Performance measures exclude the impact of mortality assumption changes, profits and separation costs relating to the Mature Savings business and intangible asset adjustments.

Remuneration received

Executive directors' remuneration (£'000)



Remuneration policy

The following sections set out our directors' remuneration policy, which is subject to shareholder approval by way of a binding vote at the 2020 AGM on 21 May 2020.

No new incentive plans or changes to the current incentive opportunities are proposed. Below is a summary of the changes between the current (2017) remuneration policy and the proposed (2020) remuneration policy:

Remuneration type	Proposed changes
Benefits	• Relocation benefits, where an executive director may be required to relocate or perform duties outside their home country, will be limited to a maximum period of two years.
Pension contribution	• Pension contributions for new executive directors aligned to that available to the majority of the UK workforce. • Pension contributions will be aligned between the majority of the UK workforce and all executive directors by 2022
Annual Variable Pay (AVP)	• A bonus moderator explicitly included in the AVP determination enabling the Committee to reduce (but not increase) formulaic outcomes if not justified in the context of a range of factors. • From 2021, inclusion of environmental, social and governance (ESG) targets as a specific performance measure.
Performance Share Plan (PSP)	Progressive changes made since 2017 now incorporated into policy: • Holding period applied to Performance Share Plan (PSP) awards such that no awards may be released prior to five years from grant. • Performance measures for PSP awards simplified by replacing the Earnings Per Share (EPS) and Dividends Per Share (DPS) matrix with EPS growth target (in addition to comparative TSR).
Shareholding requirements	• Shareholding requirement for all executive directors increased to 325% of base pay (previously 300% of base pay for the Group Chief Executive and 200% of base pay for the other executive directors) • Post-employment shareholding requirement for executive directors introduced to maintain their shareholding for at least two years after leaving employment.

	Fixed pay			
	Base pay	**Pension contributions**	**Benefits**	**Annual Variable Pay (AVP)**
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	Reviewed annually with effect from 1 March, taking into account: • 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; and • overall business performance. 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.	In line with other employees in the UK, executive directors may: • participate in a defined contribution pension plan; or • receive a cash allowance in lieu; or • receive some combination thereof. Non-UK national executives may be permitted to participate in home-country pension plans where relevant. Base pay is the only element of pensionable remuneration.	In line with other employees in the UK, benefits currently include: • private medical insurance; • life insurance; • income protection; and • all-employee (ShareSave and Share Purchase) plans. Executive directors may participate in voluntary benefits and choose to acquire Legal & General products which they fund themselves, sometimes through salary sacrifice. In line with other senior managers in the UK, executive directors receive a non-pensionable cash allowance in lieu of a company car. 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.	In normal circumstances: • 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. Target normally equates 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	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: • 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.	For new executive directors, pension contributions are aligned to that available to the majority of the workforce (currently up to 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 defined contribution pension plan (currently up to 15% of base pay). Pension contributions will be aligned between the majority of the UK workforce and all executive directors by 2022.	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. The maximum opportunity for participation in the all-employee share plans is the same for all employees and takes into account prevailing HMRC rules.	The maximum opportunity in respect of any financial year is: • 150% of base pay for the Group Chief Executive and Chief Financial Officer; • 175% of base pay for other executive directors. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance. 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.
Performance	Personal performance will be taken in consideration in determining any base pay increase.	There are no performance conditions.	There are no performance conditions.	A combination of: • 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 a reduction in own wealth if there is a reduction in Legal & General's share price.
Operation	A conditional award of shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements). In normal circumstances: • 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. Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including: • 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.	Fees for the Chairman and non-executive directors are set at an appropriate level to reflect: • time commitment required to fulfil the role; • responsibilities and duties of the positions; and • typical competitor practice in the FTSE 100 and other financial services institutions. Fees comprise a base fee for membership of the Board, plus (where applicable) additional fees for: • Senior Independent Director (SID); • Committee chairmanship; and • Committee membership (not including the Nominations Committee). 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. 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.	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. The Committee retains the discretion to withhold future PSP grants if executive directors are not making sufficient progress towards their shareholding requirement. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in Legal & General shares until their shareholding requirement is met. The sale of shares prior to the shareholding requirements being met may be permitted in extenuating situations, for example, a change to personal circumstances, ill health, etc.
Opportunity or requirement	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). • 15% of the award vests for threshold performance; • 100% of the award vests for achievement of maximum. 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.	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. 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.	Shares owned outright equivalent to: • 325% of base pay for executive directors; and • 100% of base fee for non-executive directors.
Performance	An appropriate mix (normally an equal weighting) of: • earnings performance – to incentivise growth in earnings; and • shareholder return – to deliver a competitive return for shareholders.	No performance conditions.	Not applicable.

See pages 90 and 93 for Remuneration policy notes

Remuneration policy continued

Remuneration policy notes

Area	Commentary
Decision making process	In determining the new remuneration policy, the Remuneration Committee followed a robust process. The Committee discussed the detail of the policy over a series of meetings in 2019 and early 2020. The Committee considered the strategic priorities of the business and evolving market practice. Input was sought from the management team, while ensuring that conflicts of interests were suitably mitigated. An external perspective was provided by our major shareholders and independent advisors. The Committee also assessed the policy against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture.
Deferred share element	The deferred share element of the AVP plan and the PSP shall be operated in accordance with the rules of the respective plans.
Prior arrangements	The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out in this report, where the terms of the payment were agreed: (i) before 21 May 2014 when the group's first approved policy came into effect; (ii) before the policy above came into effect, provided that the terms of such payment were consistent with the shareholder approved policy at the time the payments were agreed; or (iii) at a time when the relevant individual was not a director of Legal & General and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of Legal & General. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to deferred awards, the terms of the payment are 'agreed' at the time the award is granted.
Minor amendments	The Committee will follow any statutory requirements when operating the policy, and may make minor amendments to the policy for regulatory, exchange control, or administrative purposes without obtaining shareholder approval for that minor amendment.
Malus/clawback	The Committee may apply malus (i.e. reduce the number of shares in respect of which an award vests, or delay such vesting, or impose additional vesting conditions) in the event of financial mis-statement, personal misconduct, failure of risk management, reputational damage, factual error in calculating payment/ vesting, material downturn in performance or other exceptional circumstances identified by the Committee. The Committee may also, in exceptional circumstances, claw-back share awards which have already been released to individuals, if it considers it appropriate to do so having regard to such factors as it deems relevant – such as the likelihood of recovery, any loss suffered, and the link between the award and the event. Clawback will normally only apply within four years of the end of the relevant performance period.
Discretion in relation to future operation of the policy	In the event of a variation of the company share capital or a demerger, special dividend or any other event that may affect the company's share price, the number of shares subject to an award and/or any exercise price applicable to the award, may be adjusted. The Committee may amend any performance conditions applicable to PSP awards if any event occurs which causes the Committee to consider an amended performance condition would be more appropriate and not materially less difficult to satisfy.
Performance measures and targets	The performance conditions for the AVP and the PSP have been chosen by the Committee to align with the group's strategic priorities and are the key performance indicators in relation to the operation of the business. AVP financial measures have been chosen to ensure company growth and return to shareholders. AVP strategic and personal measures have been set to safeguard the future of the company, by for instance, focusing on the development of future income streams and to ensure performance related to key metrics such as risk management, customer strategy and culture is taken into consideration. For the PSP, earnings measures are chosen to incentivise growth in earnings and shareholder return measures are chosen to deliver a good return on equity for shareholders.
Remuneration policy for other employees	The remuneration policy for other employees does not differ significantly from the executive remuneration policy. Further details are provided on page 108.

Recruitment remuneration

The Committee will pay no more than it considers necessary to attract appropriate candidates, and it is not contemplated that remuneration will need to be different from the structure or exceed the limits set out in the remuneration policy table. The maximum variable remuneration will be in line with that set out in the remuneration policy table, that is 475% of base pay, excluding any compensation for awards forfeited on appointment.

As a result of regulations around the globe in the financial services sector, executives are likely to have accrued deferred remuneration which may be lost upon a change of employment. Accordingly, to aid the recruitment of a new executive director, the Committee may grant deferred cash and share awards to compensate for awards forfeited upon leaving a previous employer, taking into consideration relevant factors including:

- the form of the award;
- any performance conditions;
- the vesting profile and likelihood of vesting; and
- relevant regulatory requirements and guidance.

