FSA REMUNERATION DISCLOSURES AT 31 DECEMBER 2011

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This report has been prepared to supplement the Directors' Remuneration Report contained in the 2011 Annual Report and complies with the FSA's Handbook for banks, building societies and investment firms ("BIPRU"). As an insurance company, not all of Legal & General ("L&G")'s activities are subject to the FSA Remuneration Code but the Remuneration Committee anticiptes equivalent provisions will apply, in due course, via Solvency II. The Remuneration Committee considers the FSA Code to reflect best practice and has due regard to it across the Group. From a technical perspective, the Remuneration Committee has identified its asset management subsidiary, LGIM, its retail investment businesses, Legal & General Retail Investments (Holdings) Limited and associated entities, as Code firms under control of the parent. Legal & General Retail Investments (Holdings) Limited is required to complete remuneration disclosures on behalf of the UK Consolidation Group which includes Legal & General (Portfolio Management Services) Limited (PMS), Legal & General (Unit Trust Managers) Limited (UTM) and Suffolk Life Pensions Limited (SLP). The Remuneration Committee has determined that 56 employees within those businesses qualify as Code Staff plus a further 8 group roles which have sufficient supervisory responsibility over those businesses also to qualify. These all come within Tier 4 and this report has been prepared on that basis.

Role of the Remuneration Committee

L&G has operated with a Remuneration Committee, comprising only the non-executive directors, for many years. The Committee supervises not only the pay of the most senior executives and of Code Staff but also reviews all bonus arrangements across the group and is responsible for approving the budget for group-wide salary increases and the cost of all bonus plans. This enables the Committee to ensure that L&G's total remuneration arrangements are set in a coherent manner, having due regard to market competitiveness, internal relativities, the performance of the individual concerned, plus performance of individual businesses within L&G and of the group as a whole. In considering any remuneration proposals, the Committee considers a report from the Chief Risk Officer and reserves appropriate discretions to adjust payments having regard to responsible and effective risk management.

The Committee's terms of reference specifically refer to the FSA Remuneration Code. Details of the FSA Remuneration Code can be found at www.fsa.gov.uk.

No individual is included in decisions regarding his or her own remuneration.

Members of the Remuneration Committee

The current members of the Committee are Rudy Markham (Chairman since May 2011), Nick Prettejohn, Mike Fairey (since May 2011)and Stuart Popham (since July 2011). During 2011, John Stewart ceased to be a member of the Committee (from May 2011) as did Sir David Walker (stood down as Chairman and member in May 2011) and James Strachan (stood down as a member in May 2011).

Independent Consultants

The Committee appointed as its own independent adviser John Lee of FIT Remuneration Consultants LLP (“FIT”). Prior to August 2011, he fulfilled the same role through his previous firm, Hewitt New Bridge Street ("HNBS"). FIT continues to be the independent advisers to the Remuneration Committee.

Decision-making process for determining remuneration policy

The Committee undertakes a regular review of the adequacy and effectiveness of the remuneration policy to ensure it is fully aligned with the group's long-term objectives. The Committee receives a number of reports to assist it in its oversight of remuneration policy, for example, on risk and financial performance across the group.

The Committee considers remuneration in the context of the wider strategy for the Group as a whole. The Committee also receives regular updates on regulatory developments and general remuneration issues, as well as market and benchmarking data from its remuneration advisors to support its decisions.

The Committee held four meetings during 2011. Its terms of reference are available on the Group's website (www.legalandgeneralgroup.com).

More information on L&G's remuneration principles can be found in the Directors' Remuneration Report in the 2011 Annual Report & Accounts also on the Group's website.

Stakeholders

The Remuneration Committee's focus is to ensure that the remuneration policy continues to support delivery of the Group's strategic objectives. To achieve the Group's strategic objectives and deliver a return to shareholders, talented and motivated management and employees are needed. This requires the Group to pay them fairly across all levels of staff within the context of the markets in which they operate and free from unfair bias. To ensure that this is achieved, an annual equal pay audit that reviews pay and bonus decisions by gender, ethnicity, age and full time versus part time working is undertaken after each review. In addition, the Committee considers the pay of the oversight departments (Risk, Compliance and Internal Audit) as well as Finance and Human Resources and looks at decisions for employees who report directly to the business versus those who report to the function head.

