Making a difference through inclusive capitalism

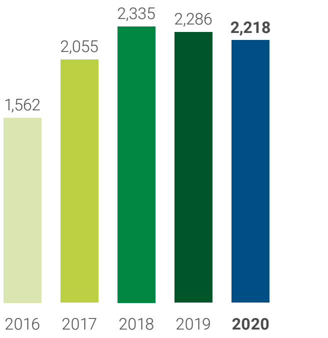
Legal & General Group Plc
Annual Report and Accounts 2020

Improving lives through inclusive capitalism

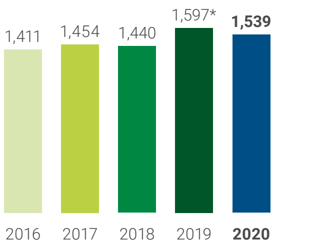
Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities.

Highlights

Operating profit# £m

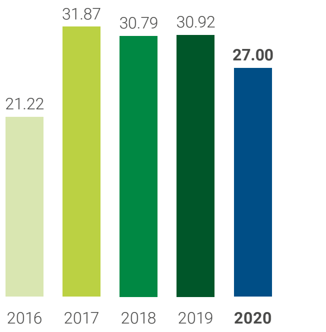


Net release from operations £m



*2019 has been restated to reflect a reallocation of divisional-related project expenditure from Group investment projects which reduced Net release from operations by £18 million. There is no impact on total Operating profit.

Earnings per share p



Return on equity

17.3%

(2019: 20.4%)

Solvency II capital coverage ratio (shareholder basis, unaudited)

177%

(2019: 184%)

Employee satisfaction index

77%

(2019: 72%)

Profit before tax

£1,499m

(2019: £2,156m)

Adjusted profit before tax attributable to equity holders

£1,788m

(2019: £2,112m)

Note: throughout this report, all bar chart scales start from zero.

Contents

Performance measures and remuneration
The performance measures used for the purpose of determining variable elements of directors' remuneration are aligned to the Group's key performance indicators (KPIs). The above KPIs which form the basis of this determination are identified with the following icon.

For more details, refer to pages 94 to 95 of the Directors' report on remuneration. The categories to which the above KPIs are aligned are:

- Profitability
  - Net release from operations.
  - Operating profit.
  - Earnings per share.
  - Return on equity.
- Strategic priorities and non-financial goals
  - Capital: Solvency II capital coverage ratio (shareholder basis).
  - Culture: employee satisfaction index.

The Group uses alternative performance measures (APMs) to help explain its business performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found on page 254.

References to 'operating profit' in the strategic report represent 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

Fast Read report
A summary of the annual report, highlighting strategy, performance and how the Group is structured is available online.
www.legalandgeneralgroup.com/2020fastread

Chairman's statement

"What we do through inclusive capital makes a significant difference."

Sir John Kingman
Chairman

Achieving inclusive capitalism

2020 has been an extraordinary year, and I should like to record my thanks, and those of my fellow Board members, to each of our 10,000 employees for their commitment. Covid-19 is the greatest challenge to our way of life in recent times. We thank the dedicated healthcare professionals and key workers who have worked so hard to keep us safe. Our thoughts are with those who have experienced illness or the loss of loved ones.

Our thoughts are also with the family and friends of Sir David Prosser, our former Chief Executive Officer, who sadly died in March 2020. Sir David was admired and respected by his colleagues and he transformed Legal & General to the market-leading Group we are today.

Millions of people rely on our global business and during the pandemic we have very largely succeeded in maintaining our excellent standards of customer service. Despite the disruption to their own lives, their families and their working environments, our employees showed extraordinary dedication and commitment to ensure that our customers' pensions were paid, claims settled, and investments managed. We transacted over 60 new pension risk transfers, securing the pensions of over 50,000 people, and we continued to support around 4 million savers whose workplace pension schemes we manage.

This year has highlighted the importance of investment to the functioning of modern societies – something that will be critical to the recovery from Covid-19. What we do, through inclusive capitalism, investing in cities, housing and growing companies, makes a significant difference. At the same time, our long-term partnerships with world-leading academics continue to contribute to new, unique research into ageing, climate and infrastructure.

Even in exceptional circumstances, our resilient business model performed well. In the early stages of the Covid-19 pandemic, we traded through volatile markets and over the year, our balance sheet performance remained robust, with no credit defaults.

Financial resilience

As would be expected, our financial performance in 2020 has been impacted by the pandemic. However, despite the impact of lockdown on our housing businesses, Covid-19 related claims in our protection business and additional costs to keep our employees safe and continue serving customers, our operating profit of £2.2 billion was broadly in line with 2019. Profit for the year of £1.6 billion was down 13%, reflecting the impact of falling interest rates on claims reserves in our insurance business and unrealised reductions in asset valuations in our direct investment portfolio. Earnings per share was similarly down 3.9 pence to 27.00 pence.

Nonetheless, in spite of a challenging market environment, we have delivered financial metrics consistent with our five year objectives set out at the Capital Markets Event in November. Our retirement businesses and our investment management business delivered year on year growth. We achieved a return on equity of 17.3% and our Solvency II coverage ratio remained resilient at 177% on a shareholder basis.

While 2020 has been in some ways a 'pause year' in a financial sense, following a decade of consistent growth for shareholders, we remain confident and ambitious for the future. The fundamentals of our strategy are strong and our ambitions are underpinned by five strong businesses, each of which is expanding globally.

Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support. We have continued to pay Legal & General employees as normal.

The Board is aware of the importance of dividend income to our shareholders, particularly at a time when many other companies have been deferring or not paying their dividends. After very careful consideration, the Board decided to pay the final 2019 dividend. The interim 2020 dividend remained the same as that for 2019, and the Board recommends the final 2020 dividend remains the same as in the prior year.

The Board's intention for the future is to maintain its progressive dividend policy, with an ambition to achieve annual percentage growth in the dividend of low to mid-single digits.

Stakeholders

In the governance section of this report, we report on our wider engagement with stakeholders, including Lesley Knox's work as designated workforce director.

The Board always appreciates meeting shareholders in person and we deeply regret that our Annual General Meeting (AGM) had to be held behind closed doors because of restrictions put in place to prevent the spread of Covid-19. In December our virtual shareholder event included presentations from myself, the Chief Executive Officer and Committee Chairs, and we welcomed the opportunity to take questions from shareholders. Full details of the 2021 AGM and any special arrangements that may be in place in light of Covid-19 will be included in the Notice of AGM that will be sent to shareholders.

The Board

I am, as always, very grateful to the Group Board, whose wise counsel has been invaluable in a challenging year, during which the Board has necessarily met considerably more frequently than usual.

I am very sorry to have to say farewell to Julia Wilson, who will retire as our Senior Independent Director in March 2021. I thank her for her enormous contribution to the Board during her nine-year tenure, as well as for the invaluable support she has given me as Chairman. I am delighted that Philip Broadley, Chairman of the Audit Committee, will succeed Julia in the role of Senior Independent Director with effect from March 2021.

In June we announced the appointment to the Board of Ric Lewis, who brings 25 years of investment management experience, particularly in the real estate sector. In November we announced that Nilufer von Bismarck OBE will join the Board on 1 May 2021. Nilufer has spent a large part of her 34-year legal career working with major international financial institutions. Michelle Scrimgeour and Kerrigan Procter have stepped down from the Group Board, although their executive responsibilities are unchanged. This change ensures that non-executive directors are in a majority on the Group Board.

Outlook

We maintain a confident but cautious outlook for 2021. Our preparations for the challenges we face, including for Brexit, have been thorough and we are well positioned to play our role in the economic recovery from Covid-19.

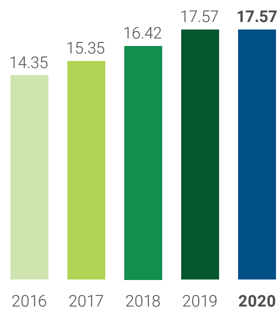
Sir John Kingman
Chairman

Annual General Meeting 2021

The Annual General Meeting will be held on 20 May 2021.

Dividend policy
We are a long-term business and set our dividend annually, according to agreed principles. The Board's intention for the future is to maintain its progressive dividend policy, reflecting the Group's expected medium-term underlying business growth, including 'Net release from operations' and 'Operating profit'.

Full year dividend p



Final dividend to be paid on 27 May 2021

12.64p

(2019: 12.64p)

Chief Executive Officer's Q&A

"Our ambition will be delivered by balanced growth."

Nigel Wilson
Group CEO

What has Legal & General done in response to Covid-19?
We supported our people, quickly adapting to agile working. Our workforce rose to the challenge, ensuring our customer service was largely uninterrupted. We rapidly opened a £500,000 community fund for local charities. Following the immediate response to Covid-19, we have gone further by donating £5 million to Newcastle City Council to build a prototype care home built on the learnings from the pandemic. Combining this with our £20 million investment into the Advanced Care Research Centre with the University of Edinburgh, we are determined to create a generation of new leaders in care, as well as producing world-class academic research into how we can better support older people.

How has the business performed in 2020?
We delivered a robust and resilient financial performance consistent with the five year ambitions we set ourselves at the Capital Markets Event in November, with operating profit from continuing divisions of £2.6 billion, cash and operating surplus generation of £1.5 billion each and a return on equity of 17.3%. Our markets are large, growing and attractive, and we have positioned ourselves well for future growth.

What is the biggest challenge for companies in today's economy?
We believe that capitalism works, but it needs to work for everyone. This is the starting point of inclusive capitalism. Companies must show that being both economically effective and socially useful are not incompatible; they are two sides of the same coin. Inclusive capitalism is a balanced vision, where profits and purpose co-exist, and everyone can build their own stake in our economy. This means that we all need to step up, with local and national government, businesses and broader society working in positive, constructive collaboration.

Why is Legal & General's work important?
What matters to me is impact; any number of promises, pledges and slogans will not build a new flat for a graduate or deliver a secure income for retirees. That is why our team is focused on delivery – the real difference that we can make. Our teams have been working with local leaders and decision-makers to deliver place-changing regeneration projects. We are delivering projects in the UK's cities and towns outside London – this is what 'Building Back Better' and 'Levelling Up' mean in practice and we have been doing this for nearly a decade already.

Since the start of Covid-19, UK unemployment has risen and it is likely to rise further over the next 12 months. It is essential that financial institutions continue to invest in the real economy, recycling pensions funds and savings into projects that help to create jobs, housing and vital infrastructure. We invest where we see growth potential, both to support economic recovery and to provide positive, long-term outcomes for our investors. Our investments since March 2020 are set to create 30,000 jobs in the UK, including at Cardiff Central Square and at the Birmingham Health Innovation Campus.

What are your ambitions?
Our ambition will be delivered by balanced growth across each of our five businesses and our focus on addressing climate change. Each of our businesses is expanding globally, adding new products and solutions to their strategic goals. We continue to invest in new business and economic recovery, with environmental, social and governance (ESG) considerations embedded in our strategy.

Climate change is the biggest challenge that our generation faces; history will judge us badly if we cannot get this right. We support the Paris Agreement, have lobbied for the UK government's commitment to achieve carbon neutrality by 2050, and are a consistently active voice on climate.

We continue to work across the Group to help limit global warming to 1.5°C and we have strengthened our climate commitments, including setting Group balance sheet carbon intensity targets.

We want to go beyond investing in ideas that already exist by supporting the UK's world-leading scientific community and in turn supporting regional economic growth. Our focus on science and technology includes investments in renewable energy such as Kensa Heat Pumps, the UK's largest manufacturer and installer of ground source heat pump technology, and in Bruntwood SciTech, the UK's largest science and innovation property platform. Bruntwood operates in eight locations across the UK, including Alderley Park, which now operates as a national Covid-19 testing hub.

Ultimately, our work matters because millions of people rely on us; when we generate great results, they benefit those who choose us for their pensions, investments and protection.

What is the outlook for 2021?
We are realistic about the uncertainties in 2021, but excited about the opportunities. From addressing climate change to investing in the real economy, fostering and funding innovation in the UK and expanding our international presence, we have a clear strategy, highly skilled people and a strong sense of purpose.

Areas of focus

Addressing climate change
We are investing in new climate-friendly technologies, are a world leading ESG investor and have set ourselves ambitious targets.

See page 32

Investing in the real economy
We have invested £1.5 billion in levelling up the UK's town and cities, gained planning permission for c.6,000 homes across our housing businesses and funded regeneration schemes.

See page 36

Innovation in the UK
We have an innovative approach to tackling economic and societal issues and are active investors in data centres, creative industries and science and technology.

See page 37

International expansion
We will build on the success of our US pension risk transfer business and grow our presence in Asia.

See Business Reviews starting on page 20

Landscape

The Legal & General landscape

Vision

Our vision is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. To achieve this and make a difference, we harness our strengths, business synergies and behaviours to make the most of market opportunities.

Stakeholders

Shareholders

Customers

Employees

Suppliers

Regulators

Communities

See page 10

Behaviours

Our purpose tells us why we do what we do; our behaviours define how we do what we do.

Straightforward communication, building trust by doing what we say and saying what we mean.

Collaborative in our work together, seeking out originality in ideas and valuing the diversity in our teams.

Purposeful delivery that balances performance with principles, to do what is right for our business and our customers.

See page 25

Six growth drivers and strategic priorities

Six long-term, global growth drivers shape our world and its markets. We respond to these drivers through our strategic priorities.

Ageing demographics

We aim to be global leaders in pensions de-risking and retirement income solutions, building upon success in the UK and US.

Globalisation of asset markets

We aim to build a truly global asset management business, entering new markets and expanding our existing operations.

Investing in the real economy

By investing capital over the long term, we aim to become leaders in direct investments whilst benefitting society through socially responsible investments.

Welfare reforms

We want to help people take responsibility for their own financial security through insurance, pensions and savings.

Technological innovation

Technology and innovative solutions improve customers' lives and increase efficiency. We aim to be market leaders in the digital provision of insurance and other financial solutions.

Addressing climate change

We are able to support the fight against climate catastrophe through the positioning of our own investments, our influence as one of the world's largest asset managers and managing our own operational footprint.

See page 8

Market opportunities

Our strategy is to build on markets where we are a leading player with significant market share, and enter markets which are large and growing.

Ageing demographics

$47tn

The world population's average life expectancy is projected to reach 77 years by 2050 whilst the working-age population declines. Private defined benefit (DB) and defined contribution (DC) pension assets nearly doubled over the last decade to reach $47 trillion, presenting opportunities in pension de-risking, annuities and mortgages in the UK and the US.

Welfare reforms

£1.9tn

As we recover from the impacts of Covid-19, the UK's social security system will be under increasing strain, thereby placing ever more onus on individuals to build and maintain their own financial wellbeing. The market opportunity across UK DC assets and UK ISA assets is expected to increase to £1.9 trillion by 2025 and we will increase our UK DC assets under management.

Globalisation of asset markets

$106tn

As global assets under management are projected to increase from $89 trillion to $106 trillion by 2024, we will continue to innovate in the US retirement income market, expand into European wholesale asset management and increase our presence in Asia Pacific.

Technological innovation

£30bn

The retail protection market is expected to increase to £30 billion across the UK and US by 2025. We seek opportunities to improve customer service and efficiency through technology and our Fintech businesses are expected to grow as they diversify their products.

Investing in the real economy

400k homes

There is a long-term trend of under-investment in major towns and cities, and small and medium enterprises. By 2025, an estimated 400,000 build to sell and build to rent units are expected to be built per annum in the UK. We invest pension assets into the real economy, delivering financial security for pensioners and fostering growth across towns and cities in the UK.

Addressing climate change

$20 trillion

As global finance gets behind the changes our planet needs to address the climate crisis, this creates an important shift in investment allocation and the biggest investment opportunity of our lifetimes. $130 trillion of investment is needed to achieve global net zero emissions ($20 trillion by 2025). We will continue to invest in clean energy initiatives, influence as an investor and manage our operational carbon footprint.

See page 8

Our businesses

Our ambitions are underpinned by five strong businesses, each of which is innovating and expanding globally, adding new products and solutions to their strategic goals.

- Institutional retirement (LGRI)
- Retail retirement (LGRR)
- Investment management (LGIM)
- Capital investment (LGC)
- Insurance (LGI)

Our businesses work together to deliver on our purpose and to drive synergies across the Group.

See page 12

Strengths and capabilities

People

Brand

Capital

Customer loyalty

See page 15

Covid-19

Covid-19 continues to impact our customers, employees and society. Our business model has proved to be robust in the face of the pandemic and further detail on our individual businesses' responses are in the Business Review section of this report.

See Business Reviews starting on page 20

Our priorities are to look after our customers, to safeguard the wellbeing of our colleagues and to support the needs of the wider community more broadly through inclusive capitalism and by investing in the real economy.

Our strategy is driven by six growth drivers that affect everyone.

In responding to these long-term drivers, our strategic priorities are set to deliver sustainable profits as well as positive social and environmental outcomes.

Our business model is aligned with our strategy, ensuring we derive maximum benefit for our stakeholders.

Environmental, social and governance issues are central to inclusive capitalism and are inherent to all six growth drivers.

