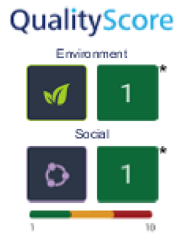
Legal & General Group Plc

Key Takeaways



Meeting Type: Annual
Meeting Date: 18 May 2023
Record Date: 16 May 2023
Meeting ID: 1724971

London Stock Exchange: LGEN
Index: FTSE 100
Sector: Life & Health Insurance
GICS: 40301020

Primary Contact(s)
Nicole Bohannon
Daniel Jjemba
Sustainability Advisory Services Help Center

Board changes: Nigel Wilson, the high-profile CEO, has announced his intention to retire. The composition of the Board and the key committees accord with the UK Corporate Governance Code and no material concerns with independence or diversity have been identified.

Remuneration: No significant concerns have been identified with remuneration practices during the year. Pay structures are standard, and most metrics are quantifiable in character.

Under the proposed new remuneration policy, the maximum bonus opportunity for new EDs is to increase to 200% (from 150% for the CEO and CFO, and 175% for other EDs). In mitigation, the new level would not be the default for any new recruit but should ensure sufficient headroom for recruitment purposes. A 200% of salary bonus opportunity, and the overall resulting remuneration package, are not out of line with peers. In this context, qualified support is considered warranted.

Financial performance: Adjusted operating profit and EPS were up 12% over 2021. RoE improved slightly to 20.7% and the Solvency II coverage ratio was 236%. Final results, overall, were ahead of expectations. The dividend has been grown by 5%.

Climate: The Company is proposing a climate transition plan for shareholder approval under Item 3. The plan adheres to market expectations in most key respects, and support is warranted (Item 3).

Agenda & Recommendations

Policy: Sustainability
Incorporated: United Kingdom

Item	Code	Proposal	Board Rec.	Sust. Rec.
MANAGEMENT PROPOSALS				
1	M0105	Accept Financial Statements and Statutory Reports	FOR	FOR
2	M0107	Approve Final Dividend	FOR	FOR
3	M0710	Approve Climate Transition Plan	FOR	FOR
4	M0201	Elect Carolyn Johnson as Director	FOR	FOR
5	M0201	Elect Tushar Morzaria as Director	FOR	FOR
6	M0201	Re-elect Henrietta Baldock as Director	FOR	FOR
7	M0201	Re-elect Nilufer Von Bismarck as Director	FOR	FOR
8	M0201	Re-elect Philip Broadley as Director	FOR	FOR
9	M0201	Re-elect Jeff Davies as Director	FOR	FOR
10	M0201	Re-elect Sir John Kingman as Director	FOR	FOR
11	M0201	Re-elect Lesley Knox as Director	FOR	FOR
12	M0201	Re-elect George Lewis as Director	FOR	FOR

Report Contents

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13	M0201	Re-elect Ric Lewis as Director	FOR	FOR
14	M0201	Re-elect Laura Wade-Gery as Director	FOR	FOR
15	M0201	Re-elect Sir Nigel Wilson as Director	FOR	FOR
16	M0101	Reappoint KPMG LLP as Auditors	FOR	FOR
17	M0109	Authorise the Audit Committee to Fix Remuneration of Auditors	FOR	FOR
▶18	M0570	Approve Remuneration Policy	FOR	FOR
19	M0550	Approve Remuneration Report	FOR	FOR
20	M0588	Approve Increase in Limit on the Aggregate Amount of Fees Payable to Directors	FOR	FOR
21	M0379	Authorise Issue of Equity	FOR	FOR
22	M0312	Authorise Issue of Equity in Connection with the Issue of Contingent Convertible Securities	FOR	FOR
23	M0163	Authorise UK Political Donations and Expenditure	FOR	FOR
24	M0331	Authorise Issue of Equity without Pre-emptive Rights	FOR	FOR
25	M0331	Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	FOR	FOR
26	M0312	Authorise Issue of Equity without Pre-emptive Rights in Connection with the Issue of Contingent Convertible Securities	FOR	FOR
27	M0318	Authorise Market Purchase of Ordinary Shares	FOR	FOR
28	M0623	Authorise the Company to Call General Meeting with Two Weeks' Notice	FOR	FOR

Shading indicates that Sustainability Advisory Services recommendation differs from Board recommendation
▶ Items deserving attention due to contentious issues or controversy

Material Company Updates

ACQUISITIONS

On 25 May 2022 the Company entered into a 50:50 partnership with Ancora to create a real estate platform dedicated to life science, research and technology growth. As part of the transaction, the group transferred consideration of USD 4m in cash, in return for a 50% shareholding in Ancora L&G LLC.

PUBLICATION OF PROSPECTUS

On 13 April 2022, the Company published the "Base Prospectus for the GBP 5,000,000,000 Euro Note Programme of Legal & General Group Plc and Legal & General Finance PLC guaranteed (in the case of Notes issued by Legal & General Finance PLC) by Legal & General Group Plc dated 13 April 2022".

GLENCORE LAWSUIT

In February 2023 news media announced that the Company filed a lawsuit against Glencore "over alleged investor losses, prompted by the conviction for bribery of the commodities group last year".

FIVE YEAR AMBITIONS

Within its final results statement announcement, the Company notes that it is on track to achieve its five-year (2020-2024) ambitions.

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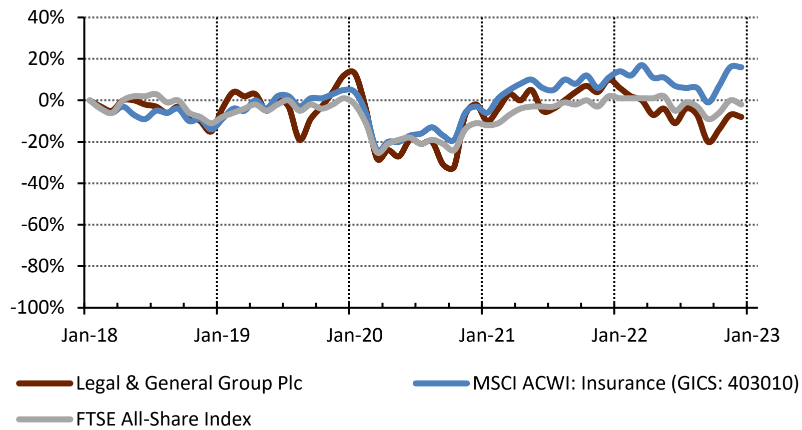
Financial Highlights

Company Description: Legal & General Group Plc provides various insurance products and services in the United Kingdom, the United States, and internationally.

STOCK PRICE PERFORMANCE



TOTAL SHAREHOLDER RETURNS (ANNUALIZED)

	1 Yr	3 Yr	5 Yr
Company TSR (%)	-10.17	0.78	5.10
GICS 4030 TSR (%)	4.31	5.99	6.13
Index TSR (%)	-15.57	5.57	6.75

Source: Compustat. As of last day of company FY end month: 12/31/2022

COMPANY SNAPSHOT (AS OF RECORD DATE)

Market Cap (M)	15,178.2
Closing Price	2.54
Dividends Paid (LTM)	0.05
52-Week High	3.11
52-Week Low	2.01
Shares Outstanding (M)	5973.32
Average daily trading volume (prior mo)*	18,770.98

Source: Compustat. As of April 21, 2023 (All currency in GBP)
* Trading Volume in thousands of shares

FINANCIAL & OPERATIONAL PERFORMANCE

	Historical Performance (FY ending)				
All currency in GBP	**12/2018**	**12/2019**	**12/2020**	**12/2021**	**12/2022**
Earnings					
Revenue (M)	11,362	19,767	18,001	9,651	-10,889
Net Income (M)	1,763	1,811	1,317	2,050	2,291
EBITDA (M)	2,329	2,440	1,816	3,062	3,055
Profitability					
Pretax Net Margin (%)	19	11	8	27	-25
EBITDA Margin (%)	21	12	10	32	-28
Return on Equity (%)	21	19	13	19	19
Return on Assets (%)	0	0	0	0	0
ROIC (%)	13	12	8	12	13
Leverage					
Debt/Assets	10	11	10	9	7
Debt/Equity	568	665	597	471	306
Valuation & Performance					
Annual TSR (%)	-10.39	39.84	-4.33	19.10	-10.17

Source: Compustat. *Note: Compustat standardizes financial data and fiscal year designations to allow for meaningful comparison across companies. Compustat data may differ from companies' disclosed financials and does not incorporate non-trading equity units. See www.issgovernance.com/policy-gateway/company-financials-faq/ for more information.

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Ownership & Control Overview

Stock Type	Votes per Share	Issued
Ordinary Shares	1	5,973,315,397

Top Holders - Ownership & Control	% of Stock	% of Votes
Treasury	*0.0*	*0.0*
Hargreaves Lansdown Stockbrokers Ltd.	3.6	3.6
The Vanguard Group, Inc.	3.4	3.4
BlackRock Fund Advisors	2.6	2.6
RBC Global Asset Management, Inc.	2.5	2.5
RBC Global Asset Management (UK) Ltd.	2.3	2.3
BlackRock Investment Management (UK) Ltd.	2.1	2.1
Threadneedle Asset Management Ltd.	2.0	2.0
BlackRock Advisors (UK) Ltd.	1.8	1.8
Schroder Investment Management Ltd.	1.3	1.3

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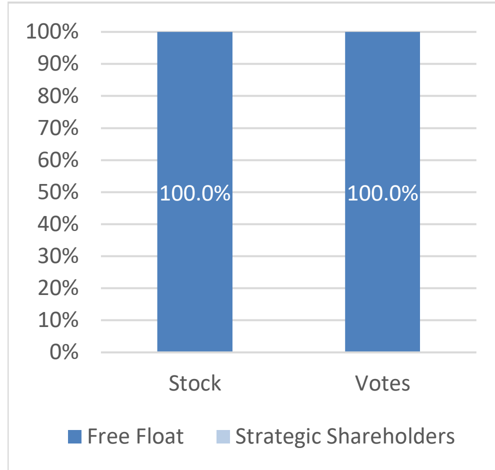

Percentages rounded down to 1 decimal. "▶" identifies shareholders considered strategic under ISS' definition.

to Detailed Ownership Profile

ISS' definition of strategic shareholders may include, but is not limited to, shareholders with board representation, State-controlled entities, insiders/executives, employee funds, and other entities with holdings beyond a materiality threshold (5% or 10%).

Corporate Governance Profile

BOARD SUMMARY

Voting standard	Majority
Total director ownership (%)	< 1
Percentage of directors owning stock	100%
Number of directors attending < 75% of meetings	0
Average director age	59 years
Average director tenure	4 years
Percentage of women on board	42%

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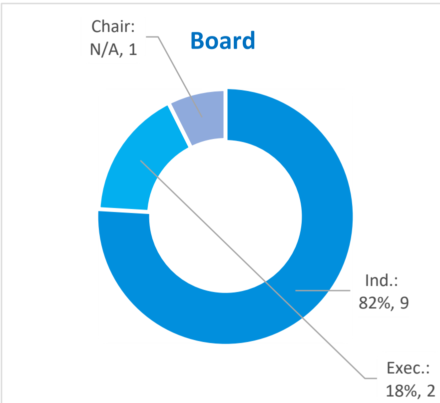
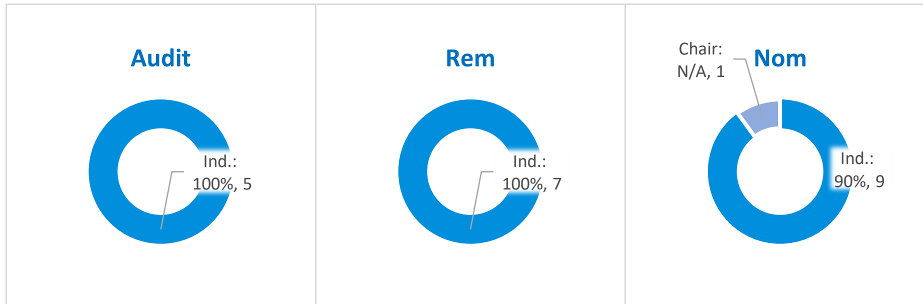
Board & Committee Composition

The information provided in the charts and tables below is based on Sustainability Advisory Services data records, which rely on disclosures in proxy materials and other public sources available as of the date set forth below (for the general meeting under review) and, with respect to information from prior years, information that was available ahead of each year's annual general meeting at the time of Sustainability Advisory Services' report for that meeting. As such, these charts and tables might not reflect changes to the board composition and/or other covered elements subsequently disclosed by the issuer after Sustainability Advisory Services' publications or between general meetings.
Independence values refer to Sustainability Advisory Services Independence classifications ("Exec": Executive Director; "N-Ind.": Non-Independent Director; "Ind.": Independent Director).



Meetings last FY:8

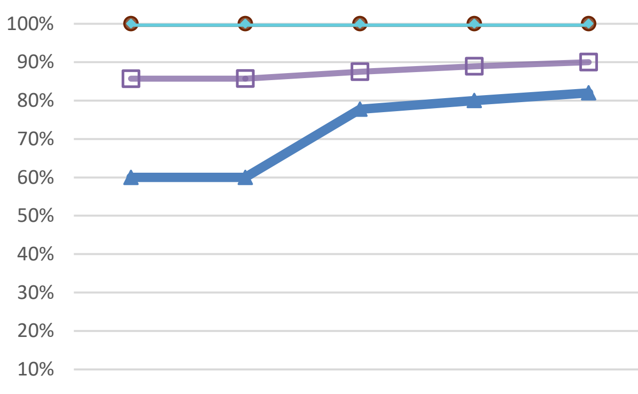
as of May 18, 2023



Meetings last FY:5 Meetings last FY:5 Meetings last FY:4

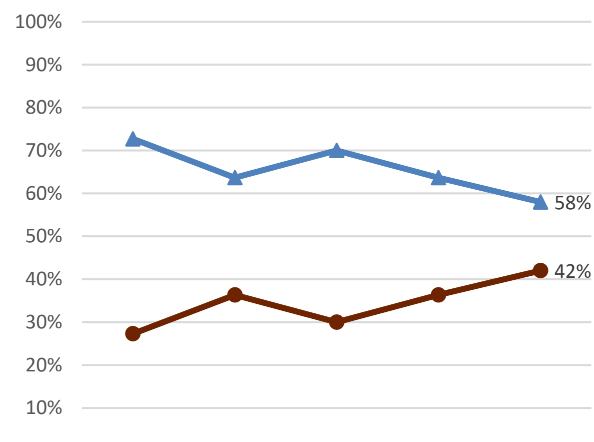
Exec N-Ind. Ind.