Any awards will reflect the terms and the value of the arrangements forgone, and any such compensation will be subject to forfeiture and clawback if the executive leaves the company voluntarily within a fixed time period determined by the Committee, being not less than three years. Where possible the Committee will use existing share-based plans. However, in the event these are not appropriate, the Committee retains the discretion to use the Listing Rules exemption (LR 9.4.2) for the purpose of making an award to compensate for amounts forfeited upon leaving a previous employer.

For internal appointments, the Committee may continue to honour prior commitments made before joining the Board.

Where a new executive director has to relocate to take up the appointment, either within the UK or from overseas, practical and/or financial support may be provided in relation to relocation or mobility including the cost of any tax incurred for a period not exceeding two years. For appointments from overseas, certain home country benefits may continue to apply. Relocation and mobility support may also apply to the recruitment of a non-executive director.

The Committee will normally align the remuneration arrangements for new non-executive directors with those outlined within the policy table.

Service contracts and appointment letters

All executive directors are subject to annual re-election. The contracts for executive directors are rolling service contracts.

When determining the leaving arrangements for an executive director, the Committee will take into account any pre-established agreements, including the rules of any incentive plans, statutory and contractual obligations, the performance and conduct of the individual and the commercial justification for any payments.

Standard notice policy is:

- 12 months' notice from the company
- 12 months' notice from the executive director
- The current CFO's service contract may be terminated on six months' notice by the company or the executive director.

Executive directors may be required to work during their notice period, or take a period of 'garden leave', or may be provided with payments in lieu of notice if not required to work their full notice period.

Appointment letters for non-executive directors are currently for three years, but subject to annual re-election. Appointments may be terminated by either party without notice.

Termination and payments for loss of office

Any termination payments in lieu of notice would consist solely of base pay and the cost of providing benefits for the outstanding notice period. Any statutory requirements will be observed. Our standard practice is to include within executive directors' contractual terms mitigation provisions as regards payments in lieu of notice.

Eligibility for annual variable pay, deferred annual variable pay awards and performance share awards are governed by their respective plan rules, as summarised below:

- Annual Variable Pay (AVP) – there is no automatic entitlement to an annual bonus in the year of cessation of employment. However, for a 'good leaver', the Committee may determine that an executive director will receive a bonus pro-rated for the period through to leaving based on targets and performance for the full year, and an assessment of overall business and personal performance.
- Deferred AVP awards – in the event that a participant is a 'good leaver' any outstanding unvested deferred awards will normally be released in accordance with the ordinary timescale. Exceptionally, the Committee reserves the right to accelerate any vesting or payment, for example in the case of terminal illness.
- Performance Share Plan (PSP) – unless the Committee determines otherwise, in the event that a participant is a 'good leaver' any unvested PSP awards will be pro-rated for the period through to leaving and vest based on targets and performance to the end of the performance period, with awards released at the normal times. Exceptionally, the Committee reserves the right to accelerate vesting or payment due, for example in the case of terminal illness.

'Good leaver' circumstances are leaving due to death, disability, ill-health or injury, redundancy, retirement with company agreement, the individual's employing company/business ceasing to be part of the group, or other circumstances at the Committee's discretion. For all other leavers, unvested awards lapse.

Awards will generally vest early upon a takeover of the company, merger or other corporate reorganisation. Alternatively participants may be allowed or required to exchange their awards for new awards. If there is a demerger, delisting or special dividend or other transaction which may affect the share price, the Committee may allow awards to vest on the same basis as for a takeover.

The Committee reserves the right to make any other payments in connection with a director's cessation of office/employment where the payments are made in good faith in the discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement of any claim arising in connection with the cessation of the director's office/employment, or for any fees for outplacement assistance and/or director's legal and/or professional advice fees in connection with his/her cessation of office/employment.

Consideration of employment conditions elsewhere in the group

The remuneration policy for other UK employees is similar to that for executive directors in accordance with our philosophy that remuneration should be appropriate to the local competitive market, and reward high performance in a framework of appropriate risk management.

Some components of remuneration may apply only to certain levels of employees (for example, long-term incentives). Other components of remuneration may be paid at different levels based on grade or length of service (for example, pension participation, and some benefit entitlements and allowances). There are other variances depending on geographic location and local market practice. However, the general approach is consistent across the group. Further details are provided on page 108.

The Committee receives information regarding base pay, benefits, variable pay and terms and conditions of employees throughout the group. This includes relevant background information that allows the Committee to consider not only the highest paid, but the lowest paid and all pay levels across the group, and ensure a consistency of approach when determining the remuneration arrangements for executive directors. The Committee also has oversight of all long-term incentive awards across the company.

The company does not invite employees to comment specifically on the directors' remuneration policy, but regular employee surveys include questions about pay and benefits, and the responses are used to inform remuneration policy across the group.

Remuneration policy continued

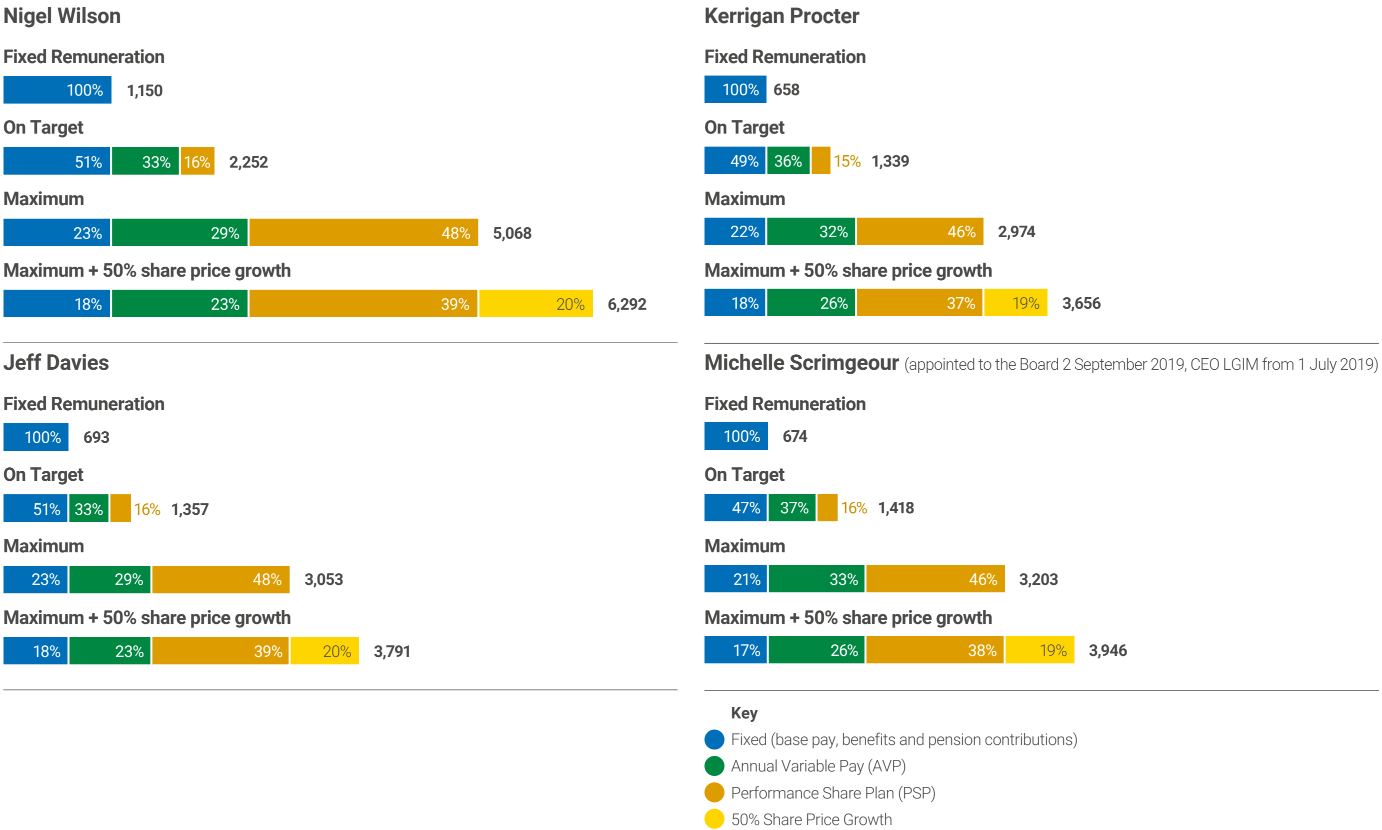
Statement of consideration of shareholder views

The Committee seeks to maintain an active dialogue with investors regarding remuneration and corporate governance more generally. During 2019 and early 2020, the Committee sought feedback from its 20 largest shareholders and representative bodies regarding the directors' remuneration policy, so that shareholders could enter into further discussions with the Chairman of the Committee, and express their views in advance of the Committee making any final proposals. The responses helped shape the Committee's thinking in formulating the changes to the remuneration policy. The Committee is grateful to shareholders for their feedback and continues to appreciate all feedback.