1. Ageing demographics

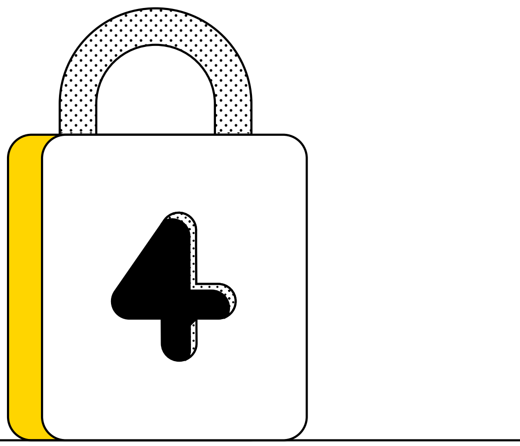
As populations live longer their pensions need to last longer too. Companies increasingly need to find solutions to their ongoing pension commitments. At the same time, individuals need to ensure that their retirement funds and other assets can finance longer retirements, with defined benefit and defined contribution pension assets at $47 trillion.

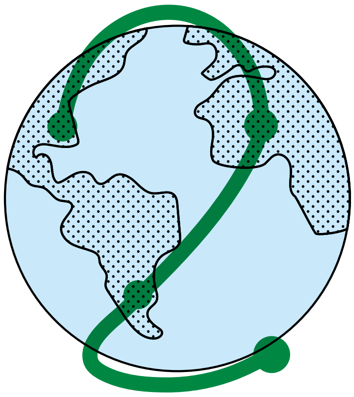
Strategic priority
We aim to be global leaders in pensions de-risking and retirement income solutions, building upon success in the UK and US.

4. Welfare reforms

The need to protect people from financial uncertainty continues. This includes helping people take personal responsibility for saving for their retirement, and safeguarding their financial wellbeing and resilience.

Strategic priority
We want to help people take responsibility for their own financial security through insurance, pensions and savings.

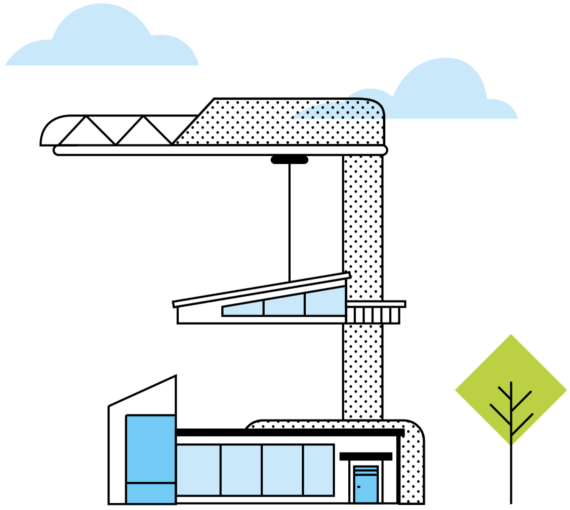




2. Globalisation of asset markets

Asset markets are increasingly globalised and growing – worldwide assets under management are currently $89 trillion and are expected to increase to $106 trillion by 2024, representing an opportunity for international asset managers. North America, Asia Pacific and Europe are all attractive markets which continue to expand.

Strategic priority
We aim to build a truly global asset management business, entering new markets and expanding our existing operations.



3. Investing in the real economy

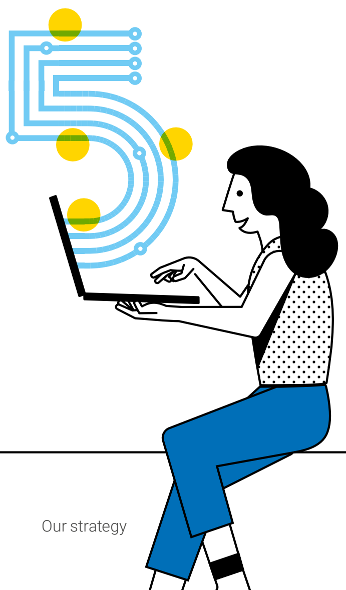
Throughout the UK and beyond, there has been a long-term trend of underinvestment in major towns and cities, and we continue to experience a serious housing shortage, while Small and Medium Enterprises can also struggle to achieve scale without access to long-term capital.

Strategic priority
By investing capital over the long term, we aim to become leaders in direct investments whilst benefitting society through socially responsible investments.

5. Technological innovation

Consumers, clients and businesses look to digital platforms to help organise their finances and working lives. Technological solutions can increase security, improve the way we work and how we access information. This can mean the difference between success and failure in business.

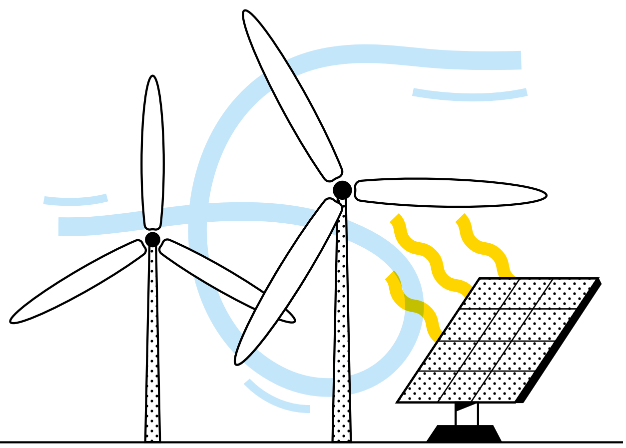
Strategic priority
Technology and innovative solutions improve customers' lives and increase efficiency. We aim to be market leaders in the digital provision of insurance and other financial solutions.



6. Addressing climate change

Scientists, policy-makers, markets and regulators increasingly agree that we must move to a global warming trajectory below 1.5°C to avoid potentially catastrophic physical risks which will impact global economies, markets, companies and people. This implies transition to a lower-carbon economy, which in turn creates risk management challenges but also substantial new growth opportunities, including in renewables and innovative technologies.

Strategic priority
We are able to support the fight against climate catastrophe through the positioning of our own investments, our influence as one of the world's largest asset managers and managing our own operational footprint.



Short-term influences

There are a number of short-term influences which also affect our business:

Covid-19

As well as having an unprecedented impact on our customers, employees and society at large, Covid-19 has resulted in considerable disruption to the global economy, and whilst vaccines and treatments offer hope for a return to economic growth there is potential that certain sectors will be disrupted for an extended period of time. There is also significant short and medium-term uncertainty for both interest rates and inflation, and the approaches that central banks may take to stimulate economic growth, including the deployment of negative rates.

The UK's exit from the EU

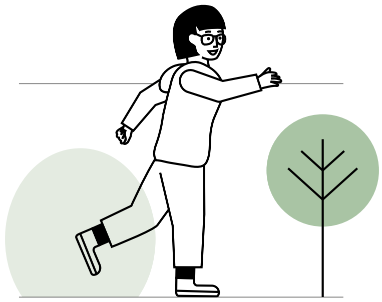
As a business our customer base is largely in the UK, US and Asia. We therefore have limited direct exposure to the EU should the UK's financial services regime not be assessed as equivalent by the EU. Our base in Ireland enables us to continue to support our investment management business's European institutional clients.

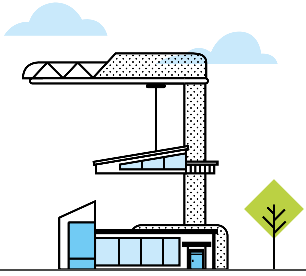
Economic outlook

Response to the spread of Covid-19 has led to significant increases in public spending, income interventions unseen in the UK before and a crisis in the social care and health systems. As the challenges presented by Covid-19 begin to recede, attention will move to re-building from the economic impacts with focus on ageing demographics, welfare reforms, infrastructure development, house building and auto-enrolled pensions, all of which are key parts of our strategy.

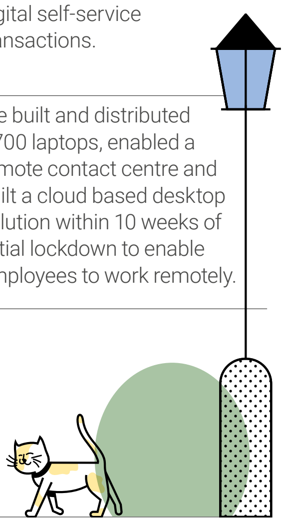
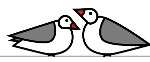
Growth drivers and stakeholders

In shaping our strategy we consider the impact on our stakeholder groups. This table provides just a few examples of how stakeholder engagement influences our business.

	Ageing demographics	Globalisation of asset markets
Shareholders Our shareholders are institutional and individual investors. We provide them with honest and transparent information on our strategy and performance and we generate value through increases in our share price and a progressive dividend.	We are a UK market leader in pension risk transfer, offering a 'whole of market' product range and continue to innovate to provide greater de-risking access, choice and flexibility, in turn delivering value for our shareholders.	Our investment management business is continuing to selectively extend its global reach with international assets under management of £388 billion.
Customers Our customers include those saving for retirement, recipients of retirement income, insurance policy holders, mortgage holders, residents of our housing and retirement villages, and investors. Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Responding to our opinion research into the impact of Covid-19 on retirement saving, we co-created free retirement planning courses with the Open University. Around 2,000 people have signed up so far.	We transacted our first global pension risk transactions: IHS Markit (£122 million) and Evonik (£617 million).
Employees Our employees are based in the UK, US, Bermuda, Hong Kong, Japan, Ireland and other European countries. We continually invest in employee development and wellbeing to create an inclusive culture, engaging our people and empowering them to meet their goals.	We extended our Care Concierge product to employees, providing people with personal advice to support loved ones on their care journey.	
Regulators We are supervised by regulators across all the markets in which we operate. We recognise the value of strong regulation which ensures trust and confidence for customers and all stakeholders. We actively work with government and regulatory bodies to ensure regulation meets the needs of all stakeholders.	We were selected by UK Research and Innovation to deploy £6 million of grant funding to early stage companies that are making a difference in the healthy ageing market.	We work positively and proactively with our regulators in all markets in which we operate and have had two positively concluding regulatory examinations in 2020.
Communities Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our assets in an economically and socially useful way to benefit everyone in our communities.	We donated £5 million to Newcastle City Council to build a prototype care home which moves away from traditional large scale facilities and incorporates learnings from Covid-19 on infection control.	We provided €54 million (£48 million) long-term financing to help deliver affordable housing across Ireland. 'For us, finding a funding partner with a wider social purpose is incredibly important' (Fiona Cormican, New Business Director at Clúid Housing).
Suppliers We have a broad range of suppliers, ranging from service and material providers to IT and software suppliers. We strive to work with like-minded businesses who comply with our Code of Conduct. This includes operating ethically, taking environmental responsibility and treating workers with respect and dignity.	Our retail retirement business is working with the Society of Later Life Advisers to help customers access independent financial advisers who specialise in care advice.	




	Investing in the real economy	Welfare reforms	Technological innovation	Addressing climate change
Shareholders	Our direct investments in future cities, housing, small and medium enterprise finance and clean energy of £3.1 billion mean that our long-term funds provide both economic and social benefits.		Our technological capabilities and scale are enabling faster and better synergies. Following the acquisition of Neyber, Salary Finance is now the UK's largest employee financial wellbeing platform.	We invest retirement capital into environmental, social and governance (ESG) investments, including technological innovation and carbon-friendly future cities to generate long-term income streams.
Customers		Our retail retirement business launched a new pension tracing and consolidation service to help find £19.4 billion of unclaimed pension pots.	During lockdown, we experienced a 69% increase in customers accessing our digital self-service platform and an 88% increase in digital self-service transactions.	56% of UK savers would opt for a fully or partially sustainable pension given the choice and we have responded through the launch of our Secure Income Assets fund and Climate Transition Index equity fund.
Employees	In partnership with Salary Finance, we launched Protect as a new way to manage employee insurance benefits. Protect is available to our own employees.	Our Not A Red Card Ambassador Rebecca Adlington OBE presented at this year's REBA Employee Wellbeing Congress, focusing on anxiety and burnout.	We built and distributed 1,700 laptops, enabled a remote contact centre and built a cloud based desktop solution within 10 weeks of initial lockdown to enable employees to work remotely.	Nearly 100 of our employees collaborated on a Climate Change Virtual Accelerator, developing business ideas that will have a big impact on climate change and deliver commercial benefits.
Regulators	Following careful consideration of the PRA's letter to UK insurers about the distribution of profits, the Board decided that it was appropriate to pay the final 2019 dividend.	We published 'Caring for Britain', showcasing new leadership and innovation in UK care. The green paper calls for contributions from sector specialists to help to design better policy in this area.		Michelle Scrimgeour (LGIM CEO) is a member of the Business Leaders Group for the COP26 climate conference, helping to steer companies towards success in a low-carbon economy.
Communities	We are building relationships with the UK's local leaders to create long-term sustainable projects, including with Cardiff Council on Cardiff Interchange.	Nigel Wilson continues as a member of the government's expert advisory groups on Social Care and Life Sciences.	We use data analytics to enable management and risk functions to monitor our customer and service performance, helping us to identify areas for improvement and potential matters for reporting to our regulators.	We have invested in low carbon heating and ground source heat pump technology, helping reduce emissions from the built environment.
Suppliers	We are transparent and open, encouraging suppliers from all backgrounds and size through our request for proposal process, incorporating feedback from engagement with the UK government.	We adopted the Ethical Trading Initiative Base Code to set high standards of worker treatment in our supply chains and we signed up to Social Enterprise UK to engage with social enterprises.	Our procurement function has a five year strategy and has invested in artificial intelligence to enhance supplier engagement and improve their on-boarding experience.	We have developed our own Sustainable Sourcing Principles charter, giving sustainability a greater platform and embedding climate change as one of our core principles.

Our business model enables us to capitalise upon our strengths and capabilities.

We aim to be leaders in four key areas: retirement, investment management, capital investment and insurance. We benefit from scale in each of our businesses.

By taking a long-term approach to inclusive capitalism, our businesses work together to make a difference.

Retirement

We provide guaranteed retirement income for corporate pension scheme members and we transform individuals' pension savings so they can live a colourful retirement.

Mature Savings
In December 2017 we announced the sale of our Mature Savings business, which provides legacy savings and pensions products, to ReAssure. This transaction completed in September 2020.

Investment management

We are one of Europe's largest asset managers and a major global investor.

Capital investment

We use some of our customers' pension assets, as well as the Group's shareholder capital, to make long-term investments in assets such as future cities, housing and SME finance.

Insurance

We are the UK's number one individual life insurance provider.

Retirement

Institutional – We take on pension scheme liabilities from corporate schemes in both the UK and the US. This 'pensions de-risking' gives companies greater certainty over their liabilities whilst providing guaranteed payments to individuals within their schemes.

Retail (individual) – We help our customers accumulate pensions savings and transform them into the income they need to have a colourful retirement life.

Our main business areas are:

Institutional

- **UK pension risk transfer:** providing risk transfer solutions for UK defined benefit (DB) schemes.
- **US pension risk transfer:** providing risk transfer solutions for US DB schemes.
- **Reinsurance:** providing solutions from our global reinsurance hub in Bermuda.

Retail

- **Retirement income:** providing annuities and other pension income products.
- **Retirement lending:** providing lifetime mortgages to help people increase their retirement resources.
- **Financial advice:** providing in-house financial advice on our lifetime mortgages.
- **Health and care:** helping customers find and fund care for themselves or their relatives.

How we generate shareholder value

For both institutional and retail customers we use our deep expertise in the science of life expectancy to accurately assess the risks associated with each contract and, therefore, how much income we expect to provide to our customers. We charge a margin on the initial amount received in exchange for assuming the risk over the lifetime of the policy. We invest the margin and our customers' pension savings in high quality assets. This generates returns whilst ensuring we are able to pay policyholder pensions in full as they fall due.

Growth drivers

- Ageing demographics
- Welfare reforms
- Technological innovation

See pages 21 and 26

Investment management

We manage the assets our clients hold to cover their DB pension scheme liabilities and manage their risk through matching their assets to their liabilities. We are a leading defined contribution (DC) pension manager, aiming to invest DC customers' pension assets to generate returns. We have an increasingly global business with over £388 billion of international assets under management.

Our main business areas are:

- **Investment management:** servicing our client base, which includes DB schemes, DC schemes, retail investors, and private corporations, both in the UK and internationally.
- **Retail investment:** offering individual investors a range of retail funds and asset management.
- **International:** building an increasing presence in North America, Asia Pacific and Europe.
- **Workplace:** offering full administration and investment management services to UK DC schemes (transferred to our retail retirement business from early 2021).

How we generate shareholder value

We have £1.3 trillion of assets under management across a range of asset classes. We receive fees for providing these asset management services to both individual and institutional clients through a variety of businesses.

Growth drivers

- Globalisation of asset markets
- Technological innovation
- Addressing climate change

See page 30

Capital investment

Our direct investments generate returns for pensions and on the Group's capital, as well as benefitting society through socially responsible investing. The long-term nature of these investments makes them attractive to our retirement businesses as they can select investments that match the duration of their liabilities.

