

# Directors' report on remuneration



**Laura Wade-Gery**  
Chair of the Remuneration Committee

## Committee overview

### Committee meetings and membership

The Committee met six times during the year. The Committee comprises only independent non-executive directors, fulfilling the requirements of the UK Corporate Governance Code. The Board is satisfied that the members of the Remuneration Committee have the relevant expertise and experience to deliver its responsibilities. The majority of members of the Committee are also members of the Risk Committee, ensuring appropriate identification and consideration of any issues that are relevant to both committees.

### Meeting attendance

Member	Scheduled	Ad hoc
Laura Wade-Gery (Chair)	5/5	1/1
Henrietta Baldock	5/5	1/1
Philip Broadley <sup>1</sup>	3/3	1/1
Lesley Knox <sup>2</sup>	0/2	0/0
George Lewis	5/5	1/1
Ric Lewis <sup>3</sup>	3/5	1/1
Tushar Morzaria <sup>3</sup>	4/5	1/1
Mark Jordy <sup>4</sup>	3/3	0/0

1. Retired from the Committee with effect from 31 August 2025.
2. Unable to attend due to prior commitments and retired from the Committee with effect from 21 May 2025.
3. Unable to attend due to prior commitment.
4. Appointed to the Committee with effect from 1 July 2025.

### Terms of Reference

The Committee's terms of reference can be viewed on our website:

 Discover more online  
[group.legalandgeneral.com/groupboardcommittees](https://group.legalandgeneral.com/groupboardcommittees)

### Key responsibilities

- Determine and make a recommendation to the Board on the Group's remuneration policy.
- Determine the contractual terms and remuneration of the Chair, executive directors and designated senior managers, including base salary, policy and scope for pension arrangements, share and other incentive plans, bonus arrangements and shareholding requirements.
- Determine the framework for the remuneration policy for all other employees of the Group.
- Design of, or amendment to, any share- or cash-based performance-related pay plans operated by the Company.
- Exercise the powers of the employer in relation to the operation of the Group ShareSave Plan, Employee Share Plan and share incentive plans.
- Review the ongoing appropriateness and relevance of the Group's various remuneration policies and compliance with all regulatory requirements.

I am pleased to present the Directors' report on remuneration for 2025, as the Chair of the Remuneration Committee.

2025 has been a busy year for the Committee. A key area of focus has been the development of our new directors' remuneration policy (the policy), including consulting with investors on our proposals. This report contains our proposed policy which shareholders will be asked to approve at our 2026 AGM. I would like to thank all those we have consulted with for your time and guidance as we refined these proposals.

In addition to our proposed policy, this report also sets out the remuneration decisions we made, under the existing policy. A key item in 2025 was determining the appropriate remuneration as a result of the change in Group CFO. All of the decisions taken were fully in line with our policy.

## Link between pay and performance

2025 was a strong year for L&G, with excellent progress in each of our three businesses. As the implementation of our strategy evolves we are continuing to benefit from further synergies between our three businesses. Institutional Retirement reinforced its position as leader in global pension risk transfer writing over £11.8 billion of PRT, including a £4.6 billion PRT transaction with Ford. We have seen material progress in Asset Management, with a strong £34 million in ANNR highlighting our shift to higher margins in income flows. In Retail, our customer base has grown to c.12.1 million, and DC AUM across the Group have surpassed £200 billion.

Progress on our strategy is encouraging. We have sharpened our strategic focus with the agreed sale of our US protection business and partnership with Meiji Yasuda for \$2.6 billion. We have progressed the disposal of assets in our Corporate Investments unit, unlocking value to support our ambition of enhancing shareholder returns.

We believe that the performance of the Group is appropriately reflected in our executive pay outcomes, as outlined here and in the sections that follow.

## Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by Group financial performance, measured against pre-determined targets. This scorecard contains a number of financial metrics which assess both our in-year profitability and performance, as well as growth metrics assessing the extent to which new business is written in the year which will generate profits for shareholders in future years. Targets and outcomes are summarised in the 'Quick read' section on page 88.