Independence History



	2019	2020	2021	2022	After Meeting
Board	60%	60%	78%	80%	82%
Audit Com	100%	100%	100%	100%	100%
Rem Com	100%	100%	100%	100%	100%
Nom Com	86%	86%	88%	89%	90%

Gender Diversity Trend



	2019	2020	2021	2022	After Meeting
male	73%	64%	70%	64%	58%
female	27%	36%	30%	36%	42%

Director Tenure

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Board Profile (after upcoming meeting)

Item #	Executive Directors	Affiliation	Independence		Leadership	Gender	Age	Tenure	Term Ends	Committee			
			Co.	Sustainability Advisory Services						Audit	Rem	Nom	Gov
15	**Nigel Wilson**		Exec	Exec	CEO	M	66	13	2024				
9	**Jeff Davies**		Exec	Exec	CFO	M	51	6	2024				
	Non-Executive Directors												
10	**John Kingman**		N/A	N/A	Chair	M	54	6	2024			C	C
8	**Philip Broadley**		Ind.	Ind.	Sr. Ind't Dir	M	62	6	2024	F	M	M	M
6	**Henrietta Baldock**		Ind.	Ind.		F	52	4	2024		M	M	M
4	**Carolyn Johnson**		Ind.	Ind.		F	62	0*	2024	M		M	M
11	**Lesley Knox**		Ind.	Ind.		F	69	6	2024		C	M	M
12	**George Lewis**		Ind.	Ind.		M	62	4	2024	M	M	M	M
13	**Ric Lewis**		Ind.	Ind.		M	60	2	2024		M	M	M
5	**Tushar Morzaria**		Ind.	Ind.		M	54	1*	2024	C F	M	M	M
7	**Nilufer von Bismarck**		Ind.	Ind.		F	61	2	2024	M		M	M
14	**Laura Wade-Gery**		Ind.	Ind.		F	58	1	2024		M	M	M
			82% Ind.	82% Ind.		42% F	Ave: 59	Ave: 4	Ave: 1	100% Ind.	100% Ind.	90% Ind.	100% Ind.

Committee Membership: M = Member | C = Chair | **F = Member and Financial Expert**
*Indicates director not previously submitted to shareholders for election.

DIRECTOR NOTES

15	Nigel Wilson	OTHER INFORMATION	Former Chair and SID of Halfords Group plc. Former SID of Capita plc.
8	Philip Broadley	OTHER INFORMATION	SID of AstraZeneca plc. Former Group FD of Prudential plc.
11	Lesley Knox	OTHER INFORMATION	SID of Genus plc and 3i Group plc. Former Chair of Alliance Trust plc. Former SID of Hays plc.
12	George Lewis	OTHER INFORMATION	Former director of Cenovus Energy Inc.
5	Tushar Morzaria	OTHER INFORMATION	Former Group FD Barclays plc.

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COMMITMENTS AT PUBLIC COMPANIES

Item #	Director Name	# of boards	Company Name	Mandate Type	CEO	Board Chair	Committee Audit	Committee Rem	Committee Nom
15	Nigel Wilson	1	*Legal & General Group Plc*	Executive Director	✓				
9	Jeff Davies	1	*Legal & General Group Plc*	Executive Director					
10	John Kingman	1	*Legal & General Group Plc*	Non-Executive Director		✓			C
8	Philip Broadley	2	*Legal & General Group Plc*	Non-Executive Director			F	M	M
			AstraZeneca PLC	Non-Executive Director			C F	M	M
6	Henrietta Baldock	2	*Legal & General Group Plc*	Non-Executive Director				M	M
			Investec Ltd.	Non-Executive Director				C	M
			Investec Plc	Non-Executive Director				C	M
4	Carolyn Johnson	1	*Legal & General Group Plc*	Non-Executive Director			M		M
11	Lesley Knox	3	*Legal & General Group Plc*	Non-Executive Director				C	M
			Genus Plc	Non-Executive Director			M	C	M
			3i Group PLC	Non-Executive Director				M	M
12	George Lewis	1	*Legal & General Group Plc*	Non-Executive Director			M	M	M
13	Ric Lewis	1	*Legal & General Group Plc*	Non-Executive Director				M	M
5	Tushar Morzaria	2	*Legal & General Group Plc*	Non-Executive Director			C F	M	M
			BP Plc	Non-Executive Director			C F	M	
7	Nilufer von Bismarck	1	*Legal & General Group Plc*	Non-Executive Director			M		M
14	Laura Wade-Gery	2	*Legal & General Group Plc*	Non-Executive Director				M	M
			The British Land Co. Plc	Non-Executive Director				C	M

Companies highlighted in blue are considered belonging to the same group and count as 1 for Sustainability Advisory Services board count calculations.

DIRECTOR PAY, ATTENDANCE AND EQUITY OWNERSHIP OVERVIEW MOST RECENT FY

Item #	Director Name	Board Position	Attendance (in %)	Total Compensation	Ownership #	Ownership % stock	Ownership % votes
15	**Nigel Wilson**	ED, CEO	100	GBP 3,962,000	3,658,936	<0.1	<0.1
9	**Jeff Davies**	ED	100	GBP 2,412,000	411,474	<0.1	<0.1
10	**John Kingman**	**NED, Chair, Nom (C)**	**100**	**GBP 561,458**	293,896	<0.1	<0.1
8	**Philip Broadley**	NED, Audit (M), Rem (M), Nom (M)	100	GBP 165,157	92,260	<0.1	<0.1
6	**Henrietta Baldock**	NED, Rem (M), Nom (M)	100	GBP 207,625	51,234	<0.1	<0.1
4	**Carolyn Johnson***	NED, Audit (M), Nom (M)	100	GBP 58,665	32,500	<0.1	<0.1
11	**Lesley Knox**	NED, Rem (C), Nom (M)	100	GBP 236,054	77,600	<0.1	<0.1
12	**George Lewis**	NED, Audit (M), Rem (M), Nom (M)	100	GBP 187,700	54,319	<0.1	<0.1
13	**Ric Lewis**	NED, Rem (M), Nom (M)	91	GBP 107,188	38,138	<0.1	<0.1
5	**Tushar Morzaria**	NED, Audit (C), Rem (M), Nom (M)	100	GBP 89,252	60,000	<0.1	<0.1
7	**Nilufer von Bismarck**	NED, Audit (M), Nom (M)	100	GBP 162,605	42,134	<0.1	<0.1
14	**Laura Wade-Gery**	NED, Rem (M), Nom (M)	100	GBP 97,910	12,701	<0.1	<0.1
Total				GBP 8,247,614			

Attendance rates take into account board and committee meetings.
ED for Executive Directors, NED for Non-Executive Directors
*Carolyn Johnson owns 6,500 Legal & General Group ADRs, with each ADR equivalent to 5 ordinary shares.

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Board Changes

- Nigel Wilson announced his intention to retire on 30 January 2023 as Group CEO, he will continue in his role until a successor is found.
- Carolyn Johnson was appointed to the Board as a NED on 17 June 2022.
- Tushar Morzaria was appointed as the Board as a NED on 27 May 2022.
- Toby Strauss stepped down from the Board as a NED on 29 April 2022.
- Laura Wade-Gery was appointed to the Board as a NED on 3 January 2022.

SUCCESSION PLANNING

On 30 January 2023, Nigel Wilson announced his intention to retire as the CEO. He has agreed to continue as CEO until his successor starts and will support a smooth transition following their appointment. It is envisaged that this process will take around a year.

DIVERSITY

Following the AGM, the Board will comprise 42% women, meeting the Hampton-Alexander Review recommendation. The Board also meets the Parker Review recommendation, with 25% of the Board being of ethnic minority.

Although not yet applicable, the current Board composition meets the new Listing Rules requirements on board diversity when it comes to having at least 40% of the board being women. Furthermore, as per above, the Company discloses that 25% of the Board is of ethnic minority. There are currently, however, no women in senior positions on the Board. In regard to this, the Company has stated that the Board is mindful of the target for one senior board position to be held by a woman and addressing this is a priority for the Nominations and Corporate Governance Committee going forward. The Board is aiming to report its compliance with this target in next year's annual report.

Below board level, the Nominations and Corporate Governance Committee notes that "we have set ourselves a new goal of 17% of our senior management roles held by people from minority ethnicity backgrounds by 2027 and continue to monitor and guide the group to achieve its gender diversity goals of 40% female leadership by 2025 and a 50:50 gender balance across the workforce by 2025".

Gender Diversity Demographics

Employee Level	Male (%)	Female (%)
Board (as of AGM)	58%	42%
Executive Committee	75%	25%
Total employees	55%	45%
No of employees	11,498	

Information as at 31 December 2022, unless stated otherwise.

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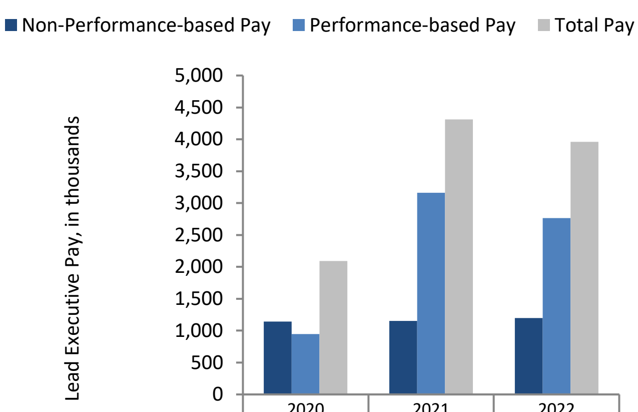
Remuneration Profile

COMPONENTS OF PAY

GBP *in thousands*	Lead Executive				Lead Executive Peer Median
	Nigel Wilson		Nigel Wilson	Nigel Wilson	
	2022	**Change**	**2021**	**2020**	**2022**
Base salary	1,020	+4.2%	980	974	1,140
Perquisites	19	-	19	19	31
Pension	153	+4.1%	147	146	202
All other compensation	6		5	5	0
Cash Bonus	705	+1.6%	694	173	640
Deferred Bonus	705	+1.6%	694	173	488
Total short-term incentives	1,410	+1.6%	1,388	346	888
Non-equity incentives	-		-	-	0
Restricted stock	1,354	-23.6%	1,772	602	708
Options	-		-	-	0
Total long-term incentives	1,354	-23.6%	1,772	602	881
Total	**3,962**	**-8.1%**	**4,311**	**2,092**	**3,076**
% of Net Income	0.17%		0.21%	0.16%	
% of Revenue	N/A		0.04%	0.01%	

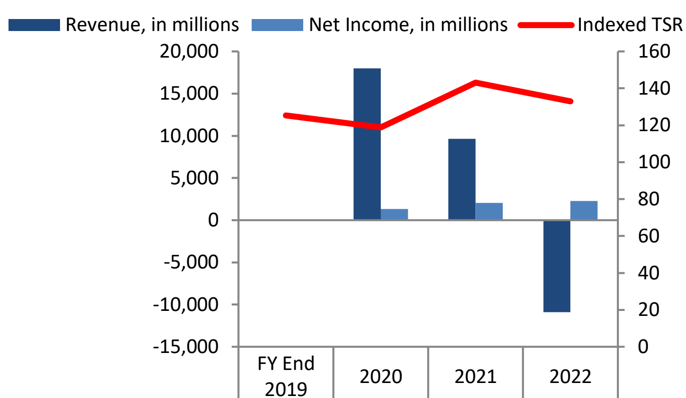
Figures above refer to realized pay and may significantly differ from issuer-reported figures.

LEAD EXECUTIVE PAY DEVELOPMENT (GBP)



	2020	2021	2022
Non-Performance-based Pay	1,144	1,151	1,198
Performance-based Pay	948	3,160	2,764
Total Pay	2,092	4,311	3,962

COMPANY PERFORMANCE (GBP)



	FY End 2019	2020	2021	2022
Revenue, in millions		18,001	9,651	-10,889
Net Income, in millions		1,317	2,050	2,291
Indexed TSR	125.34	118.82	143.09	132.96

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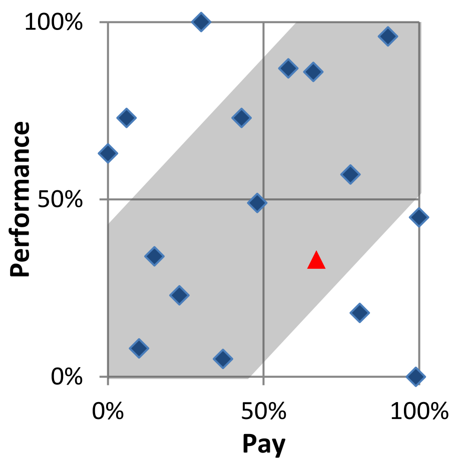
Pay For Performance Evaluation

For more information on Sustainability Advisory Services' quantitative pay-for-performance measures, download the methodology document or reach out to iss_specialty_research@issgovernance.com

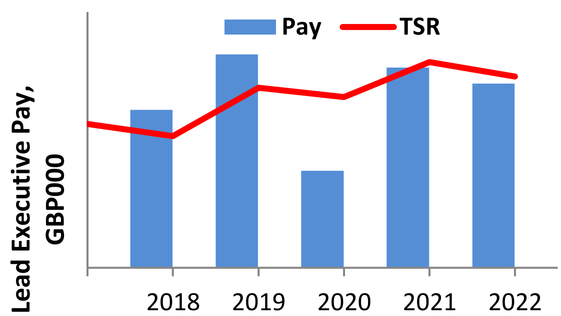
RELATIVE ALIGNMENT

The chart plots percentiles of the annualized 3-year performance and pay rankings for the company (▲) and Sustainability Advisory Services' derived peers (◆). The gray bar indicates pay and performance alignment.



ABSOLUTE ALIGNMENT

Lead Executive realized pay trends versus value of a 100 investment made on the first day of the five-year period.



	2018	2019	2020	2021	2022
Pay(000)	3,398	4,593	2,092	4,311	3,962
Indexed TSR	91.59	125.34	118.82	143.09	132.96
Lead Executive	Wilson, Nigel	Wilson, Nigel	Wilson, Nigel	Wilson, Nigel	Wilson, Nigel

The pay values above may differ from those elsewhere in this report due to differences in the value for salary, which is annualized in the Pay for Performance tests where the lead executive has not served the full financial year. See further details in the model FAQs.

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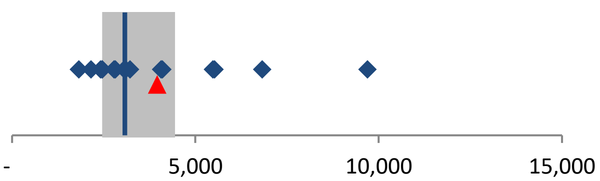
PAY MAGNITUDE

Pay in thousands. The gray band represents 25th to 75th percentile of Lead Executive pay of Sustainability Advisory Services' selected peer group with the vertical line representing the 50th percentile.

CEO total pay is 1.29 times the median of peers.



PAY-FOR-PERFORMANCE QUANTITATIVE SCREEN

Measure	Concern
Relative degree of alignment	Low
Multiple of peer group median	Low
Absolute Alignment	Low

P4P Run # 202304250147

Initial Quantitative Screen: Low Concern

EVA PERFORMANCE

The below EVA performance information is provided for informational purposes. It does not affect the pay-for-performance quantitative screens.

Measure	Quartile Ranking vs. Peers
Pay	
EVA Performance	

Result **23.74**

Result equals EVA performance rank minus CEO pay rank. A negative result indicates that the CEO pay rank is greater than the EVA performance rank.