Our main business areas are:

- **Specialist commercial real estate:** investing in urban regeneration and infrastructure.
- **Clean energy:** investing in renewable infrastructure and clean technology.
- **Residential property:** developing housing through CALA, Affordable Homes, Modular Homes, Later Living and Build to Rent.
- **SME finance:** financing growth businesses.
- **Traded portfolio:** investing shareholder funds in equities, fixed income and other short-term liquid holdings.

How we generate shareholder value

We generate value through achieving long-term consistent returns on the investments and also from gains made upon sale.

Growth drivers

- Investing in the real economy
- Welfare reforms
- Technological innovation
- Addressing climate change

See page 34

Insurance

We started offering life insurance cover in 1836 and are the UK's number one individual life insurance provider. We also offer 'level-term' life insurance in the US and our group protection business in the UK offers life insurance and income protection products to individuals through their employers. We now have 5.5 million UK individual life insurance customers, 1.8 million people in group protection schemes and 1.3 million US life insurance customers.

Our main business areas are:

- **UK retail protection:** providing life insurance, critical illness and income protection for individuals.
- **UK group protection:** helping companies protect their employees.
- **US protection:** providing term life insurance cover.
- **UK mortgage club and surveying businesses:** providing mortgage distribution and home survey and valuation services.
- **Fintech solutions:** developing solutions and making targeted investments in start-up and scale-up opportunities.

How we generate shareholder value

We collect premiums for policies that make payments upon death (life insurance), diagnosis of a critical illness (critical illness cover) or inability to work due to illness or injury (income protection). We price using our experience of mortality and morbidity risks, and manage these risks over time. Value is generated through accurate pricing and the margin we charge on each. We further enhance value through the selective purchase of reinsurance at competitive rates.

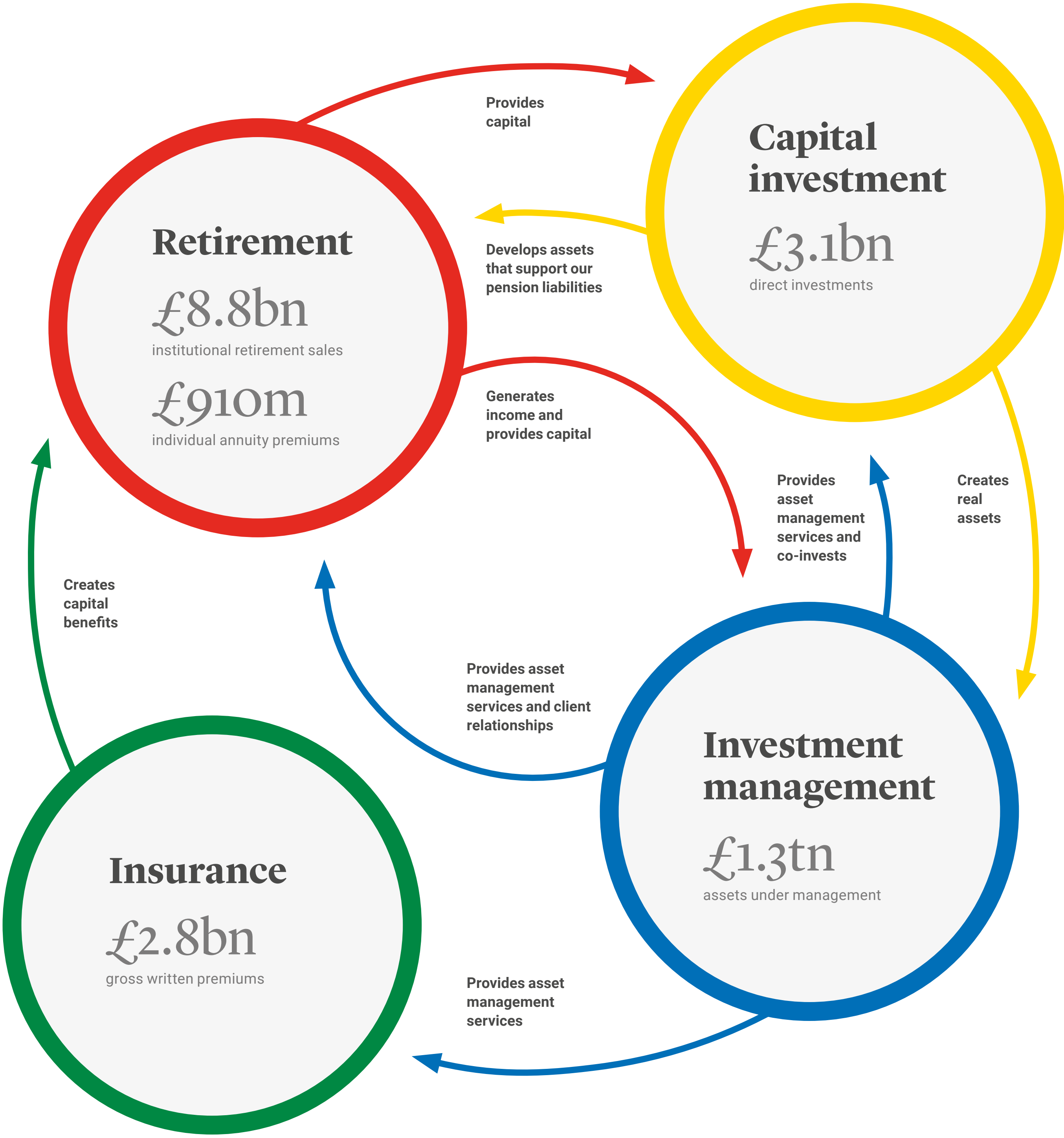
Growth drivers

- Welfare reforms
- Technological innovation

See page 38

Our model is highly synergistic

Our businesses work together to deliver our strategic purpose and generate value for our shareholders, customers and communities.



It is the combination of our strengths and the synergies we achieve from our businesses working together that sets us apart.

Our strengths and capabilities

Our business model is underpinned by the depth and breadth of our resources. These resources allow us to capitalise upon our strategy. They are key to our success and their continued development and enhancement is a constant focus for our business.

People

Our experienced, dedicated professionals offer market expertise and honesty in their interactions with customers.

Brand

We have a trusted brand with a strong reputation for stability, financial strength and a straightforward approach to business.

Capital

We are a long-term business with robust regulatory capital reserves. We invest our customers' pension assets and our own capital directly into the UK economy in a way which benefits society as a whole.

Customer loyalty

The long-term nature of our business means we have a loyal customer base in the UK and, increasingly, overseas. We partner with companies throughout their pensions de-risking journey and with individuals over their lifetimes.

Releasing the power of pensions

Sky Studios Elstree, a state-of-the-art film and TV studio, received planning permission in July 2020. Construction commenced in January 2021 and completion is anticipated in summer 2022. The development is a joint project between Sky and Legal & General, and it demonstrates how our own businesses work together to deliver our strategic purpose.

Our institutional retirement business provided £325 million in funding and our capital investment business will develop the asset. Upon completion, institutional retirement will own the asset and it will be managed by our investment management business.

The studios are expected to create over 2,000 jobs, generate £3 billion of production investment and become the most sustainable film and TV production site in the world.

Sky Studios Elstree demonstrates how we use pensioners' capital for society's benefit; this is how we make a difference through inclusive capitalism.

£325m

Funding from our institutional retirement business

Chief Financial Officer's Q&A

"Our commitments to customers are underpinned by a strong balance sheet."

Jeff Davies
Group CFO

You have described 2020 as a 'pause year'. What do you mean by this and what can we expect for 2021?
2020 saw the first truly global pandemic in more than a century. Its impact is unprecedented, and, as it continues to play out, still uncertain. The human cost of Covid-19 is enormous, and as an insurance company, we are more committed than ever to helping provide financial security to our customers through these difficult times.

We describe 2020 as a 'pause year' because operating profit reduced (2020: £2,218 million; 2019: £2,286 million) compared to a 10 year track record of double digit growth, and our 2020 dividend is flat against 2019, compared to a progressive dividend ambition from 2021.

Our insurance and capital investment businesses were most impacted by the challenging market environment, driving the 13% fall in profit for the year to £1,571 million, and reflecting the impact of falling interest rates on claims reserves in our insurance business and unrealised reductions in asset valuations in our direct investment portfolio. However, there are strong tailwinds for 2021 for both insurance and capital investment:

- Our insurance business has provisioned for £110 million of anticipated 2021 Covid-19 claims in its 2020 results compared to £76 million of Covid-19 related claims in 2020.
- Our capital investment business has had a strong start to 2021 and while the latest lockdown may have some impact on sales in the first half of the year, we do not expect the impact to be as significant as last year and remain optimistic for 2021 housing sales as a whole.

Despite the challenges faced by our insurance and capital investment businesses, three of our five businesses delivered year on year earnings growth (institutional retirement, retail retirement and investment management) and the return on equity of 17.3% reflects a resilient operating performance.

Looking forward, we have reasons to be positive. Our businesses generate predictable cash and capital flows, with high proportions of repeatable earnings, specifically in the unwind of the retirement annuity portfolio, the high retention of investment management assets and insurance total premium income.

Although we have had a strong start to 2021, we recognise uncertainty remains around the global recovery from Covid-19. This will depend on the speed of vaccine roll-out, the efficacy of available vaccines against emerging virus strains, and coordination between governments, communities and businesses. As a company with 185 years of insurance experience, we understand the importance of acting prudently and maintaining flexibility through uncertainty to play lead in the post-pandemic recovery and to deliver on our five year growth ambitions as outlined at our November Capital Markets Event.

How has Covid-19 impacted your business?
We are committed to helping all our stakeholders through the challenges presented by the pandemic. We are leveraging our technology investments to support our employees, while providing the best service to our customers, for example, by quadrupling our digital self-service infrastructure capacity during the first week of the March 2020 lockdown.

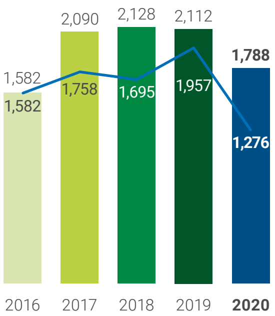
Demonstrating our commitment to shareholders, we paid the 2019 final dividend and we are supporting society in a range of ways, including using our Alderley Park lab as a mass testing site.

Our business model protects us from some of the financial impacts of Covid-19:

- As a multi-line insurer, our risks are more balanced, with offsets between our insurance business and our retirement businesses (institutional and retail). As a result, the impact of Covid-19 has been broadly neutral across these three businesses during 2020.
- Our synergistic business model includes Legal & General Investment Management (LGIM), which as a diversified asset manager, is less directly impacted by Covid-19. By having a mix of asset types, LGIM's total asset value increased over the year from market movements.
- Our capital investment business was significantly impacted by the pandemic and lockdown. The three month pause in build to sell housing operations was the primary factor in the £100 million Covid-19 impact to our capital investment business's profit.

Our commitments to customers are underpinned by a robust balance sheet. As at the end of 2020, our Solvency II surplus was £7.4 billion (before paying the 2020 final dividend) and our £87.0 billion annuity portfolio has not been materially impacted by the pandemic. Just 0.9% of our traded credit assets have downgraded to sub-investment grade compared to c.1.8% for the total market. Although we experienced no defaults in the portfolio during the year, as further protection we continue to hold a credit default reserve of £3.5 billion.

Adjusted profit before tax (PBT) attributable to equity holders £m



£1,788m

(2019: £2,112m)

KPI purpose: To measure the actual distributable earnings (before tax) attributable to shareholders of the Group. This includes discontinued operations and reflects actual returns on investments.

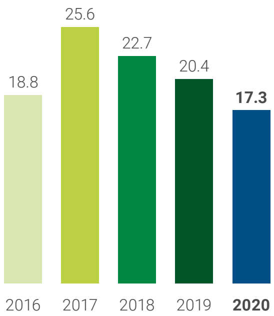
PBT attributable to equity holders decreased by 15%. Excluding the gain of £335 million on the completion of the Part VII transfer of our Mature Savings business and, in line with previous practice, the £177 million impact of mortality releases (2019: £155 million) following a review of life expectancy improvement assumptions, the adjusted PBT decreased by 35%.

Profitability was dominated by our institutional retirement business, which swiftly adapted to remote working and executed on a significant number of transactions. Our diversified asset base and increased revenue flows in our investment management business supported year on year growth whilst we continue to invest in the business.

Housing sales were affected during the early stages of lockdown, impacting our capital investment business, and our diversified investment portfolio was impacted by valuation write-downs on our retail-related assets. In our protection businesses, Covid-19 related claims and the impact of lower long-term interest rates on the reserves held more than offset growth in premiums and margins.

We also incurred additional operational expenses to keep our customers and employees safe and to ensure continuing operational resilience.

Return on equity (ROE) %



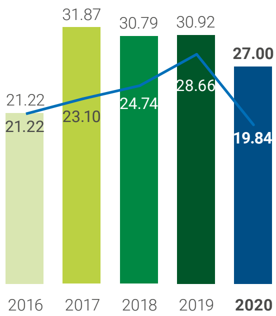
17.3%

(2019: 20.4%)

KPI purpose: To show how efficiently we are using our financial resources to generate a return for shareholders.

The return on equity of 17.3% reflects a resilient operational earnings performance. The impact from unrealised negative investment variances was partially offset by the gain on the completion of the Part VII transfer of our Mature Savings business.

Earnings per share (EPS) p



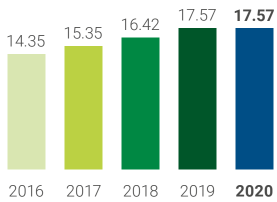
27.00p

(2019: 30.92p)

KPI purpose: To illustrate the profitability associated with each share owned by our investors.

EPS reduced by 8.8 pence to 19.8 pence on excluding the impact of mortality releases in the retirement business of £153 million net of tax (2019: £134m) and the IFRS gain on the Part VII transfer of our Mature Savings business of £271 million net of tax. On including these items, EPS reduced by only 3.9 pence.

Full year dividend p



17.57p

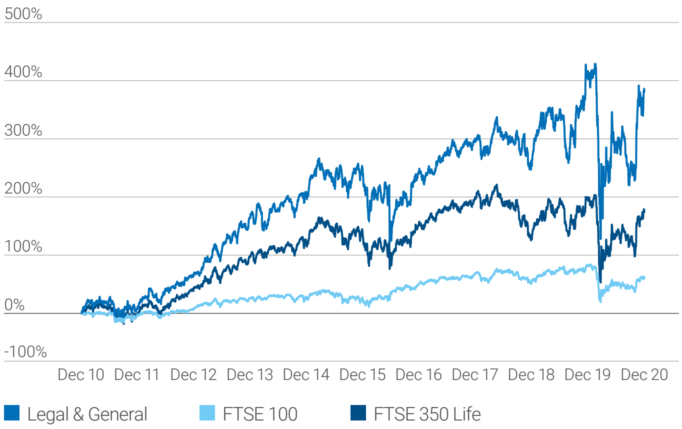
(2019: 17.57p)

KPI purpose: To show the level of distribution to shareholders.

The Board has recommended a flat year-on-year growth in full year dividend of 17.57 pence, consistent with 2020 operational earnings performance and the messaging of a 'pause' year. The cost of the full year dividend is £1,048 million (2019: £1,048 million) and is covered by net release from operations 1.5 times. Our stated ambition is for low to mid single digit growth in dividends from 2021.

Total shareholder return %

As at 31 December 2020



-7%

(2019: 40%)

KPI purpose: To measure the total return to shareholders, including dividends and share price movements, over time.

While the one-year negative total shareholder return is disappointing, 2020 was a difficult year for equity markets, with the FTSE 100 as a whole providing a negative return of 12%. The chart indicates the TSR over the last 10 years.

Our key performance indicators (KPIs)

Management consider that the measures presented on pages 17 and 18 are KPIs, some of which are also used for executive remuneration as explained below.

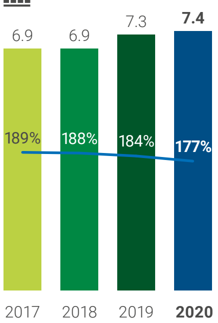
Guide to symbols used in these financial results

Alternative performance measure (APM), see page 254 for definitions

Key measure in the remuneration of executives, see pages 94 to 95 for definitions

Chief Financial Officer's Q&A
continued

Solvency II surplus and coverage* £bn



£7.4bn

(2019: £7.3bn)

177%

(2019: 184%)

KPI purpose: To demonstrate the capital position and risk profile of the Group.

The Group's capital position remains strong with a £7.4 billion Solvency II surplus (2019: £7.3 billion) and a 177% coverage ratio (2019: 184%) on a 'shareholder view' basis. The coverage ratio has decreased over the year primarily due to reductions in interest rates and new business strain. This is offset by increases due to backbook surplus generation and releases from longevity. When stated on a pro-forma basis the Group's coverage ratio is 175%** (2019: 179%).

* Represents Solvency II surplus and coverage on a 'shareholder view' basis. See page 205 for more details.

** This includes final salary pension schemes of £214 million, in both the Group's Own Funds and the SCR, and profit attributable to our with profit fund until 2019.

