

Lloyd's Remuneration Policy (Code, Principle P; Provision 38)

The Society is not required to comply with the directors' remuneration reporting regulations, including the requirement for a binding remuneration policy for Executive Directors, as these only apply to UK-listed companies. Nonetheless, in line with good practice, this summary sets out the key features of the Society's Remuneration Policy. Note that this is in a shortened format compared with the regulatory requirements. The policy is not legally binding, and the Remuneration Committee reserves the right to amend the policy at any time.

In 2025 Council approved the Remuneration Policy rather than any shareholders because the Society does not have shareholders (this is a departure from Provision 41 of the Code which requires engagement with shareholders in this regard). Elected representatives sit on Council and therefore engagement is undertaken with external stakeholders when remuneration discussions come before Council.

Base salary

- Salaries set to appropriately recognise responsibilities and must be broadly market competitive.
- Generally reviewed annually by the Remuneration Committee.
- No maximum salary increase is set; however, any increases will generally reflect the approach to all employee salary increases. Exceptions, in certain circumstances, may be made, for example to reflect a new appointment, change in role/adoption of additional responsibilities, changes to market practice or the development of the individual in the role.

Lloyd's Incentive Plan

Individual Performance Award

Performance measures

- Individual Performance Awards paid by reference to performance against a balanced scorecard of strategic objectives and KPIs during the year.
- Individual awards are subject to a risk underpin. The Committee will assess performance against Society risk and compliance metrics and may apply a downward adjustment, where appropriate.

Maximum

- Current individual maximums are 100% of salary for Executive Directors.

Operation

- For Executive Directors, 40% of the total Lloyd's Incentive Plan award will be deferred for three years and paid in April of the fourth financial year following the end of the performance period.
- The Committee may apply malus and clawback to Individual Performance Awards (see below).

Market Award

Performance measures

- Market Awards directly linked to Lloyd's market profitability in the year, subject to a minimum threshold of £2.5bn. Market Awards are subject to the achievement of profit before tax and combined operating ratio metrics.
- Market Awards are subject to a risk underpin. The Committee will assess performance against market-based risk and compliance metrics and may apply a downward adjustment, where appropriate.
- The market element is also subject to individual performance.

Maximum

- Current individual maximums are 100% of salary for the Chief Executive Officer, and 50% of salary for the Chief Financial Officer and Chief of Market Performance.

Operation

- For Executive Directors, 40% of the total Lloyd's Incentive Plan award will be deferred for three years and paid in April of the fourth financial year following the end of the performance
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period.

- The Committee may apply malus and clawback to Market Awards (see below).

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| Strategic Transformation Incentive Plan | Performance measures |
| | <ul style="list-style-type: none">• Awards are made to a group of key roles who are critical to the continued delivery and execution of the market's strategic transformation. Performance metrics are directly aligned to three key lead performance areas: Profitable Market Growth, Market Infrastructure and Efficiencies, and a 'Fit for Purpose' Corporation.• Lead indicators will be underpinned by profitability and financial strength of the Lloyd's marketplace. Vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met. |
| | Maximum |
| | <ul style="list-style-type: none">• Current individual maximum awards are 200% of salary for the Chief Executive Officer, and 100% of salary for the Chief Financial Officer and Chief of Market Performance.• Awards may be made in 2026 and will be performance tested and vest following 31 December 2026.• Payment of any vested awards will be made in three tranches in the three years following the end of the performance period, subject to employment at the time of vesting.• Awards will be subject to Lloyd's malus and clawback provisions, and the risk underpin adjustment applicable to the Lloyd's Strategic Transformation Incentive Plan. |
| Pension | <ul style="list-style-type: none">• Executive Directors will receive a pension contribution of 15% of salary. |
| Benefits | <ul style="list-style-type: none">• Benefits may include private medical insurance, life insurance and a season ticket loan facility.• Relocation benefits may be offered in certain circumstances.• Executive Directors receive a benefits cash allowance of 3% of salary |
| Approach to remuneration on recruitment | <p>The following broad principles would apply when agreeing the components of a remuneration package upon the recruitment of a new Executive Director:</p> <ul style="list-style-type: none">• Any package will be sufficient to attract Executive Directors of the calibre required to deliver Lloyd's strategic priorities.• Typically, the individual will be transitioned onto an ongoing remuneration package that is in line with the Remuneration Policy above.• The Committee may, on appointing an Executive Director, need to buy-out terms or remuneration arrangements forfeited on leaving a previous employer. The terms of any buy-out would be determined taking into account the terms of the forfeited awards and the overriding principle will be that any replacement buy-out award should be of comparable commercial value to the awards that have been forfeited with comparable time horizons.• The Committee retains the flexibility to make additional awards for the purpose of recruitment where there is a strong rationale to do so.• Where an Executive Director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. |
| Approach to remuneration on | The following broad principles would apply when determining the |

termination

termination arrangements for an Executive Director:

- If an Executive Director works out his or her notice period, he or she will be entitled to payment as normal during the period of notice. Alternatively, the Society reserves the right to terminate the employment by making a payment in lieu of notice.
- In these circumstances, the Society's policy is that the outgoing employee would be entitled to receive an amount equal to base salary only in respect of his or her notice period. The sum may be paid in monthly instalments at the Society's discretion and may be reduced to reflect alternative income.
- If an Executive Director is under notice of termination on or before the date on which an Individual Performance Award, Market Award or Strategic Transformation Incentive Plan award would otherwise have been paid, the award will generally be forfeit, other than in certain 'good leaver' circumstances. 'Good leaver' circumstances include death; disability; ill-health; redundancy; retirement; and any other reason at the Remuneration Committee's discretion (excluding gross misconduct). Where any payment is made, this would be based on performance, with payments made in line with normal time horizons under the plan rules (except in the case of death).
- In relation to any award in respect of the financial year notice of termination was served, the award would also normally be pro-rated for time.

Malus and clawback

(Code Provision 38)

For incentive awards in respect of 2014 and subsequent years, malus and clawback provisions apply.

Malus is the ability to reduce or cancel any unpaid incentive plan award, whilst clawback requires an individual to repay all or part of any net incentive award.

During 2023, the Remuneration Committee carried out a review of malus and clawback provisions against market and best practice. Following this review, malus and clawback provisions were strengthened to enable the Committee to reduce, cancel or claw back incentive plan awards in the event of a regulatory event or sanction; serious reputational damage; or error in Lloyd's assessment of a performance condition or target.

The full circumstances in which malus and clawback may be applied for incentive awards from 2023 onwards are summarised as: an act of misconduct; material financial misstatement; discovery of an error in Lloyd's assessment of a performance condition or target; deliberate or negligent failure in risk management for which the employee was responsible or which they had failed to report, a regulatory event or sanction; and serious reputational damage.

Malus and clawback provisions apply to all incentive plan participants. The Committee retains the discretion to claw back awards for a period of six years from the date of award. This timeframe is considered appropriate to allow sufficient time for any circumstances to come to light and for the Remuneration committee to take such action as it considers appropriate.