Metrics	Long-Term Performance	Quartile Ranking vs. Peers
EVA Margin	28.65	
EVA Spread	15.05	
EVA Momentum (Sales)	4.87	
EVA Momentum (Capital)	2.47	

EVA Metrics are calculated by Sustainability Advisory Services EVA, and are based on audited financial data reported in public filings. For more information on the EVA methodology and metrics, visit https://www.issgovernance.com/solutions/iss-analytics/iss-eva-resource-center/

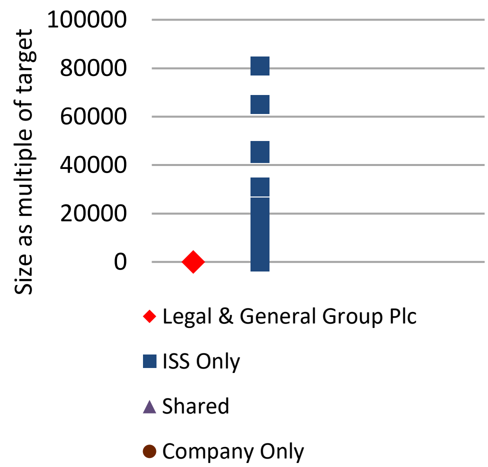
Peer Groups

SUSTAINABILITY ADVISORY SERVICES AND COMPANY DISCLOSED PEER GROUPS

Sustainability Advisory Services-Selected Peers	Admiral Group Plc Assicurazioni Generali SpA Baloise Holding AG Helvetia Holding AG NN Group NV Poste Italiane SpA Swiss Life Holding AG Talanx AG	Aegon NV Aviva Plc Hannover Rueck SE Muenchener Rueckversicherungs-Gesellschaft AG Phoenix Group Holdings Plc Prudential Plc Swiss Re AG Tryg A/S
Shared Peers		
Company-Disclosed Peers	None disclosed.	

PEER GROUP SIZE ANALYSIS

Size (by revenue) of the Sustainability Advisory Services, company and overlap peer groups. Gray indicates 0.4-2.5 times the company's revenue.



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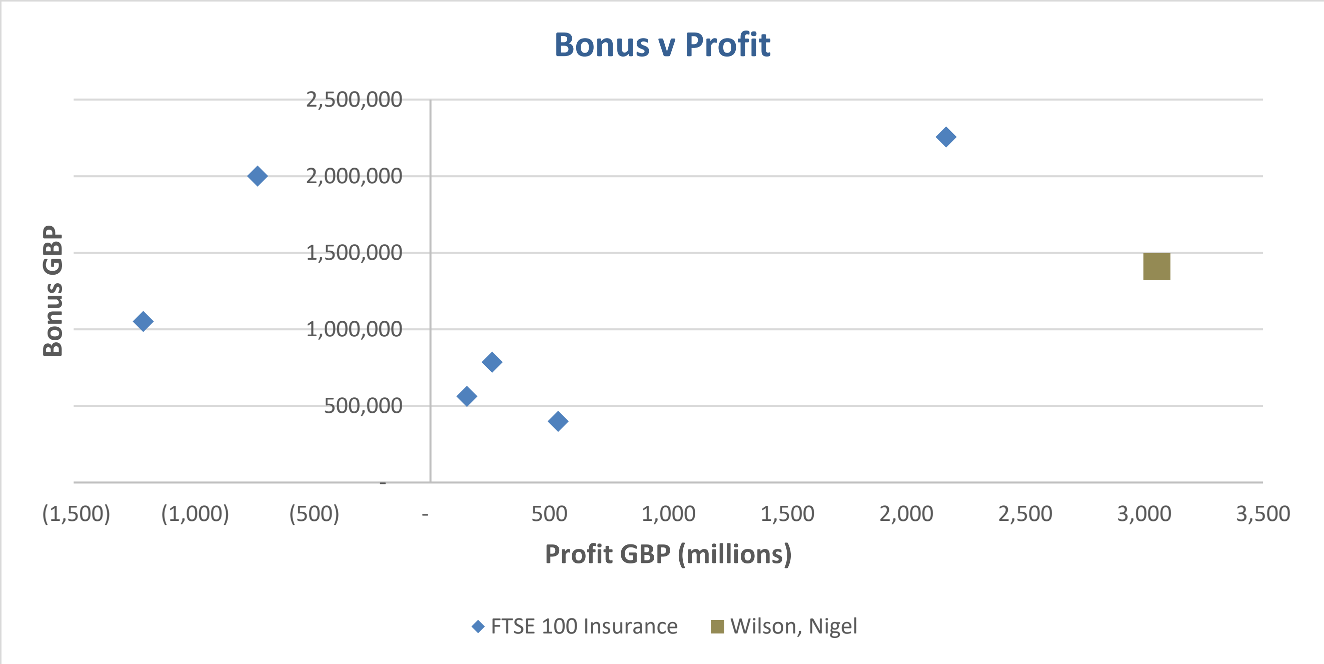
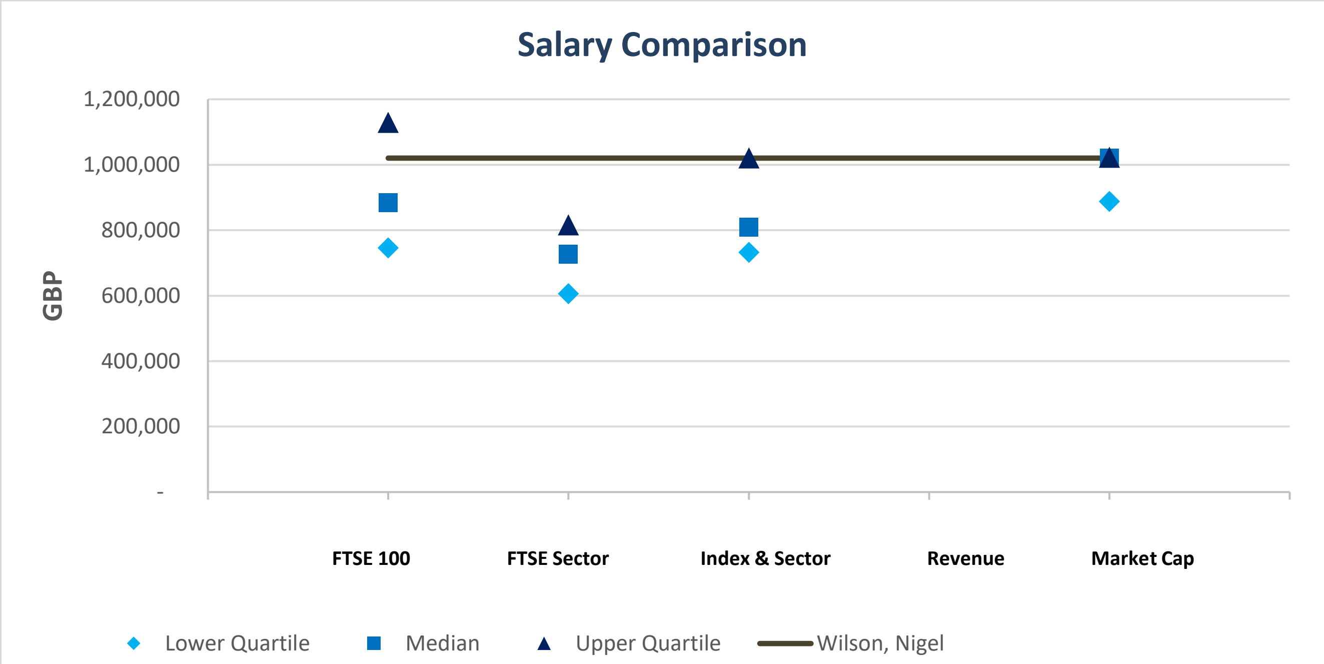
Additional Remuneration Information





Charts reflect pay for the CEO in the reporting year

Chart Title	Explanatory Notes
Bonus vs Profit	Shows the bonus (including deferred) received against the company's PBT, with similar plots for peer companies.
Salary Comparison	Shows the basic salary for the CEO (represented by the solid grey line) compared with the lower quartile, median and upper quartile levels for (i) the company's FTSE index (FTSE 100, FTSE 250 or FTSE SmallCap), (ii) the company's FTSE sector, (iii) the company's combined FTSE index and sector, (iv) companies in the FTSE All Share with a turnover 20% plus and minus the selected company and (v) companies in the FTSE All Share with a market cap 20% plus and minus the selected company.

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QualityScore

Environment	1	Social	1
Higher Disclosure — Lower Disclosure		Higher Disclosure — Lower Disclosure	
Management of Environmental Risks and Opportunities	4	Human Rights	1
Carbon and Climate	1	Labor, Health, and Safety	1
Natural Resources	4	Stakeholders and Society	1
Waste and Toxicity	1	Product Safety, Quality, and Brand	1

Environmental and Social Scores As Of: April 28, 2023
Last Data Profile Update: June 19, 2022

ISS Environmental and Social QualityScore is based on company disclosure and transparency practices. Scores indicate the decile rank among the industry group. Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight.

For more information on ISS Environmental and Social QualityScore, visit www.issgovernance.com/solutions/qualityscore. For questions, visit ISS Help Center.

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Climate Awareness Scorecard

Climate Risk Exposure

CARBON RISK CLASSIFICATION

Risk Level	Medium

The Carbon Risk Classification identifies a company's individual exposure to carbon risks based on industry assignment and business activities, taking into account the greenhouse gas emissions of production processes, products and services along the value chain. Risk exposure is classified as high, medium, low, or negligible.

INCIDENT-BASED RISK EXPOSURE

Norms Violation	No Allegation

The Paris Agreement and other universally accepted climate norms set "do no harm" standards for a corporate climate practice. Certain companies, however, might be violating such norms. ISS Norm-Based Research differentiates between the level of failure to respect norms. The Norms violations categories are assigned according to the degree of verification, severity and remediation, if any.

Climate Performance

CURRENT CLIMATE PERFORMANCE

Greenhouse Gas Emissions	Total
Total Emissions (Scope 1&2)	16,050 tCO_2e*
Total Emissions (Scope 3)	7,224,605 tCO_2e**
Emission Intensity (Scope 1&2 /m$ revenue)	1 tCO_2e
Average Peer Emission Intensity (Scope 1&2 /m$ revenue)	2.1 tCO_2e

FORWARD-LOOKING CLIMATE PERFORMANCE

Carbon Risk Rating	Total
Category	Climate Leader
Rating (0-100)	78

To meet climate targets and avoid climate risks, the current and future performance on climate challenges matters. Current direct and indirect greenhouse gas emissions, normalized by revenue, provide an indicator for the climate efficiency of a company. This can be contrasted to the average emission intensity of industry peers with a similar emission profile. Greenhouse gas emissions are sourced from company disclosure or the CDP and are updated by 31 December of each year for the previous business year. For non- or poorly reporting companies, emissions will be estimated. The Carbon Risk Rating provides a future-oriented analysis of carbon-related risks through an assessment of climate-related performance indicators and the company specific carbon risk classification. It differentiates between leaders, outperformers, medium performers and laggards on a scale from 0 (worst) to 100 (best).

Climate Disclosure

CLIMATE RISK DISCLOSURE

Climate Disclosure Pillars	Disclosure Alignment
Governance	MEETS STANDARD
Strategy	EXEMPLIFIES STANDARD
Risk Management	EXEMPLIFIES STANDARD
Metrics & Targets	EXEMPLIFIES STANDARD

A key indicator of a robust strategy to address the risks and opportunities of climate change is a company's disclosure of its activities. The Climate Disclosure assessment follows the nomenclature of the Task Force on Climate-related Financial Disclosures (TCFD) to score a company on disclosure regarding climate governance, strategy, risk management, and metrics and targets with the classifications: Standard Unmet, Partial Alignment, Meets Standard, and Exemplifies Standard.

The ISS Climate Awareness Scorecard reflects publicly disclosed data and reporting on the company's climate change-related disclosures and performance. The Scorecard uses a range of climate-related factors to indicate a company's disclosure practices and performance record including its carbon risk classification. Companies are evaluated on overall disclosure (Governance, Strategy, Risk Management, Metrics & Targets) and performance factors (Norms Violations, GHG Emissions, Performance Ratings). For more information or questions regarding ISS Climate Awareness Scorecard, please contact: ISS Help Center.

*Reported **Estimated

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SDG Impact Rating

Key Impact Drivers

3.8

Limited Positive Impact

The company has a positive or neutral impact across all Sustainable Development Goals.

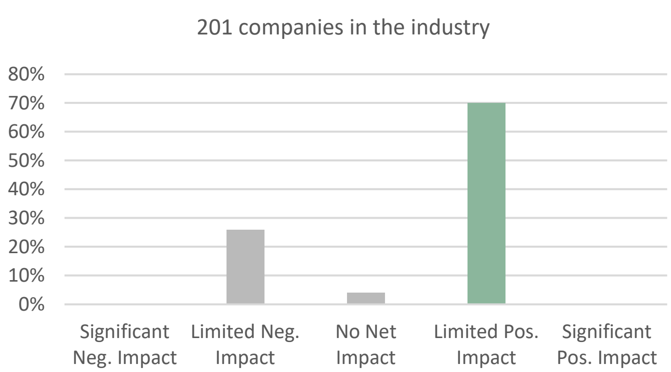
Its main contribution is to SDG 13 - Climate Action.

The company is not involved in controversies with a relevant impact on the Sustainable Development Goals.

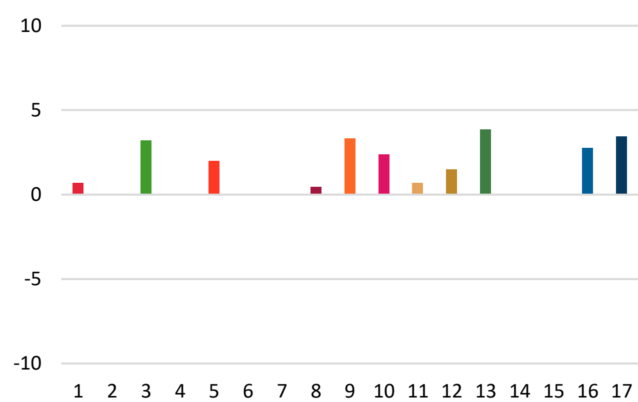
Scores range from -10 (significant negative impact) to +10 (significant positive impact) and indicate a company's overall impact on the Sustainable Development Goals (SDGs).

The ISS ESG SDG Impact Rating provides a metric of impact using the United Nations Sustainable Development Goals (SDGs) as a reference framework. The rating measures the extent to which companies are managing negative externalities in their operations across the entire value chain to minimize negative impacts while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the Sustainable Development Goals. For each of the 17 SDGs, a company's impact is determined by three pillars: (1) the company's products and services; (2) the company's operational management; (3) the involvement in and responsiveness to controversies.

Distribution of Ratings



Goal Level Impact



1 No Poverty 2 Zero Hunger 3 Good Health & Well-Being 4 Quality Education 5 Gender Equality 6 Clean Water & Sanitation 7 Affordable & Clean Energy 8 Decent Work & Economic Growth 9 Industry, Innovation & Infrastructure 10 Reduced Inequalities 11 Sustainable Cities & Communities 12 Responsible Consumption & Production 13 Climate Action 14 Life Below Water 15 Life on Land 16 Peace, Justice & Strong Institutions 17 Partnerships For The Goals

The distribution of ratings positions the assessed issuer in relation to its peers, indicating the total number of companies in the industry, as well as the relative distribution based on the overall SDG Impact Rating. The industry classification follows the ISS ESG Corporate Ratings industry assignment methodology, which is described in detail in the Methodology documents.