Illustration of the application of the remuneration policy

The charts below illustrate the executive directors' fixed remuneration (defined below) and how much they could earn for target and maximum performance and in the event of a 50% growth in share price for PSP awards based on their remuneration for 2020.

Remuneration scenario (£'000)



In developing the scenarios, the following assumptions have been made:

Fixed remuneration	Consists of 2020 base pay, benefits (based on the value included in the single figure for 2019) and pension.
On Target	In addition to fixed remuneration, • Annual variable element pays out at 50% of maximum includes the potential value that each executive director could receive for target performance: • PSP is shown at threshold (15% of maximum)
Maximum	In addition to fixed remuneration, includes the potential value that each executive director could receive for maximum performance under the annual variable element and the PSP.
Maximum + 50% share price growth	In addition to the maximum scenario, includes a 50% share price increase assumption on the PSP award.

How our approach to remuneration aligns with strategy

Our remuneration approach has been designed to support strategy and reward the achievement of long-term sustainable performance. In alignment with the provisions of the UK Corporate Governance Code, the Committee has continued to consider our approach to executive remuneration to ensure that our policies, structures and performance measures have clear strategic rationale.

The Committee considers it essential that the performance measures used for the purpose of the incentive arrangements for management are directly aligned to the Group's KPIs. The following sets out how the performance measures used for the purpose of the AVP and PSP are directly linked to our KPIs and other strategic priorities and the rationale for these measures.

How do the performance measures used for incentive arrangements align with the group's key performance indicators and other strategic priorities?

Group KPIs and strategic priorities	Profitability				Shareholder value creation	Strategic priorities and non-financial goals				
	Net Release from Operations	Operating profit	EPS	ROE	Total Shareholder Return	Solvency II	Risk	Culture	Customer	ESG (from 2021)
AVP (CEO)	20%	25%	12.5%	12.5%		Underpin	30% and Moderator			
PSP			50%		50%	Underpin	Underpin			Underpin

Alignment with the UK Corporate Governance Code

When determining our new directors' remuneration policy, the Committee reviewed our alignment with the provisions of the revised 2018 Code. The table below details how the Committee addressed the principles set out in the UK Corporate Governance Code in respect of the directors' remuneration policy:

Clarity	• The Committee welcomes open and frequent dialogue with shareholders on our approach to remuneration. As part of the review of policy during 2019, shareholders were consulted to understand their views on proposed changes. • The remuneration policy for our executive directors has been designed in line with the remuneration philosophy and principles that underpin remuneration across the Group, and the details of our approach to executive remuneration is transparent for all employees.
Simplicity	• Our remuneration arrangements throughout the Group are simple in nature and well understood by both participants and shareholders. Although quantum and participation will vary, the policies and practices applying to executive directors are the same as for the wider workforce in most instances. • The objective of each element of our policy is explained and the amount paid in respect of each element of pay is clearly set out.
Risk	• In line with regulatory requirements, our approach aims to promote sound and effective risk management whilst supporting our long-term success. The Committee considers that the structures of incentive arrangements does not encourage inappropriate risk-taking. • In reviewing award outcomes the Committee is presented with a comprehensive report from the Chief Risk Officer to ascertain that objectives have been fulfilled within the risk appetite of the group. In addition, the Committee receives feedback from the Group Regulatory Risk and Compliance function on any issues to consider around regulatory breaches or customer outcomes. • AVP deferral, the PSP holding period and our shareholding requirement (including the post-cessation shareholding requirement) provide a clear link to the ongoing performance of the business and the experience of our shareholders. • Malus and clawback provisions apply to both the AVP and PSP.
Predictability	• Our policy contains details of threshold, target and maximum opportunity levels under our AVP and PSP, with actual outcomes dependent on performance achieved against predetermined measures and target ranges. This is illustrated by the charts on page 92.
Proportionality	• The AVP scorecard rewards achievement of our annual operating targets and the PSP scorecard rewards achievement of long-term financial and shareholder value creation targets. The Committee's ability to apply discretion to reduce formulaic outcomes under both plans ensures appropriate outturns in the context of underlying Company and individual performance. • Our performance measures and target ranges under the AVP and PSP are aligned to Company strategy. This is illustrated by the chart above.
Alignment to culture	• Under the AVP, the Committee assesses performance against a range of objectives, including those related to our customers and culture, strategy and risk. This ensures that reward is not determined solely on financial performance but also drives behaviours consistent with Legal & General's culture.

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 2020
Content contained within a black outline box indicates that all the information in the panel is planned for implementation for 2020.

'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 2019 financial year, together with a comparative figure for 2018.

Single figure table

	Fixed			Variable					
						PSP[3]			
Executive director	**Base Pay £'000**	**Benefits £'000**	**Pensions £'000**	**AVP £'000**	**Replacement Award £,000**	**Face value £'000**	**Share price appreciation £'000**	**Total £'000**	**Total £'000**
2019									
Nigel Wilson	**942**	**24**	**141**	**1,292**	**–**	**1,975**	**218**	**2,193**	**4,592**
Jeff Davies	**548**	**22**	**72**	**763**	**–**	**1,087**	**119**	**1,206**	**2,611**
Kerrigan Procter	**518**	**31**	**70**	**707**	**–**	**1,032**	**114**	**1,146**	**2,472**
Michelle Scrimgeour[1] – from 1 July 2019	**192**	**6**	**19**	**372**	**1,763**	**–**	**–**	**–**	**2,352**
Mark Zinkula[2]	**428**	**182**	**69**	**413**	**–**	**1,208**	**133**	**1,341**	**2,433**
2018									
Nigel Wilson	924	23	139	1,118	–	1,078	116	1,194	3,398
Jeff Davies	508	24	67	638	–	–	–	–	1,237
Kerrigan Procter	483	47	65	620	–	365	39	404	1,619
Mark Zinkula[2]	636	208	102	696	–	742	80	822	2,464

1. Michelle Scrimgeour succeeded Mark Zinkula as CEO of Legal & General Investment Management Limited with effect from 1 July 2019 and was appointed to the Board on 2 September 2019. The figures included above are in respect of the remuneration received during the period in 2019 that Michelle was an executive director. This includes the full amount of variable remuneration received during this period. In the period from 1 July 2019 until 2 September 2019, Michelle received base pay of £95,833.
2. Mark Zinkula stepped down as an executive director and as CEO LGIM on 31 August 2019, remuneration details for 2019 are in respect of service provided as an executive director. 15% of Mark Zinkula's base pay and AVP are paid to him in the US. At the time of his appointment as CEO LGIM a US dollar to GB sterling exchange rate of £1 = $1.60 was agreed. In 2019, Mark received £361,533 in base pay in the UK and $106,006 in base pay in the US. Based on the exchange rates at the time of payments the total value of base pay received by Mark in 2019 was £444,545.
3. The 2016 PSP figures reported in the 2018 single figure now reflect the actual vesting price of the shares, which vested on 8 March 2019, at £2.683 per share. The values previously included in the 2018 report based on a three-month average share price to 31 December 2018 were £1,085k (Nigel Wilson), £368k (Kerrigan Procter) and £747k (Mark Zinkula).

Base pay

Executive director	**Annual base pay as at 1 January 2019**	**Annual base pay effective 1 March 2019**	**Total base pay paid in 2019**	**Annual base salary effective 1 March 2020**	**% increase**
Nigel Wilson	**927,000**	**945,500**	**942,417**	**979,500**	**3.6%**
Jeff Davies	**510,000**	**555,000**	**547,500**	**590,000**	**6.3%**
Kerrigan Procter	**484,500**	**525,000**	**518,250**	**545,000**	**3.8%**
Michelle Scrimgeour[1]	**–**	**575,000**[1]	**191,667**	**595,000**	**3.5%**
Mark Zinkula	**638,000**	**638,000**	**427,787**	**n/a**	**n/a**

1. Michelle Scrimgeour's base pay applied from the commencement of her role as CEO LGIM on 1 July 2019 and she was appointed to the Board on 2 September 2019. The figure included in the single figure table above for total base pay in 2019 is in respect of the period for which she was an executive director.