The overall outcome across all financial measures is 52% of maximum (vs 50% in 2024).

As set out above, the Board believes the management team have delivered a strong year. This has also generated good outcomes for shareholders with a total shareholder return of 18.5% in calendar year 2025.

The overall outcome of 52% on our financial measures is a combination of the Committee setting genuinely stretching targets and headwinds in a number of areas that made it challenging to exceed our ambitious plan.

In year performance was strong, with our adjusted operating profit up 2.6% and core operating EPS up 9%, resulting in outcomes between target and maximum.

Our growth metrics generally performed well. However the PRT market was materially more subdued, with significantly lower market volumes than envisaged at the start of the year. Whilst we have written strong business in a subdued market, both from a market share and profitability perspective, these overall market conditions have been a drag on a number of our measures, most notably CSM.

Strategic objectives determine the other 30% of bonus opportunity, including strategy, customer and culture, and risk, with climate measures operating as an underpin. In line with previous years, customer and culture and risk measures are assessed taking into account a very wide range of quantitative and qualitative measures.

For 2025, the strategic measure was primarily assessed against the execution of our new strategy. This measure scored highly, and initial progress has been very strong, including building strategic partnerships with Meiji Yasuda and Blackstone. This has been supported by the delivery of our new behaviours helping to drive improvements in pace, execution and accountability across the Group.

The overall non-financial measures were scored at 23.2/30%, resulting in a total bonus opportunity of 59.3% of maximum. As noted further in this report, Jeff Davies who resigned as CFO in the year is not receiving an annual bonus. As Andrew Kail commenced in the role as CFO effective 1 December, the Committee determined that it was appropriate to award Andrew the same non-financial scores as the CEO for this one month period.

The Committee is comfortable that these formulaic outcomes are appropriate and consistent with performance, and therefore no discretion was applied.

## Performance Share Plan (PSP)

The 2023 long-term incentive (PSP) award was made in April 2023, with vesting subject to earnings per share (EPS) growth and total shareholder return (TSR) growth metrics over a three-year period ended 31 December 2025. Performance was below threshold on all measures and therefore this PSP is lapsing in full.

As a reminder, the CEO was appointed at the start of 2024, part way through this performance period. He announced a new strategy shortly after his appointment. Whilst the PSP will lapse in full, the Committee is confident that L&G is performing well, progress against our strategy is on track and we are delivering strong outcomes for shareholders. In particular, the share price has recovered from a low point shortly before the CEOs appointment and TSR performance over the full three-year period was only slightly below median, with absolute TSR at 30%.

## Executive director changes in 2025

As announced on 30 September 2025, Jeff Davies stood down from the Board on 10 December, with Andrew Kail joining the Board and commencing the role as Group CFO and executive director from 1 December. Jeff continued his employment with L&G until 28 February 2026 to ensure a smooth transition and received his contractual payments during this period.

On the basis that Jeff has left the Group by reason of his resignation, all unvested awards under the Share Bonus Plan (SBP) and PSP will lapse and Jeff is not eligible to receive a bonus in respect of 2025 performance.

Following Jeff's resignation, the Board enacted its Group executive succession plan and Andrew Kail, on the basis of his extensive knowledge and understanding of the business, his relevant financial and audit background and his excellent leadership credentials, was considered to be the standout candidate for this role.

Since joining L&G in 2021, Andrew has been CEO of the Retail Retirement business and more recently CEO of Institutional Retirement. In these roles, he has overseen the development of the integrated savings and retirement strategy and successfully developed and executed the strategy in our PRT business, with notable wins including NatWest, BP and Ford in 2025.

He also served as LGAS CEO from January 2024 and has previously held a number of director roles across L&G.

In determining the appropriate remuneration arrangements for Andrew, we took into account a number of factors including Andrew's calibre and experience, the competitive market for talent and desire to align performance closely to the delivery of our new strategy. We are comfortable that the remuneration arrangements are comparable with levels awarded at our peers. In line with the current shareholder approved policy, Andrew will receive:

- salary of £800,000 p.a.
- pension of 13% of salary (from 1 April 2026), benefits and car allowance
- AVP opportunity of 200% of salary for 2026
- PSP opportunity of 300% of salary for 2026

## Revised remuneration policy for executive directors

The current directors' remuneration policy was approved by 95.5% of shareholders at the May 2023 AGM.