The Group achieved its 2015-2020 objectives a year early, what are Legal & General's ambitions for the next five years and what do they mean for investors?

At our Capital Markets Event in November we set out our new five year ambitions. Cumulatively, over the period from 2020 to 2024, we intend for:

1. Cash and capital generation to significantly exceed dividends – we intend to generate £8.0 billion to £9.0 billion of both cash and capital, to pay dividends of £5.6 billion to £5.9 billion.
2. Earnings per share to grow faster than dividends, with the dividend growing at low to mid-single digits from 2021.
3. Capital generation less new business strain to exceed dividends paid.

Our new ambitions are significant for investors because they (i) align the dividend to specific, cumulative cash and capital performance, as well as (ii) encourage growth to be less capital intensive by requiring the business to generate more capital net of new business than it pays in dividend.

In support of our ambition for less capital intensive growth, we expect our retirement business's (LGR) annuity portfolio to be self-sustaining within the next three to five years. This means LGR will be able to fund desired levels of new business, while both contributing to a progressive dividend and building the Group solvency coverage ratio over time. At that point, LGR will no longer be dependent on other divisions to fund its growth meaning, in turn, that incremental earnings growth for the Group as a whole will become increasingly capital light.

We have already made strong progress in the first year of the new targets, with net release from operations (cash generation) of £1,539 million and Solvency II operational surplus generation (capital generation) of £1.5 billion. Both cash and capital generation exceeded our total dividends in 2020 of £1.0 billion, which is broadly on track for our 5 year cumulative dividend ambition.

All of the Group's businesses appear to be well placed to take advantage of structural opportunities in their respective sectors. How do you expect them to contribute to the delivery of your ambitions and what does this mean for how Legal & General will look as a company in five years time?

We expect balanced growth across all our businesses with a view to further internationalise, with more opportunity in the US for our investment management, institutional retirement and insurance businesses. Our approach of using the skills and expertise we have built in our market leading UK businesses and deploying them in similar markets abroad has been successful and we intend to continue this approach to achieve our objectives:

- Our investment management business continues to focus on expansion in the US and Europe. Over the last five years LGIM's international assets under management (AUM) more than tripled to reach £388 billion – 30% of LGIM's total AUM.
- Our institutional retirement business plans to deliver $10 billion of international pension risk transfer over the next five years (2020: £1.3 billion).
- Our insurance business intends to more than double US protection new business volumes to £200 million by 2024 (2020: £80 million).

In addition to international expansion, we see significant scope for growth in our capital investment and retail retirement businesses, who currently represent 12% and 15% of the Group's operating profit respectively (excluding mortality releases).

Our capital investment business has generated attractive shareholder value creation over the past five years by delivering excess returns on shareholder assets and originating attractive alternative assets for LGR. We plan for the business to enter its next phase of growth by bringing in third-party capital with an ambition for this to reach over £14 billion by 2024 (2020: £5.2 billion).

Our retail retirement business (LGRR) operates across the full retail retirement journey in the UK. Each year in the UK, people retire with more than £40 billion in aggregate savings, but only about £4 billion is used to buy annuities. There is meaningful opportunity for LGRR to expand its addressable market and grow materially over the next five years as we help address this product gap for customers.

In five years, we expect to be an even more diversified, profitable company, with all businesses and regions working to deliver inclusive capitalism for shareholders, customers, and society.

Tax review

Our approach to tax

Our approach to taxation is aligned with our purpose to improve the lives of customers, build a better society and create value for our shareholders. We aim for our tax affairs to be sustainable in the long term, well governed, fair and transparent.

We continued to meet all of our tax obligations throughout 2020, and we have not sought to access any government Covid-19 support measures to defer the payment of tax within our businesses.

Our tax strategy defines how we manage our tax affairs, and guides what we will and will not do. It applies to all our Group businesses and shapes our approach to tax in our role as a significant investor in other companies.

We are also pleased to include analysis of our international tax footprint, tax charge as reported in the financial statements and total tax contribution in our tax supplement.

Our 2020 tax position

Our effective tax rate on tax attributable to equity holders for 2020 is 12.1% (2019: 14.3%) compared to the headline UK rate of 19% for the year. The headline effective tax rate is principally driven by the 0% rate of taxation on profits arising in our Bermudan reinsurance hub, which enables us to write more business in a capital efficient way in the UK, the US and in new markets.

The decrease in the effective tax rate compared to 2019 is a result of losses made in our UK and US businesses reflected in investment variance, as well as one-off adjustments from the finalisation of tax charges relating to prior years. Without these the effective tax rate on operating profits for 2020 is 15.0% (2019: 15.1%).

Our total tax charge (which includes taxes we pay on behalf of policyholders) of £144 million has decreased in 2020 (2019: £598 million) due to diminished investment returns and other losses through investment variance. Our income tax paid for the year of £554 million (2019: £540 million) reflects the continuing profitability of our businesses, the timing of cash tax payments and the impact of withholding taxes on investments held by the Group.

Grace Stevens
Chief Tax Officer

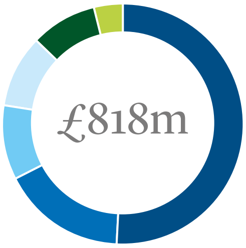
£1,629m

In 2020 our total tax contribution was £1,629 million (2019: £1,563 million) of which 96% (2019: 96%) arose in our UK businesses and 4% (2019: 4%) in our overseas businesses. See below for further details.

Total tax contribution £m

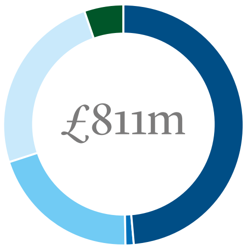
Our total tax contribution is the amount of tax that we pay together with the amount of tax that we collect on behalf of our employees, suppliers, customers and policy holders.

Total taxes paid



- **£417m** Profit taxes paid
- **£137m** Withholding taxes suffered in the UK
- **£81m** UK property and other taxes paid
- **£80m** UK irrecoverable VAT and premium taxes
- **£73m** UK payroll taxes paid
- **£30m** Other overseas taxes paid

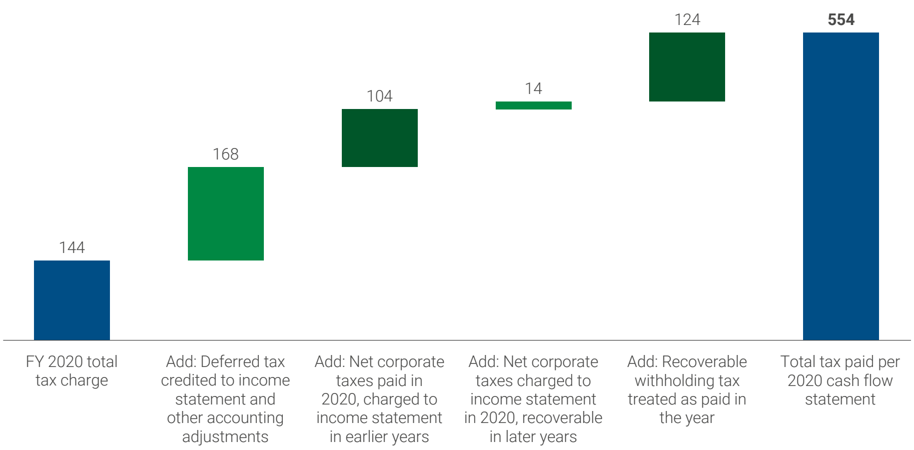
Total taxes collected



- **£395m** UK PAYE deducted from policyholders
- **£10m** UK property and other taxes collected
- **£164m** UK VAT and premium tax collected
- **£200m** UK payroll taxes collected
- **£42m** Overseas taxes collected

The Group's total tax charge disclosed in the annual report can be reconciled to the total income taxes paid by the Group as follows:

FY2020 reconciliation from total tax charge to total tax paid £m



Tax supplement

Our 2020 tax supplement is available on our group website. See: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Business review

Our strategy positions us to be a leader in the global retirement solutions and insurance markets.

$1.6bn

Record US pension risk transfer volumes

£20.4bn

Resilient external net flows

£1.5bn

Invested in UK affordable housing to date

Capital Markets Event
For full details of our external ambitions, see our Capital Markets Event: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

At our November Capital Markets Event, we set out our five year ambitions. We expect to deliver long-term, diversified growth across the Group. Our retirement businesses provide stable cash flows and our asset management and capital investment businesses operate in attractive markets. Our insurance business is applying technology best practice to sustain its UK leadership, to grow in the US and to continue to expand into adjacent markets.

Whilst Covid-19 has impacted our year on year financial performance, we remain confident in our strategy, underpinned by our resilient balance sheet and robust risk management practices.

Outlook

Our institutional retirement business is the only global player in the pension risk transfer (PRT) market, writing direct business in the UK and US. Our ambition is to write £40 to £50 billion of new UK PRT and $10 billion of international PRT over the next five years.

We are building out offerings in retirement income, lifetime mortgages and care. Our ambition is to be the UK's leading retail retirement brand, enabling all our customers to have a colourful retirement whilst generating sustainable profits for the Group and, over time, to expand internationally.

The three pillars of our investment management business's strategy are: modernise, diversify and internationalise. This positions us to grow our profits, expand our international presence, diversify by client, channel and geography, and to maintain a cost income ratio in the high 50 percent range.

The success of our capital investment business in creating and scaling alternative asset capabilities has resulted in a pipeline of opportunities across residential property, specialist commercial real estate, SME finance and clean energy sectors. Over the next five years we expect to build our diversified direct investment assets under management to c.£5 billion.

In insurance, we anticipate continued premium growth across our UK and US businesses as technological innovation makes our products more accessible to customers and supports further product and pricing enhancements.

Institutional retirement

Laura Mason
Chief Executive Officer,
Legal & General Retirement Institutional

CEO introduction

We have had another successful year, with record sales in the US and a record number of transactions written across our UK and US businesses. Our position as a leading global insurance solutions provider, currently the only provider operating across the UK and US, combined with our internal asset sourcing capabilities, provides competitive advantage and means we are well positioned to meet the increasing demand for pension de-risking solutions. Working with our investment management and capital investment businesses, our growing annuity portfolio provides secure pensioner income through much needed environmentally conscious and socially useful investment.

Growth drivers

- Ageing demographics
- Welfare reforms
- Technological innovation

Response to Covid-19

We quickly responded to Covid-19 lockdown measures introduced in the UK. In the first week of lockdown, we demonstrated our agile-working capabilities by signing three transactions on the same day. Our proven ability to price, negotiate and sign transactions remotely has allowed us to meet the ongoing market demand. We have accelerated our move to digital, ensuring customers could access our services online, and removed the need for physical documents, where possible, whilst safeguarding our most vulnerable customers. We continue to support UK infrastructure investment to create assets that deliver a tangible societal impact.

2020 key activities

We are a market leading global pension risk transfer (PRT) insurance solutions provider, allowing companies to settle their defined benefit pension liabilities, protect their members' retirement income and focus on their core business. Our long-term client relationships and understanding of customer needs enable us to best utilise synergies across the Group. We bring together expertise in investment management, asset sourcing and in-depth knowledge in mortality trends and longevity risk. As always, we remain disciplined in the deployment of our capital, selecting opportunities that allow us to invest in high credit quality, matching our long-term liabilities and meeting our return targets.

In the last year we have secured the retirement income of more than 53,000 people worldwide. We have an in-house and in-country client service model in the countries that we operate which puts our clients and customers at the heart of what we do.

New business

Our robust operating model led to another successful year in 2020. We wrote £7.6 billion of UK premiums alongside $1.6 billion of US premiums. We have strong expertise in reinsurance solutions and have taken advantage of attractively priced credit, ensuring efficient use of capital.

We continue to innovate in order to enhance the affordability of de-risking solutions. Our Assured Payment Policies (APP) allow companies the option to begin their de-risking journey with a pathway to buy-in or buyout at a future date.

Although new business premiums were lower than prior year, in the UK we enjoyed one of our busiest years in recent memory, a 57% increase in the number of transactions compared to 2019. Around 75% of these transactions were with existing clients of our investment management business. We are confident that we can continue to build on our success and meet our ambition to transact between £40 to £50 billion of UK pension risk transfers, and $10 billion of international pension risk transfers over the next five years.

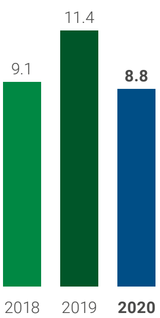
£1.1 billion bulk annuity transaction with Maersk Retirement Benefit Scheme

We are an all market provider, transacting on smaller deals of under £2 million to some of the largest available in the market. In December we announced a £1.1 billion buy-in transaction with the Trustee of the Maersk Retirement Benefit Scheme, securing the benefits of around 1,900 deferred members and 3,000 retirees.

Global opportunities

The pension risk transfer market is growing and we are active in all the main markets. The ability to seamlessly execute these globally coordinated transactions highlights our unique position as a market-leading pension risk transfer service provider.

Institutional retirement sales £bn



£8.8bn

Institutional retirement achieved strong sales of £8.8 billion in 2020 following an exceptional 2019. We transacted on over 60 deals globally, achieving £7.6 billion in premiums in the UK, while continuing to grow our presence in the US market, writing record premiums of $1.6 billion. Premiums shown exclude longevity insurance.

Annuity assets £bn

£87.0bn

Our total annuity assets grew by 15% to £87.0 billion in 2020. Figures presented are total retirement assets, covering both our institutional and retail retirement assets.

Institutional retirement
continued

“We are immensely proud that, despite the challenges presented in 2020, our team responded by seamlessly adapting to working from home and continuing to offer reassurance and security to pension schemes and our high level of in-house, in-country, customer service for their members.”

Laura Mason
Chief Executive Officer,
Legal & General
Retirement Institutional

Earlier in the year we announced our first global pension risk transfer transaction of £122 million ($144 million) with IHS Markit's UK and US pension schemes.

In December, we completed our second, much larger, global pension risk transfer transaction, a £545 million full buy-in of Evonik's UK pension scheme, following a $93 million (£72 million) partial buy-out of Evonik's US scheme in September. The two deals have secured the pensions of over 3,600 members in the UK and 1,700 in the US.

In addition, our global reinsurance hub in Bermuda provides our business with regulatory capital flexibility for both our pension risk transfer business and our US term insurance business. This enables us to write more pension risk transfer business in a capital efficient way, which allows us to support new business and to invest more money in housing and other infrastructure projects in the UK.

International pension de-risking

Our US pension de-risking business has delivered a record year, achieving over $1.6 billion of new business premiums, representing year-on-year growth of more than 40%. We completed 17 transactions in total over the last 12 months, securing pension benefits for over 26,000 members. We achieved our largest transaction to date, independent of reinsurance, totalling $355 million (£259 million) with Trinity Industries Inc, securing the pension benefits of more than 7,500 members.

Since entering the market in 2015, we have written over $5 billion in transactions, and we are now a top ten provider of de-risking solutions in the US market. We expect 2021 and onwards to continue strongly; our ambition is to write over $10 billion of premiums in the US over the next five years.

Relationships

We build deep relationships with long-standing clients who value our innovative, flexible and collaborative approach. By using umbrella contracts we can ensure the important terms are set out in a master framework agreement, with each additional transaction requiring only a short schedule setting out the specifics of that deal. This structure streamlines the process and ensures both sides are well placed to transact quickly whenever market conditions lead to favourable pricing.

Our close relationship with our investment management business means that we are well positioned to support pension schemes at every stage of their lifecycle. Liability driven investment, where we are a market leader in the UK and US, is a crucial final step towards pension risk transfer, and one that supports the resilience of the pension risk transfer market as it insulates schemes from low rates, keeping pension risk transfer affordable, even as markets move.

Our business model offers fantastic competitive advantages that enable us to support our investment management clients to achieve their strategic objectives whilst also building long-term relationships to secure repeat business from the many schemes taking a phased approach to de-risking.

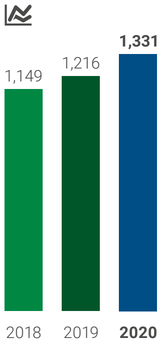
£70 million buy-in transaction with the ICI Pension Fund

Our 2020 buy-in with ICI Pension Fund marks our ninth transaction with the scheme, securing a total of £5.8 billion of liabilities transacted over six years. The ICI Pension Fund took advantage of favourable market conditions in May to secure the benefits of new retirees since its previous transaction, with a £70 million buy-in.

Global transactions
As the only international provider of pension risk transfer solutions, we are well positioned to de-risk multinational companies. During the year we completed two global transactions, including IHS Markit, which was our first transaction of this kind.

The deals demonstrate the continued appetite for pension risk transfer in the UK and US. Our ability to work seamlessly across markets through one joined up process gives us a clear advantage.

Institutional retirement operating profit £m



£1,331m

Operating profit grew 9% to £1,331 million, driven by the performance of our growing annuity portfolio and further bolstered by routine assumption updates. In addition, the devastating loss of life from Covid-19 has impacted institutional retirement in the form of a mortality experience release. The figures shown include releases associated with changes to future mortality improvements.