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	International allowance £'000	Total benefits £'000
2019					
Nigel Wilson	**20**	**3**	**1**	**–**	**24**
Jeff Davies	**20**	**1**	**1**	**–**	**22**
Kerrigan Procter	**20**	**3**	**8**	**–**	**31**
Michelle Scrimgeour	**6**	**–**	**–**	**–**	**6**
Mark Zinkula	**44**	**–**	**–**	**138**	**182**
2018					
Nigel Wilson	20	3	–	–	23
Jeff Davies	24	–	–	–	24
Kerrigan Procter	20	27	–	–	47
Mark Zinkula	48	–	–	160	208

The 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. The SAYE is calculated based on the value of the discount on SAYE share options exercised in the year. No directors exercised SAYE options during the year.

The international allowance for Mark Zinkula includes allowances for schooling, flights and associated tax advice resulting from his relocation to the UK.

Benefits for 2020
Benefits for 2020 remain in line with policy.

Pension

Nigel Wilson and Kerrigan Procter received a cash allowance of 15% of base pay. Mark Zinkula received a cash allowance of 15% of base pay in lieu of joining the UK pension plan, and also participated in the Legal & General America 401k plan and a US non-contributory cash balance plan, with total employer contributions to the 401k plan in 2019 of £4,980. Jeff Davies received a cash allowance of 13.8% of base pay and Michelle Scrimgeour received a cash allowance of 10% of base pay. All cash allowances are subject to normal payroll deductions of income tax and national insurance.

Pension for 2020
Nigel Wilson and Kerrigan Procter receive a cash allowance of 15% of base pay, Jeff Davies receives a cash allowance of 13.8% of base pay and Michelle Scrimgeour receives a cash allowance of 10% of base pay.

2019 annual variable pay (AVP) awards

This reflects the total AVP awards to be paid in 2020 based on performance for the year ended 31 December 2019. The value includes both the cash element and the portion deferred into shares (50% of the award).

The executive directors' AVP awards in relation to performance during 2019 were measured against a basket of metrics and objectives. For Nigel Wilson and Jeff Davies, they were weighted between group financial objectives (70%) and other strategic personal objectives including effective risk management (30%). For Kerrigan Procter, Michelle Scrimgeour and Mark Zinkula they were weighted between group financial objectives (35%), divisional objectives (35%) and other strategic personal objectives including effective risk management (30%).

As with 2017 and 2018, the AVP awards were subject to potential adjustment based on an assessment of overall financial performance, risk and any other circumstances considered relevant by the Remuneration Committee as well as a Solvency II performance measure. For 2019, the Solvency II performance measure was assessed by the Committee on a qualitative assessment of performance informed by input from the Chief Risk Officer and the Risk Committee. Based on this assessment and consideration of all the circumstances, it was determined that no adjustment was necessary to the formulaic outcome.

For 2019, AVP payouts as a percentage of the maximum were: Nigel Wilson 91%, Jeff Davies 92%, Kerrigan Procter 77%, Michelle Scrimgeour 74% and Mark Zinkula 55%. For Michelle and Mark the AVP payouts have been pro-rated for length of service in 2019. The tables below illustrate performance against each of the measures. Further details on the breakdown of the AVP payout for Mark Zinkula are provided on page 103 along with details of other award vestings.

Group financial – achievement

	Weighting				2019 Performance				
Performance measures	**Nigel Wilson**	**Jeff Davies**	**Kerrigan Procter**	**Michelle Scrimgeour**	**Threshold**	**Target**	**Maximum**	**Actual**	**Payout % of maximum**
Net release from operations[1]	20.00%	20.00%	10.00%	10.00%	1,396	1,458	1,502	**1,578**	100%
Operating profit[1]	25.00%	25.00%	12.50%	12.50%	1,823	1,883	1,977	**2,085**	100%
Adjusted EPS[1]	12.50%	12.50%	6.25%	6.25%	24.1	25.3	26.5	**28.8**	100%
Adjusted ROE[1]	12.50%	12.50%	6.25%	6.25%	17.3	18.1	18.8	**19.2**	100%
Solvency II performance[2]					Underpin				

1. Performance measures exclude the impact of mortality assumption changes, profits and separation costs relating to the Mature Savings business and intangible asset adjustments.
2. Solvency II performance assessed on a qualitative basis.

Based on the above results, the group element of AVP pays out at 100% of maximum, as set out in last year's report and in the Remuneration Committee Chair's statement accompanying the report, in determining payouts the Committee considered the impact of mortality assumption changes and separation costs relating to the Mature Savings business on performance measures. The Committee was of the view that it would not be appropriate to include the impact of these items, in calculating the AVP outturn.

Divisional performance – achievement

Divisional objectives represent a maximum of 35% of the total AVP opportunity for Kerrigan Procter, Michelle Scrimgeour and Mark Zinkula. For the LGIM division there were five key measures – LGIM operating profit (including a separate specific target for the Workplace Savings business), cost income ratio, global annualised net new revenue and flagship fund performance. For the Legal & General Capital division, there were seven key measures – PBT (with specific targets for new direct investments, existing direct investments, modular housing and the traded portfolio), return on new direct investments, operating profit on the traded portfolio and divisional expenses.

Divisional and personal strategic objectives are considered by the Group Board to be commercially sensitive. The actual targets are not formally disclosed in the annual report and will not be disclosed in this year or in a future report as they relate to subsidiaries of the group. Performance commentary is given in the table below.

Executive director	Divisional measures	Summary of performance	Payout (out of 35%)
Kerrigan Procter	Key measures include PBT (for direct investments and modular housing), return on new direct investments, operating profit and PBT on the traded portfolio and divisional expenses	• Growth in operating profit of 13% in 2019, up to £363m • Growth in the direct investment portfolio to £2.9m, an increase of 22% over 2018 • Continued growth of CALA Homes, with unit sales increasing by 14% in 2019 and revenue growing to £1bn	19%
Michelle Scrimgeour	LGIM key measures include operating profit (with a separate specific target for Workplace Savings), cost income ratio, global annualised net new revenues and flagship fund performance	• Operating profit growth of 4%, up to £423m • External net flows of £86.4bn, a significant increase on 2018 with continued international growth • A cost income ratio of 54%, a slight increase on 2018, reflecting continued investment to ensure operational efficiency and future growth	19%

Strategic personal performance – achievement

Personal objectives represented a maximum 30% of the total AVP opportunity. For all of the directors, the objectives covered strategic implementation, effective risk management, customer experience and company culture. A performance commentary is given in the table below.

Executive director	Divisional measures	Summary of performance	Payout (out of 30%)
Nigel Wilson	For 2019, Nigel's objectives focused on continuing development of the company's medium-term strategy and driving growth across all businesses through continued pricing and risk disciplines, growth of international assets and revenues, successful disposal of non-core businesses and the continued development of a truly digital organisation	Nigel's award reflects his delivery against all his strategic personal objectives including: • Continued strong financial performance with growth across all key areas of the company's business model • Reviewing and building on the long-term strategy of the business, ensuring a continued focus on inclusive capitalism to deliver economically successful and socially useful outcomes • International growth, in particular in the PRT and investment management businesses	21%
Jeff Davies	Jeff's objectives included ensuring continued pricing and risk disciplines, in particular in regard to PRT business, successful disposal of non-core businesses, contribute to continued development of the company's medium-term strategy and continued investment and improvement of IT systems and controls	Jeff's award reflects his continued strong performance throughout the year and against all objectives including: • Contribution to the review and development of the company's long-term strategy • Ensuring pricing and risk disciplines which allow the company to continue to grow profitably across key markets such as PRT, defined contribution (DC) fund management and affordable housing • Continued development of the group finance function, helping to build a high performing culture	22%
Kerrigan Procter	Kerrigan's objectives focused on implementation of LGC's strategy across Future cities, Housing and SME finance and continued development of a strong culture and risk discipline across the business	Kerrigan's award reflects his strong performance in driving forward performance across the core areas of strategic focus. Key achievements include: • Significant future cities investments including the establishment of a partnership with Oxford University, a £100m investment in Sunderland and continued clean energy investments • Rapid growth of the affordable homes business and continued growth of CALA Homes • Continued development of the risk and control environment, reflecting the diverse risks of the business	23%
Michelle Scrimgeour	Michelle's objectives focused on the continued development of the defined contribution and defined benefit businesses, growth of the retail business, establishing a personal investing capability for the UK, international growth of the LGIM business and continued enhancement of capabilities and services delivered to the group	Michelle's award reflects her delivery against key objectives since joining the company in July 2019, including: • Continuing work to diversify the business, broadening the defined contribution proposition including the launch of a multi-asset ESG fund as a default option in the MasterTrust • International growth across US, Japan and Europe • Investment in technology to improve operational efficiency and customer experience	20%

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 around regulatory breaches or customer outcomes of such materiality that they 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 our policy, 50% of all 2019 AVP awards were deferred for three years into conditional shares, subject to continued employment and clawback/malus provisions.