As a part of the three-year renewal cycle, the Committee conducted a comprehensive review of the policy in 2025 to ensure that it continues to support L&G's strategy and the attraction, retention, and motivation of key executive talent in a competitive market, while remaining responsive to investor expectations, corporate governance developments and evolving best practice.

Since the current policy was introduced, L&G has undergone significant changes, including the appointment of a new CEO in January 2024, who is now established in their role with a clearly communicated strategy to deliver sustainable growth and enhanced returns. These factors were taken into account during the review to ensure that incentives remain appropriately structured to motivate management to deliver our strategy.

## Directors' report on remuneration continued

We carefully assessed the most appropriate form of the policy going forward, and consulted with our largest shareholders (over 40% of the register) and relevant representative bodies to seek feedback on our initial proposals. We are grateful for the time shareholders invested in reviewing our proposals and sharing their views. Their feedback, which covered a range of areas, was taken into account when refining our proposals.

The Committee concluded that the overall structure of the current policy – comprising a market standard bonus, AVP, and a PSP – remains fit for purpose. However, we are proposing limited amendments to quantum and to PSP measures to ensure that the policy is focused on the delivery of our strategy (including retention of our GMC and other senior management) and to strengthen further the link with shareholder experience.

The key changes and accompanying rationale, are as follows:

### Increasing policy maximum for PSP:

The Committee recognises that under the current policy, the CEO's total remuneration is below market levels (below median of FTSE 100 Financial Services firms and specific peers of similar or smaller size and complexity). Further, the Committee also notes that the current CEO, António Simões, accepted a significant reduction in total remuneration upon appointment to his current role in January 2024.

We are proposing to increase the maximum PSP opportunity from 300% to 400% of base pay to ensure that total compensation remains competitive and that the Committee has sufficient headroom to respond to changing circumstances over the three-year life of the policy.

For 2026, the PSP grants will be 350% of base pay for the CEO and 300% of base pay for the CFO. We would engage with investors if any further increase in award levels were to be considered.

The Committee knows that António's skills and experience could attract higher levels of pay outside of the UK. While this review was not intended to address the gap with international peers, the proposed increase would align more closely with L&G's UK peers and the resultant level remains at/below the levels observed at our major UK listed peers.

Whilst the PSP quantum is being increased, this will only equate to an increase in actual pay if L&G delivers strong and sustained performance over a three-year period. Alongside this, we highlight that we are not making changes to other aspects of our PSP where our terms are more stretching than market norms. In particular, the payment for achievement of threshold performance will remain at 15% of maximum opportunity (below the market norm of 25%) and maximum pay under the TSR measures required performance at or above the 80th percentile (more stretching than the market norm of 75th percentile).

### Increasing shareholding requirement:

The shareholding requirement will be increased from 325% to 350% of salary for the CEO, to align with the level of PSP awarded in 2026 and provide further alignment to shareholder interests. This requirement will apply both in role and for two years post-employment. The shareholding requirement will be reviewed should the Committee decide to award a higher PSP award in future years.

## Changes to PSP measures

The current and proposed policy provides flexibility to determine the most appropriate measures annually. Whilst the choice of measures is an implementation matter, the 2026 measures have been a key focus of our review.

The key changes we are proposing are to:

1. Expand the current climate measure (20%) into a wider assessment of strategic progress (including climate) with an increase in weighting to 30% weighting.
2. Reduce the weighting of EPS measure from 40% to 30%.
3. Amend the peer group for our relative TSR measure to be assessed against a bespoke group. The revised group includes fewer general insurance peers and more asset management / diversified financial services groups, especially those in the retirement solutions space.

