Directors' report on remuneration – introduction

LESLEY KNOX
Chair of the Remuneration Committee

Our remuneration report is organised into the following sections

The directors' remuneration policy was subject to a binding vote at the 2017 AGM, and will apply for three years from the 2017 AGM.

The annual report on remuneration together with the Chair's Statement will be subject to an advisory shareholder vote.

Letter from the Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee's report on remuneration for 2017. Our current remuneration policy was approved by shareholders at the 2017 AGM and I would like to take this opportunity to thank you, our shareholders, for the strong support received.

Review of our remuneration policy

As we communicated to shareholders last year, during the course of 2017 the Committee took a fresh look at the group's approach to executive remuneration (including all senior management within the group).

As part of that review, the Committee sought views internally from the new Chairman and other Board members, reflected on feedback that had been received from shareholders over the previous years on our current approach to remuneration and on the changing external environment and stakeholders' evolving views on remuneration.

The Committee considered a number of possible alternatives, ranging from retaining the current approach, which is very much in line with UK plc market practice, to moving to a restricted stock style plan or the potential use of a single incentive plan. Whilst the alternatives were debated at length, the Committee concluded that the current structure approved by shareholders at the 2017 AGM continues to be appropriate to drive sustainable delivery of the group's short and long-term ambitions, in alignment with our strategy, subject to two modifications:

1. To extend the holding period applied to PSP awards such that the entirety of any award must be held for two years following the end of the performance period (rather than the current phased approach); and
2. To remove the current Earnings Per Share (EPS)/ Dividend Per Share (DPS) matrix that previously accounted for 50% of the performance measures used for the PSP and replace it with a measure based on EPS growth, while retaining the current TSR performance measure for the remaining 50% and continuing to assess overall performance against key Solvency II performance indicators.

During the course of late 2017 and early 2018, the Committee consulted with the group's largest shareholders on the above changes. Shareholders that were consulted with were supportive of the proposed changes. The proposed changes are within the bounds of the Remuneration Policy approved by shareholders at the 2017 AGM, and as such we will not present a revised policy for approval at the 2018 AGM.

Further details of our rationale for these proposed changes are provided in the 'At a glance' section of the Directors' remuneration report on page 80.

Board changes and changes to the Committee

As set out earlier in the report, in November 2017 the Board announced the appointment, with effect from January 2018, of Kerrigan Procter as CEO of Legal & General Capital, which will enable the group to further enhance the synergies across the Legal & General's principal balance sheet businesses. Whilst Kerrigan's role has evolved, the Committee considered that his overall remuneration arrangements remained appropriate and as such no changes are proposed, other than the annual review of remuneration in line with wider employees, as set out below.

During the year, there were also changes to the membership of the Remuneration Committee, with Rudy Markham and Richard Meddings both stepping down from the Board in

May 2017, while Philip Broadley (Chair of the Audit Committee) was appointed to the Remuneration Committee at the same time. I would like to place on record the Committee's gratitude to both Rudy and Richard for their invaluable contributions to the deliberations of the Remuneration Committee, and welcome Philip to the Committee.

Finally, our Group HR Director, Elaine MacLean, retired in January 2018 and was replaced by Emma Hardaker-Jones who prior to joining, held roles at PA Consulting, as Global Head of HR on the Board and at BP, as Global Head of Talent and Resourcing. I wanted to thank Elaine for the counsel she has provided to the Committee during her time as Group HR Director, during which there has been a significant evolution of the approach to both executive and all employee reward within the group, and I would like to welcome Emma, with whom we look forward to working over the coming years.

Link between pay and performance for 2017

In line with the financial results reported by the Group elsewhere in the report (pages 40 to 47), Legal & General has continued to deliver strong performance during 2017, with particular highlights including an increase in operating profit of 32% and continued growth in earnings per share, up by 50%.

In this context, the Committee determined the following out-turns for incentive awards during the year.

Annual variable pay (AVP)

Pages 94 to 96 detail the targets and outcomes relating to 2017 as well as remuneration received relating to the year.

The results of the group in the year reflect the significant impact of mortality assumption changes and changes in US corporate tax which were not factored into the original targets. The Committee therefore discussed whether AVP out-turns were truly reflective of the performance of the group in the round, acknowledging that the impact of assumption changes is, to some extent, outside the control of management.

The committee was of the view that it would not be appropriate to include the full impact of these assumption changes or the one off impact of US corporate tax rate changes. However, the underlying performance was sufficiently strong for the group financial performance targets to be met in any event. Further details on overall out-turns for each executive, taking into account performance against divisional and/or strategic measures, can be found within the remuneration report.

Going forward, the Committee will monitor and consider further its approach to factoring in the impact of longevity releases on incentive out-turns to ensure that the approach aligns out-turns with executive performance and the group's risk appetite, whilst at the same time reflects the overall experience of investors. Further details will be provided to investors as appropriate within the 2018 Directors' remuneration report.

Performance Share Plan (PSP)

The performance period for the PSP granted in 2015 ended on 31 December 2017. Based on the group's performance over the past three years, including the strong earnings (24%) and dividend (10.9%) average annual growth of the company over the performance period and the total shareholder return relative to the FTSE 100, these awards will vest at 59.9% of the maximum.

Base salary increases in 2018 and the link to the wider work force

In determining base salary increases for executive directors for 2018, the Committee was mindful of the wider approach to the year-end review for employees within the group. The average base salary increase for all UK employees was 3.7%; however, it was agreed that this spend would be focused on more junior employees and as such base salary increases for senior managers within the group (including the executive directors) were limited to 2%, whilst the average salary increase for other employees was 3.8%.

This is part of the Company's ongoing commitment to ensure that remuneration for all employees is fair, market competitive, recognises performance and promotes the culture and values of the group.

Details of the salaries for the executive directors for 2018 are set out in our 'How will the remuneration policy be implemented in 2018?' section on page 81, which also details how the wider remuneration policy will be implemented in 2018.

Wider issues regarding remuneration

As a Committee, we have aimed to reflect the desire from investors for increased transparency, not only directly in relation to our policy for executive remuneration, but also in relation to remuneration across the wider workforce. As with the 2016 report, we have therefore considered it appropriate to voluntarily include information on the ratio of the CEO's pay to the wider population, and we will continue to consider this ratio when making future remuneration decisions.

Diversity in the workforce also continues to be a priority for the Committee as we look to build on the work done since we signed the Women in Finance Charter in 2016. Further details on gender diversity across the group and our gender pay gap are provided on pages 32 to 35.

Looking forward

The Committee is mindful of the wider debate on executive remuneration within society and of the role that Legal & General plays in this regard, not only as a major investor through Legal & General Investment Management but also as a Company that looks to maintain the highest standards of corporate governance.

During the coming year, the Committee will therefore continue to monitor developments in remuneration and how this is reflected in our remuneration policy for directors.

I hope that you find this report a clear account of the Committee's decisions and how they have been implemented.

Lesley Knox

Lesley Knox
Chair of the Remuneration Committee

At a glance

How do the performance measures used for incentive arrangements align with the group's KPIs?
The Committee considers it important that the performance measures used for the purpose of the incentive arrangements for management are directly aligned to the group's KPIs. The following table therefore sets out how the performance measures used for the purpose of the AVP and PSP are directly linked to our KPIs.

Overarching drivers of the business	Group KPIs	Key measure in the remuneration of executives
Profit	• Operating profit • Earnings per share • Profit before tax	• Operating profit – up to 25% of 2018 AVP awards • Adjusted EPS – up to 12.5% of 2018 AVP awards • EPS growth – 50% of 2018 PSP awards
Cash generation	• Net release from operations	• Net release from operations – up to 20% of 2018 AVP awards
Shareholder value creation	• Total shareholder return	• Relative TSR – 50% of 2018 PSP awards
Strategic priorities and non-financial goals	• Worldwide employee engagement index • Diversity agenda • Risk profile • Divisional objectives • Customer experience	• Divisional and personal strategic objectives make up significant proportions of the AVP scorecards for all executive directors • Performance against Solvency II objectives considered when determining vesting for the PSP awards

How will the remuneration policy be implemented in 2018?

The tables below set out a high level summary of our Directors' Remuneration Policy (the 'Policy'), as well as how that policy will be implemented in 2018. The policy was approved by shareholders at our 2017 Annual General Meeting. Details of the approved Remuneration Policy can be found on pages 83 to 91.