In setting pay policy, the Remuneration Committee takes account of its duties to shareholders and the Group's strategic objectives and seeks to ensure that shareholder interests are enhanced by supporting the recruitment, motivation and retention of staff as well as rewarding high performance in the context of appropriate risk management. As an active member of the ABI, the Committee, consistent with its approach of operating within the highest standards of corporate governance, takes significant account of guidelines issued by the ABI and shareholder bodies (such as the NAPF) when setting the remuneration strategy for the Company and has keenly followed and made appropriate submissions to the Department for Business, Innovation and Skills ("BIS"). It also seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance generally and any changes to the Company's executive pay arrangements in particular.

Code Firms

As explained earlier, the core insurance business is not subject to the FSA Remuneration Code but the Remuneration Committee anticiptes equivalent provisions will apply, in due course, via Solvency II. The Remuneration Committee considers the FSA Code to reflect best practice and has due regard to it across the Group. From a technical perspective, the Remuneration Committee has identified LGIM, its retail investment businesses, Portfolio Management Services (PMS) and associated entities, Unit Trust Management (UTM) and Suffolk Life Pensions (SLP), as Code firms under control of the parent.

Code Staff criteria

The following groups of employees have been identified within the code firms as meeting the FSA's criteria for Code Staff:

- Certain members of the Group Board and Executive Committee;
- Employees performing a Significant Influence Function in relation to the code firms within L&G Group; and
- Key control function roles.

64 individuals have been identified as Code Staff.

Link between pay and performance

Remuneration at L&G is made up of fixed and performance-related pay. Performance related pay is designed to reflect success or failure against the range of targets which are set for our people, taking into account the context in which results were achieved. The Group operates a range of bonus plans which are designed to reinforce messages about what employees are being asked to achieve, and deliver pay for performance.

The key objective in determining bonus payments is to incentivise and motivate achievement of key performance indicators whilst ensuring pay is warranted given business performance. The Group KPI metrics were common to all executive directors. In addition, objectives were set in relation to the performance of the business unit for which the individual is responsible (where applicable) and strategic targets. The objectives also embrace the importance of customer care, employee engagement and Company culture and values. The bonus that resulted from the delivery of these objectives was reviewed by the Committee based on its view of the executive's overall performance and regulatory compliance. In reviewing results, approach to risk (including environmental, social or governance ('ESG') risks) is monitored. The Committee exercises strong central governance and oversight of both the overall cost of bonuses and individual awards and has established a Bonus Steering Committee (BSC) to assist it in reviewing bonus proposals. The Committee is made up of four key groups:

1) Group (in relation to Remuneration Committee)

2) Group Remuneration Team

3) Risk & Compliance

4) Business HR

Under the Group-wide deferral arrangements a significant proportion of annual incentive awards for the more senior employees is deferred over a three year period. The purpose of deferred awards is to support a performance culture where employees recognise the importance of sustainable Group, business and individual performance.

The Group provides long-term incentives which are designed to link reward with the long-term success of the Group and recognise the responsibility participants have in driving its future success and delivering value for shareholders.

Long-term incentive awards for most group staff are conditional on the satisfaction of total shareholder return (TSR) performance conditions which clearly align reward to the interests of shareholders. Within the LGIM business, a separate phantom LTIP operates as summarised below.

Design and structure of remuneration

The individual elements of employees' remuneration packages at L&G comprise fixed pay (base salary, retirement and other benefits) and performance-related pay (consisting of annual incentives, deferred awards and long-term incentives). Taking into account the expected value of long-term incentives, the performance-related elements of the package make up a considerable proportion of the total remuneration of Code Staff, while maintaining an appropriate balance between fixed and variable elements.

Salary and fees

All Code Staff receive either a salary (employees) or fees (non-executive directors) to reflect their experience, skills, competencies and contribution to the Group relative to the market for comparable roles. L&G Group ensures that fixed remuneration is sufficient to cover employees' key financial needs while generally seeking to pay around a mid-market range. L&G also operates a fully flexible bonus policy which allows zero bonus payments to be made when appropriate.

Benefits

Code staff receive benefits in line with other employees that includes pension, staff discounts and may include car allowance and private medical insurance. Non executive directors who are listed as Code staff do not receive any benefits.

Annual incentives

Rationale and eligibility criteria

All executive Code Staff are eligible to receive an annual incentive. Annual incentives are designed to reward good financial and non- financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution in the context that it was delivered.

Non-executive Code Staff are not eligible to receive annual incentives.

Performance measurement/assessment

Performance is central to the determination of any annual incentive payouts. Performance assessment is based on a balanced scorecard of measures related to Group and, where relevant, divisional key performance indicators and individual strategic targets. These targets include financial performance, risk, people and customer measures for most executives.

For executive Code Staff in the control functions (Internal Audit, Regulatory Compliance and Risk), separate performance measures have been designed which exclude any direct linkage to financial performance.