£530 million buy-in transaction with Siemens
During August, we completed a £530 million buy-in with the Siemens Benefits Scheme, securing the benefits of more than 2,000 UK retirees. The scheme has chosen our umbrella contract to allow for potential future transactions to be completed quickly and easily.

Assured Payment Policy (APP)
We completed our second APP transaction during 2020, a £397 million transaction for the Legal & General Group UK Senior Pension Scheme, which is the largest APP written to date. This builds on the success of the first transaction undertaken with the AIB Group UK Pension Scheme at the end of 2019.

An APP locks down investment risk, with a clear structure for adding the remaining pension-related risks in the future, helping pension schemes to minimise volatility between their assets and buy-in pricing. This solution provides a flexible and more affordable way for pension schemes to convert to buy-in or buy-out, including through a series of partial conversions.

The power of pensions
We invest the premiums received from de-risking solutions into investments that match our long-term obligations to annuity policyholders. Alongside a diverse portfolio of corporate bonds, we make direct investments into assets that support our vision of inclusive capitalism, creating real jobs, housing and wage growth as well as tackling the climate crisis.

Our research report 'The Power of Pensions' identified £150-£190 billion potentially available to invest in UK infrastructure over the coming decade and that by specifically harnessing the pensions wealth we already have in this country, we can deliver regeneration, transport, housing and renewable energy investment.

Environmental, social and governance
In December we announced our ambition to reduce the carbon emission intensity of our annuity portfolio by 18.5% by 2025, and to cut absolute emissions from real estate by 50% by 2030, achieving a net zero portfolio by 2050. This commitment was announced alongside the launch of our new Environmental, Social and Governance (ESG) policy which sets out the progress that our institutional and retail retirement businesses have made towards integrating ESG principles into our annuity portfolio.

Contributing to society
Investing annuity money in affordable housing matches our extended liabilities and delivers both real economic growth and social value for the UK. The investments we have made in 2020 show that we are delivering on the principles outlined in our ESG policy.

We provided £100 million in deferred long-term financing to Bromford Housing Group, the largest provider of affordable homes across Central and South West England, to support their goal to deliver 12,000 new affordable homes across the region by 2028.

Similarly, in the North East of England we have announced £75 million in long-term financing to Bernicia, supporting their ambition to provide 650 much needed homes to the region by 2023, and €54 million (£48 million) to Clúid Housing to enable the delivery of c.200 new social homes across Ireland.

Climate change
We recently announced long-term debt financing with HeatRHIght, a renewables funding scheme that supports the delivery of air source heat pump technology to the social housing sector. This financing will accelerate HeatRHIght's delivery of low-carbon heating to housing associations across the UK.

With the UK government setting a target to install 600,000 air or ground source heat pumps every year by 2028 as part of a bid to ensure homes are greener, warmer and more energy efficient, this technology will play a vital role in the UK's journey to a 'Green Industrial Revolution'.

Understanding the risks
Taking on the responsibility for pensions scheme liabilities and providing income in retirement exposes us to the risk that people may live longer than we have anticipated, or that we experience defaults in the investments backing our obligations. Whilst 2020 has seen increased mortality levels as a result of Covid-19, we remain vigilant in our pricing to the long-term trends in longevity and use reinsurance to manage selected risks. Working with our investment management business's credit and property experts we seek to continuously assess default risks in our investment portfolio, managing exposures to sectors that may be at risk in the current economic environment and, where appropriate, trading out positions.

Oxford University innovation centre for Life and Mind sciences
As part of our £4 billion partnership with Oxford University, we have committed £200 million of funding for a new Life and Mind sciences building to provide innovative facilities for teaching and research. This is the largest building project ever undertaken on behalf of the University. The new building will serve as a world-class home for the university's departments of Zoology, Plant Sciences and Experimental Psychology.

This partnership demonstrates how our diverse skillsets and capital streams can be put to work, as the scheme is funded by long-term annuity money from our retirement businesses. Our capital management business is the developer, and our investment management business is the development manager.

Making a difference

We are robust, resilient and relevant

2020 has been a year unlike any other. Our clear vision of inclusive capitalism allowed us to respond quickly to the immediate onset of Covid-19 as well as invest in the long-term economic recovery.

Customers

We worked hard to ensure that our customer service was largely uninterrupted.

- Our retail retirement business continued to pay 100% of payments on time despite the disruption of lockdown measures.
- Digital self-service infrastructure capacity was quadrupled during the first week of Covid. Our Cloud-hosted front-end services have had 100% availability during this period.
- Eight global pension risk transfer transactions competed in March 2020, securing £268 million of pensioners' benefits.

Employees

We prioritised the welfare of our employees, who in turn provide support to millions of people relying on us.

- We continued to pay Legal & General employees as normal.
- Mental wellbeing supported through our Employee Assistance Programme and Mental Health First Aiders.
- We created a build factory to provide our teams with technology to work from home, and we continue to rollout new laptops.

Society

We launched a range of initiatives to help meet the growing social needs arising from the pandemic, with its disproportionate impact on the health and wellbeing of older populations.

- Alderley Park 'Mega Lab' facilitated mass testing for Covid-19.
- Free accommodation for National Health Service workers at our build to rent sites.
- £500,000 Community Fund, funding over 100 small charities with grants from £100 up to £5,000.

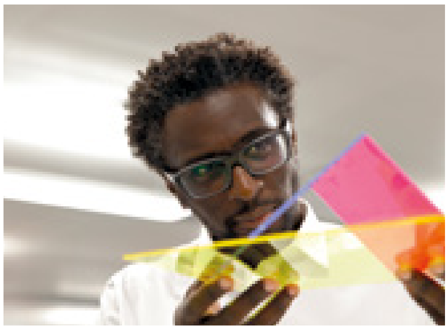
Shareholders

Whilst Covid-19 impacted upon our financial performance, we provided stable returns to our shareholders.

- Operating profit of £2,218 million.
- Solvency II coverage ratio of 177% (on a shareholder basis).
- We continued to pay our dividend.

> Legal & General is uniquely placed to invest annuity money into the UK economy, supporting its long-term pension commitments and creating real assets which support jobs and generate economic activity."

Steve Bolton
Head of Private Corporate Debt, Europe, Legal and General Investment Management



Affordable homes
Affordable homes play an important role in getting the UK economy back on track.

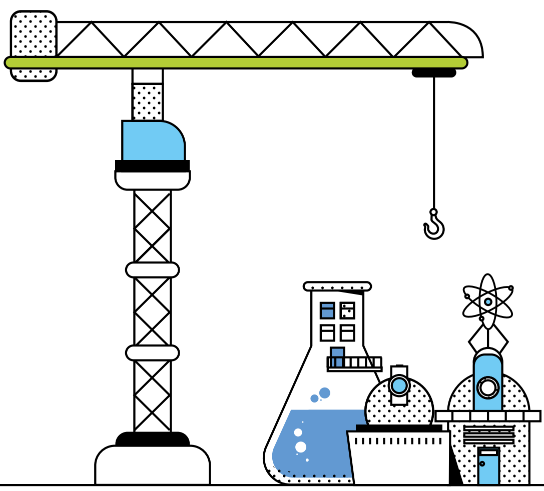
12,000

£100 million deferred long-term financing to Bromford Housing Group to deliver 12,000 new affordable homes by 2028.

Scientific research
Bruntwood SciTech partnership, the UK's largest science and innovation property platform, will create more than 20,000 high-value jobs in Manchester, Liverpool, Leeds, Birmingham and Cheshire.

We are building back better

We understand that long-term investment in innovation and in communities must go beyond the few places already benefitting from it.



Living our behaviours

We have three behaviours which inspire us to act responsibly towards our customers and everyone whose lives we touch.

Our behaviours have been more relevant than ever in our response to the pandemic and will continue to guide us as we build back better.

Straightforward

We are fair and transparent, open to feedback and communicate in a fair and genuine way.

Collaborative

We engage our networks and stakeholders to shape our ideas and manage the impact of our decisions.

Purposeful

We work with pace and energy, taking ownership and demonstrating excellent execution.

Retail retirement

Chris Knight
Chief Executive Officer,
Legal & General Retirement Retail

CEO introduction

Our ambition is to be the UK's leading retirement brand, enabling all our customers to have a colourful retirement whilst generating lasting profit for the Group and, over time, to expand internationally. We are retiring the clichés and complexities of retirement and helping people understand the wealth of options available. We have developed new propositions in retirement income and lending, expanding our addressable market, and there is still potential for further growth. Our investment programme continues to support companies focused on healthy ageing and innovation that benefits society. Our focus on digital customer fulfilment and our customer journey makes the process of retirement planning much simpler.

Growth drivers

- Ageing demographics
- Welfare reforms
- Technological innovation

Response to Covid-19

Our sales were temporarily impacted as we adapted to remote working during initial lockdown measures and as some people delayed retirement planning decisions. Lockdown restrictions have accelerated technological innovation to keep our customers safe and our advisers working, including use of digital valuations for properties and allowing the use of electronic signatures. We continue to safeguard our vulnerable customers and retain the option of face-to-face interaction, as we digitise our systems and processes. To help our advisers navigate the challenging circumstances, we hosted a regular webinar series to offer advice and share experiences, and we moved our equity release training online.

2020 key activities

Retirement income

A new age of retirement needs financial services to match. We are addressing this need through our strong heritage in annuities, combined with a move towards digitisation, investment in our drawdown proposition, and a new TV campaign to help eradicate the outdated stereotypes of retirement.

We have developed an online course with the Open University called 'Retirement planning made easy', providing people with information and confidence to engage with their options and help secure financial resilience later in life.

Partnerships

The intermediary channel is the cornerstone of our distribution approach, but we continue to grow our reach by leveraging the Group's internal customer base, reaching new customers through our direct digitalised customer journey, and our wide range of partnerships across the retirement industry.

In 2020, we entered a new partnership with PensionBee, offering annuities to their at-retirement customers. This agreement builds on our successful partnership track record, reflecting our commitment to the annuities market and is the fifth of its kind.

Pension pot tracing and consolidation

At present, over half of 45 to 65-year olds have more than one pension pot and, of those, only 17% have already consolidated to better manage their savings. Earlier this year we launched our tracing service to help people track down lost or forgotten pension pots, and a consolidation solution, for those wanting to bring their various pension savings together with Legal & General.

Flexible drawdown product

In a post-pensions freedom world, an increasing proportion of people are accessing their pension pots and managing retirement finances themselves. Our flexible drawdown product is an early adopter of the FCA's Investment Pathways, allowing consumers to select from a choice of four simple investment solutions, with each pathway aligned to a separate fund, suited to different drawdown objectives. The product comes with customer support, helping make managing retirement income simple for over 55s who choose to do it themselves.

Retirement lending

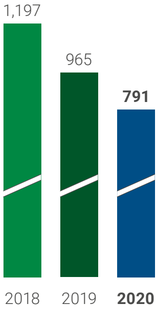
Our retirement lending business provides later life borrowing options to the over 55s, enabling them to access their property wealth to fund their retirement ambitions. Retirement lending is also increasingly seen as the smart approach to intergenerational wealth management, with huge potential as £1.7 trillion of housing wealth will cascade to the next generation in the coming years.

Individual annuity sales £m

£910m

Annuity volumes of £910 million are within 6% of last year, reflecting a slowdown in business in the immediate aftermath of the first UK lockdown. Sales began to recover from June, as we adapted processes to the current environment and individuals valued the certainty of an annuity in uncertain times.

Lifetime and retirement interest only mortgages £m



£791m

Lifetime and retirement interest only mortgage lending volumes of £791 million were significantly lower than 2019, driven by the temporary slowdown in the housing market in the second quarter. We have focused on servicing existing customers and maintained our pricing and underwriting standards. We saw a strong recovery towards the end of the year.

Products
Outstanding debt for over 55s is expected to reach over £500 billion by 2029. We provide solutions that help those over 55s who have an interest only mortgage that they cannot repay, but can afford to continue with monthly payments. Our retirement interest only mortgage makes a difference to customers by allowing them to pay their outstanding interest only mortgage balance and stay in the home they love.

Our Optional Payment Lifetime Mortgage product allows customers the flexibility to pay some or all of the accrued interest each month, lowering the overall cost of borrowing compared to a traditional lifetime mortgage.

We have launched our energy saving initiative that provides cashback to customers who take a mortgage with us to release funds to improve the energy efficiency of their homes. This is good for the environment and also reduces our risk as it improves the future value of the property.

Financial advice
Our digital advancements have enabled us to continue providing valuable advice on retirement lending to our customers throughout Covid-19 restrictions. We have recently started providing advice on retirement interest only mortgages.

International expansion
Earlier in the year, we also invested internationally in Household Capital, a specialist retirement lending provider committed to helping retired Australians 'Live Well At Home', complementing our UK business.

Health and care
Each year, around 1.4 million people seek support to find care for the over 65s. Our Care Concierge, a digital service, provides end-to-end support and guidance to help people find suitable care at all stages of their care-seeking journey. This also creates a funnel of leads to our product offering for this demographic.

Investments in health and care
Our investments in care and health help individuals lead longer and healthier lives. One of these, Current Health, a patient monitoring platform which helps people to remain in their own home, has partnered with Mayo Clinic to provide remote Covid-19 patient monitoring. In 2020, we invested in Congenica, a digital health firm that has pioneered software to enable rapid genomic data analysis at scale.

Investment programme
Our investment programme supports companies focused on healthy ageing, offering 'scale-up' businesses in this space the chance to bid for a share of £6 million grant funding through our role in the Government's Innovate UK Initiative: The Industrial Strategy Challenge Fund.

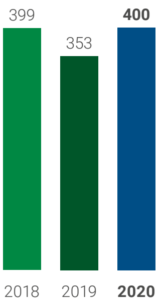
We have helped allocate c.£1 million of this funding so far in a research and development project led by Congenica which will explore the relationship between pharmacogenomics and polypharmacy. Congenica is a market leading genetic diagnostic platform that operates in 20 countries globally, providing decision support services to the healthcare and pharma industries.

Understanding the risks
As a provider of retail retirement products, we are exposed to the risk that people live for longer than we have assumed in the pricing of our products. In pricing our lifetime mortgages, we also make assumptions for the long-term outlook of the housing market. Our mortgage underwriting seeks to ensure that we are selective in the risks we take on and that our loan portfolio is resilient to a range of economic scenarios. As we increasingly advise on mortgages, we inherently increase our exposure to advice risks, and we have invested heavily in ensuring our advisory business leads to good customer outcomes.

"We have expanded our addressable market in retirement income and in later life lending, as well as helping more people access the care they need. These endeavours have huge potential for further growth."

Chris Knight
Chief Executive Officer,
Legal & General Retirement Retail

Operating profit £m



£400m

Operating profit increased by 13% to £400 million, primarily due to routine assumption updates and the tragic human cost of Covid-19 impacting retail retirement in the form of a mortality experience release offsetting reductions in individual annuity sales and lifetime mortgage advances. The figures shown include releases associated with changes to future mortality improvements.

Care Concierge service
Our Care Concierge is a digital service, helping people understand, find and fund care. The service hosts a combination of online guidance and tools, such as our care calculator. In addition to demonstrating how long a customer's assets and income might last, the service provides personal advice to support people or their loved ones on their care journey.

Care and ageing

"It's time to stop thinking solely about how to extend life, and think harder about how to

improve the quality of life we already have."

Nigel Wilson
Group CEO

Paying out pensions

- We protect pensioners' income by taking on pension scheme risks and paying out pensions on behalf of the schemes.
- We enable pension schemes to exit the Pension Protection Fund, providing security to pensioners such as the £100 million Countrywide Farmers Retirement Benefits Scheme.

We transform individuals' pension savings so they can live a colourful retirement.

Tackling the economic and social challenges of us all living longer helps drive our business forward and support people across the UK in living happier, healthier lives in later life.

Our £20 million sponsorship of the Advanced Care Research Centre at Edinburgh University will deliver research on improving care in later life and revolutionising how it is delivered.

Relevant retirement living

We are redesigning how we care for people in later life:

- £5 million donation to Newcastle City Council to fund independent living facilities for older residents and to fund a 20/25-bed 'new model' residential care home which will incorporate key lessons learned from the pandemic.

Our later living developments aim to transform what the elderly can expect from later life by providing vibrant communities specifically built to activate retirement living.

- 270 homes in Kingswood, Surrey, re-purposing our former Head Office and preserving the long-term future of the Grade II* listed building.
- Guild Living and Inspired Villages, with over 1,000 homes in six villages with a pipeline of 18 further sites in development.

"I am thrilled to announce this partnership with Legal & General, which builds on our previous city-wide agreement."

Nick Forbes
Leader of Newcastle City Council

600,000+

customers helped to build their own colourful retirements

Making retirement planning accessible

- Launch of Retirement Interest Only Mortgage for over 55s: a fixed interest rate for the mortgage term allows people to access funds from their home.
- Our Care Concierge team have extensive knowledge of the care industry and help you make an informed decision on the care option that is right for you.