Time horizons of our remuneration structure

	2018	2019	2020	2021	2022	Comment
Fixed pay						
AVP						50% paid in cash at the end of 2018 50% deferred into Legal & General shares – released following the end of 2021
PSP						100% of awards subject to a two-year holding period – released following the end of 2022

Paid during 2018 | Performance period | Holding period

Overview of policy / Implementation for 2018

Fixed pay

Overview of policy:

- Consists of base salary, benefits and pension contribution.
- Salaries normally reviewed annually effective from 1 March.

Implementation for 2018:

	Salary	Salary increase	Pension – cash allowance	Benefits
Nigel Wilson	£927,000	2.0%	15% of salary	Provided in line with approved policy
Jeff Davies	£510,000	2.0%	13.8% of salary	
Mark Zinkula	£638,000	2.0%	15% of salary	
Kerrigan Procter	£484,500	2.0%	15% of salary	

AVP

Overview of policy:

Performance measures are weighted as follows:

	Group financial	Divisional performance	Strategic personal objectives
Nigel Wilson	70%	–	30%
Jeff Davies	70%	–	30%
Mark Zinkula	35%	35%	30%
Kerrigan Procter	35%	35%	30%

- Performance measured over one financial year.
- 50% paid in cash, 50% deferred into Legal & General shares for three years.
- Clawback and malus provisions apply.

Implementation for 2018:

- Maximum opportunities (no change from 2017):
  - Nigel Wilson – 150% of salary
  - Jeff Davies – 150% of salary
  - Mark Zinkula – 175% of salary
  - Kerrigan Procter – 175% of salary
- Performance will be based on a combination of group and/or divisional financial performance targets as well as strategic (including customer and employee measures) and personal measures.

PSP

Overview of policy:

- Three-year performance period, with shares held for a further two years following the date of vesting.
- Performance will be measured based on a combination of total shareholder return (50% of award) and financial measures (50% of award).
- 15% of the award vests for threshold performance.
- Maximum award of 300% of salary.
- Clawback and malus provisions apply.

Implementation for 2018:

- All executive directors will have a maximum award opportunity of 250% of salary (no change from 2017).
- For awards made in 2018, performance will be measured against:
  - EPS growth (50% of award). Threshold vesting requires growth of 5% p.a., with maximum vesting requiring growth of 14% p.a.
  - Relative TSR against the FTSE 100 (25% of award) and a bespoke group of insurance companies (25% of award).* Threshold vesting at median TSR performance. Maximum vesting occurs for upper quintile TSR performance against the respective peer groups.
  - Vesting of awards subject to an assessment of performance against Solvency II objectives.

* Bespoke TSR peer group comprises of the following companies: Aegon, Ageas, Allianz, Ameriprise Financial, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Ruck., ING Groep, Lincoln National, Mapfre, Metlife, Muenchener Ruck., Phoenix Group, Principal Financial, Prudential, Prudential Financial, Sampo 'A', Standard Life Aberdeen, Swiss Re, Talanx Aktgsf. and Zurich Insurance Group.

Shareholdings against guidelines

	Actual share ownership as % of 2017 base salary: vested shares	Guidelines on share ownership as a % of base salary	Guideline met
Nigel Wilson	1,244%	300%	Yes
Jeff Davies	0%	200%	No
Mark Zinkula	452%	200%	Yes
Kerrigan Procter	65%	200%	No

How were the executives remunerated for 2017?

Our performance

Financial measures used for Annual Variable Pay (AVP)

The group performance measures below accounted for 35%–70% of AVP performance assessment for our Executive Directors for their 2017 AVP award. The remaining measures are set out on pages 94 and 95.

Performance measures	2017	Target	Maximum	% of target achieved	% of maximum achieved	Further information
Net release from operations	£1,454m	£1,426m	£1,466m	102.0%	99.2%	p42
Operating profit[1]	£1,889m	£1,774m	£1,844m	106.5%	102.4%	p44
Adjusted EPS[1]	25.4p	24.0p	25.0p	105.9%	101.6%	p46
Adjusted ROE[1]	23.9%	20.1%	20.8%	118.9%	114.9%	p46

Performance measure	2017	Threshold	% of threshold achieved	Further information
Solvency II surplus emerging[2]	£1,686m	£872m	193.3%	p47

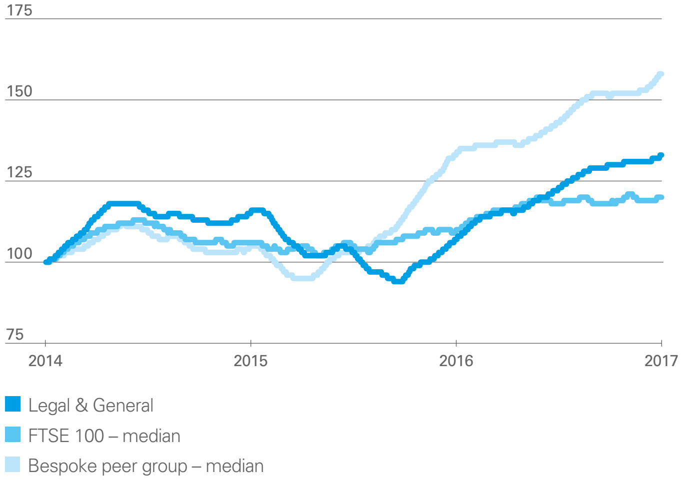
1. Amounts adjusted downwards to remove the impact of the US corporate tax rate change and a percentage of the mortality assumption changes.
2. Total surplus amount before dividends and debt raising.

Vesting of 2015 Performance Share Plan awards

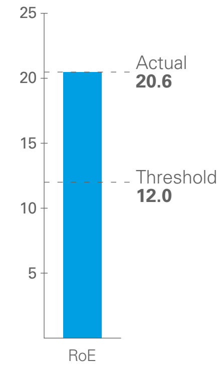
Vesting of 50% of the 2015 performance share plan awards (PSP) was determined by reference to TSR of the FTSE 100 (25%) and the bespoke comparator group (25%) over a three-year performance period.

The vesting of the other 50% of the awards was determined based on a combination of EPS and DPS growth, and subject to a RoE underpin. Further details of the targets are provided on page 97. Based on the level of performance achieved the 2015 PSP award vested at 59.9% in March 2018.

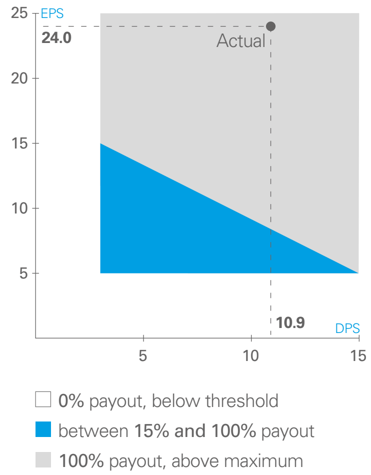
TSR performance as at 31 December 2017



Step 1: Achieved RoE underpin (% p.a. 2015–17)



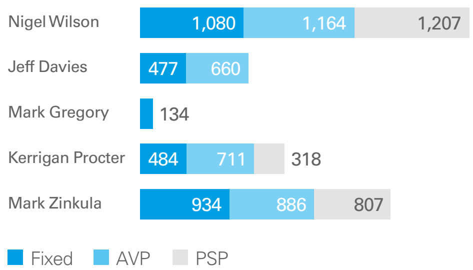
Step 2: EPS & DPS growth (% p.a. 2015–17)



How much our executive directors earned in 2017

	Fixed	AVP	3-year performance ended 31 December 2017 PSP – value at year end
Nigel Wilson	1,079,981	1,163,520	1,207,211
Jeff Davies – *appointed 9 March 2017*	476,558	660,000	–
Mark Gregory – *retired as CFO on 9 March 2017*	134,321	–	–
Kerrigan Procter – *appointed 9 March 2017*	483,579	710,719	318,367
Mark Zinkula	934,015	886,065	807,145

The fixed element for Mark Zinkula includes an international allowance relating to the US aspect of his role. Jeff Davies was appointed as CFO on 9 March 2017. Mark Gregory stood down from the Board on this date, but continued to be employed until 31 August 2017. As communicated in the 2016 report, Mark was treated as a 'good leaver' for the purpose of outstanding awards. Further details can be found on page 100 of the report.