The Goal Level Impact graph is a visual representation of the assessed issuer's ratings for each of the 17 SDGs, indicated by the length and direction of each bar. The absence of a bar indicates "no net impact."

For more information please visit ISS ESG SDG Impact Ratings. Norms Based Research (NBR) controversy content displayed in the SDG Impact Rating section of this report may differ from NBR controversy content displayed in other sections of the report. For more information on how Norms Based Research content is generated for inclusion in SDG Impact Ratings please refer to the SDG Impact Rating Methodology. If you have additional questions on the methodology, please visit ISS Help Center.

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Vote Results for Annual General Meeting 26 May 2022

Proposal	Mgmt Rec	Sust. Rec	Disclosed Result	% For	% Against	% Abstain*
1 Accept Financial Statements and Statutory Reports	For	For	Pass	99.3	0.6	0.1
2 Approve Final Dividend	For	For	Pass	99.8	0.1	0.0
3 Elect Laura Wade-Gery as Director	For	For	Pass	99.9	0.1	0.0
4 Re-elect Henrietta Baldock as Director	For	For	Pass	98.1	1.9	0.0
5 Re-elect Nilufer Von Bismarck as Director	For	For	Pass	98.1	1.9	0.0
6 Re-elect Philip Broadley as Director	For	For	Pass	97.8	2.1	0.0
7 Re-elect Jeff Davies as Director	For	For	Pass	99.7	0.3	0.0
8 Re-elect Sir John Kingman as Director	For	For	Pass	98.6	1.3	0.0
9 Re-elect Lesley Knox as Director	For	For	Pass	97.4	2.6	0.0
10 Re-elect George Lewis as Director	For	For	Pass	97.8	2.1	0.0
11 Re-elect Ric Lewis as Director	For	For	Pass	97.8	2.1	0.0
12 Re-elect Sir Nigel Wilson as Director	For	For	Pass	99.9	0.1	0.0
13 Reappoint KPMG LLP as Auditors	For	For	Pass	97.7	2.3	0.0
14 Authorise Board to Fix Remuneration of Auditors	For	For	Pass	98.6	1.3	0.0
15 Approve Remuneration Report	For	For	Pass	91.8	4.4	3.7
16 Authorise Issue of Equity	For	For	Pass	98.8	1.2	0.0
17 Authorise Issue of Equity in Connection with the Issue of Contingent Convertible Securities	For	For	Pass	98.7	1.2	0.0
18 Authorise UK Political Donations and Expenditure	For	For	Pass	98.5	1.5	0.0
19 Authorise Issue of Equity without Pre-emptive Rights	For	For	Pass	98.7	1.3	0.0
20 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For	Pass	97.8	2.2	0.0
21 Authorise Issue of Equity without Pre-emptive Rights in Connection with the Issue of Contingent Convertible Securities	For	For	Pass	98.6	1.4	0.0
22 Authorise Market Purchase of Ordinary Shares	For	For	Pass	99.0	1.0	0.1
23 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For	Pass	92.4	7.6	0.0

*Abstentions do not comprise votes in law and only for and against votes are counted when deciding whether or not a resolution is carried.

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Meeting Agenda & Proposals

Item 1. Accept Financial Statements and Statutory Reports — FOR

VOTE RECOMMENDATION

A vote FOR the Company's routine submission of the directors' report and financial statements is warranted as no significant concerns have been identified.

BACKGROUND INFORMATION

Policies: Ordinary Business

Proposal and Analysis

This is the Company's routine submission of the directors' report and financial statements for the year to 31 December 2022.

INTERNAL CONTROL FRAMEWORK	
Does the annual report disclose the existence of a formal internal audit function?	Yes
Have any significant internal control failings or weaknesses been disclosed in the annual report?	No

The auditors' report contained in the annual report states that, in the opinion of the auditors, the Company's financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2022.

Item 2. Approve Final Dividend — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted because this is a routine item and no significant concerns have been identified.

BACKGROUND INFORMATION

Policies: Ordinary Business

Proposal

The Board proposes a final dividend for the financial year ended 31 December 2022 of 13.93 pence per share.

Analysis

The Company's dividend and payout ratio over the past three years are as follows:

Fiscal year ended	31 December 2022	31 December 2021	31 December 2020
Adjusted Earnings per share	38.33 pence	34.19 pence	27 pence
Total Dividend per share	19.37 pence	18.45 pence	17.57 pence
Payout ratio	50.53%	53.96%	65.07%

DIVIDEND POLICY

The Company states in the annual report that "The Board's intention for the future is to maintain its progressive dividend policy, reflecting the group's medium-term underlying business growth, including measurement of capital generation and adjusted operating profit".

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Item 3. Approve Climate Transition Plan — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted as:

- The Company's plans meet expectations in most key aspects for this sector, being actionable and measurable.
- The proposal covers all areas of L&G's business.
- Plans encompass the short, medium, and long-term, and cover all Scopes.
- SBTi verification, as far as such verification goes for the sector, has been secured.

Discussion

Legal & General Group Plc is seeking shareholder approval for its Climate Transition Plan 2023 which sets out the Company's current plans and actions to enable it to achieve its Scope 1, 2 and 3 emissions reduction targets, aligned to the goals of the Paris Agreement.

OVERVIEW

Legal & General Group is putting its Climate Transition Plan 2023 to a shareholder advisory vote.

This follows a Say on Climate campaign, supported by the Children's Investment Fund Foundation, that requested companies hold an annual shareholder vote on their climate transition plans. Since 2021, some companies also voluntarily committed to put forward an advisory vote on climate on a regular basis.

The Company plans to review the Climate Transition Plan on a regular basis. A further advisory shareholder vote is expected no later than 2026, or sooner if there are significant changes. In the meantime, it will publish its progress on climate action annually.

Legal & General Group's primary climate-related disclosures can be found in its Climate Transition Plan 2023 and its Climate Report 2022.

An assessment of the Company's current climate risk disclosures may be viewed within the Climate Awareness Scorecard earlier in this report.

Company's environmental commitments and alliances

The over-arching targets are as follows:

- To achieve a net zero asset portfolio, aligned with the 1.5°C Paris objective, with an 18.5 percent reduction in GHG emission intensity by 2025, and a 50 percent reduction by 2030 (against a 2019 base year).
- To have 70 percent of AUM in alignment with net zero by 2030, and reach net zero by 2050.
- Achieve 42 percent reduction in operational emissions (Scope 1 and 2) by 2030 and operational net zero by 2050 (against a 2021 base year).

The strategy is based on three "Pillars":

- Invest: The Company will incorporate climate into its investment approach of its GBP 81.6 billion of proprietary assets.
- Influence: It will use its influence as an asset manager with GBP 1.2 trillion of AUM to promote a 1.5°C net zero transition.
- Operate: It will change the way it operates to decarbonise its business.

For each of these pillars, the Company has made the following overarching **2050 commitments**:

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- Invest: Net zero asset portfolio in line with a 1.5°C 'Paris' objective and neutralise residual emissions through negative emission investments.
- Influence: Net zero GHG emission intensity across all the Company's AUM and net zero carbon for all LGIM real estate equity assets by 2050 (or sooner).
- Operate: Net zero operational carbon footprint and net zero carbon across the real estate equity platform.

The Company has joined the Net Zero Asset Owner Alliance, the Net Zero Asset Managers initiative, Glasgow Financial Alliance for Net Zero (GFANZ), the UK's Transition Plan Taskforce, and Get Nature Positive. All of these bodies have associated commitments and targets.

TCFD reporting framework

Alignment

The Company has committed to reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

GOVERNANCE

Board and management level responsibilities

The Board has ultimate responsibility for the long-term stewardship of the group.

The Board, through the Group Risk Committee and Executive Risk Committee, has delegated oversight of the management of the risks associated with climate change to the Group Environment Committee (GEC). The GEC is tasked with setting the group's strategy for managing climate impact, including setting targets, monitoring them, and reporting on performance. The Committee also ensures that management practices are aligned with the group's risk appetite, the climate strategy, and risk policy. Additionally, the GEC considers the transition and physical risks and opportunities associated with climate change, and their potential impact on the group's assets and liabilities in the short, medium, and long-term.

The group-level governance is supported by additional divisional-specific governance.

Executive remuneration

Beginning in 2021, the Company set climate-related targets in its EDs' remuneration.

30 percent of the annual bonus is based upon the achievement of strategic objectives, which includes ESG.

For long term incentives, the Remuneration Committee assesses the formulaic vesting outcome, and may adjust the level of vesting downwards considering a range of factors, including the progress against the 2022 environmental commitments. The vesting level may be adjusted downwards by up to 100 percent if outcomes are deemed insufficient.

STRATEGY

As noted above, to address climate change, the Company built its strategy upon three pillars:

- Invest, reducing the carbon intensity of its financed emissions and investing in the transition to clean energy.
- Influence, using its influence as a global investment manager to encourage clients and broader economy to decarbonise.
- Operate, decarbonising its operations and the businesses it controls.

L&G has established action plans within each of these areas, on which more details can be found below in the Metrics & Target section.

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RISK MANAGEMENT

The Company presents the key risks and uncertainties, including details on how they will be managed or mitigated. These are provided under the following headings: dependency on global transition; rapid social change; investment control; evolving science and carbon reduction practices; extended time horizons; physical risks; reliance on scenarios; skills for the future; and data.

Climate-related scenarios

As noted in its Climate Report, the Company models four climate pathways, using the most recent carbon budgets from the IPCC's Sixth Assessment Report:

- Inaction: Approximate global warming by 2100 3 – 4°C.
- Below 2°C: Approximate global warming by 2100 <2°C.
- Net Zero 1.5°C: Approximate global warming by 2100 1.5°C.
- Delayed Below 2°C: Approximate global warming by 2100 <2°C.

The Company analysed the equity portfolio impacts, alongside its bond portfolio impacts, using three pathways based on transition risks (Below 2°C, Net Zero 1.5°C and Delayed Below 2°C).

For the bond portfolio, it directly modelled GBP c.20 billion (28 percent) of the group's GBP 70.7 billion of proprietary bond assets, on a line-by-line basis. To increase coverage, the Company scaled these impacts across the rest of the bond portfolio, accounting for different credit rating profiles. The Net Zero 1.5°C scenario has the greatest amount of downgrades until 2030 and 2040, while the Delayed Below 2°C scenario has the highest such downgrades by 2050.

For the equity portfolio, the Company modelled the GBP c.0.7 billion of the group's GBP 1.4 billion proprietary traded equity portfolio on a line-by-line basis.

METRICS AND TARGETS

Current emissions

The Company's absolute GHG emissions from 2019 to 2022 are as follows:

Emissions source	2019 base year (tCO2e)	2021 (tCO2e)[1]	2022 (tCO2e)
Scope 1	15,226	13,722	12,506*
Scope 2 — location[2]	23,716	17,235	17,556*
Scope 2 — market[2]	3,015	2,432	2,586*
Fugitive emissions (included in scope 1)	413	127	293
Energy usage (MWh)			
Electricity	92,287	79,694	87,878
Gas	53,019	46,163	47,910
Onsite fuels	19,634	18,118	16,112
Scope 3 — operations			
Category 3 — Fuel and energy-related activities	7,967	8,607	8,301
Category 5 — Waste	—	486	400
Category 6 — Business travel	7,223	2,070	5,467*
Category 7 — Employee commuting (home working)	—	3,025	4,739*

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Category 8 — Upstream leased assets (serviced offices)	—	371	306*
Category 13 — Downstream leased assets	—	0.4million	—
Category 15 — Investments	—	7.3million	5.8million
Scope 1 and 2 intensity ratio tCO2e emissions per employee	5.09	2.86	2.60

Deloitte have provided independent limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') over the selected metrics identified with a *.

1. Due to improvements in data collection and assessment methods the 2021 data for IVG and L&G Affordable Homes is being restated.
2. Emissions from purchased or acquired electricity, steam, heat and cooling. Location based – reflects the average emissions intensity of grids on which energy consumption occurs. Market based – reflects emissions from electricity purposefully chosen, deriving emission factors from contractual instruments.

Scope 3 metrics and targets

As a primary metric, the Company chose to use GHG economic emissions intensity. It is the total of all the GHG produced by the share of the companies and corporations in which the Company invests, per unit of investment. The GHG emissions for each investee arise "from the underlying scope 1 and 2 emissions directly connected with its operations".

For its economic carbon intensity indicator, the Company employs a calculation methodology aligned with:

- PCAF stock emission intensity methodologies (using EVIC as the stock emission intensity normaliser), where available
- TCFD's carbon footprint portfolio weighting methodology (stock intensities are weighted by portfolio)

It also uses an alternative flow-based of the weighted average carbon intensity (WACI) metric.

Metric category	Metric	Metric measurement*	2019 (Rebased)	2021 (Rebased)	2022
Proprietary asset exposure	Portfolio value	GBPbn	83,700	95,698	79,378
	Renewable energy investments	GBPbn	1.4	1.4	1.3
	Direct fossil fuel exposure (Direct/ private investments in fossil fuel-related projects and companies.)	GBPbn	/	/	1.0
Scope 3 investments (proprietary assets) – financed emissions	Investment portfolio economic carbon intensity (dynamic EVIC)	tCO2e/GBPm EVIC	94 (91)	76 (74)	73
	Investment portfolio weighted average carbon intensity (WACI)	(tCO2/GBPm Revenues)	/	172	154
	Investment portfolio carbon footprint	Million tCO2e	7.9 (7.6)	7.3 (7)	5.8

*For each year's calculations the emissions and revenues data refer to the most recently available reported carbon footprint scores and revenue information (which generally contains a one-year lag for listed equity and debt, and two-year-lag for sovereigns). For example, the emissions (tCO2e) and revenue data would generally refer to 2021 for the 2022 metric suite column.

Legal and General Group portfolio targets cover 47 percent of its total investment and lending assets by total shareholder investments as of 2021.

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The following table displays the Company's scope 3 targets.

Asset class	Target	Metric	2019	2021	2022
Scope 3, category 15 - investments (proprietary assets)					
Proprietary assets	Net zero asset portfolio aligned with a 1.5°C 'Paris' objective, with an 18.5% reduction in GHG emission intensity by 2025, and 50% reduction in GHG emission intensity by 2030 (from a 2019 base year). (SBTi aligned)	tCO2e emissions/£m investment	94	76	73
Listed equity, corporate bonds, loans to listed companies	Align its scope 1 + 2 portfolio temperature score by total shareholder owned investment within its listed equity, corporate bond and corporate loan portfolio from 2.4°C in 2021 to 2.1°C by 2026. (SBTi approved)	°C (ECOTS Aggregation*)	n/a	2.4	To be reported in 2023
	Align its scope 1 + 2 + 3 portfolio temperature score by total shareholder owned investment within its listed equity, corporate bond and corporate loan portfolio from 2.9°C in 2021 to 2.5°C by 2026. (SBTi approved)		n/a	2.9	To be reported in 2023
Electricity generation project finance	Maintain the emissions intensity of its electricity generation project finance portfolio, within its shareholder owned investments, at or below 60 gCO_2e/kWh from 2021 through 2030 and only finance 1.5°C aligned electricity generation projects. (SBTi approved)	gCO2e/kWh	n/a	60	To be reported in 2023
Commercial & residential real estate	Reduce GHG emissions from its real estate direct shareholder owned investments portfolio 58% per square metre by 2030 from a 2019 base year. (SBTi approved)	tCO2e/m2	0.06	0.05	0.05
Scope 3 Category 13– downstream leased assets					
Downstream leased assets	Reduce downstream leased asset GHG emissions by 55% per square metre by 2030 from a 2019 base year. (SBTi aligned)	tC02e/m2	0.06	0.05	To be reported in 2023

*ECOTS: Enterprise value plus cash emissions weighted temperature score.

