

Nominations and Corporate Governance Committee report



Sir John Kingman
Chairman

The composition of the Committee

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

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

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



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



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The role of the Committee

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

The Committee's key responsibilities are:

- Regularly reassessing the structure, size and composition of the Board and recommending any suggested changes.
- Considering succession planning for directors and other senior executives. This takes into account the promotion of diversity and inclusion, the challenges and opportunities facing the company, and the skills and expertise needed by the Board in the future. In addition, the Committee ensures the continued ability of the company to compete effectively in the market place.

- Reviewing the criteria for identifying and nominating candidates for appointment to the Board based on the specification for a prospective appointment including the required skills and capabilities.
- Identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise, taking into account other demands on directors' time.
- Reviewing the time commitment required from non-executive directors and assessing the non-executive directors' other significant commitments to ensure that they continue to be able to fulfil their duties effectively.
- Overseeing and monitoring the company's corporate governance framework, ensuring compliance with the UK Corporate Governance Code while promoting the highest standards of corporate governance across the Group.

How the Committee spent its time in 2020

During 2020 the Committee has focused in particular on the recruitment of the two new non-executive directors, Ric Lewis, who joined the Board in July 2020, and Nilufer von Bismarck OBE, whose appointment was announced in November 2020 and who will join the Board in

May 2021. The biographies of these two new non-executive directors are set out on page 59 and show the strength and depth of skills and experience they bring to the Board. The process involved in these non-executive director appointments was as follows:

The process for the appointment of new non-executive directors

Role requirements	Process	Search	Recruitment
A specification was prepared for the role of non-executive director, specifying the skills, knowledge, experience and attributes required. A strong understanding of the financial services industry was considered essential in order for the appointee to contribute broadly to Board debate. Provided an individual had the relevant skills, previous Board experience was not a necessity.	As part of Board succession planning, the Committee agreed in 2019 to commence a recruitment process to identify a suitable candidate for a new non-executive director. After a tender process, Spencer Stuart, an external search consultant, was engaged to facilitate the search and selection process.	Potential candidates identified were assessed against the role specification, merit and with due regard for the benefits of all forms of diversity on the Board, including gender and ethnicity. Candidates were then shortlisted for interview. Interviews focused on each candidate's skills and experience for the role.	Following interview by the Chairman, the Group Chief Executive and the Group HR Director, a number of candidates progressed to meet other Board members. All were appropriate for appointment based on their skills and experience. Two of the candidates indicated that they were keen to join the Board and the Committee agreed that those candidates should be recommended to the Group Board for appointment to the Board. The Board approved the two appointments. Ric's appointment took effect on 18 June 2020. Nilufer's appointment was announced on 26 November 2020 and will take effect from 1 May 2021.

In 2019 the Board undertook an assessment of the skills and competencies required for non-executive roles for the Board to effectively develop and oversee the Group's strategy and the identification of any gaps which could be filled to enhance the Board's future performance. The Committee determined that the company had a strong Board that was sufficiently able to manage the demands of the Group, but it would be useful to bolster the Board further in certain areas contemplated by the Group's five-year strategic plan. In addition, the Committee discussed that the Board would benefit from further diversity, including ethnic diversity. In 2020, the Board progressed these discussions and recruited two new non-executive directors, both of whom add valuable experience to the Board in financial services but also in sectors in which the company's exposure is increasing, such as real estate. The two new non-executive directors also add additional diversity to the Board. Further detail on our Group Board diversity is detailed in the charts on page 81.

The Board, as part of a continued focus on achieving best practice in governance, decided in 2020 to streamline executive representation on the Board to ensure there was always a substantial majority of independent non-executive

directors. As such, from November 2020 only the Group CEO and Group CFO sit on the Board as executive directors. Kerrigan Procter, Chief Executive LGC, and Michelle Scrimgeour, Chief Executive LGIM, who were previously also executive directors of the Board, have continued in their executive roles.

The Committee has continued to focus on contingency, medium-term and long-term succession planning for the executive and senior management, with particular emphasis on leadership succession and capabilities evaluation. The Committee discussed in particular how the Executive Committee had worked together in response to the challenges posed by the Covid-19 pandemic. Following Committee discussions early in the year on executive succession, a number of changes were made to our executive team in September 2020, including the announcement of the appointment of Chris Knight as Chief Risk Officer and Andrew Kail, joining from PwC, as CEO of LGRR. In addition, later this year Laura Mason, currently Chief Executive, Legal & General Institutional Retirement (LGRI), will succeed Kerrigan Procter as Chief Executive, Legal & General Capital. Kerrigan Procter will be moving to a new role as President of Asia, Legal & General Group. We will run a formal recruitment process to identify Laura's successor as Chief Executive, LGRI. The Group aims for long integration periods for senior executive roles to ensure well-planned and appropriate handovers and this set of changes to the executive team will follow that planned long integration approach.

Nominations and Corporate Governance

Committee report continued

The Committee also discussed succession planning for the Senior Independent Director (SID), a position currently held by Julia Wilson. Julia has served a nine-year term on the Board and so will step down on 31 March 2021. Philip Broadley, our Audit Committee chair, will take over from Julia as SID. Philip's four years of experience on the Board and as Audit Committee chair will position him well to fulfil the duties of SID. When considering Philip's appointment as SID, the Committee thought carefully about the time commitment required to undertake both this role, the role of Audit Committee Chair and his other external commitments. The Committee satisfied itself that Philip had sufficient time to fully commit to both roles.