Executive director	Cash bonus £	Deferred bonus £	Total bonus £
Nigel Wilson	646,200	646,200	1,292,400
Jeff Davies	381,250	381,250	762,500
Kerrigan Procter	353,300	353,300	706,600
Michelle Scrimgeour	185,900	185,900	371,800

For 2018, AVP payouts as a percentage of the maximum were: Nigel Wilson 80%, Jeff Davies 83%, Kerrigan Procter 73% and Mark Zinkula 62%.

Outstanding share bonus plan (SBP) awards

The table below shows the shares held under the SBP and those that were awarded or vested during 2019. The shares awarded in 2019 relate to deferred AVP in relation to the 2018 performance year. The share price used to calculate the awards is the average of the three days preceding grant.

Grant date	Awards outstanding at 1 January 2019	Awards granted in 2019	Grant price £	Face value at grant price £	Awards vested in 2019	Awards outstanding at 31 December 2019
Nigel Wilson[1]	722,272	194,979	£2.867	£559,005	271,950	645,301
Jeff Davies	122,767	111,272	£2.867	£319,018	0	234,039
Kerrigan Procter	350,760	108,107	£2.867	£309,944	98,357	360,510
Michelle Scrimgeour	0	350,013	£2.717	£950,985	0	350,013

1. The awards vested in 2019 include 43,109 shares for Nigel Wilson accrued as dividends on deferred awards.

AVP potential 2020

Deferral policy

In line with our policy, 50% of all 2020 AVP awards will be deferred for three years into conditional shares, subject to continued employment and clawback/malus provisions.

In line with our policy, for 2020 the target and maximum AVP opportunities for our executive directors will be:

Executive director	Target opportunity (% of salary)	Maximum opportunity (% of salary)
Nigel Wilson	75%	150%
Jeff Davies	75%	150%
Kerrigan Procter	87.5%	175%
Michelle Scrimgeour	87.5%	175%

Performance will be based on a combination of group and/or divisional financial performance targets as well as strategic (including customer, employee measures and effective risk management) and personal measures. The percentage weightings will be the same as in 2019. Actual targets have not been disclosed due to commercial sensitivity. Group financial targets will be disclosed in the 2020 annual report. Divisional and strategic personal performance targets are considered confidential and will not be disclosed in any future report.

Details of how the 2017 PSP award vested

The 2017 PSP award vested at 86.9% in March 2020 based on a combination of TSR (50%) and financial performance (50%) over the three-year performance period ended 31 December 2019.

In line with policy, the Committee carefully reviewed the company's underlying performance over the performance period. The review included considerations of capital management, risk, cost management and partnerships entered into and maintained. The Committee felt the company performance had been strong over the period and saw no reason not to allow the PSP to vest in accordance with the TSR and financial performance outturn.

The results are shown below:

Grant date	Performance period	Comparator group	Legal & General's TSR[1]	Comparator group median rank	Comparator group 80th percentile TSR performance	Legal & General's notional rank	% of award vesting against comparator group	Percentage of element vesting
18 April 2017	1 January 2017 to 31 December 2019	FTSE 100		47.5	19.0	27.4	74.9%	
		Bespoke comparator group	45.0%	13.5	6.0	8.4	72.8%	73.9%

Performance condition	Performance targets	Actual performance	Percentage of element vesting
EPS growth (% p.a.)	subject to performance matrix	12.60%	
DPS growth (% p.a.)	subject to performance matrix	7.00%	
ROE underpin (% p.a.)	12% p.a. underpin	18.37%	100.0%

1. TSR is calculated under the PSP scheme rules using the three-month average prior to the start and the end of the performance period.

The figures reported for the 2017 PSP, with a performance period ended 31 December 2019, reflect the market value of the awards that will vest in March 2020. The share price at the date of vesting was not known at the end of the financial year and as such the value included in the 'single figure' of remuneration is based on the number of shares that will vest multiplied by the average share price over the quarter ended 31 December 2019 (£2.756).

Executive director	Shares granted in 2017	Shares vesting in March 2020	Estimated value of shares on vesting (£)
Nigel Wilson	915,444	795,749	2,192,736
Jeff Davies	503,544	437,705	1,206,123
Kerrigan Procter	478,367	415,820	1,145,818
Michelle Scrimgeour	–	–	–

Financial performance condition (50% of the 2017 award)

Fifty percent of the award vested based on performance against the following matrix of earnings per share and dividends per share growth, subject to achieving a return on equity underpin whereby return on equity must be at least 12% over the performance period.

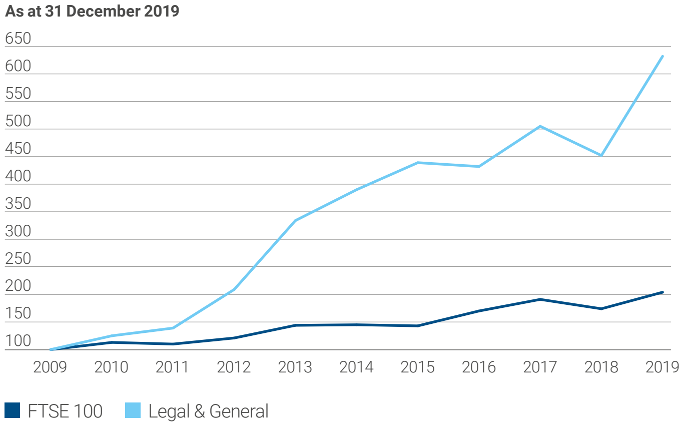
		Dividends per share growth (% p.a.)										
		<5	5	6	7	8	9	10	11	12	13	14
Earnings per share growth (% p.a.)	<5	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	5	**0**	**15**	**25**	**35**	**45**	**55**	**65**	**75**	**85**	**95**	**100**
	6	**0**	**25**	**35**	**45**	**55**	**65**	**75**	**85**	**95**	**100**	
	7	**0**	**35**	**45**	**55**	**65**	**75**	**85**	**95**	**100**		
	8	**0**	**45**	**55**	**65**	**75**	**85**	**95**	**100**			
	9	**0**	**55**	**65**	**75**	**85**	**95**	**100**				
	10	**0**	**65**	**75**	**85**	**95**	**100**					
	11	**0**	**75**	**85**	**95**	**100**						
	12	**0**	**85**	**95**	**100**							
	13	**0**	**95**	**100**								
	14	**0**	**100**									

The vesting levels between stated points on the matrix are calculated on a straight line basis.

Other remuneration information

Total shareholder return (TSR)

The chart shows the value, as at 31 December 2019, of £100 investment in Legal & General shares on 31 December 2009, compared to £100 invested in the FTSE 100 on the same date. The other points plotted are the values at the intervening financial year-ends. The FTSE 100 Index was chosen as the company is a member of this index.



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
2019	Nigel Wilson	4,592	91.1%	86.9%
2018	Nigel Wilson	3,398[1]	80.4%	48.7%
2017	Nigel Wilson	3,439[2]	85.3%	59.9%
2016	Nigel Wilson	5,417[3]	87.8%	76.6%
2015	Nigel Wilson	5,497[4]	86.25%	100%
2014	Nigel Wilson	4,213	90.67%	100%
2013	Nigel Wilson	4,072	93.10%	100%
2012	Nigel Wilson – appointed CEO 30 June 2012	898	96.00%	0% – note 5
	Tim Breedon – retired 30 June 2012	3,280	84.80%	100% – note 6
2011	Tim Breedon	2,325	79.58%	16.60%
2010	Tim Breedon	1,526	89.98%	0%

1. Restated from 2018 report to reflect the actual value of the 2016 PSP at vesting
2. Restated from 2017 report to reflect the actual value of the 2015 PSP at vesting.
3. Restated from 2016 report to reflect the actual value of the 2014 PSP at vesting.
4. Restated from the 2015 report to include the value of the PSP award vesting in August 2015.
5. The 2009 PSP vested in full in 2012. However, no PSP is shown in the figure for Nigel Wilson as, while he received the PSP, it vested during the time he was CFO.
6. 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.

Scheme interests awarded during the financial year

The following table sets out details of PSP awards made in 2019.