Investments in high emitters

As at 2022, 31 percent of the portfolio is exposed to the high carbon sectors: utilities, energy, materials and industrials. When weighted by carbon intensity, these sectors represent 78 percent.

The Company continues to develop its fossil policy to phase out investments (with more than 5 percent revenue exposure) in coal and oil sands by 2030. It is targeting exiting the existing financing of companies involved in coal mining or coal power generation by 2030.

Timeline

Milestones within the three climate strategy pillars are presented below.

INVEST: How the company invests its GBP 81.6 billion of proprietary assets?	
2023	• Reduce portfolio GHG emission intensity by 18% • Disclose deforestation risk and mitigation activities in the portfolio as part of the year end 2023 publications
2025	• Reduce portfolio GHG emission intensity by 18.5% • Increase financing of low carbon technology and infrastructure • Report progress on investment in nature-based solutions and defining associated financing criteria

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2026	• Align the (SBTi-defined) portfolio temperature score for the listed equity, corporate bonds and corporate loans portfolio, within the company's shareholder investments as follows: - 2.2°C by end 2026, covering portfolio company scopes 1 and 2 - 2.5°C by end 2026, covering portfolio company scopes 1, 2 and 3
2030	• Reduce portfolio GHG emission intensity by 50% • Increase financing of low carbon technology and infrastructure • Evolve the thermal coal exclusion criteria, phasing out investment related coal and oil sands exposures by 2030
2050	• Net zero asset portfolio by 2050, in line with a 1.5°C 'Paris' objective
INFLUENCE: How the company influence as one of the world's largest asset managers with GBP 1.2 trillion of assets under management?	
2023	• Publish its approach to climate resilience across the real estate business in line with the Better Buildings Partnership Climate Change Commitment
2025	• Report progress on the milestones to reduce agricultural commodity-driven deforestation in the investment portfolios through successful company engagement
2030	• Targets 70% of the company's AUM to be managed in alignment with net zero • Reduce LGIM's downstream leased real estate portfolio GHG emissions per square metre by 55% by 2030 from a 2019 base year • Reach Net zero operational carbon within the Sustainable Defined Contribution Property Fund by 2030 • Removal of fossil fuels within areas of commercial property the company controls by 2030. In isolated instances where this is not possible, LGIM commits to publishing a list of affected assets and a roadmap to removing fossil fuels subsequent to 2030
2050	• Work in partnership with its clients to reach net zero GHG emissions by 2050 or sooner across all AUM • Achieve net zero carbon for all of its real estate equity assets by 2050 or sooner
OPERATE: How the company's businesses operate?	
2024	• Begin the occupation of the new office in Cardiff which has been designed to align with current net zero standards and will continue to define the company's long-term location strategy. • Establish a roadmap to determine key milestones in our ambition to achieve net zero emissions from business travel
2025	• All homes delivered by CALA will be designed to meet the LETI and RIBA 2030 target for embodied carbon standards from 2025
2030	• Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 base year (SBT) • All new homes delivered from 2030 will be enabled to operate at net zero carbon, both regulated and unregulated energy • The operational footprint (occupied offices and business travel) will operate with net zero carbon emissions

Offsets

The Company advises that it considers offsetting as the final step, to be used only when absolutely necessary. The policy focuses on best practice measurement and delivery of additional benefits where negative emissions are used, including the Oxford Offsetting Principles.

Third party assurance

The Company's GHG emission reduction targets have recently received independent validation from the SBTi. These are a set of granular targets for the period up to 2030.

Since 2021, the Company has sought external independent limited assurance from Deloitte over some of its key climate-related metrics. The scope of this was expanded for the 2022 metrics, covering scope 1, 2 and scope 3 (categories 6, 7 and 8). Deloitte have provided a full unqualified assurance opinion for those selected metrics in accordance with the International Standard for Assurance Engagements 3000 and Assurance Engagements on Greenhouse Gas Statements.

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ADDITIONAL INFORMATION

Investment

The Company has invested more than GBP 1 billion in clean energy projects, including solar and wind farms, geothermal plants, smart networks and energy storage assets. Moreover, of EUR c.17.4 billion deployed assets under management, over EUR 6.1 billion is ESG-linked lending (as at 31 December 2022), with 41 investments in 2022 that incorporated financial incentives for borrowers to meet carbon-reduction targets. LGC also has a 40 percent equity stake in Pemberton, a EUR 16.5 billion pan-European alternative credit manager and a member of the Net Zero Asset Managers initiative (NZAMi).

The Company is committed to increasing financing of low-carbon technology and infrastructure, while also reporting progress on investments in nature-based solutions by 2025. However, it does not yet present the extent of this financing with a % of revenue or capex from AUM. A less than 10-year goal for allocation to climate solutions as a % of revenue or capex from AUM is recommended by the IIGCC's Paris Aligned Investment Initiative (PAII).

Lobbying/Advocacy and influencing

In the Share action assessment released this February 2023, the Company was presented as a leading asset manager regarding its responsible investment approach, ranked the fourth highest among the 77 asset managers. Its LGIM Climate Impact Pledge was particularly recognised. Share Action stated that its "engagement campaign strategy is sector leading and backed up by clear, public expectations and minimum requirements for companies across 15 sectors, including hard to abate sectors".

The Company discloses its "six step approach to engagement" with companies, governments and policymakers in the Climate Transition Plan. The six-step approach to engagement is as follows:

- Identify the most material issues
- Formulate the engagement strategy
- Enhance the power of the Company's engagement
- Collaborate with stakeholders and policymakers
- Voting
- Transparent reporting

In its 2022 Climate Report the Company also discloses the outcome of its active engagement such as the number of engaged companies, votes on Say on Climate resolutions, companies rated under LGIM ESG Score rates and LGIM CIP Score rates.

Engagement activities

Engagement to align companies to 1.5°C & Exclusions

The LGIM's Climate Impact Pledge (CIP) is applied to the group’s proprietary assets and sets out minimum standards, which if not met, may translate into firm-wide voting sanctions and divestment consequences for the funds adopting the CIP exclusions. The CIP assesses companies across 20 climate critical sectors on their approach to climate change; given the interdependency between climate and nature, it also incorporates expectations around biodiversity and, for relevant sectors, deforestation.

The Company typically engages with a company for 12 months. Afterwards, companies failing to meet the Company's expectations may be subject to voting sanctions and/ or divestment from relevant strategies. Companies in the current published CIP exclusion list are added to the Company's exclusion list. The Company report to have assessed c.5,000 companies, with whom they engaged directly. It states in its Climate Transition Plan that "While our strategy is to drive change through engagement with the real economy, we will divest when necessary, particularly where the controls above are proving insufficient in achieving our objectives".

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High-carbon escalation framework

Since 2019, the Company has implemented an annual process "to escalate all proposed individual stock investments where the carbon intensity (emissions and/ or reserves) is greater than a defined threshold across the high-carbon sectors. Investments which trigger the high-carbon escalation process are primarily oil, gas or utility companies". Thanks to this assessment, "in 2022, 12 new issuers (out of a total of 36 considered) were added to the exclusion list, due to their high-carbon emissions and the lack of ambition in their climate commitments, with associated high temperature rating scores".

Analysis

OVERVIEW OF CLIMATE STRATEGY

Topic	Yes/No/Partial?
Is the Company committed to disclosing in line with the TCFD recommendations?	Yes
Do the Company's climate disclosures meet market standards?	Yes
Have near-term targets been verified by the SBTi?	Yes
Has the Company disclosed its engagement strategy and targets for investee companies?	Yes
Has the Company disclosed its strategy and targets for investing in the transition?	Yes
Has the Company disclosed its strategy on the financing of fossil fuels, and associated targets?	Yes
Has the Company set net zero targets for 2050 or earlier?	Yes
Has the Company set an interim target, for 2030 or sooner?	Yes
Does this ambition extend to Scope 3 emissions?	Yes

CONCLUSION

General

The plan incorporates many of the features expected from a company in this sector:

- The basic expectations that plans should cover the short, medium, and long-term, and encompass all scopes, the plan adheres to the recommendations for investment companies, as per frameworks and standards such as the GFANZ (Glasgow Financial Alliance for Net Zero) framework and the Paris-Aligned Investment Initiative Framework.
- It provides a good level of granular detail, notably in respect of the nature of its Scope 3 profile. The timeline in which it intends to fulfil its plans is also detailed and useful.
- The Company is a member of several of the UN collaborations for companies in this sphere, which, because of the commitments associated with such membership, lends credibility and accountability to its plans.

Broadly speaking, it meets the GFANZ criteria for a 'credible' plan, being "actionable, measurable, with long-term targets but focused on near-term action, based on climate science, and against which there is accountability and transparency on underlying strategy progress".

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Governance

The governance structure for addressing and dealing with the climate-related topics appears to be fairly transparent and robust, and climate is considered across the Company's pay structure.

Covers all areas of business

All areas of the Company's diverse range of activities are covered. Proprietary assets and AUMs are encompassed. The broad range of the plan is a key positive.

Verification

While the SBTi has yet to develop a net zero protocol for the industry, SBTI verification has been received for targets, as far as such verification goes at present, which is a reassurance to shareholders.

Engagement

For an investment company, a key part of its strategy should be the way it engages with investee companies, in order to help them set and achieve their own climate strategies and targets. The Paris-Aligned Investment initiative stipulates that: "an investment strategy should prioritize engagement and stewardship and direct management (where relevant), particularly for existing assets, as the primary mechanism to drive alignment".

As discussed above, the Company has outlined its engagement approach, including importantly, the escalation process it uses and the outcome of such engagement. Its six-part approach to influencing companies and governments is also outlined.

On high emitting sectors

The Company continues to develop its fossil policy to phase out investments (with more than 5 percent revenue exposure) in coal and oil sands by 2030. It is targeting exiting the existing financing of companies involved in coal mining or coal power generation by 2030. Fossil fuel companies are included in its high emitter escalation process.

The Company also notes that it will continue to leverage the activities of LGIM's stewardship and engagement approach as set out in the LGIM deforestation policy to engage on the topic of deforestation. By the end of 2023, the Company will also introduce voting sanctions for all relevant companies without a deforestation policy. It notes having in place exclusions in relation to violators of the UN Global Compact standards which include deforestation controversies, and maintaining exclusions of names called out as engagement laggards through the CIP, where an insufficient zero-deforestation policy, amongst other climate considerations, has led to an exclusion restriction.

Investing in Transition

The frameworks used in the industry emphasise the importance of investing in the transition, as well as simply reducing emissions. In this regard, the Company has provided some detail, for example, the GBP 1 billion it has invested in clean energy projects (including solar and wind farms, geothermal plants, smart networks and energy storage assets) and the EUR 6.1 billion ESG-linked lending via Pemberton.

Detail on spending in investment, as a proportion of AUM, would be useful information.

Influence

The plan includes substantial detail on how the Company leverages it influence, as 'influence' is one of the three pillars of its strategy. The SBTI stipulates that financial institutions should leverage their abilities to "influence and engage other actors, as well as focus their financing activities to help achieve economy wide decarbonization, and not simply reduce portfolio exposure to GHG emissions".

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Conclusion

Considering its adherence to market expectations for a company in this sector, its alignment to the principles of the GFANZ and PAII frameworks; and the broad range of its ambitions and targets, the plan warrants support.

Items 4-15. Elect Directors — FOR

VOTE RECOMMENDATION

A vote FOR these Directors is warranted as no significant concerns have been identified.

BACKGROUND INFORMATION

Policies: Board

Proposal

All continuing Directors are standing for election / re-election.

Please see the Board Profile section above for more information on director nominees.

ELECTION SUMMARY

The company proposes the following (re)elections:

Type of election	Nominees
Incumbent board members to be reelected	Sir John Kingman, Sir Nigel Wilson, Philip Broadley, Henrietta Baldock, Stuart (Jeff) Davies, Lesley Knox, Melville Lewis, Ric Lewis, Nilufer von Bismarck, and Laura Wade-Gery
New board nominees to be elected by shareholders	Carolyn Johnson and Tushar Morzaria
Terms of candidates	**Nominees**
One-year term	Sir John Kingman, Sir Nigel Wilson, Philip Broadley, Henrietta Baldock, Stuart (Jeff) Davies, Carolyn Johnson, Lesley Knox, Melville Lewis, Ric Lewis, Tushar Morzaria, Nilufer von Bismarck, and Laura Wade-Gery

INFORMATION ON NEW NOMINEES

	Carolyn Johnson	Tushar Morzaria
# Shares held	6,500	60,000
Voting power	<0.01	<0.01
CEO or Chair positions	N/A	N/A

SUSTAINABILITY ADVISORY SERVICES COMPLIANCE TABLE

	Company-level	Nominee impact
Disclosure		
Names of new nominee(s)	Disclosed	
Biographies of new nominee(s)	Disclosed	

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Independence		
Board	82%	
Audit committee	100%	
Remuneration committee	100%	
Nominating committee	90%	
Composition		
Poor attendance	No concerns	
Overboarding	No concerns	
Executive on a key committee	No concerns	
Combined Chair/CEO	Separate Chair and CEO	
Length of term	N/A	
Board diversity	Sufficiently diverse	

N/A in this market | No concerns | No impacted nominees | Impacted nominees are on ballot

Analysis

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE RECOMMENDATIONS	
Does at least half the Board, excluding the Chair, comprise independent non-executive directors as set out in the UK Code?	Yes
Are the Chair and CEO roles clearly separated?	Yes
Has the Chair served on the Board for less than nine years?	Yes
All directors subject to annual re-election?	Yes
Is there a senior non-executive director who is considered to be independent?	Yes
Has a performance evaluation of the Board and Committees been undertaken during the year?	Yes
Has the performance evaluation been externally facilitated at least every three years? The UK Code recommends that, for FTSE 350 companies, evaluation of the Board should be externally facilitated at least every three years. An external board evaluation was undertaken during 2020 and the next one is scheduled for 2023. The 2022 was an internal evaluation (externally facilitated by Independent Board Evolution).	Yes
Does the composition of the Nomination Committee comply with the applicable recommendations of the UK Code?	Yes
Does the composition of the Remuneration Committee comply with the applicable recommendations of the UK Code?	Yes
Does the composition of the Audit Committee comply with the applicable recommendations of the UK Code?	Yes
Has the board identified at least one member of the Audit Committee with recent and relevant financial experience?	Yes
Workforce Engagement? For engagement with the workforce, the UK Code recommends one or a combination of the following methods: • a director appointed from the workforce; • a formal workforce advisory panel; • a designated non-executive director. The Code further states that where a board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.	