The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director's other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company. As Julia Wilson has served on the Board for nine years, her continued independence was subject to a more rigorous review in 2020. Committee members considered Julia's external interests and other relationships which could materially interfere with her ability to exercise independent judgement. It was concluded that there were no circumstances which would affect Julia's ability to act in the best interest of the company and that her length of tenure had no detrimental impact on her level of independence.

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

- Monitoring the Group's compliance with the UK Corporate Governance Code.
- Promoting the highest standards of corporate governance across the Group.
- Considering and approving directors' additional external appointments, taking into account other demands on directors' time.
- Ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.
- Overseeing the process for ensuring that non-executive directors have tailored induction programmes on appointment and on-going development programmes, including regular Executive Business Awareness sessions, designed to maximise their effectiveness.

- Overseeing the process by which the Board, each Committee and individual directors assess their effectiveness (including the use of an external facilitator periodically, as well as self-assessment) and report to the Board on the findings and recommendations.

Details of the Group's compliance with the UK Corporate Governance Code have been provided on pages 76 to 77.

Our approach to diversity and inclusion

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

1. Building a diverse and inclusive Board

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

We are committed to improving ethnic minority representation on our Board. Our appointment of Ric Lewis in 2020, and the arrival of Nilufer von Bismarck in May 2021, brings to the Board significantly greater diversity of ethnicity, in line with our Board Diversity Policy and the recommendations of the Parker Review.

The Board continues to support Lord Davies' and the Hampton-Alexander voluntary targets, namely for a third of all Board members in FTSE 350 companies to be women by 2020. As at 31 December 2020, our Board comprised 30% women and 70% men.

We are committed to increasing the number of women on our Board further and will address our current position as soon as possible. The chart on the following page demonstrates the Board's current position.

2. Gender diversity and an inclusive Senior Leadership Team

A diverse Senior Leadership Team is as important as a diverse Board, because we believe that executive decision-making is more effective if it takes into account a wider range of views and opinions. Therefore, we continue to hold ourselves to the stretching aspirational targets we set in 2017, to be achieved by the end of 2020:

1. 50% female representation across our total population.
2. 40% female representation at middle/senior management level.

As of 31 December 2020, female representation across the group stood at 45% and at 35% at the middle/senior management level. Our Executive Committee comprises 27% women and 73% men, with two of our five operating businesses led by a female CEO.

Whilst it is disappointing not to hit the targets we set ourselves, we continue to take practical and purposeful steps towards redressing imbalance, including:

- Reinforcing our inclusive hiring practices (such as balanced shortlists and diverse interview panels) and broadening our focus to allow us to address other areas of under-representation beyond gender.
- Continued rollout of a digital, strengths-based assessment tool to reduce bias in talent management decisions.
- Expansion of family-friendly, agile working practices.
- Additional investment in training for line managers and leaders, helping them build new skills for leading inclusive teams where everyone can perform at their best.
- Provision of wellbeing resources including access to a backup network for child, adult and elder care; and
- Ongoing external validation and benchmarking through the Women in Finance Charter, the Bloomberg Gender Equality Index and Hampton Alexander Review.

In 2020, we were awarded the Citywire Gender Diversity 'Judges choice' Award. This accolade was awarded for our stewardship work on gender diversity and leading position on ethnicity, as well as for the female representation in businesses at the board and executive levels and across other senior roles.

Full gender data for our management teams and all employees is available on page 54.

3. Broadening the diversity & inclusion agenda across our organisation

2020 threw into sharp relief the need for continued focus, investment and action to address structural inequality and disadvantage within our organisations and across society. During the year, we spent time listening to our people, exploring external perspectives and reaffirming our commitment to building a diverse and inclusive business.

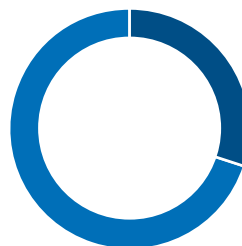
To reflect the importance of creating a diverse and inclusive business, at the end of 2020, we established our Global Diversity and Inclusion Council which reports to our Group Executive and Group Board, through the Nominations and Corporate Governance Committee. It is chaired by Laura Mason, CEO of our Institutional Retirement business and our Global Diversity and Inclusion Sponsor, and comprises senior leaders from across our divisions and geographies alongside Jeff Davies (Group CFO), Emma Hardaker-Jones (Group HR Director) and Michelle Scrimgeour (CEO, LGIM). The Council is tasked with defining and driving an ambitious agenda for D&I across the Group. It regularly reports to the Nominations and Corporate Governance Committee.

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

Our standards include:

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

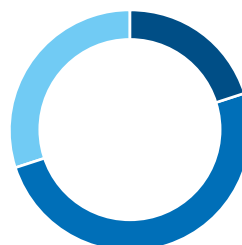
Diversity Gender



As at 31 December 2020 the Board comprised:

- 30% Women
- 70% Men

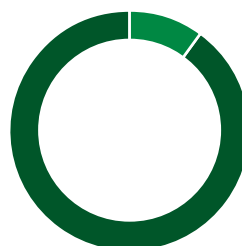
Tenure



As at 31 December 2020 the length of tenure of the non-executives varies:

- 20% Over six years
- 50% Between three and six years
- 30% Between zero and three years

Ethnicity



As at 31 December 2020 the Board comprised individuals from the following ethnic groups:

- 10% Black
- 90% White



As at 1 May 2021 the Board will comprise individuals from the following ethnic groups:

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

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

The Committee briefs the search firm to ensure that the pool of candidates presented includes a diverse range of candidates with an appropriate range of experience, knowledge and background, and who demonstrate independence of approach and thought. As detailed on page 79, this process was followed for the recruitment of our new non-executive directors appointed in 2020.



Finding what you need online

We have published our gender pay gap data which can be found online at www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

A summary is available on page 54 of this report.