Executive director	Type of award	Basis of award (% of base pay and face value)[1]	% of award vesting for threshold performance	% of award vesting for maximum performance	Performance/ holding period
Nigel Wilson	Nil-cost options	250% of base pay £2,363,750	15%	100%	1 January 2019 to 31 December 2021. Awards are also subject to a holding period, such that the award is not released until year 5 from the grant date.
Jeff Davies	Nil-cost options	250% of base pay £1,387,500	15%	100%	
Kerrigan Procter	Nil-cost options	250% of base pay £1,312,500	15%	100%	
Michelle Scrimgeour	Nil-cost options	0% of base pay £0	15%	100%	

1. The number of shares awarded is calculated based on the average share price for the five days preceding the grant which was £2.8544.

Awards were also made during the year under the share bonus plan (SBP) in respect of performance for 2018; in line with our policy 50% of all 2018 AVP awards were deferred into shares for three years, subject to malus and clawback provisions. The amounts deferred in respect of the 2018 AVP were also made in line with the above deferral policy.

Michelle Scrimgeour received the following awards as part of her compensation for pay forfeited on leaving her previous employer. Further details are provided on pages 102 to 103.

Grant date 18 July 2019	Type of award	Basis of award (value)[1]	Grant price	Vesting date
Michelle Scrimgeour	Conditional shares	£197,564	£2.717	31 May 2020
	Conditional shares	£261,362	£2.717	31 May 2021
	Conditional shares	£492,060	£2.717	31 May 2022

1. The number of shares awarded is calculated based on the average share price for the five days preceding the grant.

Performance conditions for PSP awards granted in 2019

Financial performance condition (50% of the 2019 award)

50% of the award will vest based on the EPS growth with vesting based on performance as set out in the table below:

EPS growth p.a.	Proportion of shares vesting
<5%	**0%**
5%	**15%**
12%	**100%**
Between 5% and 12%	**Straight line basis between 15% and 100%**

TSR performance condition (50% of the 2019 award)

25% of the award will be based on Legal & General's TSR performance relative to the FTSE 100.

The remaining 25% of the award will be based on Legal & General's TSR performance against a bespoke group of insurers.

The vesting schedule of the TSR performance conditions is as follows:

Grant date 16 April 2019	Proportion of shares vesting
Below median	0%
Median (threshold vesting)	15%
80th percentile and above	100%
Between median and the 80th percentile	Straight line basis between 15% and 100%

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome is justified. To do this, the Committee will look at a number of factors including: whether the result is reflective of underlying performance and has been achieved within the company's agreed risk appetite; the Solvency II coverage ratio, the quality of earnings and the nature of any changes in leverage or key assumptions. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downwards discretion.

Performance Share Plan (PSP) 2020 awards: Nigel Wilson, Jeff Davies, Kerrigan Procter, and Michelle Scrimgeour will each be granted an award over nil-cost options with a face value of 250% of base pay.

As indicated previously, for the 2020 award, the following performance measures will be used:

- relative TSR performance against the FTSE 100 (25% of award) and a bespoke 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.

Having considered the business plan over the coming three years and market expectations of performance and given the level of stretch within the TSR performance conditions, the Committee considered it appropriate to continue to set threshold vesting (15% of the award) at median TSR performance and maximum vesting at the upper quintile TSR performance.

For the EPS growth measure the Committee considered it appropriate for vesting to be based on performance as set out in the table below:

EPS growth p.a.	Proportion of shares vesting
<5%	0%
5%	15%
12%	100%
Between 5% and 12%	Straight line basis between 15% and 100%

Performance share plan (PSP) 2018

For information, other outstanding PSP awards are shown below.

Grant date 16 April 2018	% of base pay	Face value £'000	Share price at award £	Max no. of shares
Nigel Wilson	250	2,318	£2.6708	867,717
Jeff Davies	250	1,275	£2.6708	477,385
Kerrigan Procter	250	1,211	£2.6708	453,515
Mark Zinkula	250	1,595	£2.6708	597,199

Awards made on appointment of Michelle Scrimgeour

As a consequence of regulations around the globe in the financial services sector, executives are likely to have accrued significant deferred remuneration that may be lost upon a change of employment. Our policy on recruitment remuneration provides that in these circumstances, the Committee may grant awards equivalent to the remuneration arrangements forfeited upon leaving a previous employer, taking into consideration relevant factors including, but not limited to, the form of the award, any performance conditions attached to those awards, the vesting profile and likelihood of vesting, and any relevant regulatory requirements and guidance in relation to the awards. Any awards will reflect the terms and the expected value of the arrangements forgone, and where possible, the Committee will use existing share-based plans.

On appointment as CEO LGIM in July 2019, Michelle Scrimgeour forfeited cash and share awards from her previous employer, Columbia Threadneedle Investments (CTI). Accordingly, in accordance with our policy on recruitment remuneration, the following cash and share awards have been granted to Michelle, subject to malus and clawback, matching as close as possible both the value and timescale to vesting of her forfeited CTI awards.

Cash awards

Payment date	In replacement of	Value
31/07/2019	2018 annual bonus award	£205,000
31/08/2019	2018 annual bonus award	£205,000
29/02/2020	Pro-rated 2019 annual bonus award and LTI awards vesting 2019	£299,959
31/08/2020	Pro-rated 2019 annual bonus award	£102,500

Awards made on appointment of Michelle Scrimgeour continued

Share awards

Grant date	Vesting date	In replacement of	Award value	No. of Shares	Grant price
18/07/2019	31/05/2020	LTI vesting 2020	£197,564	72,714	£2.717
18/07/2019	31/05/2021	LTI vesting 2021	£261,362	96,195	£2.717
18/07/2019	31/05/2022	LTI vesting 2022	£492,060	181,104	£2.717

All cash and share awards will be forfeited if Michelle resigns prior to the third anniversary of her commencement date (i.e. before 1 July 2022).

Payments for loss of office (audited)

As announced in May 2018, Mark Zinkula retired on 31 August 2019. As set out in the 2018 Annual Report, and consistent with our remuneration policy, Mark remained eligible for an annual variable pay (AVP) award for 2019, pro-rated for the period through to his leaving, conditional upon performance, with any award subject to deferral in accordance with the normal rules and deferral timescales.

2019 annual variable pay (AVP) award

In line with the remuneration policy, the determination of Mark's 2019 AVP award was weighted between group financial objectives (35%), divisional financial objectives (35%) and strategic objectives (30%).

The group and divisional financial performance achieved were as set out on pages 96 and 97, resulting in Mark achieving a maximum award for group financial performance and 58% of maximum for divisional financial performance. Mark's strategic personal performance targets had not been fully achieved at the date of his retirement, so the Committee did not consider it appropriate to award any bonus in respect of this component. Therefore, overall, Mark will receive an AVP award of 55% of the maximum.

The AVP payment will be subject to the normal policy deferral requirements (i.e. 50% deferred into shares for three years) and awards will remain subject to malus and clawback.

Unvested deferred share awards

Mark was treated as a good leaver in accordance with the rules of the AVP plan, and therefore upon retirement his unvested deferred share awards will vest in accordance with the ordinary timescale (i.e. deferred for three years), as set out in the table below.

Bonus year	Grant date	Vesting date	Awards	Grant price
2015	21/04/2016	21/04/2019	188,611	£2.431
2016	18/04/2017	18/04/2020	166,682	£2.495
2017	16/04/2018	16/04/2021	164,818	£2.688
2018	16/04/2019	16/04/2022	121,306	£2.867

Unvested performance share plan (PSP) awards

In accordance with the rules of the performance share plan (PSP), upon retirement, a participant remains eligible to receive a proportion of their PSP awards already granted, pro-rated for the period through to leaving, and subject to the normal performance conditions over the full performance period, and released in accordance with the normal timescale.

In 2017, Mark was granted a PSP award over a maximum of 629,934 shares. After pro-rating for service to the date of his retirement in August 2019, the maximum number of shares that can vest is 559,750. As disclosed on page 99, the 2017 PSP vested at 86.9% of maximum based on performance for the full performance period ended 31 December 2019, resulting in 486,422 shares vesting. In accordance with the normal rules, these shares vest in equal thirds following the results announcements for 2019 to 2021.

In 2018, Mark received a PSP award over a maximum of 597,199 shares. After pro-rating for service to the date of his retirement in August 2019, the maximum number of shares that can vest is 331,292. The number of shares vesting will be based on performance for the full performance period to 31 December 2020, and then subject to deferral for a further two years, with any shares released in April 2022.

Mark was not granted a PSP award in 2019.

Payments to past directors

There were no payments to past directors in 2019.