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Nilufer von Bismarck succeeded Lesley Knox as Designated Workforce Director on 1 April 2022.

DIRECTORS ASSOCIATED WITH CORPORATE FAILURE

As discussed in last year's Sustainability Advisory Services report, Lesley Knox served as a NED and a member of the Audit Committee at Thomas Cook plc, the travel agency company which entered liquidation in September 2019. She was appointed as a director at Thomas Cook in March 2016. However, regulatory investigations are ongoing and there are not voting implications at this time.

Item 16. Reappoint KPMG LLP as Auditors — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is considered warranted at this time.

BACKGROUND INFORMATION

Policies: Ordinary Business

Proposal

The Board recommends that KPMG be reappointed as the Company's independent audit firm.

AUDIT FIRM INFORMATION

Audit firm name	**KPMG**
Audit firm since (as disclosed)	2018
Audit opinion for the last fiscal year	Unqualified[1]
Term to serve if reappointed	Annual shareholder vote

1. The auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with market-relevant accounting standards.

AUDIT TENDERING

KPMG have been Group auditors for 5 years. The audit was last tendered in 2016 which led to the re/appointment of KPMG.

The annual report states that " The Audit Committee is cognisant of the requirements governing the appointment of an external auditor, notably the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Uses of Competitive Tender Process and Audit Committee Responsibilities) Order 2014, including requirements for mandatory audit firm rotation. The company confirms that it has complied with such requirements for the financial year under review".

Analysis

FRC KPMG LLP AUDIT QUALITY REVIEW

The Financial Reporting Council (FRC), the regulatory body for auditors and accountants in the UK, have concluded that 25% of audits reviewed required improvement or significant improvement, based on 2021/22 results (2020/21: 29%).

In its July 2022 Audit Quality Review (AQR) [LINK], the FRC noted the following with respect to its inspection of the audits carried out by KPMG:

"In 2020/21 we reported that 59% of the audits we inspected required no more than limited improvements and that it was unacceptable that we had reported key findings on the quality of the firm's audit work on banks and

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similar entities for three years. We also found that the firm needed to improve the quality and extent of its IFRS 9 procedures and guidance, and noted that the firm's senior leadership had committed to make the necessary improvements in this area in time for 2021 year-end audits.

This year, we found that 84% of audits inspected required no more than limited improvements. This is encouraging and provides some evidence that the firm's investment in initiatives to improve audit quality, including a Culture Change Programme, is having an impact. It is also encouraging that none of the audits we inspected were found to require significant improvements.

We continued to have findings in relation to our inspection of 2020 year-end audits of banks and similar entities although these were of less severity and in a narrower range of areas than last year. Our engagement with the firm during 2021/22 in this area has been intensive, including detailed oversight of its banking audit quality improvement plan which was refreshed and extended during the year. However, the firm made slower progress during the year than we expected on rectifying deficiencies in its IFRS 9 procedures and guidance, and this year we also found that the firm must improve the quality and extent of its IFRS 13 procedures and guidance.

The firm must demonstrate that further improvements have been made in its 2021 year-end audits of banks and similar entities, which we will inspect in 2022/23. During 2022 the firm must also deliver the remaining improvements to its IFRS 9 and IFRS 13 procedures and guidance and ensure that these are embedded for 2022 year-end audits. We remain satisfied that the firm's current leadership is committed to making the necessary improvements, which must be sustained across all aspects of the firm's portfolio of banking audits.

The firm's leadership must also ensure that momentum is maintained in its continuous improvement programme to address recurring issues or inconsistencies in the execution of individual audits in impairment and other areas identified in by the FRC and by other quality reviews. The firm's internal quality monitoring process (covering both PIE and non-PIE audits) found that 64% of audits met its highest quality standard but had recurring findings in several areas (see page 32). The inspections by the ICAEW's QAD in this period found 75% of audits inspected to be good or generally acceptable compared to 100% last year as set out on pages 17 and 18. QAD's findings were in areas which did not overlap with our quality findings.

The firm must take adequate steps to identify the root causes and remediate the recurring issues and inconsistencies, including implementing the findings of an external review of its Root Cause Analysis process (RCA). The firm must also focus on ensuring that barriers to embedding the desired culture, including the potential impact of adverse reputational events, are identified and addressed.

In response to this year's findings, we will take the following principal actions:

- Continue our focused engagement with the firm on the oversight of its banking audit quality plan, including progress against the key deliverables and milestones. We will also closely monitor and assess the further improvements being made to the firm's procedures and guidance (including in relation to IFRS 9 and IFRS 13), and we will continue our focus on banking audits in our 2022/23 inspections.
- Assess and challenge the firm's response to the external RCA review and other proposed changes to the firm's system of quality control, as it prepares for the introduction of International Standard on Quality Management (UK) 1 (ISQM 1).
- Review and assess the progress of the firm's Culture Change Programme and how the firm is responding to barriers to embedding the desired culture.
- Closely monitor the development of the firm's audit quality and other metrics and assess whether the firm is taking appropriate action to address issues identified by the metrics.
- Require all actions to be included within a Single Quality Plan (SQP), subject to formal reporting and regular review by the FRC.

These actions are designed to hold the firm's leadership to account for delivering improvement and change in the areas that we regard as most important to the continuous improvement in audit quality that is required."

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Auditor Effectiveness Review by Audit Committee

The annual report notes that the Audit Committee continues to remain satisfied with KPMG's performance and that KPMG continue to maintain their independence and objectivity.

Item 17. Authorise the Audit Committee to Fix Remuneration of Auditors — FOR

VOTE RECOMMENDATION

A vote FOR this item is warranted because there are no concerns regarding this proposal.

BACKGROUND INFORMATION

Policies: Ordinary Business

Proposal

This resolution authorises the Board to fix the remuneration of KPMG for the ensuing year.

The table below includes details of the fees paid to the auditors in respect of the financial year ended 31 December 2022.

FEES PAID DURING THE LAST FISCAL YEAR

Audit firm name	**KPMG**
Fees currency	GBP
Audit fees	**14,200,000**
Audit-related fees	**2,500,000**
Total audit and related fees	**16,700,000**
Total transaction-related fees	0
Total tax fees	0
Other fees	800,000
Total non-audit fees	**800,000**
Total non-audit fees as a percentage of total fees	4.6%
Total non-audit fees as a percentage of audit fees	4.8%

Note: Other Fees' relate to other assurance services.

NON-AUDIT FEE POLICY

The annual report notes that it has in place a policy setting out the circumstances in which the external auditor may be engaged to provide services other than those covered by the audit. "The policy sets out those types of services that are permitted (permitted services) and those types of services which are not permitted (prohibited services). The policy pre-approves certain of the permitted services provided the fee is below a certain threshold; all other permitted services must be specifically approved in advance by the [Audit] Committee".

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Item 18. Approve Remuneration Policy — FOR

VOTE RECOMMENDATION

A vote FOR the remuneration policy is warranted but not without concerns:

- The maximum bonus opportunity for future ED recruits is increased to 200%. Previously, the limit stood at 150% for the CEO and CFO, and at 175% for other EDs.

The main reasons for support:

- The new maximum opportunity may only be applied to new recruits.
- The new level would not be the default for any new recruit but should ensure sufficient headroom to recruit the best candidate.
- The overall resulting pay package does not stand out as excessive among peers.
- A 200% of salary bonus opportunity is not out of line with the market.

Discussion

Shareholder approval is sought for a binding resolution to approve the Company's remuneration policy. This [new] remuneration policy would be effective starting on May 2023, until May 2026.

A summary of the key points is set out below. Where applicable, the numbers on the right-hand side correspond to points raised in the separate Analysis section.

EXECUTIVE REMUNERATION COMPONENTS

	Current Policy	*Proposed Policy*
Salary (positioning)	Base salaries are normally reviewed annually, with increases effective 1 March each year. The Remuneration Committee sets base salary taking into consideration: • the individual's skills, experience and performance • scope of the role • external market data, including other FTSE 100 companies and other financial and non-financial institutions • pay and conditions elsewhere in the group • overall business performance. There is no maximum base pay, but any increases will normally be in line with the range for other UK employees. In specific circumstances, the Committee may award increases above this level. For example: • base pay for a recently appointed ED has been set with a view to allowing progression in the role over time • there has been a significant increase in the size or scope of an ED's role or responsibilities	Unchanged

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<table>
<tr><td></td><td>there is a significant change in the regulatory environment.
Personal performance will be taken into consideration in determining any increase.</td><td></td></tr>
<tr><td>Benefits</td><td>In line with UK practice.</td><td>Unchanged</td></tr>
<tr><td>Pension type and level</td><td>EDs may 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.

For EDs appointed since 2019 pension contributions are aligned to that available to the majority of the workforce. Pension contributions for EDs appointed before 2019 are aligned with the contributions for other senior managers in the UK, but will be aligned with the majority of the UK workforce by 2022.</td><td>Largely unchanged

Pension contributions for EDs are aligned to that available to the majority of the UK workforce (currently up to 10% of base pay).</td></tr>
<tr><td>Target Annual bonus</td><td><table><tr><th>ED</th><th>% of base salary</th></tr><tr><td>CEO, CFO</td><td>75%</td></tr><tr><td>Other EDs</td><td>87.5%</td></tr></table>Limited to 50% of maximum for target performance.</td><td>Unchanged</td></tr>
<tr><td>Max Annual bonus</td><td><table><tr><th>ED</th><th>% of base salary</th></tr><tr><td>CEO, CFO</td><td>150%</td></tr><tr><td>Other EDs</td><td>175%</td></tr></table></td><td><table><tr><th>ED</th><th>% of base salary</th></tr><tr><td>CEO, CFO</td><td>150%</td></tr><tr><td>EDs appointed after the approval of the remuneration policy</td><td>200%</td></tr></table></td></tr>
<tr><td>LTIP</td><td><table><tr><th>ED</th><th>% of base salary</th></tr><tr><td>All EDs</td><td>250%</td></tr></table></td><td>Unchanged</td></tr>
<tr><td>Exceptional LTIP</td><td><table><tr><th>ED</th><th>% of base salary</th></tr><tr><td>All EDs</td><td>300%</td></tr></table></td><td>Unchanged</td></tr>
</table>

VARIABLE PAY FEATURES (PROPOSED POLICY)

Annual bonus	
Plan Participant(s)	EDs
Award Type(s)	50% cash/50% shares
Deferral	Three years
Malus/Clawback	The Committee may: • apply malus (i.e. reduce the number of shares in respect of which an award vests, or delay such vesting, or impose additional vesting conditions) in the

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	event of financial misstatement, personal misconduct, failure of risk management, reputational damage, factual error in calculating payment/ vesting, material downturn in performance or other exceptional circumstances identified by the Committee. • clawback share awards which have already been released to individuals, if it considers it appropriate to do so having regard to such factors as it deems relevant – such as the likelihood of recovery, any loss suffered, and the link between the award and the event. Clawback will normally only apply within four years of the end of the relevant performance period.
LTIP	
Plan Participant(s)	EDs
Award Type(s)	Performance shares
Vesting Period/Schedule	Three years
Performance Conditions & Period	**Performance conditions:** Performance measures and targets are set annually by the Remuneration Committee to ensure they are relevant and appropriately stretching, and aligned with the delivery of shareholder returns over the longer term. Performance targets take into account internal forecasts, any guidance provided to the market, market expectations, prior performance, and the company's risk appetite. Composition: An appropriate mix (normally an equal weighting) of: earnings performance; shareholder return; and strategic performance including ESG. The maximum weighting for any strategic measures will be 20%. **Performance period**: Three years.
Holding Period	Two years
Threshold Vesting Levels	15%
Malus/Clawback	As for annual bonus

OTHER FEATURES (PROPOSED POLICY)

Service Contracts/Exit Payments

Notice Period

	Notice Period	
	From Company	**From Director**
All EDs	12 months	12 months

Potential termination payments	12 months' fixed pay with variable pay pro-rated for time and performance, subject to Remuneration Committee discretion.
Non-compete agreement	None disclosed
Treatment of equity	General policy: Unvested awards lapse. Change in control: Early vesting of awards upon a takeover of the Company, merger or other corporate reorganisation. Alternatively participants may be allowed or required to exchange their awards for new awards. If there is a demerger, delisting or special dividend or other transaction which may affect the

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	share price, the Remuneration Committee may allow awards to vest on the same basis as for a takeover.
Good leavers	Awards subsist and vest on the original schedule, subject to performance and pro-rated for time served. The Remuneration Committee may allow awards to vest early (subject to performance).
Post-Cessation Shareholding Requirement	EDs are required to maintain shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the group.

OTHER NOTABLE ELEMENTS (PROPOSED POLICY)

Shareholding Requirements	All EDs: 325% of base salary
Discretion	The Remuneration Committee has the discretion make minor amendments to the policy for regulatory, exchange control, or administrative purposes without obtaining shareholder approval for that minor amendment.
Derogations	United Kingdom does not allow any derogations.

New Joiners

General	Policy the same as for existing EDs
Buyout Awards	Possible. Limited to value of awards at previous employer and performance conditions will be applied on a like for like basis. The Committee retains the discretion to use the Listing Rules exemption (LR 9.4.2) for the purpose of making an award to compensate for amounts forfeited upon leaving a previous employer, such that it is not limited to a like for like basis.
Extra Awards	None specified.

REMUNERATION AS BOARD MEMBERS

Fees for the Chair and NEDs are set at an appropriate level to reflect: time commitment required to fulfil the role, responsibilities and duties of the positions, typical competitor practice in the FTSE 100 and other financial services institutions. See remuneration report for current fees.

Analysis

The maximum bonus opportunity for EDs is to be increased to 200% of base salary. The possibility of incorporating ESG or strategic measures into the LTIP is introduced. These issues are discussed in more detail below.

❶ **Bonus**

Proposal

The maximum bonus opportunity for all EDs is to be increased to 200% of base salary. Currently, the bonus limit of the CEO and CFO is 150% and for other EDs is 170% of base pay.

Rationale

The Company notes that bonus opportunity is low compared to peers, and additional flexibility may be needed for recruitment. It asserts that "to ensure we have a remuneration policy with sufficient headroom to recruit high-calibre EDs in the future, we would like to increase the maximum AVP opportunity for all EDs".

The higher opportunity would apply only to new EDS, not existing EDs, whose bonus would remain at 150% of base pay. The Company clarifies that the 200% level would not be the default for new recruits

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but "should ensure sufficient headroom to attract and recruit the best candidates". It is noted for shareholder awareness that the incumbent CEO has announced his intention to retire, and thus the higher potential bonus opportunity may be applied for his successor.

Impact on package

The impact of the increase of total package is tabulated below:

Pay element (*all in GBP*)	**FY2023 (current policy)**	**FY2023 (new policy)**	**Monetary percentage difference**
Base salary	1,074,800	1,074,800	NA
Pension	107,480 (10%)	107,480 (10%)	Nil
Bonus (max)*	1,612,200 (150% of salary)	2,149,600 (200% of salary)	33%
LTIP (max)	2,687,000 (250% of salary)	2,687,000 (250% of salary)	Nil
Total (ex benefits)	5,374,000	5,911,400	**10%**

*Under the current policy the CEO and CFO's bonus opportunities are constrained to 150%, while for other EDs this is 175%. Under the new policy new EDs may be eligible for the 200% award.