Directors' remuneration policy

Key:

Planned implementation for 2018
Content contained within a blue tinted box indicates that all the information in the panel is planned for implementation for 2018.

The following sections sets out relevant extracts of our directors' remuneration policy (the 'policy') which was approved by shareholders by way of a binding vote at the 2017 AGM on 17 May 2017. As set out in the Chairman's letter on page 78, although no changes have been made to the policy. There are some changes in relation to the how the policy will be implemented going forward. For ease of reference, we have highlighted these areas within the policy.

Remuneration element	2017 policy
Base Salary	
Purpose and link to strategy	To help recruit and retain executive directors of the calibre required to develop, lead and deliver the business strategy.
Operation	The Committee sets base salary taking into consideration: • the individual's skills, experience and performance; • the scope of the role; • pay and conditions elsewhere in the group; • overall business performance; and • external market benchmark data in other FTSE 100 companies and other relevant bespoke groupings of financial and non-financial institutions. Base salaries are normally reviewed annually, with increases effective 1 March.
Opportunity	Whilst there is no maximum base salary, any increases for executive directors will normally be in line with the range of increases for other UK employees in the wider group. In specific circumstances, the Committee may award increases above this level, for example: • where the Committee has set the base salary for a newly appointed executive director with a view to allow the individual to progress into the role over time; or • where, in the Committee's opinion, there has been a significant increase in the size or scope of an executive director's role or responsibilities; or • where there is a significant change in the regulatory environment.
Performance	Personal performance will be taken into consideration in determining any salary increase.

Proposed changes for 2018: Base salary
No change in approach

Remuneration element	2017 policy
Benefits	
Purpose and link to strategy	Benefits are provided to executive directors to attract and retain the best talent for the business and to ensure that the total package is competitive in the market.
Operation	The Committee's policy is to provide executive directors with a market competitive level of benefits, taking into consideration benefits offered to other senior employees in the UK, the individual's circumstances and market practice at similar companies. Benefits provided to executive directors are normally in line with benefits provided to other senior employees in the UK. Benefits currently provided to executive directors include: car allowance, private medical insurance, life assurance, Group Income Protection, and insured death in service arrangements. These are all in line with our general policy for other UK employees. In line with other Legal & General employees, executive directors can choose to acquire Legal & General products, and are eligible to participate in the company's voluntary benefits which they fund themselves, sometimes through salary sacrifice. They are eligible to participate in the UK all-employee share plans on the same terms as other employees. The two current all-employee share plans are: • the savings-related share option scheme (SAYE) • the all-employee share incentive plan Where an executive (new or current) is required to relocate, or perform duties outside their home country in order to fulfil their duties, in line with our mobility policy and practice, additional benefits may be provided, for example: home country benefits such as healthcare and additional support in relocating such as assistance for housing, school fees, travel home, relocation costs and tax advice.
Opportunity	In line with other UK employees, there is no maximum level for the benefits as this is dependent on the individual's circumstances and the cost to the company. The maximum opportunity for participation in the current all-employee share plans is in line with other employees and takes into account the prevailing HMRC rules. Relocation/international assignment benefits – the level of such benefits would be set taking into account the circumstances of the individual and typical market practice.
Performance	There are no performance conditions.

Proposed changes for 2018: Benefits

Benefits – No change in approach. The approach to benefit provision for executive directors is the same as that operated for senior managers in the rest of the UK organisation.

Remuneration element	2017 policy
Pension	
Purpose and link to strategy	The policy aims to provide competitive post-retirement benefits and therefore recognise sustained contribution.
Operation	Pension contributions are set at an appropriate level to attract and retain high performing people. In line with other employees in the UK, executive directors currently participate in either a defined contribution pension plan, a defined benefit pension plan or receive a cash allowance in lieu of pension, or have some combination thereof. The defined benefit pension plan was closed to new joiners in 2001. From 2009, increases in pensionable salary for the defined benefit pension plan for remaining active members have been limited to a maximum of 2.5% each year and in 2015 the scheme was closed to future accruals. For executive directors who took enhanced protection in 2006, a cash allowance was provided in lieu which may be reviewed or amended by the employer. Non-UK national executives may be permitted to participate in home-country pension plans where relevant. Base salary is the only element of pensionable remuneration. At the discretion of the Committee, executive directors may elect to sacrifice all or part of their cash AVP into pension.
Opportunity	New executive directors receive 15% of base salary into the defined contribution pension plan (they contribute 5%). This contribution level for executive directors is the same as that operated for senior managers in the rest of the UK organisation in the defined contribution pension plan. As for other employees, there is a cash alternative. Mark Zinkula may also contribute part of any cash allowance into a US 401k pension plan. Mark is also a member of a cash balance plan in the US.
Performance	There are no performance conditions.

Proposed changes for 2018: Pensions
Pensions – No change in approach. The contribution level for executive directors is the same as that operated for senior managers in the rest of the UK organisation.

Remuneration element	2017 policy
Annual variable pay (AVP)	
Purpose and link to strategy	Incentivise executive directors to achieve specific group and/or divisional, financial, strategic and personal predetermined goals, within the group's risk appetite and taking into consideration the company's culture and values, on an annual basis. The deferred proportion of AVP into shares reinforces retention and enhances alignment with shareholders by encouraging a longer-term focus and risk alignment.
Operation	Performance targets and weightings are set annually by the Committee to ensure they are appropriately stretching. Performance is normally assessed over a one-year period. AVP out-turns are determined by the Committee after the year end, taking into consideration performance against targets, the underlying performance of the business and individual performance. The Committee may exceptionally adjust the outcome of the AVP calculation if it believes there are underlying circumstances that justify such a change. Normally, 50% of any AVP awarded is deferred. Deferred awards are normally awarded in the form of restricted shares or nil-cost options or phantom equivalent if appropriate. However, awards may be deferred in other forms dependent upon business or regulatory requirements. Deferred awards will vest after a period set by the Committee. This period will normally be three years. Dividends on deferred awards made in the form of shares accrue during the deferral period and normally are paid in the form of shares to the executive directors upon vesting. Dividend equivalents may accrue on awards made in other forms. Deferred awards are subject to malus. Clawback provisions also apply to both deferred awards and cash awards paid. The Committee may adjust and amend the awards in accordance with the rules.
Opportunity	The maximum award opportunity in respect of any financial year is based on role as follows: For the Group Chief Executive and CFO the maximum potential is 150% of base salary. For the CEO LGIM and the CEO LGC the maximum potential is 175% of base salary. The award opportunity at threshold performance is 0% of minimum, with up to 50% of maximum bonus payable for target performance for the Group Chief Executive, CFO and CEO LGC. Up to 60% of maximum bonus is payable for target performance for the CEO LGIM.
Performance	Performance measures are selected by the Remuneration Committee on an annual basis to ensure that they are aligned with the group's strategic priorities and the delivery of sustainable shareholder value. Performance is measured based on an appropriate mix of group and/or divisional financial performance targets as well as strategic (including customer and employee measures) and personal measures. Performance measures are weighted with normally up to 70% based on financial targets. The split between financial, strategic and personal performance measures and the relative weighting of group and divisional performance targets will be kept under review by the Committee on an annual basis.

Proposed changes for 2018: AVP
No change in approach.

Remuneration element	2017 policy
Performance Share Plan (PSP)	
Purpose and link to strategy	Awards under the PSP are reflective of the Committee's desire that the remuneration of executives should be weighted towards the delivery of sustainable returns to shareholders over the longer term. In addition to deferred awards under the AVP, awards under the PSP enhance alignment with shareholders by focusing executives on the longer-term performance of the business.
Operation	Award of shares or options which are subject to a performance period of normally no less than three years. Performance is normally measured after the end of the three-year performance period. Subject to performance, awards are normally released in three equal tranches following the third, fourth and fifth anniversaries of the grant date. The Committee retains discretion to lengthen the performance period and holding period for future awards. The Remuneration Committee may also amend the final level of vesting dependent on the underlying performance of the group. The Committee may only exercise such discretion downwards and may not increase the level of vesting. The parameters which the Committee uses in making this assessment will include, but are not limited to, market share, partnerships entered into and maintained, cost constraint, shareholder perception, capital management and a range of risk measures to ensure that the company has operated within appropriate risk thresholds. Financial performance targets are set annually by the Committee to ensure they are relevant and sufficiently stretching. PSP awards are normally awarded in the form of nil cost options or conditional shares or phantom equivalent where appropriate. However, they may be awarded in other forms if the Committee considers it appropriate. Dividends or dividend equivalents accrue in the period following the end of the performance period until vesting and release. These will normally be paid in shares on a reinvested basis. PSP awards are subject to malus and clawback provisions. The Committee may adjust and amend the awards in accordance with the PSP rules.
Opportunity	The maximum award opportunity under the PSP is 300% of salary in respect of any financial year. The Remuneration Committee's current intention is that the normal award opportunity in respect of any financial year will be 250% of base salary for all executive directors. 15% of the award normally vests for threshold performance increasing to 100% of the award for maximum performance.
Performance	Performance measures for the PSP are selected by the Remuneration Committee to be aligned with the group's long-term strategic priority of delivering sustainable returns to shareholders. The Committee therefore intends to grant awards based on an appropriate mix of earnings, capital efficiency and shareholder return measures. The split between these measures, for each grant, is set annually by the Committee and will normally be 50% based on total shareholder return and 50% on financial measures.