Investment management

Michelle Scrimgeour
Chief Executive Officer,
Legal & General Investment Management

CEO introduction

Our purpose at LGIM is to create a better future through responsible investing. This has never been more important than during the immense challenges and uncertainty we all experienced in 2020. Against this difficult backdrop, we looked after our clients and our people and have not only delivered good investment and financial performance but also made great progress on our strategic pillars of modernising, diversifying and internationalising our business. Generating positive external net flows reflects the strong relationships we have with our clients, while the growth in revenues and operating profit shows the resilience of the asset management business and positions us well for the future.

Growth drivers

- Globalisation of asset markets
- Technological innovation
- Addressing climate change

Response to Covid-19

In March 2020, we put in place plans to mitigate as many of the effects of Covid-19 on our business as possible, including facilitating remote working for the majority of our employees. We continue to have the capacity to follow these plans and have a sufficient level of resources available to withstand the effects of the pandemic. Registering positive external net flows of £20.4 billion in 2020, and growing our assets under management to £1,279 billion, reflects both the diversified nature of our assets and resilient client relationships.

2020 key activities

Investment performance continued to be strong. Using LGIM's regulated UCITS funds as a proxy for our performance, in the three years to 31 December 2020: 93% of Active Fixed Income, 36% of Active Equity, and 81% of Multi Asset funds outperformed. Over the same period, 73% of the strategies managed by our Active Fixed Income team in the US outperformed.[1]

In October, we announced the sale of a book of retail investment products to Fidelity International Ltd, allowing us to concentrate on our core book of retail clients.

Stewardship

Our purpose of creating a better future through responsible investing is supported by our culture, rooted in three principles: partnership, expertise and responsibility. We have used our scale to be an active and authentic voice on ESG for many years and continue to lead in this area. We are rated A+ for responsible investment strategy and active ownership from the UN Principles for Responsible Investment.

In 2020, we held hundreds of companies to account in our Climate Impact Pledge and called on the UK Government to take urgent action to reduce emissions.

1. Modernise

We are laying the foundations for global growth through leadership, client service and our operating platform as part of our strategic pillar of modernising the business.

Leadership

In 2020, we created a new global leadership team, restructured our operations, enhanced governance and focused on risk and systems.

We appointed Brenda Sklar as Global Chief Operating Officer; Brenda brings over 20 years of asset management experience in senior operations roles.

Martina Kay joined us as Global Human Resources Director, Margaret Ammon as Chief Risk Officer and Camille Blackburn as Chief Compliance Officer. We appointed two new independent non-executive directors, Professor Andrew David Clare and Eimear Cowhey, to our UK fund-management board. Chris Jones joined the board of Legal & General Investment Management (Holdings) in May.

Clients

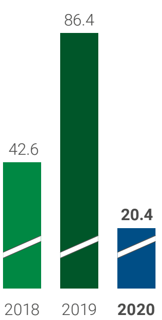
We were recognised as a 2020 Greenwich Quality Leader, highlighting our strong commitment to client service. In 2020 we invested in service quality and customer experience. We released an enhanced secure pensions portal, 'Manage Your Account', available for around 4 million defined contribution (DC) scheme members. Enhanced features include an interactive Retirement Planning Tool and greater resilience, serving up to 74% more registered visitors at peak times than pre-Covid-19 average visits.

Operating platform

We invested in our technology and digital capabilities, seeking to create a scalable global operating model. We also made preparations to ensure the business was ready for Brexit.

1. Net fund performance data versus key comparators (benchmark or generic peer groups for bonds and equities as per the relevant prospectuses and benchmark per the relevant prospectus or custom peer group for Multi Asset) sourced for the LGIM UCITS from Lipper and calculated internally for the U.S. composites, in both cases as at 31 December 2020.

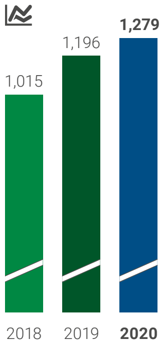
External net flows £bn



£20.4bn

External net flows of £20.4 billion are lower than 2019, when we received a £37 billion index mandate from the Japan Government Pension Investment Fund. Underlying flows were diversified across channels, regions and product lines.

Assets under management (AUM) £bn



£1,279bn

AUM grew by £83 billion, 7%, driven by positive external net flows despite volatile markets. International AUM is now £388 billion (2019: £370 billion) and represents 30% of our assets (2019: 31%). Of the total £1,279 billion of AUM, £1,163 billion are on behalf of third-party clients and £116 billion for the Group.

2. Diversify

We have a client-centred approach to growth, targeting adjacent areas of market opportunity and concentrating on higher-margin product lines.

UK Defined Contribution

In November, our DC business surpassed £100 billion in DC assets under management (AUM). Investment in technology has played a key role in this success, including a pilot with Tumelo, a fintech platform specialising in member engagement on key ESG issues. Over the trial period, nearly one third of users returned to the platform every month. Having built the UK's market-leading DC business in the accumulating phase of the investor's savings journey, we are now working with our institutional retirement business to create innovative solutions for retirement income as investors decumulate.

UK Defined Benefit

In August we launched our Secure Income Assets Fund, designed for UK defined benefit (DB) pension schemes looking for stable, long-term cashflows from a diversified portfolio of assets, including infrastructure and real-estate debt.

In September, we launched NavGuide, a complete investment service for smaller UK DB schemes. NavGuide reiterates our commitment to innovation and helping DB schemes of all sizes achieve better outcomes. More generally, we are helping many UK DB schemes pay their pensioners by offering a full suite of investment solutions including cash flow driven investments.

Real Assets

In September, we announced the forward funding through our Build to Rent Fund of an £81.5 million mixed-use regeneration scheme in Glasgow. The scheme will deliver 346 build-to-rent homes, as well as approximately 12,800 square feet of commercial space, to help meet the city's demand for high-quality, flexible rental accommodation.

3. Internationalise

We are selectively extending our global reach, and will be a disruptor in countries where our strengths align to client needs. Our international AUM grew by 5% to £388 billion on a managed basis in 2020, representing 30% of our portfolio. We were awarded Asset Manager of the Year by Global Investor Group.

US

In the US, we reported $272 billion (£199 billion) in total AUM in 2020. We are innovating in the emerging retirement income market and will launch a new retirement income product available to US plan sponsors in 2021. In addition, we continue to progress as an ESG leader, by designing solutions that leverage LGIM's global analytic expertise, and are set to launch two flagship index and active ESG solutions in early 2021.

Europe

We established a European branch in Dublin to continue to service our European clients. We are expanding into European wholesale markets, and aim to be a leading non-domestic asset manager in the EU by 2025. We manage £70 billion on behalf of European institutional clients and we are accelerating growth through local expertise. In 2020, we saw significant flows into Active Fixed Income and Thematic exchange traded fund (ETF) products and launched ESG-benchmarked Fixed Income ETFs. We also strengthened our presence in Benelux and opened our first Nordic office in Stockholm.

Asia Pacific

We are broadening and deepening our business across the region, delivering investment expertise and solutions for institutional clients. We reported flows in Asia excluding Japan of £11.5 billion (2019: £2.6 billion). Our relationship with one of the world's largest investors, the Japanese Government Pension Investment Fund, continues to expand, providing the foundation for further growth in Japan and across the Asia Pacific region.

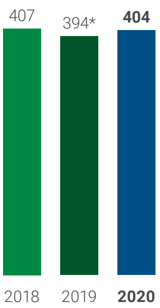
Understanding the risks

Ensuring robust internal controls so that funds are managed in line with client mandates, fund performance is consistently delivered and operational errors are minimised are integral to attracting new funds under management, minimising fund outflow and managing regulatory and reputation risks. Our continued investments in systems, processes and people seek to ensure we maintain a control environment that aligns with the operational risk exposures across our global operating model.

> "Our purpose is to create a better future through responsible investing."

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Operating profit £m



£404m

Operating profit of £404 million rose by 3% (*2019 restated from £423 million to include LGIM-related costs previously held at Group. 2018 not restated). Asset management revenue increased by 5%. The cost/income ratio increased slightly to 57%, reflecting continued investment to increase resilience and support future growth. Asset management fees for our institutional retirement business are £148 million (2019: £131 million).

Expanding our ESG offering

Our Secure Income Assets fund demonstrates the structural and capital synergies in our group business model and meets client needs. It also shows how we are diversifying our business by making our expertise in real assets available to a wider range of clients, externalising our private credit capability, expanding our ESG and long-lease equity offerings, and optimising our linkages with our capital investment business.

Pictured: Hrauneyjafoss hydropower station in Iceland; we provided a corporate loan to its operator, Landsvirkjun, the country's largest renewable energy provider.

Climate

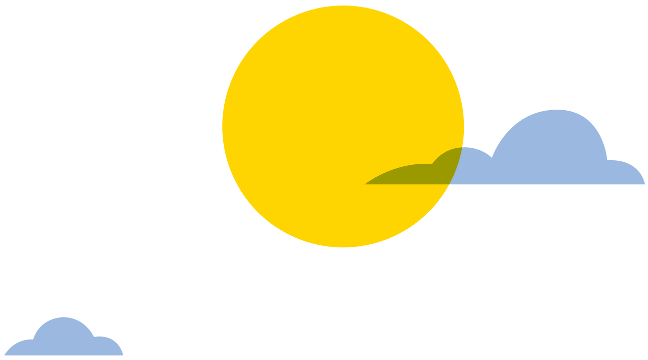
Global temperatures are currently on a trajectory to increase by nearly 4°C above pre-industrial levels. Our strategy means that by addressing climate change we can positively impact the world around us and deliver long-term, secure returns for our shareholders.

Our journey to net zero

Technology to accelerate green growth

We continue to invest in clean energy solutions

- Acquired a 36% stake in the Kensa Group, one of the UK's largest players in ground source heat pump technology.
- Increased our stake in Pod Point, a leading electric vehicle charging point operator from 13% to 22%.
- Launched an electric car scheme, provided by Zenith, open to all employees.
- Our investment in Tokamak Energy is developing fusion technology, aiming to bring fusion energy to the market by 2030.
- Nearly 100 of our people are working on our Climate Change Virtual Accelerator, developing opportunities to generate new commercial revenue streams or create significant shareholder value while making an impact on global carbon emissions.



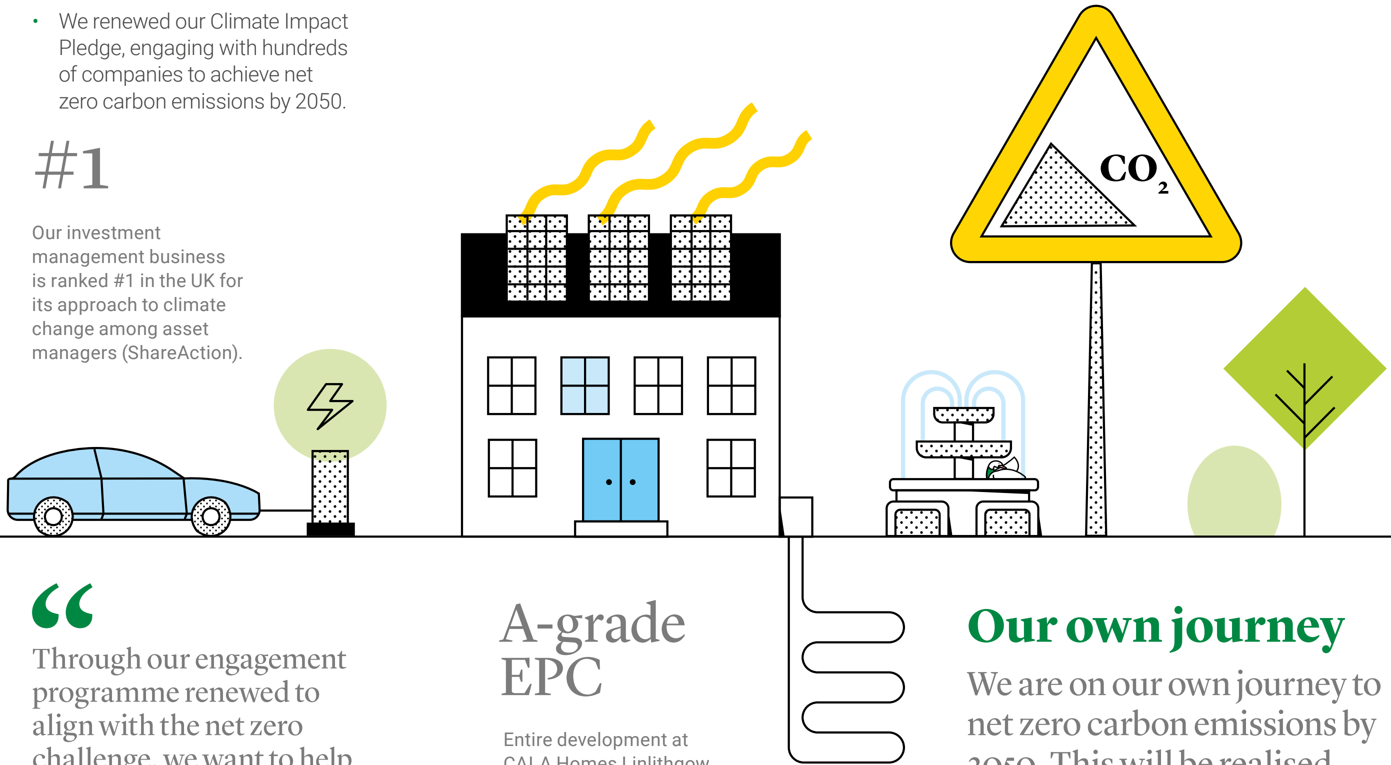
Using our influence

Our scale means we can influence the actions and behaviours of the companies in which we invest on behalf of our clients

- We renewed our Climate Impact Pledge, engaging with hundreds of companies to achieve net zero carbon emissions by 2050.

#1

Our investment management business is ranked #1 in the UK for its approach to climate change among asset managers (ShareAction).



"Through our engagement programme renewed to align with the net zero challenge, we want to help steer companies and our clients towards success in a low-carbon world."

Michelle Scrimgeour,
Chief Executive Officer, Legal & General Investment Management and member of UK Government's COP26 Business Leaders

A-grade EPC

Entire development at CALA Homes Linlithgow built to A-grade energy performance certificate (compared to an average D-grade EPC rating in Scotland).

All the homes at the Linlithgow development have water tanks linked to solar panels and electric vehicle charging points.

Our own journey

We are on our own journey to net zero carbon emissions by 2050. This will be realised through our commitments, which include:

- We have set Group balance sheet carbon intensity targets to monitor alignment with the Paris objective and will reduce our portfolio carbon emission intensity by half by 2030.
- We will launch a climate solution capability for our investment management clients in 2021, quantifying climate risks within, and temperature alignment of, their assets.
- As a large UK housebuilder, we will enable all new homes we build from 2030 to operate with net zero carbon emissions.
- From 2030, our operational footprint (occupied offices and business travel) will operate with net zero carbon emissions.
- For full list of commitments, please refer to our TCFD report.

Task Force on Climate-related Financial Disclosures (TCFD) Report
Our 2020 TCFD report is available on our group website. See: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Capital investment

Kerrigan Procter
Chief Executive Officer,
Legal & General Capital

CEO introduction

Our focus on inclusive capitalism is as important as ever following the impact Covid-19 has had on our economy. We continue to create much-needed homes, level up our towns and cities and invest in growth companies. We are investing society's capital for society's benefit in socially and economically useful areas which create jobs, improve living standards and deliver returns. Our ambition over the next five years is to increase our direct investment portfolio to £5 billion with a target blended return of 8–10%, and to add over £10 billion of third-party capital assets and asset creation for our retirement business.

Growth drivers

- Investing in the real economy
- Welfare reforms
- Technological innovation
- Addressing climate change

Response to Covid-19

Covid-19 has brought unprecedented challenges, with operations in our housebuilding businesses temporarily paused in the first half of 2020 and vital precautions taken to protect customers, residents and staff on our sites. However, sales recovered well in the second half of the year and we have strong levels of reservations leading into 2021. At the same time, overall performance has been impacted by asset valuation markdowns in the direct investment portfolio, particularly in relation to our two retail assets (the Lexicon Bracknell and Thorpe Park in Leeds) where Covid-19 lockdowns have exacerbated existing structural and cyclical factors.

As part of the effort to manage the effects of Covid-19, we hosted a testing site at our Alderley Park investment and we continued to back life science advancements. Our Later Living housing communities supported and protected elderly residents, enacting a comprehensive action plan which kept rates of infection below that of the national average for over-70s, whilst also focussing on mental wellbeing.

Amidst a greater need for our investments, Covid-19 has not slowed the progress of our new and existing businesses as we support the country to 'build back better'.

2020 key activities

Specialist commercial real estate

We are involved in some of the UK's largest urban transformation schemes, creating jobs, driving economic growth and boosting local communities. We are investing in the next generation of science and innovation centres, which have proven crucial this year in response to Covid-19.

As a part of our £4 billion partnership with Oxford University, and in conjunction with the Group's institutional retirement and investment management businesses, we facilitated our institutional retirement business's £200 million of funding for a new Life and Mind sciences building. We achieved planning permission in January 2021 to provide innovative facilities for teaching and research. Our Bruntwood SciTech joint venture has also agreed, in partnership with the University of Birmingham, to provide a new Health Innovation Campus in the city of Birmingham.