Our strategy and investment case includes a wide range of quantitative targets, including those for each business. The introduction of a strategic progress measure is intended to allow us to assess the successful delivery against these wide ranging ambitions. The overall assessment will be conducted in a holistic manner, underpinned by a clear framework for assessing these quantitative targets. In order to achieve a maximum outcome we will need to outperform the targets that have been communicated to shareholders in our strategy presentation.

In aggregate, our proposed measures ensure that outcomes will be driven by the successful execution of strategy, a sustainable increase in earnings and delivery of long-term returns to shareholders. Full details can be found on page 101.

## Implementation of remuneration policy for 2026

### Base pay and pension

There will be no increase in executive director salaries as part of our 2026 salary review process. This compares to an average salary increase across the Group of 2.4%.

Effective 1 April 2026, employer pension contributions for the wider workforce have increased to 13% of base pay. As such, and in line with our current policy, executive director pension levels have also increased to 13%.

### AVP

In line with the current policy, maximum AVP opportunities for 2026 will be 200% of salary for both executive directors.

While no changes were proposed to the policy on AVP measures, the Committee undertook a detailed review of AVP measures and weightings for 2026 to simplify our current approach.

The changes made as a part of this review, in consultation with shareholders, are as follows:

- Reduce the number of financial metrics. We now have five metrics (vs 8 in 2024). Two metrics are core group-wide 'output' metrics with three input metrics representing the key measures of growth in each of the businesses.
- Replace the risk measure (10% weighting), with a risk underpin / modifier which will be used to reduce bonus outcomes in the case of poor risk performance.
- Separate Customer and Culture into standalone measures with 10% weighting for each (previously combined as a single measure).

A summary of all measures is included on page 88.

### PSP

As noted above, PSP grants for 2026 will be at 350% of salary for the CEO and 300% of salary for the CFO. The measures are as summarised above and included in full on page 101.

## Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the Group. The policies and practices applying to executive directors are the same as for the wider workforce in most instances, although quantum and participation by location and grade may vary. Following the review of the reward strategy for the wider workforce in 2024, the Committee has monitored the implementation of the new strategy during 2025. The Committee also approved a further increase to the employer pension contribution of 1% of base salary for UK employees below senior management, effective from 1 April 2026, following on from the 1% increases in 2024 and 2025. This is with a view to align employer pension contributions with those for senior management and underpins our commitment to the importance of decent pensions to long-term living standards.

The average annual base pay increase for UK employees was 3.6% in 2025 with base pay increases stratified so that higher base-salary increases applied to employees in lower-paid roles, reflecting their proportionally greater exposure to price inflation. A similar approach has also been adopted for 2026 with those in more junior roles receiving a base pay increase of 2.9%. Most employees are eligible to be considered for a bonus payment based on Group, divisional, individual and/or other specific performance metrics, with bonuses for performance during 2025 paid shortly after the year end, at the same time as bonuses for executive directors.

The Committee continues to maintain an oversight of progress on continuing work on diversity and inclusion and achieving a further narrowing of the gender pay gap. Further details on this can be found on page 34 and in our Social impact report.

## 2026 and beyond

As we move into 2026, the Committee maintains its commitment to rewarding sustainable performance. We welcomed Emma Holden, our new Group CPO, as a member of the Group Management Committee on 2 February 2026. Emma brings deep experience in people leadership, with a particular focus on talent, culture and inclusion and has previously held CPO and senior leadership roles at Man Group and Schroders respectively. We look forward to her attendance at future Committee meetings.

We will continue to engage with our shareholders and other stakeholders on pay. In particular, we will be available to meet with shareholders and institutional bodies, to discuss our proposed new policy and pay outcomes for 2025, ahead of the 2026 AGM. It is very important to me that any proposals we bring forward have the support of our shareholders and that we take on board their views and expertise and I greatly look forward to engaging with them later this year.

## Conclusion

I hope that you find the information in this letter, and the sections of the remuneration report that follow, to be clear and useful and I would welcome any feedback you may have.

I look forward to receiving your support for the renewal of our directors' remuneration policy and for our 2025 remuneration report at our 2026 AGM.



**Laura Wade-Gery**  
Chair of the Remuneration Committee