Proposed changes for 2018: PSP
Maximum opportunity: no changes.

Time horizons: In line with shareholder expectations and evolving market practice in this area, we are proposing to **extend the holding period** that currently applies to awards under the PSP, such that the whole award must be held for a further two years following the date of vesting.

Performance measures: In line with shareholder feedback and our continued focus on alignment with the commercial strategy:

- The EPS/DPS matrix will no longer be used as a performance condition.
- Instead, EPS performance alone will make up 50% of the award. After considering a number of alternatives, the Committee believes that EPS continues to be an appropriate and effective driver of the delivery of the commercial strategy.
- **Relative TSR performance will continue to make up the other 50%** of the award. In its review, the Committee considered the appropriateness of the current bespoke comparator group. Overall, the Committee considered the current group to be a fair representation of the key comparators of the group as a whole. Only the following changes are proposed:
  - Following the merger, Standard Life Aberdeen (which has been reclassified a diversified financials group) will remain a constituent of the bespoke comparator group going forward (in place of legacy Standard Life)
  - Given the differing nature of their operations, St James's Place and Old Mutual will be removed from the bespoke comparator group.
- Vesting of PSP awards will be subject to an assessment of performance against Solvency II objectives.

Recruitment remuneration

General approach	The Committee aims to attract, motivate and retain executive directors with the required expertise to develop and deliver the business strategy, while at the same time ensuring that the remuneration arrangements offered are in the best interests of both the company and its shareholders and paying no more than considered necessary to attract the right calibre of candidate to the role. In determining the appropriate remuneration arrangements on hiring a new executive director, the Committee will take into account all relevant factors, including, but not limited to: • the individual's skills and relevant experience • internal relativities • local market practice in the jurisdiction from which candidate was recruited • logistics and support if a relocation is required • appropriate market data • the individual's existing remuneration package Where possible the Committee endeavours to align the remuneration arrangements of new executive directors with the remuneration outlined in the policy for other executive directors. Any such awards will be within the maximum level of variable remuneration limit set out below. Where an existing internal candidate is made an executive director, the Committee may continue to honour prior commitments made before joining the Board.
Maximum variable pay levels	The maximum level of annual variable pay and long-term incentives which may be awarded to a new executive director will be in line with the policy table, that is 475% of base salary. This limit excludes buyout awards.
Buyout of any existing remuneration components or other arrangements	The Committee recognises that, as a consequence of regulatory changes around the globe in the financial services sector, long-serving executives are likely to have accrued significant levels of deferred remuneration which may be lost on a transfer of employment. Accordingly, to aid the recruitment of a new executive director, the Committee may make awards to 'buyout' remuneration arrangements forfeited on leaving a previous employer, taking into consideration relevant factors including, but not limited to: • form of the award • any performance conditions attached to those awards • the vesting profile of the awards and likelihood of vesting • relevant regulatory requirements and guidance in place in relation to 'buyout' awards 'Buyout' awards will typically reflect the terms and the value of the arrangements forgone. Where possible the Committee will use existing share-based plans to effect a buyout. However, in the event these are not an appropriate vehicle, the Committee retains the discretion to use the Listing Rules exemption (LR 9.4.2) for the purpose of making an award to 'buyout' remuneration terms forfeited on leaving a previous employer.
Relocation and mobility	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 given in relation to relocation or mobility in line with our internal policies. This may include the cost of any tax that is incurred. For appointments from overseas, home country benefits may continue to apply. Relocation and mobility support may also apply to the recruitment of a non-executive director (NED).
Shareholder transparency	The Committee believes that remuneration arrangements should be as transparent as possible. Therefore the Committee will make every effort to explain the rationale for the recruitment arrangements in the Directors' remuneration report following the recruitment of a new executive director.
Recruitment of non-executive directors	The Committee will normally align the remuneration arrangements for new non-executive directors with those outlined within the policy table.

Proposed changes for 2018: Recruitment remuneration
No change in approach.

Service contracts and termination and payments for loss of office

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

The following summarises our policy in relation to executive directors' service contracts and payments in the event of loss of office:

Notice period and Termination 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 6-months' notice by the company or the executive director Executive directors may be required to work during the notice period or take a period of 'garden leave' or may be provided with pay in lieu of notice if not required to work the full notice period. **Payments in lieu of notice:** Our policy for new appointments is that termination payments in lieu of notice would consist solely of base salary 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. The CEO LGIM may be paid his contracted benefits for three months following his effective date of termination of employment provided he is not dismissed for cause.
Expiry date	All executive directors are subject to annual re-election. The contracts for our executive directors are rolling service contracts.
Treatment of outstanding incentive award	Rights to annual variable pay, deferred annual variable pay awards and performance share awards are governed by their respective plan rules. **Annual variable pay** 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 pro-rata bonus in respect of the period of employment during the year of cessation based on an assessment of group and personal performance. **Deferred annual variable pay awards** In the event that a participant is a 'good leaver' any outstanding unvested deferred annual variable pay award will normally be released at the normal time. Where it considers it appropriate, for example in the circumstances of terminal illness, the Committee reserves the right to accelerate any payment due. 'Good leaver' circumstances are leaving due to circumstances such as 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 outstanding unvested awards lapse. Awards will generally vest early on 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.

Service contracts and termination and payments for loss of office (continued)

Treatment of outstanding incentive award (continued)	PSP awards In the event that a participant is a 'good leaver' any outstanding unvested PSP award will normally (unless the Committee determines otherwise) be pro-rated by reference to the proportion of the performance period that has elapsed on cessation and will vest based on performance to the end of the performance period. Awards will usually be released at the normal time. Where it considers it appropriate, for example in the case of terminal illness, the Committee reserves the right to accelerate any payment due. '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 any other reason at the discretion of the Committee. For all other leavers, outstanding unvested awards lapse. Awards will generally vest early on a takeover of the company, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for new awards. Where an award vests early in these circumstances, the Committee will determine the level of vesting, having regard to the extent to which the performance condition has been satisfied to the date of vesting (subject to downwards discretion based on underlying performance) and (unless the Committee determines otherwise) to the fact that the award is vesting early. 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.
Other information	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 cessation of office/employment.

Proposed changes for 2018: Service contracts and termination and payments for loss of office
No change in approach.

Non-executive directors (NEDs)

The following table sets out the key elements of remuneration and policy for NEDs.

Approach to fees	Operation	Other items
Fees for the Chairman and NEDs are set at an appropriate level to reflect: • the time commitment required to fulfil the role • the responsibilities and duties of the positions; and • typical practice in the FTSE 100 and amongst other financial institutions. Fees for non-executive directors are reviewed at regular intervals by the executive directors. Fees for the Chairman are reviewed at regular intervals by the Remuneration Committee. No one is involved in the discussion of their own fee. 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.	Our NED fees policy is to pay: • a base fee for membership of the Board • a committee attendance fee if the non-executive sits on two or more Board committees (currently not including the Nominations Committee); and • additional committee chairmanship and SID fees to reflect the additional responsibilities and time commitments of the role. The Chairman receives an inclusive fee for the role. Additional fees for membership of a Committee or chairmanship or membership of subsidiary boards or other fixed fees (such as for a particular project) may be introduced if justified by time or commitment.	The Chairman and NEDs are not eligible to participate in any benefit plans or the AVP or the PSP. Expenses incurred in carrying out NED duties (and any associated tax liability) may be reimbursed or paid for directly by the company. Additional benefits may be provided if the Board feels this is justified such as tax advice if recruited from overseas, work permits or similar. NEDs are expected to hold the equivalent of one year's base fee in Legal & General shares to be retained until the end of office. NEDs generally have a proportion of their fees (normally 50%) paid in Legal & General shares until this level is reached. Once this level is reached, they may take all their fee in cash.