Peer comparison

As shown in the table below, when compared against peers the proposed bonus opportunity is not excessive. In addition, the long-term incentive opportunity is not out of line with peers. It is noted that the base salary is positioned on the upper end among the group but the overall potential remuneration quantum does not stand out as excessive.

Company	**CEO Salary (GBP)**	**Max possible under policy**		**Market Cap as at 23 Mar (GBP m)**	**Potential Total (GBP)**
		Bonus	**LTIP**		
Prudential (FY2022)	822,000	200%	550%	27,716	6,165,000
Legal & General Group (FY2023)	**1,074,800**	**200%***	**250%**	**14,192**	**4,836,600**
Aviva (FY2022)	1,030,000	200%	350%	11,783	5,665,000
Phoenix Group Holdings (FY2022)	812,000	150%	300%	5,592	3,654,000
M&G (FY2022)	1,009,400	250%	250%	4,380	5,047,000
Abrdn (FY2022)	875,000	300%	500%*	4,213	6,125,000**

*The max bonus opportunity limit for the CEO and CFO is 150% of base salary, for other EDs is at 175% currently.
*When combined with annual bonus however, the total incentive opportunity may not exceed 700% of salary. As such, maximum LTIP awards would be reduced to 400% of salary if the maximum bonus is operated at 300%.

Conclusion

In summary, the headroom is to be used for new recruits only, and may not be used even then. Bonus of 200% is not considered excessive against peers, and the overall remuneration package is not excessive. Overall, qualified support is warranted.

❷ **LTIP**

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In relation to PSP performance weightings, the new policy provides flexibility to include strategic or ESG measures in the future (with a maximum weighting of 20%).

Sustainability Advisory Services expectations are that where non-financial objectives are used as part of the performance conditions the majority of the payout should be triggered by the financial performance conditions. "ESG performance conditions may be used but targets should be material to the business and quantifiable. There should be a clear link between the objectives chosen and the company's strategy."

On the implementation side, the Company does not propose to make any chances to the PSP performance measures for FY2023, but any future changes will be analysed considering above expectations.

It is proposed that dividends be paid on any part of a PSP award that vests. Currently, dividends "do not currently accrue on PSP awards during the performance period, which creates a misalignment between executive pay and shareholder returns". This change is in line with the market.

Item 19. Approve Remuneration Report — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted as no material concerns have been identified.

BACKGROUND INFORMATION

Policies: Compensation

Discussion

Shareholder approval is sought for an advisory resolution to approve the Company’s remuneration report regarding financial year 2022.

A summary of the key points is set out below. Where applicable, the numbers on the right-hand side correspond to points raised in the separate Analysis section.

REMUNERATION REPORT - VOTE FEATURES

Item	Feature
Vote	Advisory
Majority requirement	Simple majority of votes cast excluding "abstain votes"
Last vote (report)	91.8%
Response to significant dissent (report)	n/a
Last vote (policy)	95.4% (2020 AGM)
Response to significant dissent (policy)	n/a

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Components of Pay Table (Lead Executive)

COMPONENTS OF PAY

GBP in thousands	Lead Executive				Lead Executive Peer Median
	Nigel Wilson		Nigel Wilson	Nigel Wilson	
	2022	**Change**	**2021**	**2020**	**2022**
Base salary	1,020	+4.2%	980	974	1,140
Perquisites	19	-	19	19	31
Pension	153	+4.1%	147	146	202
All other compensation	6		5	5	0
Cash Bonus	705	+1.6%	694	173	640
Deferred Bonus	705	+1.6%	694	173	488
Total short-term incentives	1,410	+1.6%	1,388	346	888
Non-equity incentives	-		-	-	0
Restricted stock	1,354	-23.6%	1,772	602	708
Options	-		-	-	0
Total long-term incentives	1,354	-23.6%	1,772	602	881
Total	3,962	-8.1%	4,311	2,092	**3,076**
% of Net Income	0.17%		0.21%	0.16%	
% of Revenue	-10889.00%		0.04%	0.01%	

Executive Pay Package

FIXED PAY

Item	
Salary Levels	See salary table below. For FY2023, employees below the Board received salary increases of c.5.8%.
Key perquisites	Benefits include: allowance in lieu of a company car, private medical insurance, life insurance, income protection, all-employee (ShareSave and Share Purchase) plans. Nigel Wilson: GBP 25,000 Jeff Davies: GBP 23,000
Pension	See pension table below. From 31 December 2022, Nigel Wilson and Jeff Davies receive a cash allowance in lieu of pension contributions of 10% of base pay, aligned with the employer pension contributions for the majority of the UK workforce..

Salary Levels

Director	**FY2021**	**% change**	**FY2022**	**% change**	**FY2023**
Nigel Wilson (CEO)	GBP 979,500	5.0%	GBP 1,028,500	4.5%	GBP 1,074,800
Jeff Davies (CFO)	GBP 590,000	7.1%	GBP 632,000	4.5%	GBP 660,400

For FY2023, employees below the Board received salary increases of c.5.8%.

Pension

Director	**FY2022**	**% of Salary**	**Pension Type**
Nigel Wilson	GBP 153,000	15%	Cash in Lieu
Jeff Davies	GBP 82,000	13.2%	

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SHORT-TERM INCENTIVES

Performance targets

FY2022	Financial Metrics (70% weighting): • Net release from operations (15%) • Adjusted operating profit (20%) • Earnings per shares (7.5%) • Return on equity (7.5%) • Solvency II operating surplus generation (10%) • Solvency II new business value add (10%) Non-Financial Metrics (30% weighting): • Strategic and personal objectives (30%)	❶
FY2023	As for 2022	❶

Payout

	STI opportunity		Actual payout			
Director	**Target**	**Maximum**	**Amount**	**In % of base salary**	**% of max.**	❶
Nigel Wilson	75%	150%	GBP 1,410,000	137%	91.4%	
Jeff Davies	75%	150%	GBP 867,100	137%	91.5%	

All EDs, Performance conditions

Metric	Weight (%)	Threshold	Target	Maximum	Actual	Payout as % of max.
Financial						
Net Release from operations	15%	GBP 1,685m	GBP 1,760m	GBP 1,835m	GBP 1,919m	100%
Adjusted Operating Profit	20%	GBP 2,262m	GBP 2,396m	GBP 2,465m	GBP 2,523m	100%
Earnings Per Share	7.5%	34.2p	35.6p	36.9p	38.3p	100%
Return on Equity	7.5%	18.9%	19.4%	19.9%	20.7%	100%
Solvency II Operation surplus generation	10%	GBP 1,683m	GBP 1,733m	GBP 1,783m	GBP 1,805m	100%
Solvency II new business value add:						
LGRI	5%	3.4%	5.4%	6.4%	8.9%	100%
Retail retirement – UK annuity business	2.5%	5.2%	5.5%	5.9%	6.27%	100%
Retail Insurance – UK and US protection	2.5%	6.3%	6.8%	7.2%	7.17%	95.7%
Non-financial						

❶

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Strategic Goals	30%	See below	Nigel Wilson	71.7%
			Jeff Davies	72%
TOTAL			**Nigel Wilson**	**91.4%**
			Jeff Davies	**91.5%**

ESG/Personal Objectives (%)

Key focus areas are identified at the beginning of each year, and strategic objectives may be set individually for each executive director or assessed as their individual contribution to joint objectives. Normally, 10% of the total bonus opportunity is allocated to each category encompassing focus areas:

Focus area	FY2022 Performance
Operational performance: Determined by the Committee and supported by analysis from the Director of Group Finance and Chief Risk Officer, using quantitative and qualitative metrics, including divisional and group operational performance, capital management, prudential risk, IT and cyber risk, and internal audit.	• "Strong performance against our five year (2020 – 2024) Solvency II operational surplus goals (progress to date: GBP 4.9 billion) and against ambition for Solvency II net surplus generation to cumulatively exceed dividends over 2020 – 2024 (£0.7 billion accrued to the end of 2022)" • "Strong operational performance across all divisions including: ○ GBP 9.5 billion of sales across the UK, US and Canada in institutional retirement (2021: GBP 7.2 billion) ○ continued development of fintech solutions, with investments in three businesses (Onto, Moneyhub and Generation Home) ○ implementation of LGIM's strategic operating model to create a globally scalable platform with State Street ○ LGC's first investment in the US, a 50:50 partnership with US real estate developer and asset manager, Ancora" • "Risk management aligned with the framework set out in page 54 of the annual report"
Customer and culture: Based on a range of metrics including customer performance scores and feedback, employee engagement scores, and progress against gender and other diversity goals.	• "Net promoter score of +71 within our institutional retirement business" • "Cultural focus areas assessed included: ○ prioritisation of employee growth, development and learning culture ○ collaboration both within divisions and across the group to drive incremental business value ○ delivery against diversity and inclusion priorities ○ across the group, there was continued positive employee feedback with the employee satisfaction index at 78% (2021: 76%) and progressive narrowing of median gender pay gap to 22.4% (2021: 24.1%)" • Specific divisional metrics (not disclosed)
Other Strategic Focus on safeguarding the future of the company and developing future income streams. For 2022, this includes progress of key environmental commitments as referenced in our 2021 climate report, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).	• "Portfolio carbon emission intensity reduced in line with pathway to achieve 18.5% reduction by 2025 and 50% reduction by 2030, with end of 2022 reduction of at least 12% compared to 2019 base line (2022: actual reduction of 15%)" • "Science-based targets (SBTs) for our operations and key parts of our asset portfolio internally approved and submitted to the Science Based Targets initiative (SBTi) by December 2022 for their approval (2022: submitted to SBTi)" • "Operational footprint (occupied offices and business travel) on track to achieve net zero carbon emissions by 2030 and plan agreed for achieving operational footprint SBTs (2022: plans developed and footprint reduced in line with plan)" • "Other specific strategic targets (not disclosed)"
Total: **Nigel Wilson – 21.5% out of 30%** **Jeff Davies – 21.6% out of 30%**	

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Risk factors and solvency considerations are also factored into bonus outcome.

Additional information

Item	Feature
Delivery method	50% cash/50% shares
Deferral period	Three years
Discretion	None utilised

LONG-TERM INCENTIVES

Performance Share Plan (PSP)

Award level

Director	Maximum	Exceptional Maximum
All EDs	250% of salary	300% of salary

Awards granted ❷

Director	Award type	Grant date	Opportunity at grant	Performance period (years)
Nigel Wilson	Performance shares	FY2022	250% of salary	3
		FY2023	250% of salary	
Jeff Davies		FY2022	250% of salary	3
		FY2023	250% of salary	

Performance metrics – granted awards (FY2022)

Metric	Weight (%)	Requirement	Vesting	Peer group
EPS growth	50%	5% per annum	15%	N/A
		12% per annum	100%	
Relative TSR	25%	Median	15%	FTSE 100
		80^{th} percentile	100%	
	25%	Median	15%	Bespoke peer group*
		80^{th} percentile	100%	

Pro rata vesting between vesting levels
*TSR Comparator Group: Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., Lincoln National, M&G, Mapfre, Metlife, Muenchener Ruck., NN Group, Phoenix Group, Principal Financial, Prudential Financial, Prudential, Sampo A, Swiss Re, Talanx and Zurich Insurance Group.

Performance Metrics – ensuing year's grants (FY2023) ❷

Metric	Weight (%)	Requirement	Vesting	Peer group
EPS growth	50%	5% per annum	15%	N/A
		14% per annum	100%	
Relative TSR	25%	Median	15%	FTSE 100
		80^{th} percentile	100%	
	25%	Median	15%	Bespoke peer group*
		80^{th} percentile	100%	

Pro rata vesting between vesting levels
*Unchanged from FY2022. TSR Comparator Group: Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., Lincoln National, M&G, Mapfre, Metlife, Muenchener

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Ruck., NN Group, Phoenix Group, Principal Financial, Prudential Financial, Prudential, Sampo A, Swiss Re, Talanx and Zurich Insurance Group.

Discretion (granted) None utilised

Post-vesting holding requirements Two years

Awards vested ❷

Director	Value at vesting ('000)	% Vesting
Nigel Wilson	GBP 1,353,539	52.3%
Jeff Davies	GBP 815,301	52.3%

Performance metrics – vested awards (FY2019) ❷

Metric	Weight (%)	Requirement	Vesting	Peer group	Outcome	Payout as % of max.
EPS growth	50%	5% per annum	15%	N/A	11%	87.4%
		12% per annum	100%			
Relative TSR	25%	Median	15%	FTSE 100	Median rank was 46.5; 80th percentile rank was 19; Company's outcome was: 40.2	34.4%
		80th percentile	100%			
	25%	Median	15%	Bespoke peer group*	Median rank was 12; 80th percentile rank was 5; Company's outcome was: 13.6	Nil
		80th percentile	100%			
Total						**52.3%**

*Bespoke Comparator Group comprised of Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck, Lincoln National, Mapfre, M&G, Metlife, Muenchener Ruck, NN Group, Phoenix Group, Principal Financial, Prudential, Prudential Financial, Sampo A, Swiss Re, Talanx, Zurich Insurance Group.

Discretion (vested) None utilised

Post-vesting holding requirements Two years

DILUTION

Dilution limits

Limit	Current position*
10% in 10 years for all schemes	9.49%
5% in 10 years for discretionary schemes	4.89%

*As at 31 December 2022.

SINGLE TOTAL FIGURE

As disclosed by company

Director	FY2021	FY2022	% change

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Nigel Wilson	GBP 4,311,000	GBP 3,962,000	-8%
Jeff Davies	GBP 2,547,000	GBP 2,412,000	-5%

CEO PAY RATIO

Disclosed Pay Ratio	73:1
Employee Pay Disclosure base	Median
Computation Methodology	Option B

SHAREHOLDING

Shareholding requirement

Director	% of basic salary
All EDs	325%

Level of executive shareholdings

As at 31 December 2022:

Director	% of basic salary
Nigel Wilson	888%
Jeff Davies	162%

EXIT PAYMENTS

On 30 January 2023, Nigel Wilson announced his intention to retire as the Group CEO. Until he retires (after a successor is found) he will continue to be paid in line with the directors' remuneration policy and his contractual terms.

NEW JOINER(S)

No new joiner awards were granted during the year.

ADVISERS

Remuneration consultants	PricewaterhouseCoopers paid GBP 136,150 for FY2022

Pay for board-related duties

Position	FY2022	FY2023	% Change
Board Chair	GBP 550,000	GBP 577,500*	5%
NED Base Fees	GBP 75,000	GBP 78,750*	5%
Additional Fees			
Senior Independent Director	GBP 30,000	GBP 31,500*	5%
Chair of Audit, Remuneration and Risk Committees	GBP 40,000	GBP 42,000*	5%
Committee Membership Fee	GBP 15,000	GBP 15,750*	5%
Chair of Technology Committee	N/A	GBP 31,500**	N/A
Designated Workforce Director	N/A	GBP 31,500**	N/A

*Fees increased with effect from 1 August 2022.
** From 1 September 2022 a fee of GBP 31,500 was introduced for chairing the Technology Committee, and also for the Designated Workforce Director.