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 2020 and 28 February 2020	
						Own outright/ vested shares	Subject to deferral/ holding period
Nigel Wilson	Shares	2,997,796	645,301	3,643,097	–		
	ESP	15,654	3,907	19,561	–	81	45
	Options	–	447,327	447,327	2,611,268		
Jeff Davies	Shares	–	234,039	234,039	–		
	ESP	1,582	1,093	2,675	–	81	45
	Options	–	5,818	5,818	1,467,020		
Kerrigan Procter	Shares	440,211	360,510	800,721	–		
	ESP	19,951	973	20,924	–	81	45
	Options	–	140,176	140,176	1,391,698		
Michelle Scrimgeour	Shares	–	350,013	350,013	–	–	–
	ESP	–	–	–	–	–	–
	Options	–	–	–	–		
Mark Zinkula[1]	Shares	1,689,048	–	1,689,048	–		
	ESP	–	–	–	–	–	–
	Options	–	–	–	891,043		

1. Mark Zinkula's shares are as at 31 August 2019, the date of his retirement.

Shareholding guidelines – executive directors

The Group Chief Executive is expected to build a shareholding of 300% of base salary and the other executive directors 200% of base salary. The table below shows shareholding levels as at 31 December 2019. From 2020 the shareholding requirement for all executive directors will increase to 325% of base pay.

	Actual share ownership as % of 2019 base salary: vested shares[1]	Guidelines on share ownership as a % of base salary	Guideline met	Shares owned at 1 January 2019	Shares owned at 31 December 2019	Shares sold or acquired during the period 1 January 2020 and 28 February 2020
Nigel Wilson	966%	300%	Yes	3,011,725	3,013,450	126
Jeff Davies	1%	200%	No	1,005	1,582	126
Kerrigan Procter	266%	200%	Yes	264,425	460,162	126
Michelle Scrimgeour – appointed 2 September 2019	0%	200%	No	–	–	–
Mark Zinkula – retired on 31 August 2019[2]	581%	200%	Yes	1,242,899	1,689,048	–

1. Closing share price as at 31 December 2019: £3.03; Closing share price as at 31 August 2019: £2.20.
2. The amount reported as Mark Zinkula's shares owned as at 31 December 2019 are as at 31 August 2019, the date of his retirement.

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 dependent child under the age of 18 years.

Although the share ownership guidelines are not contractually binding, executive directors are normally expected to retain any after tax vested share awards until the guideline is met. The Committee retains the discretion to withhold future grants under the PSP if executives are not making satisfactory progress against the guidelines. Once shareholding requirements have been met, executive directors may sell surplus shares if they wish. The Committee has discretion to allow executive directors to sell shares prior to the shareholding guidelines being met if there are extenuating circumstances, for example, changes to personal circumstances.

From 2020 all executive directors will also be required to maintain this level of shareholding for two years post-cessation of their employment.

Share options exercised during 2019

The following table shows all share options exercised by the executive directors during 2019.

Executive director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Nigel Wilson	11/06/2014	215,672	23/04/2019	2.910	627,606
Nigel Wilson	14/04/2015	159,576	23/04/2019	2.910	464,366
Nigel Wilson	21/04/2016	148,282	23/04/2019	2.910	431,501
Mark Zinkula	11/06/2014	147,288	06/03/2019	2.762	406,809
Mark Zinkula	14/04/2015	106,692	12/03/2019	2.739	292,229
Mark Zinkula	14/04/2015	113,974	16/09/2019	2.528	288,126
Mark Zinkula	21/04/2016	102,090	01/04/2019	2.752	280,952
Mark Zinkula	21/04/2016	109,057	16/09/2019	2.528	275,696
Mark Zinkula	21/04/2016	109,058	16/09/2019	2.528	275,699
Kerrigan Procter	11/06/2014	121,812	17/11/2019	2.767	337,054
Kerrigan Procter	14/04/2015	81,842	17/11/2019	2.767	226,457
Kerrigan Procter	21/04/2016	50,208	17/11/2019	2.767	138,926
Kerrigan Procter	09/04/2014	8,108	02/12/2019	2.758	7,362

Non-executive directors' remuneration – 2019

Non-executive directors' fees

The fees for the Chairman were reviewed during 2019 and with effect from 1 August 2019 the fee was increased from £490,000 to £505,000. The table below sets out the current fees.

The current limit for fees paid to non-executive directors is an aggregate of £1,500,000 p.a.

Annual fees	Current fee £
Chairman	505,000
Base fee	75,000
Additional fees:	
Senior Independent Director	30,000
Committee Chairmanship fees (Audit, Remuneration and Group Risk Committees)	30,000
Attendance fee (payable if the non-executive sits on two or more Board Committees)	10,000

The table below shows the actual fees paid to our non-executive directors in 2019 and 2018.

Non-executive director		Fees for 2019	Benefits for 2019	Total remuneration for 2019	Fees for 2018	Benefits for 2018	Total remuneration for 2018
Sir John Kingman	Chairman N CG	**496,250**	**–**	**496,250**	466,667	–	466,667
Henrietta Baldock[1]	A N R Ri – appointed 1 October 2018	**190,625**	**1,115**	**191,740**	103,447	–	103,447
Philip Broadley	A CG N R Ri	**115,000**	**1,439**	**116,439**	115,000	569	115,569
Lesley Knox	A N R Ri	**165,000**	**3,062**	**168,062**	115,000	1,211	116,211
George Lewis	A N Ri – appointed 1 November 2018	**102,708**	**17,906**	**120,614**	14,167	–	14,167
Julia Wilson	A CG N Ri	**115,000**	**367**	**115,367**	115,000	–	115,000
Toby Strauss	A CG N Ri	**115,000**	**437**	**115,437**	115,000	1,547	116,547

Key:
NED Committee membership:
A = Audit
N = Nominations
R = Remuneration
Ri = Risk
CG = Corporate Governance

1. 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 group. The actual fees in the table above include her total fees for both roles.
2. 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 group. The actual fees in the table above include her fees for both roles.

Shareholding requirements – non-executive directors

Non-executive directors are required to build up a shareholding equivalent to one times base fee. The table below shows their shareholding as at 2 January 2020, taking into account share purchases in relation to December 2019 fees, purchased on 2 January 2020.

Name	Shareholding as at 2 January 2020	Holding as a % of base fee	Met criteria of 1 x base fee	Shares purchased from 1 January 2020 to 28 February 2020
Sir John Kingman	180,717	108%	Met	3,862
Henrietta Baldock	9,664	39%	On Target	1,206
Philip Broadley	43,135	174%	Met	–
Lesley Knox	77,600	314%	Met	–
George Lewis	25,592	103%	Met	338
Julia Wilson	51,823	209%	Met	–
Toby Strauss	36,134	146%	Met	1,789

Non-executive directors' terms of employment

Annual fees	Current letter of appointment start date	Current letter of appointment end date
Sir John Kingman	24 October 2016	24 October 2021
Julia Wilson	09 December 2017	09 December 2020
Henrietta Baldock	04 October 2018	04 October 2021
Philip Broadley	08 July 2019	08 July 2022
Lesley Knox	01 June 2019	01 June 2022
George Lewis	01 November 2018	01 November 2021
Toby Strauss	01 January 2020	01 January 2023

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.

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 the divisions operate. The policy for the majority of employees continues to be 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
Base pay	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: • the nature, size and scope of the role • the knowledge, skills and experience of the individual • individual and overall business performance • pay and conditions elsewhere in the group • appropriate external market data 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. During 2019, the average base pay increase was 3.6%. For the latest pay review the approach adopted was for the lowest paid employees (less than £30,000) to receive, on average, the highest increases (generally 4% of base pay).
Annual bonus	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. The group operates bespoke bonus plans where business appropriate. However, the Remuneration Committee has ultimate discretion over all bonus plans. 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. The company reserves the right to adjust deferral levels for code staff as deemed appropriate.
Performance share plan (PSP)	Participation in the PSP is offered to a small number of senior executives 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. This includes employees in LGIM whose roles span different business divisions and whose participation encourages synergy and teamwork across the group. Participation in the plan for one year does not guarantee participation in future years. PSP awards were made to around 80 employees during 2019. Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.
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.
Benefits	In 2019, changes were made to the benefits provided to UK employees. Private medical insurance is now available to every UK employee, with increased life insurance, improved holiday and family-friendly policies (maternity, paternity, adoption and shared parental leave). During 2020, there will be a further review of employee benefits.
Pension	All employees are given the opportunity to participate in a Group Pension Scheme. The pension opportunity offered to the majority of the workforce is 10% of base pay.
Employee share plans	All employees are given the opportunity to participate in a Save As You Earn (SAYE) 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 audit
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 audit 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 2019. Further details can be found on page 51 of the annual report.

Pay ratio in relation to the Group CEO
Since 2016 we have voluntarily disclosed details of the pay ratio in relation to the Group CEO 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 CEO single figure total remuneration and total remuneration for all UK employees and the details of the salary and total remuneration for UK employees.