Proposed changes for 2018: NEDs
No change in fees.

Annual report on remuneration

Key:

Audited

Audited information
Content contained within a gold box highlighted with an 'Audited' tab indicates that all the information in the panel is audited.

Planned implementation for 2018
Content contained within a blue tinted box indicates that all the information in the panel is planned for implementation for 2018.

'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 2017 financial year, together with a comparative figure for 2016.

Single figure

Audited

Executive Director	Salary £'000	Benefits £'000	Annual variable pay (AVP) £'000	New PSP (grants made since 2014)[2] £'000	Old PSP LTIP (grants made prior to 2014) £'000	Pension £'000	Total remuneration £'000
2017							
Nigel Wilson	**905**	**39**	**1,164**	**1,207**	**–**	**136**	**3,451**
Jeff Davies – *appointed 9 March 2017*	**406**	**17**	**660**	**–**	**–**	**54**	**1,137**
Mark Gregory – *retired as CFO 9 March 2017*	**111**	**4**	**–**	**–**	**–**	**20**	**134**
Kerrigan Procter – *appointed 9 March 2017*	**386**	**54**	**711**	**318**	**–**	**44**	**1,513**
Mark Zinkula[1]	**623**	**212**	**886**	**807**	**–**	**99**	**2,627**
2016							
Nigel Wilson	882	59	1,167	1,446[2]	1,731	132	5,417
Mark Gregory	588	51	821	988[2]	1,064	79	3,590
Mark Zinkula[1]	604	285	832	988[2]	1,064	97	3,870

1. 15% of Mark Zinkula's salary 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 2017, Mark received $149,448 in salary in the US. The rate will be kept under review during 2018.
2. The 2014 PSP figures reported in the 2016 single figure now reflect the actual vesting price of the shares, which vested on 9 March 2017, at £2.503 per share. The values previously included in the 2016 report based on a three-month average share price to 31 December 2017 were £1,316k (Nigel Wilson) and £899k (Mark Gregory and Mark Zinkula).

Historically our performance share plan (PSP) had a three-year performance period which was aligned to grant date and generally ran to April or May. In 2016 we changed the performance period used to determine vesting of the PSPs to align the end of the performance measurement period with our financial year-end date. As a result of this change, our 2016 single figure table contained two PSPs, one relating to the three-year performance period ending May 2016, and another relating to the new three-year performance period ending December 2016.

Components of the single figure

Salary

Audited

Name	Annual base salary as at 1 January 2017	Annual base salary effective 1 March 2017	Total base salary paid in 2017	Annual base salary effective 1 March 2018	% Increase
Nigel Wilson	886,000	909,000	**905,167**	927,000	2.0
Jeff Davies	–	500,000	**405,914**	510,000	2.0
Mark Zinkula	610,000	625,500	**622,884**	638,000	2.0
Kerrigan Procter	–	475,000	**385,618**	484,500	2.0

Base salary increases are in line with the average salary increases for senior management and lower than average salary increases across the group.

Benefits

Benefits include the elements shown in the table below.

Audited

Executive Director	Car and PMI £'000	Dividends £'000	Discount SAYE and matching shares £'000	International allowance £'000	Total benefits £'000
2017					
Nigel Wilson	**20**	**18**	**1**	**–**	**39**
Jeff Davies	**16**	**–**	**1**	**–**	**17**
Mark Gregory	**4**	**–**	**–**	**–**	**4**
Kerrigan Procter	**16**	**37**	**1**	**–**	**54**
Mark Zinkula	**30**	**14**	**–**	**168**	**212**
2016					
Nigel Wilson	20	38	1	–	59
Mark Gregory	20	30	1	–	51
Mark Zinkula	30	29	–	226	285

The 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 discount 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. The allowance has previously also included an allowance for housing which ceased in January 2017.

Benefits for 2018

Benefits for 2018 to be in line with policy.

Pension

Nigel Wilson, Mark Gregory and Kerrigan Procter received a cash allowance of 15% of base salary. Mark Zinkula received a cash contribution of 15% of base salary in lieu of joining the UK pension plan. He participates in the Legal & General America 401K plan and cash savings plan. Jeff Davies received a cash allowance of 13.8% of salary. All cash allowances are subject to normal payroll deductions of income tax and National Insurance.

For defined benefit arrangement, of which Mark Gregory was a member, the value is based on the HMRC formula for assessing the annual and lifetime allowance limits (20 times the post inflation benefit for defined benefit provisions).

Audited

Executive Director	Cash in lieu £'000	Defined benefit £'000	Defined contribution £'000	Other/overseas Pension £'000	Total pension £'000
2017					
Nigel Wilson	**136**	**–**	**–**	**–**	**136**
Jeff Davies	**54**	**–**	**–**	**–**	**54**
Mark Gregory	**17**	**3**	**–**	**–**	**20**
Kerrigan Procter	**44**	**–**	**–**	**–**	**44**
Mark Zinkula	**93**	**–**	**–**	**6**	**99**
2016					
Nigel Wilson	132	–	–	–	132
Mark Gregory	88	(9)	–	–	79
Mark Zinkula	91	–	–	6	97

Pension for 2018

Nigel Wilson and Kerrigan Procter receive a cash allowance of 15% of base salary, Mark Zinkula receives a cash contribution of 15% of salary in lieu of joining the UK pension plan and Jeff Davies receives a cash allowance of 13.8% of salary.

Further pension information

Audited

Executive Director	Age at 31 December 2017	Accrued DB pension at 31 December 2017 £'000	Normal retirement age	Additional value of pension on early retirement
Nigel Wilson	61	–	65	–
Jeff Davies	46	–	65	–
Mark Gregory	54	42	60 in DB plan and 65 in DC plan	–
Kerrigan Procter	48	–	65	–
Mark Zinkula	50	–	65	–

Audited

2017 annual variable pay (AVP) awards

This reflects the total AVP awards to be paid in 2018 based on performance for the year ended 31 December 2017. 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 2017 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 (30%). For Mark Zinkula and Kerrigan Procter they were weighted between group financial objectives (35%), divisional objectives (35%) and other strategic personal objectives (30%).

For 2017, AVP payouts as a percentage of the maximum were: Nigel Wilson 85%, Jeff Davies 90%, Mark Zinkula 81% and Kerrigan Procter 86%. The tables below illustrate performance against each of the measures.

Group financial – achievement

	Weightings (as % of total AVP opportunity)								
Performance measures	Nigel Wilson	Jeff Davies	Mark Zinkula	Kerrigan Procter	Threshold	Target	Maximum	Actual	Payout % of maximum
Net release from operations	20.00%	20.00%	10.00%	10.00%	£1,411m	£1,426m	£1,466m	**£1,454m**	85%
Operating profit	25.00%	25.00%	12.50%	12.50%	£1,562m	£1,774m	£1,844m	**£1,889m**	100%
Adjusted EPS	12.50%	12.50%	6.25%	6.25%	22.2p	24.0p	25.0p	**25.4p**	100%
Adjusted ROE	12.50%	12.50%	6.25%	6.25%	18.6%	20.1%	20.8%	**23.9%**	100%

Performance measure		Threshold	Actual	% of threshold achieved
Solvency II surplus emerging	Underpin	£872m	**£1,686m**	193.3%

Based on the above results, the group element of AVP pays out at 96% of maximum. As set out in the Remuneration Committee Chair's statement accompanying the report, in determining payouts the Committee considered the impact of mortality assumption changes on operating profit and EPS and the one-off impact of the changes in US corporate tax on EPS, given that these are outside the control of management.

The committee was of the view that it would not be appropriate to include the full impact of these items, in calculating the AVP out-turn. However, the underlying performance of the group was sufficiently strong that the impacted group financial performance targets were met in any event.