Further to our existing portfolio of regeneration projects across the UK, we have joined the call to 'build back better' through our commitment to invest £150 million in Sheffield's West Bar Square development, in partnership with the city council.

Working with our investment management business, we have financed and developed a state-of-the-art TV and film studio in Elstree, using pension money from the Group's institutional retirement business, creating around 2,000 jobs and generating £3 billion of production investment.

Clean energy

We are committed to scaling up our investments in the clean energy sector in order to accelerate progress towards a low-cost and low-carbon economy.

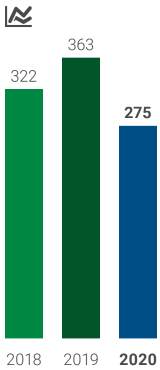
Through fund manager and operator, NTR, we are sourcing, building and managing new clean energy assets to create attractive returns over the medium to long term. This year we have taken a 36% stake in a ground source heat pump technology firm, the Kensa Group, and scaled up our holding in Pod Point, one of the UK's largest electric vehicle charge point operators; both have delivered record annual sales this year.

Direct investments £bn

£3.1bn

Our direct investments portfolio has grown to £3.1 billion, an increase of 9% over 2019. This growth is the result of continued deployment of capital to progress our existing affordable homes and later living businesses, as well as explore new urban regeneration opportunities and the launch of our Suburban Build to Rent business.

Operating profit £m



£275m

Operating profit has declined 24% from 2019 to £275 million, primarily due to lower profits in our direct investments, including the impacts of a pause in our house building activity between March and June due to Covid-19.

Housing
Our housing platform is diversified across affordability, tenure and life stage, delivering high quality homes which we are committing, from 2030, will be operationally carbon emission-free.

Affordable Homes
We are using pension money from the Group's retirement business to develop, own and manage new social housing and affordable homes to address overwhelming need across the UK. Now in its second year our profitable affordable business continues to grow and in 2020 secured a pipeline of over 4,400 homes across 92 sites across the UK.

Build to rent (BTR) schemes
We have announced the launch of our new Suburban Build to Rent (SBTR) business, which will develop large-scale family rental communities in suburban locations. By 2024, we aim to be able to deliver over 1,000 new homes under this initiative each year across the UK.

Across the Group we hold 15 urban BTR schemes of c.£1.8 billion of investment in planning or under development. In 2020 we also added a major new site in Birmingham's Jewellery Quarter to our portfolio, delivering around 400 apartments for renters.

Later Living accommodation
Our Later Living accommodation provides vibrant communities specifically built to activate retirement living. In 2020, we have been granted planning permission for major sites in Kent, Bedfordshire, Hampshire and Surrey for nearly 800 new homes, including the Group's former Kingswood office, which will give a new lease of life to this striking building. There are further sites in advanced planning as we expand our portfolio.

CALA Homes
Our house building operations had to pause for three months this year, and we have taken utmost precautions to ensure we are protecting customers and staff on our sites. Unit sales have decreased by 26% year-on-year. Performing in line with or ahead of the wider housing market, we saw strong sales activity during the second half of 2020, demonstrating the enduring underlying demand for new homes.

Modular Homes
In our Modular Homes business, we achieved planning permission for 350 energy efficient homes at two major development sites in Selby and Bristol. Our delivery pipeline is growing and our ambition is to deliver 3,000 modular homes per year by 2024.

SME finance
Through our venture capital investments and alternative finance platform, we have continued to invest in the real economy via start-up businesses in the UK and Europe. We have invested in three new funds this year, now providing funding for over 300 companies, delivering enhanced returns while boosting job creation, innovation, and science and technology advancements.

In a challenging year for many small and medium-sized enterprises (SMEs), we have been disciplined in our investment decisions whilst retaining a commitment to financing sustainable companies.

Traded portfolio
Our diversified traded portfolio has managed to outperform the market using tactical decisions to manage volatility, in what have been testing conditions globally.

Understanding the risks
Our early stage investments are inherently exposed to the risk that they do not perform as anticipated. Where we undertake construction activity we are also directly exposed to health and safety, and environmental risk. We seek to closely manage our real estate and housing market risk exposures, including development costs and changes in property values. Site health and safety is a core focus area across all our property development and operating activities.

"We are investing society's capital for society's benefit in socially and economically useful areas which create jobs, improve living standards and deliver returns."

Kerrigan Procter
Chief Executive Officer,
Legal & General Capital

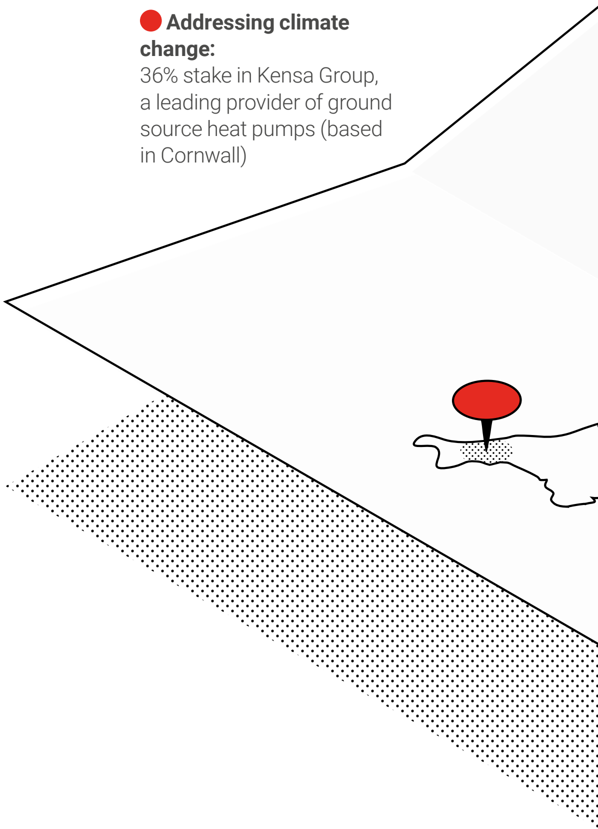
Birmingham Health Innovation Campus
Our joint venture Bruntwood SciTech partnered with the University of Birmingham to deliver a new centre of health innovation in the city. The £210 million, 10-year masterplan will provide 657,000 sq ft of state-of-the-art lab, office and incubation space acting as a catalyst for the growth of the Midlands' life sciences sector. It is set to create up to 10,000 new jobs and contribute £400 million to the regional economy by 2030. This investment demonstrates our commitment to levelling-up UK towns and cities, creating jobs and using our capital to help encourage the next generation of crucial scientific and health innovations.

Jobs and growth

Investing in the real economy

Since the emergence of Covid-19, UK unemployment has risen and is likely to rise further over the next 12 months. It is essential that financial institutions continue to invest in the real economy. We use pensions funds and savings to support projects that create jobs, housing and vital infrastructure.

Addressing climate change:
36% stake in Kensa Group, a leading provider of ground source heat pumps (based in Cornwall)



Tackling the housing crisis:
Planning for 185 homes in Bristol, half of which will be affordable

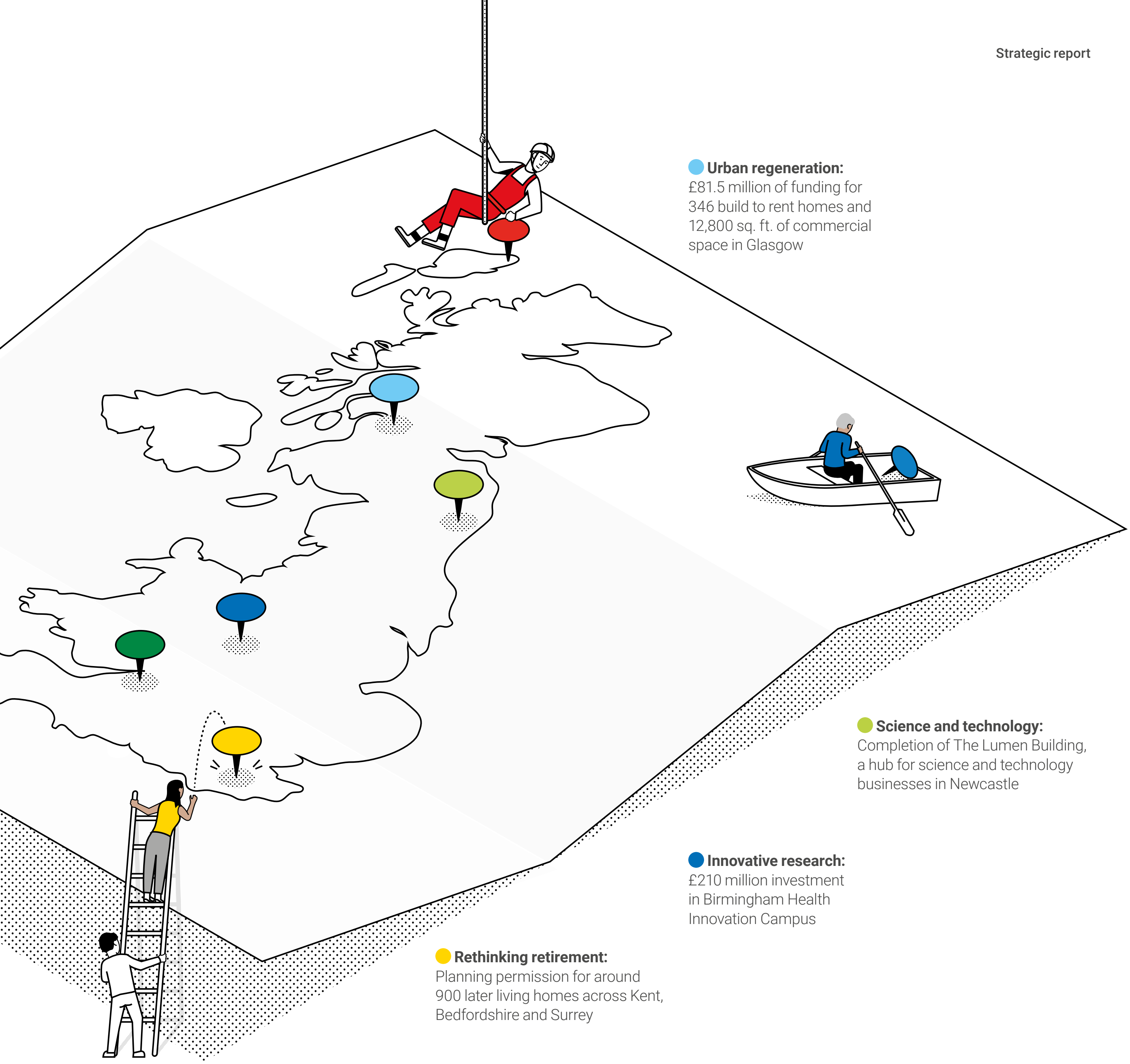
> "Inclusive capitalism helps to re-build regional economies in the wake of Covid-19."

Nigel Wilson
Group CEO

Our investments since March 2020 are set to create 30,000 jobs
Our investments use society's capital for society's benefit and include science and innovation districts, clean energy infrastructure, and urban transformation projects.

£1.5 billion

Invested in levelling up the UK's towns and cities.



Urban regeneration:
£81.5 million of funding for 346 build to rent homes and 12,800 sq. ft. of commercial space in Glasgow

Science and technology:
Completion of The Lumen Building, a hub for science and technology businesses in Newcastle

Innovative research:
£210 million investment in Birmingham Health Innovation Campus

Rethinking retirement:
Planning permission for around 900 later living homes across Kent, Bedfordshire and Surrey

Building new homes
It is more important than ever that we deliver the houses that our society needs to address structural shortages across every dimension of the market.

6,000

Planning permission for around 6,000 homes through our later living, build to rent, modular housing and build to sell businesses.

Impact investing
We back growth companies through alternative credit and venture capital and have invested in over 300 companies, from universities to science laboratories to start-ups.

Levelling up
We invest our own assets and those of our customers over the long term, breathing life across the UK through regeneration programmes, building affordable homes and investing in small and medium-sized enterprises (SMEs).

Insurance

Bernie Hickman
Chief Executive Officer,
Legal & General Insurance

CEO introduction

In this unprecedented year, we have focused on enabling our colleagues to support our customers and distribution partners. Our insurance businesses provide peace of mind to over 8 million customers in the UK and US. Our investment in data analytics, technology and our continuous customer centric innovation enabled our businesses to deliver growth, increase market share and service customers throughout multiple lockdowns. We are transforming our insurance businesses while digitising and diversifying our distribution channels, and delivering innovation in adjacent markets though investment in fintech scale up businesses. We have paid out £1.9 billion in claims in 2020, creating a positive impact for families impacted by tragedy.

Growth drivers

- Welfare reforms
- Technological innovation

Response to Covid-19

Our operational resilience in the UK allowed us to continue to serve customers and distributors, with fast action taken to address an initial reduction in our customer service levels. In the US, lockdown restricted physical assessments, increasing the importance of our digital new business platform and disciplined underwriting.

To help mitigate the effects of Covid-19, for UK retail protection customers we introduced deferred payment 'holidays', allowing over 400 customers to defer premium payments for up to three months and introduced a care package for members of our group protection schemes displaying prolonged symptoms. We have paid out £141 million (with net impact of £76 million) in Covid-19 related claims, helping families during this devastating time.

2020 key activities

UK retail protection

With only 50% of mortgages protected and only 2% of renters having income protection insurance, there are clear opportunities for continued market growth. We use data analytics to enhance our marketing effectiveness and competitive advantage, enabling more informed distribution and product decisions to optimise profitability and reach.

Customers are our priority and we have successfully managed our payment times as we agreed to pay over 80% of our over 50s claims within 24 hours, a year on year improvement despite a 17% increase in claims. We have focused on digitising our customer experiences and have seen a 5-percentage point year on year increase in our customer satisfaction metric, Net Promoter Score.

Income protection

We have nearly doubled our market share in income protection over the last three years and we expanded our product offering during 2020. Our Low Start Income Protection product is designed to encourage people to get cover who otherwise would not be able to afford it. Our Executive Income Protection product provides an illness cover insurance policy on 'a life of another' basis for small business owners, providing funds for additional cover or sick pay.

Distribution

In 2020, our 100% success rate on new and re-tendered distribution contracts reflects the strength of our relationships with our distribution partners, developing relevant products with more benefits and choice. Our digital transformation in direct protection distribution continues, with new business momentum building in a highly competitive market.

Partnerships

We have partnered with Action for Suicide Prevention in Insurance (ASPiiN) to increase awareness of mental health in the fight to recognise the warning signs of suicide and protect vulnerable individuals.

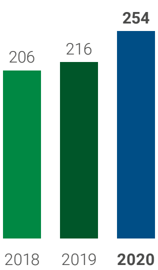
UK group protection

Our group protection business is growing fast, benefitting from data-led sales targeting, improved service and a broader range of brokers.

Early intervention service

An engaged and productive workforce is the lifeblood of any organisation. Our active early intervention service helps group scheme members return to work as quickly as possible following illness or injury. We paid £73 million in claims in 2020 and funded 2,449 sessions for rehabilitation treatment, and over 1,900 members of our group protection schemes returned to work following illness or injury prior to payments being made.

Solvency II new business contribution
£m



£254m

Our use of a data-driven approach to optimise the value we add from writing new business has delivered a Solvency II new business contribution of £254 million, an 18% growth on last year in a challenging market. We have focused on higher margin products, enhanced pricing sophistication and continued to deliver good expense management.

Gross written premiums £bn

£2.8bn

Gross written premiums grew by 4% to £2,849 million, driven by increased customer retention and renewals in our UK group protection business as well as strong new business from our distribution reach in UK and US retail protection and responding quickly to Covid-19 restrictions. Our longer-term focus remains on enhancing competitive advantage through effective use of technology.

Protect
In partnership with Salary Finance, we are revolutionising the way employees in our schemes can access and engage with their benefits. Protect is a new digital proposition, which allows employees to tailor their insurance cover to their needs, and enhances the benefits companies offer to their employees as part of our group protection schemes, at no extra cost. We launched Protect amongst our employees in September and over 35% have already registered.

Not A Red Card campaign
Mental health is a leading cause of long-term absences from work. Our Not A Red Card campaign continues to help raise awareness, remove stigma and take action around mental health in the workplace.

US protection
The US is a substantial and growing market, with $27 billion in term life premium revenues each year, from over 840 life companies. In this fragmented market, we are digitising our business at pace to help protect more customers, by growing our market share with improved service, competitive pricing and relentless innovation to deliver better customer outcomes and process efficiencies.

Leveraging increasingly available electronic health data, combined with disciplined underwriting and strong expertise from the UK, we launched a pilot of our digital new business platform, Horizon. Automating our underwriting process and reducing reliance on physical assessments and paper-based evidence will deliver meaningful growth, facilitate new distribution partnerships and provide cost efficiencies. We will roll out Horizon to all new business in 2021.