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The current limit for base fees paid to NEDs is an aggregate of GBP 1,500,000 per annum. A resolution will be put to the AGM on 18 May 2023 which will seek approval to increase the aggregate amount of fees which may be paid to the Company's directors to GBP 3,000,000 per annum.

Analysis

PAY-FOR-PERFORMANCE CONCERN LEVEL IS LOW

All remuneration-related vote recommendations are based on a holistic review considering any relevant qualitative and quantitative factors.

Sustainability Advisory Services' quantitative pay-for-performance model (P4P) suggests that pay outcomes have been generally aligned to performance and/or peers (see Remuneration Profile earlier in this report).

Overall, no significant concerns are raised with pay in FY2022: pay structures are standard, criteria are quantifiable, and the outcomes have converged with performance.

❶ **Bonus**

Bonuses paid out at c.91% for EDs, with most of the financial element paying out in full, and high outcomes for the non-financial element.

In terms of financial performance, adjusted operating profit and profit for the year both increased by 12%; ROCE was slightly higher than for 2021; and there was progress across most of the suite of KPIs. Final results beat consensus and the Company is on track for its 2020-2024 goals. In this context, the bonus does not appear to be divergent from performance.

Looking at shareholder experience, the dividend has been grown by 5%, and while the share price lagged the index somewhat, relative TSR is reflected in the LTIP outcome.

For FY2022, the financial bonus criteria are well diversified between various metrics, covering a spectrum of KPIs. As noted in last year's Sustainability Advisory Services report, while strategic goals are more subjective in character, a good amount of numeric information is provided on these.

For FY2023, percentage weightings for targets are to be the same as for the year under review. As discussed under Item 20, the overall maximum bonus opportunity may increase for new ED recruits.

❷ **LTIP**

Vested awards & potential windfall gains

In FY2022, 52% of the 2020 PSP award vested, largely attributable to EPS performance.

The Company chose to delay the 2020 PSP grant due to the market volatility related to COVID-19 around the usual spring grant time.

The 2020 PSP awards were therefore granted in August 2020 at a share price of 229.26p. The Remuneration Committee notes that "If the grant had happened in line with our usual time frame, the equivalent share price at the date of grant would have been 191.75p. By taking this action at the point of grant the Committee granted 16% fewer shares to executives than under the default approach."

Upon vesting, the Remuneration Committee asserts that "The share price at that later grant date has proven to be sufficiently reflective of market conditions and average share price throughout the performance period, and therefore the Committee determined that no downward adjustment to the formulaic outcome is required as a result of 'windfall gains'".

Considering the timing of the award and the share price patterns, no significant concerns are raised.

Granted awards and FY2023 awards

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The LTIP is a straightforward model featuring the most common metrics of relative TSR and EPS growth. This setup is to remain for the FY2023 grant.

In the annual report the Company notes that it considered changing the bespoke comparator group for future PSP awards, with TSR growth measured instead against only the FTSE 100 because "There are no directly comparable organisations with the same business model as Legal & General, and back-testing had shown that historical PSP outcomes would not have been materially different if only TSR performance versus the FTSE 100 had been used." However, in response to shareholder feedback, the bespoke comparator group is being retained.

For the ensuing year's grant, the EPS growth target range is increased to 5-14% from 5-12% for the year under review, presenting a more stretching target range.

Item 20. Approve Increase in Limit on the Aggregate Amount of Fees Payable to Directors

FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted because no significant concerns have been identified.

Proposal

The Board is seeking shareholder approval to increase the annual aggregate limit on Directors' fees under the Company's Articles of Association from GBP 1,500,000 to GBP 3,000,000.

Analysis

The proposal represents a 50% increase in the annual aggregate limit on the NED fees. The Company notes in the meeting notice that the previous limit was set in 2016 and further explains that "the Company has no intention to make any changes to director fees beyond ordinary course changes from time to time. However, the Company believes an increase to the fee limit is appropriate in light of the increased number of NEDs that have been appointed to the Board in recent years and the increased number of Board committees on which directors are required to serve, to bring the Company’s fee limit more into line with the fee limits of other large financial services groups and to provide the Board with further flexibility in the future".

Sustainability Advisory Services notes the Company's rationale and consider support for this resolution to be warranted.

Items 21, 24 and 25. Authorise Issue of Equity

FOR

VOTE RECOMMENDATION

A vote FOR these resolutions is warranted because the proposed amounts and durations are within recommended limits.

Proposal

The Board is proposing the following issuance authorisation(s), subject to the following terms:

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Item	Nature	General (% of ISC)	Fully Pre-Emptive Offers (% of ISC)	Specific (% of ISC)	Aggregate Authority (% of ISC)	Additional Follow-On Offer (% of ISC)	Duration (months)
21	General Authority for Share Issuance	33.33	N/A	N/A	33.33	N/A	15
24	General Authority for Share Issuance for cash without pre-emptive rights	5	N/A	N/A	5	N/A	15
25	General Authority for Share Issuance for cash without pre-emptive rights for specified capital investment purposes	5	N/A	N/A	5	N/A	15

REGULATORY BACKGROUND

AGM Resolutions	Sustainability Advisory Services Code	Amount	Regulatory Guidance
General share issuance authority	M0379	33.33% of ISC	IA Capital Management Guidelines
General share issuance authority: Rights Issue Only	M0379	A further 33.33% of ISC	IA Capital Management Guidelines
Share Issuance without requirement of a Prospectus*	M0379	19.99% of ISC	Prospectus Regulations
Dis-application of Pre-emption Rights for share issuance for cash*	M0331	10% of ISC	Pre-emption Group Guidelines
Dis-application of Pre-emption Rights for share issuance for cash for specified capital investment*	M0331	A further 10% of the ISC	Pre-emption Group Guidelines
Dis-application of Pre-emption Rights for share issuance for cash for purposes of a follow-on offer (for each authority)	M0331	2% of ISC	Pre-emption Group Guidelines

*These authorities operate within the 33.33% general share issuance authority set out above. ISC = Issued Share Capital.

In limited circumstances, the first part of the general share issuance authority (typically seeking approval for up to 33.3% of the ISC) may potentially be used to issue shares on a non-cash, non-pre-emptive basis.

CHANGE IN ISC

FY2021[1]	FY2022	% Change
5,970,476,872	5,973,315,397	0%

1. As at 31 March 2022.
2. As at 31 March 2023.

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Items 22 and 26. Authorise Issue of Equity in Connection with the Issue of Contingent Convertible Securities

FOR

VOTE RECOMMENDATION

A vote FOR these resolutions is warranted, although this is not without concern for shareholders:

- If the Company were to issue Contingent Convertible Securities and a trigger event were to occur, causing them to convert into ordinary shares, this would result in significant dilution to non-participating shareholders.

The main reasons for support are:

- Such authorities are common proposals at UK banks and are intended to apply in extreme circumstances only; and
- The conversion into ordinary shares would require the CET1 ratio to fall to a level which would denote significant capital weakness well beyond the Company's current position and minimum regulatory requirements.

Proposal

The Company is seeking shareholder approval to allot ordinary shares in connection with Contingent Convertible Securities (CCS), in addition to the authorities sought under Resolutions 21, 24 and 25.

Item	Nature	General (% of ISC)	Rights Issue (% of ISC)	Specific (% of ISC)	Aggregate Authority (% of ISC)	Duration (months)
22	Authority to issue shares	N/A	N/A	13.4%	13.4%	15
26	Without pre-emptive rights	N/A	N/A	13.4%	13.4%	15

ISSUANCE OF CONTINGENT CONVERTIBLE SECURITIES

In addition to its regular share issuance authorities (see Items 21, 24 and 25), the Company is seeking shareholder approval for additional authorities to issue shares equivalent to c. 13.4% of the issued share capital in connection with issuing CCS. These are essentially debt securities that benefit from a particular regulatory capital treatment under European legislation and may, under certain circumstances, be converted into equity.

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Conversion of CCS into, or exchange of CCS for, ordinary shares

As noted in the meeting notice, "Any CCS issued by the Group will automatically convert into, or be exchanged for, new ordinary shares in the Company upon the occurrence of one or more designated trigger events. The holders of CCS will have no right to require the conversion of the CCS into, or the exchange of the CCS into, ordinary shares in any other circumstances. In summary, under Solvency II, the terms of any CCS must provide for automatic conversion or exchange to occur (i) if the amount of own fund items eligible to cover the Group's capital requirements falls below 75% of the Group's capital requirements, (ii) if the Group fails to comply with its capital requirements for a continuous period of three months or more, or (iii) if the Group fails to comply with other minimum capital requirements applicable to it. If thought appropriate, the Board may also issue CCS that include terms providing for automatic conversion or exchange to occur in other defined circumstances (but not at the option of the holders of the CCS)."

Options available to the Group prior to the occurrence of a trigger event under any CCS

As noted in the meeting notice, "If the Group's capital position were to deteriorate, a number of steps may be available to the Group to improve its capital position before the occurrence of a trigger event resulting in the conversion or exchange of any CCS into ordinary shares in the company. The Board can be expected to take steps such as reducing the Group's liabilities or raising extra share capital from investors by way of a rights issue. If the company were, in future, to launch a rights issue, the company s existing ordinary shareholders would be offered the opportunity to acquire new ordinary shares in proportion to their existing shareholding."

Company Rationale

As noted in the meeting notice, "Satisfying the Group's Tier 1 capital requirements in part through the issue of CCS is likely to be a cost-effective means of raising capital and therefore enabling the Group to reduce its overall cost of capital. This would, in turn, be more beneficial for existing ordinary shareholders than if the Group were to satisfy its Tier 1 capital requirements through the issue of ordinary shares or the retention of profits alone".

Furthermore, "By seeking a specific mandate, the Company intends to provide greater certainty for shareholders, whilst also preserving flexibility for the Company by retaining a general mandate to allot shares for other purposes".

Analysis

Approval for the issuance of such instruments is regularly sought at UK insurance companies. These are unique instruments which have features of debt instruments (thus non-dilutive at issuance to equity holders) but which can be converted into equity at times of stress. The trigger event for this conversion from debt to equity is usually set at a level reflecting significant capital weakness. The trigger event would indicate significant stress on the Company's balance sheet if it were to ever to reach that stage. Furthermore, these instruments strengthen the Company's balance sheet and hence shareholder support for these resolutions is considered appropriate.

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Item 23. Authorise UK Political Donations and Expenditure — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted because the Company states that it does not intend to make overtly political payments but is making this technical proposal in order to avoid inadvertent contravention of UK legislation.

BACKGROUND INFORMATION

Policies: Ordinary Business

Proposal

The Board is seeking shareholder approval for the authority to make UK political donations as follows:

Category of expenditure:	**Category maximum**
To political parties and/or independent election candidates:	
To political organisations other than political parties:	GBP 100,000
To incur political expenditure:	
Aggregate authority:	GBP 100,000
Duration of authority (months):	12
Political donations made during the year:	None
Company's policy:	Not to make UK political donations

Item 27. Authorise Market Purchase of Ordinary Shares — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted because the proposed amount and duration are within recommended limits.

BACKGROUND INFORMATION

Policies: Capital/Restructuring

Proposal

Approval of this item authorises the Board to repurchase shares. The terms of the authorisation are as follows:

SHARE BUYBACK		
Repurchase limit as % of issued share capital	10	
Holding limit as % of issued share capital	N/A	Current holdings: None
Maximum repurchase price - % of market price	105	
Minimum repurchase price (per share)	GBP 0.025 (nominal value)	
Duration (in months)	15	

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Shares repurchased during the year under review?	No

Analysis

Support for the resolution is considered warranted as the authority sought is within normal market limits and no serious concerns have been identified.

Item 28. Authorise the Company to Call General Meeting with Two Weeks' Notice — FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted. No issues of concern have been identified.

BACKGROUND INFORMATION

Policies: Shareholder Rights & Defenses

Proposal

The Board is seeking shareholder authority for the Company to hold general meetings (other than AGMs) with 14 days' notice.

BACKGROUND TO AND REASONS FOR THE PROPOSAL

UK law requires general meetings (other than AGMs) of publicly traded companies to be called with 21 days' notice with the option for listed companies to call general meetings (other than AGMs) at a minimum of 14 days' notice if:

- The company provides an electronic voting facility accessible to all members; and
- A special resolution to enable the use of a notice period of not less than 14 days has been passed either (a) at the immediately preceding AGM, or (b) at a general meeting held since that AGM.

Analysis

Calling general meetings at not less than 14 days' notice is a long-established feature of the UK market. The Company is seeking shareholders' permission to continue to have this flexibility. The authority will expire at the next AGM.

Investors expect companies to give as much notice as is practicable when calling a general meeting, with the additional flexibility afforded by this authority only being used in limited and time-sensitive circumstances where it would clearly be to the advantage of shareholders as a whole. Shareholders may consider voting against resolutions at general meetings where the use of the shorter notice period has not been adequately justified by the company or the proposals are of such complexity that shareholders require more time to consider their voting decision.

The Company has confirmed that it will only use the shorter notice period where it is merited by the purpose of the meeting.

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Detailed Ownership Profile

back to Ownership and Control Overview

Percentages rounded down to 1 decimal. "▶" identifies shareholders considered strategic under ISS' definition.

Type	Votes per Share	Issued
Ordinary Shares	1	5,973,315,397
Ownership - Ordinary Shares	**Number of Shares**	**% of Class**
Hargreaves Lansdown Stockbrokers Ltd.	217,845,000	3.6
The Vanguard Group, Inc.	203,136,922	3.4
BlackRock Fund Advisors	160,184,000	2.6
RBC Global Asset Management, Inc.	153,302,269	2.5
RBC Global Asset Management (UK) Ltd.	137,866,833	2.3
BlackRock Investment Management (UK) Ltd.	130,850,078	2.1
Threadneedle Asset Management Ltd.	124,383,364	2.0
BlackRock Advisors (UK) Ltd.	108,969,586	1.8
Schroder Investment Management Ltd.	79,849,748	1.3
Hargreaves Lansdown Asset Management Ltd.	70,702,000	1.1
State Street Global Advisors Ltd.	69,971,931	1.1
Rathbone Investment Management Ltd.	63,749,506	1.0
SSgA Funds Management, Inc.	58,628,863	0.9
FIL Investment Advisors (UK) Ltd.	58,172,673	0.9
Baillie Gifford & Co.	57,010,169	0.9
APG Asset Management NV	52,641,074	0.8
Royal London Asset Management Ltd.	51,001,740	0.8
Artemis Investment Management LLP	48,112,367	0.8
Pyrford International Ltd.	46,484,406	0.7
Aviva Investors Global Services Ltd.	45,366,000	0.7
▶Nigel Wilson (CEO)	3,658,936	<0.1
▶Stuart Davies (CFO)	411,474	<0.1

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Additional Information

Meeting Location	British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ
Meeting Time	11:00
Security IDs	G54404127(CINS)

Company Contacts

Contact	Geoffrey Timms (Group General Counsel and Company Secretary)
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