Audited

Divisional performance – achievement

Divisional objectives represented a maximum 35% of the total AVP opportunity for Mark Zinkula and Kerrigan Procter. For the LGIM division Mark has four key measures – LGIM operating profit, cost income ratio, the annualised revenue for our LGIM international business and flagship fund performance. For the Legal & General Retirement division, Kerrigan has six key measures – net release from operations, operating profit, PBT, Direct Investment IFRS profit, Solvency II new business value and distributable surplus paid. Divisional and personal strategic objectives are considered by the 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	Key achievements in the year	Payout (% of maximum)
Mark Zinkula	LGIM Key measures include LGIM Operating Profit, cost income ratio, net revenues non-UK and flagship fund performance	Key highlights for 2017 include: • Continued growth in operating profit up to £400m, whilst maintaining a cost: income ratio of around 50% • Growth in DC pensions business with third highest net UK sales in 2017 • Expansion of our international business with AUM reaching £228 billion	26%
Kerrigan Procter	Key measures include net release from operations, operating profit, PBT, profit from direct investments, new business value and distributable surplus	Key highlights for 2017 include: • Growth in operating profit of 54%, up to £1,247 million • Completion of £3.4 billion buy-in and buyout transactions for UK pensions and over $700 million of bulk annuity transactions for US DB schemes • Continued growth of the lifetime mortgage business, becoming the UK market leader by sales volume in 2017	32%

Strategic personal performance – achievement

Personal objectives represented a maximum 30% of total AVP opportunity. A performance commentary is given in the table below.

Executive Director	Overview	Key achievements in the year	Payout (% of maximum)
Nigel Wilson	For 2017, Nigel's objectives focused on key activities to implement the business strategy and drive growth across all of the group's businesses through product and technology development, international growth in key markets and investments in real assets	• Strong outcomes for the business in terms of financial performance • The strengthening of the executive team with a number of new key leaders appointed to accelerate the growth of the business • Delivery of diversified growth across all parts of the Legal & General portfolio • Investment in international growth	18%
Jeff Davies	Jeff's objectives focused on optimisation of capital usage, working with businesses to identify appropriate M&A opportunities, implementation of new systems, implementation of the diversity strategy and ensuring effective risk management	• Effective capital usage through the improvement of internal modelling allowing greater clarity for decision making • Strengthened team and processes within the Finance team including a focus on ensuring diversity among the senior finance team • Further enhanced reporting and disclosures with positive feedback received from key stakeholders including investors, analysts and regulators	21%
Mark Zinkula	Mark's objectives focused on the development of the defined contribution and defined benefit businesses, growth of the retail business, international growth of the LGIM business, implementation of the diversity strategy and ensuring effective risk management	• Strong inflows into active and pooled LDI funds, with revenue ahead of plan • Increasing market share in the DC business with a growth in total DC assets to £68.2 billion • Improvement in net flows in our retail business • Continued growth of LGIM's business internationally, including significant net flows in Europe, Asia Pacific and the Gulf region • Extensive support of the LGR business and LGC business	21%
Kerrigan Procter	Kerrigan's objectives focused on international growth, improvement in balance sheet management and development of Legal & General Re, implementation of the diversity strategy and ensuring effective risk management	• Significant progress on international growth, particularly in the US market with a 59% increase in sales from the 2016 premium total • Continued growth across all areas of the LGR business whilst maintaining effective management of the balance sheet and risk profile of the business • Investment in people and infrastructure to deliver continued excellence and efficiency across LGR.	21%

Audited

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 and from the Group Legal Counsel that there were no material issues to consider around regulatory breaches, customer outcomes or litigation that would prevent payment of any AVP award or trigger any malus. The Committee was satisfied that the AVP awards should be paid.

Deferral policy

In line with our policy, 50% of all 2017 AVP awards were deferred for three years into nil cost options, subject to continued employment and clawback/malus provisions.

Executive Director	Cash bonus	Deferred bonus	Total bonus
Nigel Wilson	£581,760	£581,760	£1,163,520
Jeff Davies	£330,000	£330,000	£660,000
Kerrigan Procter	£355,359	£355,359	£710,718
Mark Zinkula	£443,033	£443,033	£886,066

For 2016, AVP payouts as a percentage of the maximum were: Nigel Wilson 88% and Mark Zinkula 78%. For the previous CFO, Mark Gregory, the payout was 93%.

Outstanding share bonus plan (SBP) awards

The table below shows the shares held under the SBP and those that were awarded or vested during 2017. The shares awarded in 2017 relate to deferred AVP in relation to the 2016 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 2017	Awards granted in 2017	Grant price £	Face value at grant price £	Awards vested in 2017	Awards outstanding at 31 December 2017
Nigel Wilson	578,648	233,894	2.4950	583,566	154,749	657,793
Jeff Davies	–	–	–	–	–	–
Kerrigan Procter	260,526	120,201	2.4950	299,901	85,106	295,621
Mark Zinkula	458,784	166,682	2.4950	415,872	136,186	489,280

Annual variable pay potential (AVP) 2018

In line with our policy, for 2018 the target and maximum AVP opportunities for our executive directors will be:

	Target opportunity (% of salary)	Maximum opportunity (% of salary)
Nigel Wilson	75%	150%
Jeff Davies	75%	150%
Kerrigan Procter	87.5%	175%
Mark Zinkula	105%	175%

Performance will be based on a combination of group and/or divisional financial performance targets as well as strategic (including customer and employee measures) and personal measures. The percentage weightings will be the same as in 2017. Actual targets have not been disclosed due to commercial sensitivity. Group financial targets will be disclosed in the 2018 annual report. Divisional and strategic personal performance targets are considered confidential and will not be disclosed in any future report.

Details of how the 2015 PSP award vested

The 2015 PSP award vested at 59.9% in March 2018 based on a combination of TSR (50%) and financial performance (50%) over the three-year performance period ended 31 December 2017.

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 out-turn.

The results are shown below:

Audited

Grant date	Performance period	Comparator group	Legal & General's TSR	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
14 April 2015	1 Jan 2015 to 31 December 2017	FTSE 100	32.8%	47.5/94	19/94	39.2	39.7%	9.9%
		Bespoke comparator group		13.5/26	6/26	20.4	0%	

Performance condition	Performance targets	Actual performance	Percentage of element vesting
EPS growth (% p.a.)	subject to performance matrix	24.0%	50%
DPS growth (% p.a.)	subject to performance matrix	10.9%	
ROE underpin (% p.a.)	12% p.a. underpin	20.6%	

The figures reported for the 2015 PSP, with a performance period ended 31 December 2017, reflects the market value of the awards that will vest in March 2018. 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 2017 (£2.668).

Executive Director	Shares granted in 2015	Shares vesting in March 2018	Estimated value of shares on vesting (£)
Nigel Wilson	755,074	452,478	1,207,211
Mark Gregory[1]	504,846	268,853	717,300
Jeff Davies	–	–	–
Kerrigan Procter	199,129	119,328	318,367
Mark Zinkula	504,846	302,528	807,145

1. Mark Gregory retired as CFO on 9 March 2017, and was employed until 31 August 2017. He has been treated as a 'good leaver' and his award has been pro-rated accordingly. Please refer to 'Payments to Mark Gregory (payments for loss of office and to past directors)' on page 100 for more information.

Financial performance condition (50% of the 2015 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.

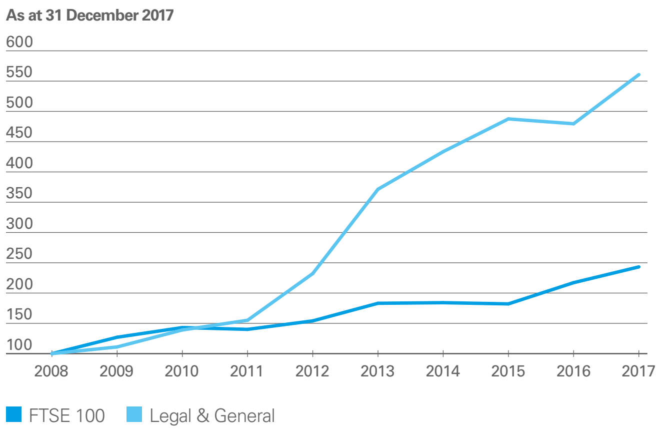
Earnings per share growth (% p.a.) / Dividends per share growth (% p.a.)	<5	5	6	7	8	9	10	11	12	13	14
<5	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5	**0**	**15**	**25**	**35**	**45**	**55**	**65**	**75**	**85**	**95**	**100**
6	**0**	**25**	**35**	**45**	**55**	**65**	**75**	**85**	**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 2017, of £100 investment in Legal & General shares on 31 December 2008, 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
2017	Nigel Wilson	3,451	85.33%	59.9%
2016	Nigel Wilson	5,417[1]	87.82%	76.6%
2015	Nigel Wilson	5,497[2]	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* Tim Breedon – *retired 30 June 2012*	898 3,280	96.00% 84.80%	0% – note 3 100% – note 4
2011	Tim Breedon	2,325	79.58%	16.6%
2010	Tim Breedon	1,526	89.98%	0%
2009	Tim Breedon	1,999	80.00%	0%

1. Restated from 2016 report to reflect the actual value of the 2014 PSP at vesting.
2. Restated from the 2015 report to include the value of the PSP award vesting in August 2015.
3. 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.
4. 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.