Overall expenditure on annual incentives is reviewed by the Remuneration Committee at the end of each year taking into account the performance of the business on the basis described above.

Individual performance assessment is supported by a structured performance management framework. Targets are specific, measurable, set at the beginning of the year and communicated to the employees.

Deferral and vesting

The Remuneration Committee has, for some years, required a significant proportion of annual incentives to be deferred into L&G shares. This extends to the majority of Code Staff. This generally comprises approximately 35% of any annual incentive and is deferred in shares for three years via the Share Bonus Plan, increasing alignment with the interests of shareholders. Deferred awards for the executive directors and Leadership Group may be subject to forfeiture if the performance which led to a bonus being paid is found to be incorrect. During 2011, the plan rules were amended to enable forfeiture to be considered in the event of personal misconduct. Where there is no mandatory deferral, this is under review.

Long-term incentives

Group

To encourage the creation of value over the long-term and to align the rewards of the participants with the returns to shareholders, the Group provides employees in senior roles (executive level and selected senior management) the opportunity to receive annual awards of long-term incentives.

The Performance Share Plan ("PSP") permits awards of conditional shares to employees who hold key roles. The Remuneration Committee reviews the quantum of awards made each year to ensure that it is in line with the market. The maximum annual award possible in 2012 remains at 200% of salary and the Company awarded 200% to each executive director in 2011 and has done so again in 2012. However, when making awards, it will also consider wider factors such as company performance in determining whether to grant at this normal policy level.

The number of shares that vest is dependent on Legal & General's relative total shareholder return ("TSR") performance over a three-year period
as follows:

Legal & General's TSR relative to the comparator group at the end of the performance period	Percentage of award which vests
Below median	0%
Median	25%
Between median and 20th percentile	25%-100%
20th percentile or above	100%

Two distinct performance measures are used: half is measured relative to the FTSE 100 constituents (as set at a date shortly prior to the grant date), with the balance being measured against the insurance constituents of the FTSEurofirst 300 plus any FTSE 350 Life Insurers not in the FTSEurofirst 300, in sterling terms. Performance under the two elements is assessed independently.

The Committee reviews the measures prior to each award. It continues to believe that the current measures and targets remain appropriate. They endorse consistency in the remuneration policy and provide a clear alignment of interests with shareholders. In addition, they ensure a degree of risk management as TSR (through share price) reflects both underlying financial performance and the market's assessment of the quality and sustainability of those earnings.

Additionally, the Committee assesses whether the underlying performance of the Company is reflective of the TSR out-turn. The Committee may exercise its discretion to scale back the vesting of awards if it was felt that the Company's financial performance did not justify the level of vesting (the Committee may not increase the award). The parameters which the Committee uses in making this assessment include market share, partnerships entered into and maintained, cost constraint, capital management, risk and shareholder perception.

Performance against TSR conditions were independently reviewed are independently reviewed by FIT.

LGIM LTIP

Since 2007 a separate cash-settled LTIP has operated for key staff within LGIM. Twenty-one individuals have participated in the 2011 award (24 in 2012). Awards are made annually and reward growth in the notional value of LGIM (subject to a cap that participants cannot benefit from awards more than doubling) over each three year performance cycle. The sterling face value of the awards made in 2011 was £4.39M (so the maximum exposure is £8.77M). Vesting is contingent on meeting challenging earnings targets over the three year performance period. The 2008 awards were measured in March 2011 and none of the original award value vested.

Risk adjustment

Care is taken into account to manage the risk aspects of remuneration policy. For 2011, the Remuneration Committee considered the Company's performance against risk objectives and regulatory compliance in determining the bonus out-turn and requires the Chief Risk Officer and Group Regulatory Risk & Compliance Director to report to the Committee on this in future years.

Quantitative Remuneration Disclosure

The Company is required to disclose aggregate quantitative remuneration information for its Code Staff.

There were 21 Code Staff that have been classified as Senior Management, 7 as Non-Executive Directors and 36 as other Code Staff. Aggregate remuneration expenditure broken down by type of Code Staff was as follows:

Non-Executive Directors *(£m)*	**Senior Management** *(£m)*	**Others** *(£m)*
0.6	16.7	7.5

There were 8 Code Staff that have been classified as Group, 20 as LGIM and 36 as Retail Investment Businesses. Aggregate remuneration expenditure broken down by business area was as follows:

Group *(£m)*	**LGIM** *(£m)*	**Retail Investment Businesses** *(£m)*
5.5	9.8	9.5