Total remuneration

		Pay ratio			All UK employees £		
Year	**Method**	**75th percentile**	**Median**	**25th percentile**	**75th percentile**	**Median**	**25th percentile**
2019	**B**	**68**	**112**	**168**	**67,744**	**41,177**	**27,408**
2018	B	39	79	134	86,082	42,906	25,381
	A	49	83	132	69,923	40,814	25,730
2017	B	51	90	133	67,475	38,055	25,891
	A	52	89	137	66,572	38,802	25,023

Base pay

		Pay ratio			All UK employees £		
Year	**Method**	**75th percentile**	**Median**	**25th percentile**	**75th percentile**	**Median**	**25th percentile**
2019	**B**	**16**	**26**	**40**	**59,692**	**36,000**	**23,375**
2018	B	13	26	41	71,583	35,493	22,570
	A	16	27	41	57,853	34,475	22,781
2017	B	18	27	42	51,550	33,706	21,765
	A	16	27	42	58,020	33,649	22,148

Pay ratio commentary
Between 2018 and 2019 the ratio of total remuneration for the Group CEO compared to UK employees has risen, having previously fallen from 2017 to 2018. The increase is the result of the high vesting level of the 2017 PSP compared with the PSP awards in the previous two years, which reflects the sustained financial performance and the delivery of high total shareholder returns over the last three years.

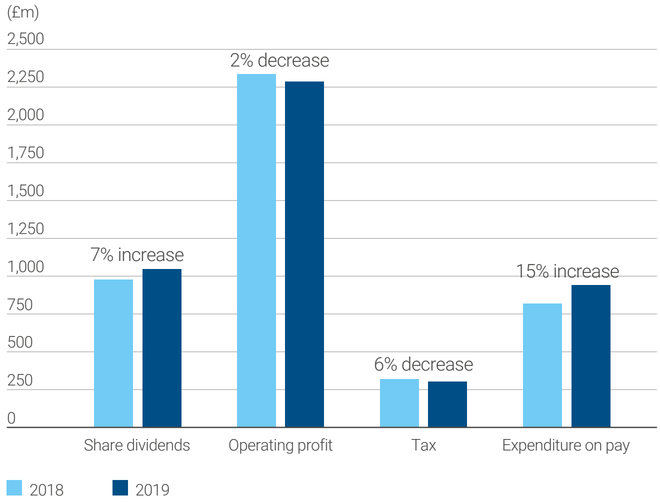
Methodology
We have chosen option B as our method for calculating the pay ratio for 2019, consistent with the methodology for reporting of the gender pay gap. The total remuneration figures for the UK employees are based on salaries at 1 December 2019. Bonus amounts for 2019 are not determined for some eligible employees until after publication of this report, and therefore it is not possible to determine the exact 2019 total remuneration for all UK employees (option A) within this timescale. As indicated in the 2018 report, for completeness and transparency, we have included the pay ratios based on the option A method for 2018 and 2017 and we will also retrospectively disclose the pay ratio for 2019 based on the option A method in the 2020 report. We do not believe that this will result in pay ratio figures which are materially different to the 2019 figures disclosed above.

Percentage change in remuneration of director undertaking the role of Group Chief Executive
2019 over 2018

	Change to base pay %	Change to benefits %	Change in AVP %
Group Chief Executive	1.99%	2.14%	15.60%
Comparator group	3.60%	3.60%	3.07%

As with last year we have chosen the whole UK employee population as the comparator group. This group has been 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 spend on pay compared to shareholder dividends and operating profit for the year. Operating profit has been shown because it is a KPI of the business. No share buybacks were made in 2018 or 2019.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2019.

Committee members, attendees and advice

Meetings in 2019

During 2019, the Committee met five times and in addition had ongoing dialogue via email and telephone discussion. An outline of the Committee undertakings during 2019 is shown in the table below. Members: during 2019 the Remuneration Committee comprised the following non-executive directors:

Year	Number of Remuneration Committee meetings attended during 2019
Lesley Knox	5/5
Philip Broadley	5/5
Henrietta Baldock	5/5

Committee undertakings

Quarter	Governance	Performance	Remuneration policy	Regulatory
First	• Review of report on the activities of the Group Reward Steering Committee in 2018	• Reviewed findings of the CRO report • Approved the 2018/19 annual pay review and executive pay awards • Approved vesting of the 2016 PSP, LGIM LTIP and LGC Direct Investment Share Awards	• Approved the 2019 AVP performance measures • Approved the 2019 long-term incentive awards • Approved the 2019 SAYE invitation	• Approved the remuneration policy statement for the PRA
Third	• Reviewed outcomes of AGM season • Review of Group & Divisional Reward Steering Committee terms of reference	• Financial update and indicative variable pay update for executive teams	• Review of the executive remuneration policy	
Fourth	• Review and approval of Committee terms of reference • Review of report on the activities of the Group Reward Steering Committee in 2019	• Review of the salary and variable pay budget proposals for the 2019/20 review • Consideration of incentive out-turns in respect of 2019	• Continuation of remuneration policy review, focused on pension contributions and shareholding requirements • Review of AVP and PSP performance measures and targets for 2020 • Approved 2020 SAYE invitation	• Review of code staff lists • Reviewed remuneration policy statements for FCA and PRA

At the invitation of the Remuneration Committee, the Group Chairman attends Committee meetings. Where appropriate, the Group Chief Executive, Nigel Wilson; and 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 his or her own remuneration.

At the invitation of the Remuneration Committee, a representative from Deloitte LLP also attends Committee meetings. During 2019, Deloitte principally advised the Committee on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. Deloitte 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 Deloitte LLP engagement team is objective and independent. Deloitte are signatories to the remuneration consultants' group code of conduct in relation to executive remuneration consulting in the UK. The total fees paid to Deloitte in relation to Remuneration Committee work during 2019 were £120,750 (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, Deloitte also provided the company with tax advice, consulting services, internal audit support and financial advisory services.

Annual report on remuneration continued

Terms of reference
The Committee's terms of reference are available on our website. The remit of the Committee includes the remuneration strategy and policy framework for the whole company as well as 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 our 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 all questions and challenges 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, there have been regulatory breaches, or they are aware of any other considerations that may lead the Committee to consider whether it should impact the payment of bonuses to staff (including in particular the executive directors and Code staff).

The CRO 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. 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 CRO 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 shareholders
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 have helped shape our thinking and whilst the proposed new remuneration policy remains very similar to the existing policy we have proposed a number of changes. These include increasing the shareholding for all executive directors to 325% of base pay, limiting the period for which relocation benefits may be paid to a director to a maximum of two years and the introduction of an explicit bonus moderator in the AVP enabling the Committee to reduce (but not increase) formulaic outcomes. From 2021 it is also proposed to include a specific environmental, social and governance (ESG) target as an AVP performance measure.

During 2019 the pension contributions for new executive directors have already been aligned with that available to the majority of the UK workforce (10% of base pay). We will continue to review pension contributions and it is intended that these will be aligned between the UK workforce and all executive directors by 2022.

Statement of voting at the annual general meeting (AGM) 2019

The table below shows the voting outcomes on the directors' remuneration policy at the AGM in May 2017, and the directors' remuneration report at the last AGM in May 2019.

Item	For	Against	Abstain number
Remuneration policy	91.23%	8.77%	–
	3,851,461,140	370,032,785	15,093,723
2018 remuneration report	97.83%	2.17%	–
	4,066,344,533	90,018,275	28,689,449

Dilution limits

The company's all-employee plans and the now-closed ESOS 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 10% of issued capital in 10 years limit for all schemes.

As at 31 December 2019, the company had 4.93% of share capital available under the 5% in 10 years limit and 9.71% of share capital under the 10% in 10 years limit.

As at 31 December 2019, 29,537,141 shares were held by the Employee Benefit Trust to hedge outstanding awards of 52,054,902 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

The company considers that certain external appointments can help to broaden the experience and contribution to the Board of the executive directors. Any such appointments are subject to annual agreement by the group and must not be with competing companies. Subject to the group's agreement, any fees may be retained by the individual. However, they received no fees for the below appointments.

External appointments held in 2019 are shown below:

	Role and organisation	Fees
Nigel Wilson	n/a	Nil
Jeff Davies	n/a	Nil
Kerrigan Procter	n/a	Nil
Michelle Scrimgeour	Director of The Investment Association, Member of the FCA Practitioner Panel	Nil
Mark Zinkula	On the Board of the Financial Reporting Council	Nil