Audited

Scheme interests awarded during the financial year

The following table sets out details of awards made under the 2014 PSP in 2017.

	Type of award	Basis of award (% of salary 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 salary £2,272,500[1]	15%	100%	1 January 2017 to 31 December 2019. Awards are also subject to a holding period, such that awards are released in equal tranches in years 3, 4 and 5 from the grant date.
Jeff Davies	Nil-cost options	250% of salary £1,250,000[1]	15%	100%	
Mark Zinkula	Nil-cost options	250% of salary £1,563,750[1]	15%	100%	
Kerrigan Procter	Nil-cost options	250% of salary £1,187,500[1]	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 £2.482.

Awards were also made during the year under the share bonus plan (SBP) in respect of performance for 2016, in line with our policy 50% of all 2016 AVP awards were deferred into shares for three years, subject to malus and clawback provisions. The amounts deferred in respect of the 2017 bonus were also made in line with the above deferral policy.

Audited

Performance conditions for PSP awards granted in 2017

Financial performance condition (50% of the 2017 award)

Fifty percent of the award will vest based on the same financial performance conditions that applied to the 2015 PSP awards as set out on page 97.

TSR performance condition (50% of the 2017 award)

Twenty five percent of the award will vest based on Legal & General's TSR performance relative to the FTSE 100.

The remaining 25% of the award will vest based on Legal & General's TSR performance against a bespoke group of insurers (comprising the insurance constituents in the FTSEurofirst 300 plus any FTSE 350 Life Insurance companies not in the FTSEurofirst 300 and five US firms including Metlife, Prudential Financial, Ameriprise Financial, Principal Financial and Lincoln National).

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

	% of award that vests
Below median	0%
Median (threshold vesting)	15%
Between median and the 80th percentile	15%–100%
80th percentile and above	100%

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome produced by the matrix 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 quality of earnings and the nature of any changes in leverage; key assumptions; dividend cover and behaviours, etc. 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) 2018

For 2018, Nigel Wilson, Jeff Davies, Mark Zinkula and Kerrigan Procter will each be granted an award over nil-cost options with a face value of 250% of base salary.

As indicated previously, for the 2018 award, the following performance measures will be used:

- relative TSR performance against the FTSE 100 (25% of award) and a bespoke group of insurance 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%
14%	100%
Between 5% and 14%	Straight line basis between 15% and 100%

Audited

Information in relation to other outstanding awards

Performance share plan (PSP) 2016

For information, other outstanding PSP awards are shown below.

	% of base salary	Face value £'000	Share price at award £	Max no. of shares
Grant date 21 April 2016				
Nigel Wilson	250%	2,215	2.4224	914,382
Mark Gregory	0%	–	–	–
Mark Zinkula	250%	1,525	2.4224	629,540
Kerrigan Procter	200%	750	2.4224	309,610

Payments to Mark Gregory

As set out in the 2016 Annual Report and Accounts, Mark Gregory stood down from the Board once Jeff Davies took on the CFO role on 9 March 2017. To ensure an orderly handover, Mark remained employed until 31 August 2017 and continued to receive salary, benefit and pension at his current level until that date. No PSP award was made to Mark in 2016 and no incentive awards (annual variable pay or PSP awards) were made to Mark in respect of 2017. No payments were made to Mark as a past director.

Mark was treated as a 'good leaver' on termination and, in line with the approved policy, his outstanding SBP awards vested or will vest at the normal time as set out in the table below. His 2015 PSP award was pro-rated for service from the start of the performance period to cessation and vested based on the performance to the end of the performance period. Mark was granted 504,846 shares under the 2015 PSP. After pro-rating for service (to the date of cessation) the maximum number of shares available to vest was 448,650. As indicated on page 97 the 2015 PSP vested at 59.9% based on performance to the end of the performance period. These shares will be released at the normal time. Mark has no further outstanding PSP awards.

Bonus year	Grant Date	Vesting Date	Awards	Grant price
2013	15/04/2014	15/04/2017	101,528	£2.1150
2014	14/04/2015	14/04/2018	126,966	£2.8587
2015	21/04/2016	21/04/2019	148,835	£2.4310
2016	18/04/2017	18/04/2020	164,621	£2.4950

Statement of directors' shareholding and share interests

Total shareholding of executive directors

						Shares sold or acquired during the period 1 January 2018 and 28 February 2018	
	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	Own outright/ vested shares	Subject to deferral/ holding period
Nigel Wilson	Shares	4,123,493	657,793	4,781,286	–	–	–
	ESP	12,555	3,102	15,657	–	92	52
	Options	–	385,256	385,256	2,584,900	–	–
Mark Gregory	Shares	2,702,035	440,422	3,142,457	–	–	–
	ESP	–	–	–	–	–	–
	Options	–	263,102	263,102	448,650	–	–
Jeff Davies	Shares	–	–	–	–	–	–
	ESP	433	251	684	–	92	52
	Options	–	1,791	1,791	503,544	–	–
Mark Zinkula	Shares	1,033,749	489,280	1,523,029	–	–	–
	ESP	–	–	–	–	–	–
	Options	–	263,102	263,102	1,764,320	–	–
Kerrigan Procter	Shares	94,961	295,621	390,582	–	–	–
	ESP	18,128	1,000	19,128	–	92	52
	Options	245,180	84,782	329,962	987,106	–	–

Audited

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 2017.

	Actual share ownership as % of 2017 base salary: vested shares[1]	Guidelines on share ownership as a % of base salary	Guideline met	Shares owned at 1 January 2017	Shares owned at 31 December 2017	Shares sold or acquired during the period 1 January 2018 and 28 February 2018
Nigel Wilson	1,244%	300%	Yes	3,949,227	4,136,048	144
Jeff Davies – *appointed 9 March 2017*	0%	200%	No	–	433	144
Mark Zinkula	452%	200%	Yes	894,312	1,033,749	–
Kerrigan Procter – *appointed 9 March 2017*	65%	200%	No	66,715	113,089	144

1. Closing share price as at 30 December 2017: £2.733.

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 requirements being met if there are extenuating circumstances, for example, changes to personal circumstances.

Share options exercised during 2017

The following table shows all share options exercised by the executive directors during 2017.

Executive Director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Nigel Wilson	11/06/2014	192,628	14/03/2017	2.464	474,635
Nigel Wilson	15/04/2014	14,184	17/04/2017	2.516	5,688
Mark Zinkula	11/06/2014	131,551	09/03/2017	2.503	329,272

Non-executive directors' remuneration – 2017

Non-executive directors' fees

No changes have been made to non-executive director fees in 2017. The table below sets out the current fees.

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

Annual fees	Current fee (£)
Chairman	450,000
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

Audited

The table below shows the actual fees paid to our non-executive directors in 2017 and 2016.

Non-executive director		Fees for 2017	Benefits for 2017	Total remuneration for 2017	Fees for 2016	Benefits for 2016	Total remuneration for 2016
Sir John Kingman	Chairman N CG	**450,000**	**–**	**450,000**	69,074	–	69,074
Carolyn Bradley	N R	**75,000**	**98**	**75,098**	67,500	171	67,671
Philip Broadley	A CG N R Ri	**115,000**	**481**	**115,481**	52,917	–	52,917
Lesley Knox	A N R Ri	**115,000**	**953**	**115,953**	56,023[1]	–	56,023
Julia Wilson	A CG N Ri	**115,000**	**170**	**115,170**	117,955	1,155	119,109
Toby Strauss	A CG N Ri – *appointed 1 January 2017*	**115,000**	**249**	**115,249**	–	–	–
Previous NEDs							
Rudy Markham	N R Ri – *stepped down 25 May 2017*	**35,417**	**–**	**35,417**	176,667[1]	–	176,667
Richard Meddings	A N R Ri – *stepped down 25 May 2017*	**47,917**	**127**	**48,044**	107,500	56	107,556

1. The 2016 fees for Lesley Knox and Rudy Markham have been updated to reflect the payment in arrears, in March 2017, of fees to these directors.

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

Shareholding requirements – non-executive directors

NEDs are required to build up a shareholding equivalent to one times base fee. The table below shows their shareholding as at 2 January 2018, taking into account share purchases in relation to December 2017 fees, purchased on 2 January 2018.

Name	Shareholding as at 2 January 2018	Holding as a % of base fee	Met criteria of 1 x base fee	Shares purchased from 3 January 2018 to 28 February 2018
Sir John Kingman	117,933	72%	On Target	3,784
Carolyn Bradley	23,893	87%	On-Target	1,271
Philip Broadley	43,135	157%	Yes	–
Lesley Knox	77,600	283%	Yes	–
Toby Strauss – *appointed 1 January 2017*	8,980	33%	On Target	1,848
Julia Wilson	51,823	189%	Yes	–

Non-executive directors' terms of employment

Non-executive director	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 2014	09 December 2017
Carolyn Bradley	08 December 2014	08 December 2017
Philip Broadley	08 July 2016	08 July 2019
Lesley Knox	01 June 2016	01 June 2019
Toby Strauss	01 January 2017	01 January 2020

The standard term for non-executive directors is three years and 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 salary, 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 Board

Element	Policy
Base salary	We aim to attract and retain key employees by paying salaries which deliver 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 salaries are also set with reference to the Foundations UK and London living wage levels. For 2018, the average base salary increase was 3.7%; however, it was agreed that this spend would be focused on more junior employees within the group and as such base salary increases for senior managers within the group (including the executive directors) were limited to 2%.
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 will be made to around 60 employees during 2018. 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. In addition, the company operates a cash based long-term incentive plan for LGIM (LGIM LTIP) based on the financial performance of the division. Participation in the LGIM LTIP is limited to senior managers within the division.
Pension	All employees are given the opportunity to participate in a Group Pension Scheme.
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 pay of the control function departments (risk, compliance and internal audit) as well as the 'oversight departments' of finance and human resources and looks at decisions for employees who report directly to the business versus those who report to the function head.

Gender pay reporting

The group has published its first gender pay report. Further details can be found on page 34 of the report.

Pay ratios

The tables below show the ratio of the chief executive's remuneration with the median remuneration for all employees.

The tables show the ratio considering two measures for the chief executive's remuneration:

- base salary
- total remuneration as reported in the single figure

We have looked at the base salary ratio as the potential level of variable remuneration is influenced by base salary levels.

For all employees the median remuneration is made up of base salary, pension, benefits and annual and long-term variable pay.

We are mindful that to date, there has been no guidance published on the methodology to be used for the calculation of the pay ratio. As additional guidance may be provided, we may be required to change the approach to calculating the pay ratio in future years.

Pay ratios – CEO versus all UK employees

	2017	2016
Base salary	**27**	28
Total remuneration – single figure	**86**	98

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

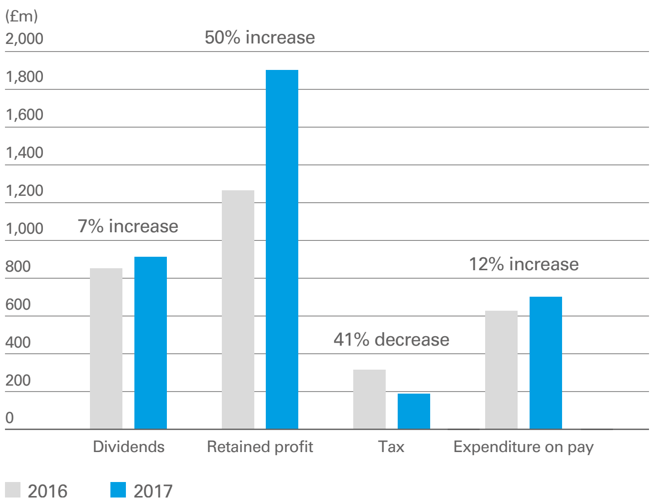
2017 over 2016

	Change to base salary %	Change to benefits %	Change in AVP %
Group Chief Executive	2.7%	-33.9%	-0.3%
Comparator group	3.4%	3.4%	10.0%

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 salary increases.

Relative importance of spend on pay

The chart opposite shows the relative importance of spend on pay compared to shareholder dividends and profit for the year. Retained profit has been shown because it is a KPI of the business. No share buybacks were made in 2016 or 2017.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2017.

Committee members, attendees and advice

Meetings in 2017

During 2017, the Committee met six times and in addition had ongoing dialogue via email and telephone discussion. An outline of the Committee undertakings during 2017 are shown in the table below.

Members: during 2017 the Remuneration Committee was made up of the following NEDs:

Name	Number of Remuneration Committee meetings attended during 2017
Lesley Knox – *appointed Chair on October 2016*	6/6
Rudy Markham – *stepped down on 25 May 2017*	2/2
Richard Meddings – *stepped down on 25 May 2017*	2/2
Carolyn Bradley	6/6
Philip Broadley – *appointed on 1 May 2017*	3/3

Committee undertakings

Quarter	Governance	Performance	Review/implementation of remuneration policy	Regulatory
First	• Review of report on the activities of the Group Reward Steering Committee	• Reviewed findings CRO report • Approved 2016/17 annual pay review awards and executive pay awards • Approved vesting of the 2014 PSP and LGIM LTIP awards	• Reviewed the 2017 AVP measures and targets for the executive team • Approved 2017 long-term incentive awards	
Third	• Reviewed annual general meeting season and shareholder voting	• Financial update and indicative annual variable pay update for executive teams	• Review of findings and proposals for executive remuneration policy	• Review of all employee remuneration policy • Review of code staff and UCITS V and AIFMD code staff lists
Fourth	• Review and approval of committee terms of reference	• Review of base pay and variable pay budget proposals for the 2017/18 pay review • Consideration of incentive out-turns in respect of 2017	• Approval of approach to executive remuneration going forward • Review of shareholder feedback	• Approved remuneration policy statements for PRA and FCA • Review of full code staff list

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; 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 2017, 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 2017 were £136,800 (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 international tax advice, other consulting services and financial advisory services.

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 company.

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 Compliance Director and the Director of Group Finance.

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 company and whether executive directors have achieved objectives within the company'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 company's executive pay arrangements. During the course of 2017, the Committee undertook a detailed review of the policy to ensure it remains appropriate for the company.

As set out in the letter from the Remuneration Committee Chair, during the course of 2017 the Committee undertook a detailed review of the policy to ensure it remains appropriate to the company. The result of the review was that the policy was considered appropriate to drive group performance; however, two changes were considered appropriate: firstly to extend the time horizons of long-term incentive awards and secondly to replace the previous EPS/DPS matrix which determined 50% of PSP awards with a sole measure of EPS.

During the course of late 2017 and early 2018, the Committee consulted with the group's largest shareholders on the above changes.

Statement of voting at the annual general meeting (AGM) 2017

The table below shows the voting outcomes on the Directors' Remuneration Policy and the Directors' Remuneration Report at the last AGM in May 2017.

Item	For	Against	Abstain Number
Remuneration policy	91.23%	8.77%	–
	3,851,461,140	370,032,785	15,093,723
2016 remuneration report	93.17%	6.83%	–
	3,938,843,201	288,951,561	8,784,882

Dilution limits

The company's all-employee plans and the now-closed ESOS operate within the ABI'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 2017, the company had 4.93% of share capital available under the 5% in 10 years limit and 9.72% of share capital under the 10% in 10 years limit.

As at 31 December 2017, 21,515,157 shares were held by the Employee Benefit Trust to hedge outstanding awards of 40,660,725 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 2016 are shown below:

	Role and organisation	Fees
Nigel Wilson	n/a	Nil
Mark Gregory	Director of Westdown Park Management Company Limited	Nil
Jeff Davies	n/a	Nil
Mark Zinkula	Currently on the board of the Investment Association	Nil
Kerrigan Procter	n/a	Nil