Fintech solutions
Salary Finance
Salary Finance seeks to address the issue of finance-related stress and its impact on mental health and performance at work through helping people move from debt to saving. We service over 600 progressive employers, over 3.5 million employees across the UK and US, and we are scaling at pace. Our loan book has nearly doubled this year and we acquired Neyber, our biggest competitor, to become the UK's largest employee financial wellbeing platform. As part of our latest funding round we welcomed a new shareholder Experian, a global leader in data services, who we are partnering with in the development of a new business line to help more UK employees.

Surveying services
Our remote platform solution proved an invaluable alternative to physical inspections in 2020 and helped our retirement lending business serve new customers as Covid-19 measures restricted access to properties. Our Digital Valuation solution processed almost 43,000 digital valuations, compared with 27,000 in 2019.

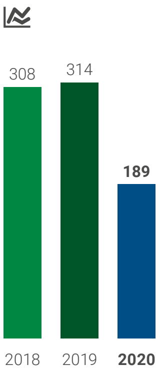
UK mortgage club
Our mortgage club is the largest and longest running mortgage club in the UK, involved in around one in five of all mortgages. We work closely with a broad range of lenders to deliver mainstream and niche products for our advisers. Our focus on innovative digital transformation has been critical this year supporting strong lending levels, including a record final quarter, with over £23 billion of lending transacted.

Understanding the risks
Providing protection products means that we have to make assumptions about our customers' life spans, how healthy they will be, and how long they will continue with the policy. We seek to price and underwrite our products to take account of these risks, and use reinsurance to manage significant exposures. In delivering our ambition to be a market leader in the digital provision of insurance, as we develop our digital propositions, we are also exposed to technology risks and cyber risks which if not well controlled may lead to both reputational damage and financial loss.

> "Our investment in data analytics, technology and our continuous customer centric innovation enabled our businesses to deliver growth, increase market share and service customers throughout multiple lockdowns."

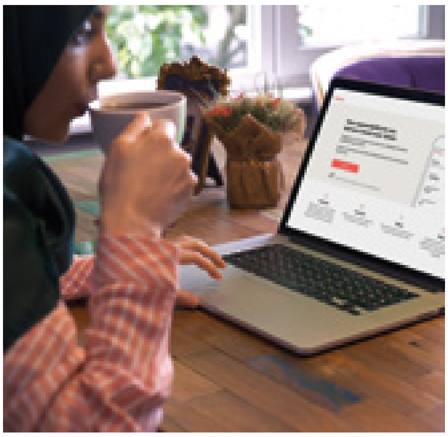
Bernie Hickman
Chief Executive Officer,
Legal & General Insurance

Operating profit £m



£189m

During 2020 operating profit decreased 40% to £189 million (2019: £314 million), reflecting increased claims experience of £186 million due to Covid-19, particularly impacting our US Protection and UK Group Protection businesses where we retain the majority of the mortality risk. We have provisioned for £110 million of future Covid-19 related claims, having realised £76 million of claims during 2020.



Protect is our new digital flexible employee benefits offering
Workforces now span three or more generations and through Protect, employers can offer flexible cover at each life stage. Protect simplifies employee protection benefits through a unique proposition, offering personalised cover choices for employees and their families, and great value for employers. After a successful trial with our employees, we are now offering Protect to group protection customers.

Managing risk

Simon Gadd
Group Chief Risk Officer

Our straightforward, collaborative and purposeful behaviours underpin the operation of our risk framework.

Overview

Our risk management framework supports informed risk-taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to and the risks that we want to avoid, together with risk limits and required standards of internal control to ensure exposures remain within our overall risk appetite.

We seek to deeply embed the necessary capabilities to assess and price for those risks that we believe offer sustainable returns within each of our operating businesses, as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes.

Our straightforward, collaborative and purposeful behaviours underpin the operation of our risk framework, providing a culture of openness and transparency in how we make decisions and manage risks, and balancing performance with principles to do what's right for the business and our customers.

We operate a three lines of defence risk governance model:

First, our operating businesses are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with risk policies. The skills to assess and price for risk form part of our first line business management activity. For example, in our pension risk transfer and annuities businesses we have a deep understanding of longevity risk and the science of life expectancy. LGIM, as one of the world's largest asset managers, has extensive business expertise in managing credit risk. Within our insurance business, as the UK's largest provider of individual life cover, we have extensive knowledge of mortality and morbidity risks.

Second, our risk oversight function under the direction of our Group Chief Risk Officer. The team of risk professionals provides our businesses with expert advice and guidance on risk and capital management, alongside ensuring risk-taking remains within acceptable parameters.

Third, our Group Internal Audit function provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.

Our risk management framework

Risk appetite	The Group's overall attitude to risk and the ranges and limits of acceptable risk-taking
Risk taking authorities	The formal cascade of our risk appetite to managers, empowering them to make decisions within clearly defined parameters
Risk policies	Our strategies for managing the risks in the environments in which we operate, so as to ensure residual risk exposures are those within appetite
Risk identification and assessment	Tools that help managers identify and evaluate the risks to which we may be exposed so that they can be managed in line with our risk policies
Risk management information	How we report and review ongoing and emerging risks, and assess actual risk positions relative to the risk targets and limits that we set
Risk oversight	Review and challenge, by the Group and divisional Chief Risk Officer teams, of how we identify and manage risk
Risk committees	Our structure of group level committees oversees the management of risks and challenges how the risk framework is working. The role of the Group Risk Committee is set out on pages 86 and 87
Culture and reward	Performance measures that focus on the delivery of effective risk management, business and customer strategy, and culture

Finding what you need online
Detailed information can be found in our risk management supplement.

Please visit:
www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Our risk landscape

The risks that we are exposed to fall into the broad categories of:

Longevity, mortality and other insurance risks that are transferred to us by the customers of our pension risk transfer, annuities and protection businesses. The period that customers continue their policies is also important for profitability. Longevity risks arise in our pension risk transfer and retail annuity businesses. Over the years we have built significant expertise in understanding and pricing for longevity, covering a range of disciplines including actuarial, medical, public health, statistical analysis and modelling. Mortality, morbidity and the risk of policy lapse are inherent to our protection businesses, for which we assess and price for as part of our policy underwriting.

Investment, credit and counterparty risks from holding portfolios of assets to meet our obligations to our customers and to deliver returns to shareholders; and liquidity risks from contingent events. Credit risk largely arises in our portfolio of corporate bonds and, where we provide long-term funding, within our direct investment portfolio. As an investor for the long term, assessing and managing credit risk is a core competency, and alongside setting a range of tolerances to diversify our portfolios, we seek to continuously track a variety of risk factors that could adversely impact credit markets.

For direct investments, as part of our underwriting decision, we evaluate the quality of the security that we will take under the transaction. We set limits on our exposures to reinsurance counterparties and where appropriate take collateral.

Operational risks in respect of our business processes and IT systems, as well as broader regulatory and legislative risks that can arise in the environments in which we operate. All our businesses have inherent exposure to operational risk. Our risk management and internal control framework seeks to identify areas of potential weakness that could otherwise lead to customer detriment, reputation damage or financial loss and ensure that appropriate measures are in place to mitigate adverse outcomes.

Where our businesses directly engage in house building and property development, we are exposed to risks associated with the management of construction projects, including health and safety risks. Alongside construction related risks wider safety risks arise in the operation of retirement villages and our affordable homes businesses. The management of health and safety and the broader risks of building safety are an integral part of our wider risk framework, with expertise in risk management embedded across our business operating model.

Risk appetite

Our risk appetite sets the ranges and limits of acceptable risk-taking for the Group as a whole. We express our overall attitude to risk using the statements and measures in the table below.

We set further risk tolerances covering our specific exposures to credit, market, insurance and operational risks including, where appropriate, limits on concentrations and significant aggregation of risks.

Our risk appetite is used to govern the nature and quantity of risks that we are exposed to. Whether we are making a direct property investment or pricing a pension risk transfer deal, we use our risk appetite framework to assess the risk profile and potential rewards to ensure we continue to operate within the ranges of acceptable risk-taking that we have set.

Responding to the impacts of Covid-19

Throughout the crisis we have continuously assessed the impacts of the global recession for our credit portfolio. Over the years through 'fire drills' we have tuned our response plans for different types of financial crisis, with clear governance processes and supporting data to be used in managing our portfolios proactively and efficiently through a credit stress event. Through daily data on credit risks across the portfolio, and detailed insights from LGIM's asset managers we have been able to assess the economic environment, markets, sectors and individual names and agree actions quickly and efficiently.

From an operational perspective, we have ensured the resilience of our business operations through enabling many of the Group's office based personnel to work remotely, using our existing 'agile' working practices to ensure adherence to the Group's internal control, data protection and information security protocols. Whilst our responses have proved effective in managing operational risks to date, we are not complacent, and continue to monitor our customer service levels and wider business processes.

Our risk appetite

Strategy	We manage a diversified portfolio in which we accept risk in the normal course of business and aim to deliver sustainable returns on risk-based capital in excess of the cost of capital. Monitoring metric: minimum return on capital over the planning cycle.	**Earnings**	We have a low appetite for volatility of earnings; in particular volatility arising from risks where Legal & General has more exposure than the wider market. Monitoring metric: Maximum acceptable variance in earnings compared to plan.
	We have an appetite for risks we understand and are rewarded for, and which are consistent with delivery of our strategic objectives. Monitoring metric: maximum risk-based capital to be deployed over the planning cycle.	**Customer**	We treat our customers with integrity and act in a manner that protects or enhances the Group franchise. Monitoring metric: customer and reputation risk dashboard.
Capital	We aim to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. Monitoring metric: minimum capital coverage ratios.	**Liquidity**	We expect to be able to meet our payment and collateral obligations under extreme, but plausible, liquidity scenarios. Monitoring metric: minimum liquidity coverage ratio.

Managing risk
continued

> Our risk framework delivers informed risk taking."

Simon Gadd
Group Chief Risk Officer

Principal risks and uncertainties (refer to pages 44-47 for further detail)
Reserves and our assessment of capital requirements may require revision as a result of changes in experience, regulation or legislation.
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital.
In dealing with issuers of debt and other types of counterparty the Group is exposed to the risk of financial loss.
Changes in regulation or legislation may have a detrimental effect on our strategy.
New entrants may disrupt the markets in which we operate.
A material failure in our business processes or IT security may result in unanticipated financial loss or reputation damage.
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses.

Risk outlook

While there are promising developments in the roll out of vaccines and treatments for Covid-19, the outlook for the global economy remains uncertain, with responses to potential future waves of Covid-19 creating the risk of prolonged disruptions to economic activity and financial stress in specific business sectors and industries. There is uncertainty to the long term impacts of Brexit for the UK economy as a whole. As a predominantly UK and US based business, with established operations in Ireland to support LGIM's European clients, our operating model has not been materially impacted. We do, however, expect the regulatory landscape to continue to evolve, although it is too early to determine the outcome from current HM Treasury consultation on how the UK regulatory framework for financial services will develop outside the EU. Whilst Covid-19 has dominated the news agenda, tackling climate change and responding to the threats to asset portfolios remains the biggest global risk.

Own Risk and Solvency Assessment (ORSA)

Our ORSA process is an ongoing analysis of the Group's risk profile and the sufficiency of capital resources to sustain our business strategy over the plan horizon. The process, which covers the whole Group, considers how the financial and broader business risks to which we are exposed may evolve over the planning cycle. Stress and scenario testing is an essential element of the ORSA. It is used to show us how key risk exposures respond to different risk factors, together with the sensitivity and the resilience of capital and earnings to a range of extreme but plausible events.

The stress testing component of our framework assesses the effect of a move in one or more, risk factors at a point in time. The scenario element considers group wide multi-year projections of capital and earnings across a range of downside conditions in financial markets, demographics and the broader economy.

The ORSA process is integrated into our business risk and capital management activities and aligned with the strategic planning process to inform forward looking decision making. As such, it is a key business management tool.

Capital management

Our risk-based capital model seeks to provide a quantitative assessment of the Group's risk exposures. It forms part of the suite of tools we use to evaluate our strategic plans, set risk appetite, allocate capital and evaluate product pricing. Our model is also used to assess significant transactions, including large pension risk transfer deals.

Finding what you need online
Detailed information can be found in our Group TCFD Report 2020
Please visit:
www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Assessing and managing our risk from climate change
We are planning our businesses on the basis that climate change is successfully constrained while managing the risk that it is not. We have integrated climate risk management into our governance framework and have carried out a detailed assessment of how we could expect climate risk to emerge across our business model. Transition risk within the assets on our balance sheet is the key near-term source of risk for our business although physical risks may impact our Real Assets business. Our risk mitigation strategy includes integrating carbon controls into our investment processes, through setting portfolio carbon intensity targets and stock exclusions, and we are implementing high energy efficiency standards into our directly owned commercial property and housing businesses.

Group Board viability statement

The key model output is the generation of capital requirements. We calibrate our model to a 99.5% value at risk confidence level over one year, equivalent to ensuring that we hold sufficient capital to survive our assessment of a worse case 1-in-200 year event. In terms of risk based capital, market (credit) and insurance (longevity) risks remain our most significant drivers.

Group Board viability statement

The Group's strategy is developed, and economic decisions are made, around meeting the long-term protection and savings needs of its customers, and around creating long-term value for customers and shareholders over a period of many years. This reflects the Group's business and investment models which combine managing credit, longevity and market risks over long-term relationships.

The Group's long-term prospects

The Group's prospects are primarily assessed through our strategic and planning processes. Performance on our annual strategic planning process is continuously monitored, and it underpins our business planning model. We consider the sustainability and resilience of our business model over the long-term (including strategic factors detailed on pages 8 to 13, as well as longer term trends in areas such as technology and climate change), as our investment and insurance products and customer relationships are long-standing ones.

The Group is also subject to regulation and supervision, which requires us to manage and monitor solvency, liquidity and longer-term risks, to ensure that we can continue to meet our policyholder obligations.

This long-term prospects assessment is over a longer period than that over which the Board has assessed its viability.

Period of viability assessment

While the Board has considered adopting a longer period, it believes that five years is the most appropriate timeframe over which we should assess the viability of the Group, as required within provision 31 of the UK Corporate Governance Code. The following factors have been taken into account in making this decision:

- We have reasonable clarity over a five-year period, allowing an appropriate assessment of our principal risks to be made; and
- The assessment is underpinned by our business planning process, and so aligns to the period over which major strategic actions are typically delivered, and takes account of the uncertain economic environment and changing political and regulatory landscape.

Our business planning process is an annual process and culminates in the production and review of the Group's business plan. Our plan is built up from divisional submissions, and considers the profitability, liquidity, cash generation and capital position of the Group. This projection process involves setting a number of key assumptions, which are inherently volatile over a much longer reporting period such as foreign exchange rates, interest rates, economic growth rates, the continued optimisation of capital strategies for Solvency II, and the impact on the business environment of changes in regulation or similar events.

The Board carries out a detailed review of the draft plan at the Group Board's annual strategy assessment, and amendments are made accordingly. Part of the Board's role is to consider the appropriateness of any key assumptions made. The latest annual plan was approved in December 2020, resulting in our current five-year business plan.

How we assessed our viability

The Board regularly considers the potential financial and reputational impact of the Group's principal risks (as set out on pages 44 to 47) on our ability to deliver the business plan, and we regularly refresh our principal risks to reflect current market and economic conditions as well as changes in our risk profile.

Quantitative stress and scenario testing is undertaken to enable the Board to consider the Group's ability to respond to a number of plausible individual and combined shocks, both financial and operational, which could adversely impact the profits, capital and liquidity projections in the Group plan. For example, during 2020, the Board considered the impacts of additional market stresses commensurate with a stalled post Covid-19 recovery, as well as a severe market event. These stresses included a severe global shock set with reference to the Bank of England's latest 'Annually Cyclical Scenario', but modified to reflect the Group's underlying risk profile. The scenario is broadly based on the Global Financial Crises of 2008 for market risks exposures and 2002 experience for rating transitions (downgrades and spreads).

In addition to the above, specific adverse scenarios of increasing severity which may arise as a result of the economic consequences of the Covid-19 pandemic have been tested, with the most adverse one being more severe than the global shock described above.

The scenarios tested showed that the Group would continue to have sufficient headroom to maintain viability over the five year planning period, after taking into account mitigating actions to manage the impacts on capital and liquidity. This includes maintaining the Group's current dividend policy under the late cycle market shock scenario, but this and other commitments would be reassessed if the circumstances determined this to be necessary over the longer term. In response to the potential severe economic downturn caused by Covid-19, credible buffers and a suite of specific appropriate management actions are at the Group's disposal to maintain resilience and preserve the Group's viability. It is clearly possible that shocks could be more severe, occur sooner and/or last longer than we have currently considered plausible. The Board has maintained strong engagement with management throughout the year in monitoring the impact of Covid-19 and the additional scenario analyses performed to understand any impact on the Group's balance sheet, and is expected to continue to do so.

Additionally, reverse stress testing and contingency planning gives the Board a solid understanding of the Group's resilience to extremely severe scenarios which could threaten the Group's business model and viability. This analysis assists in identifying any mitigating actions that could be taken now, or triggers to put in place for future actions. Potential scenarios that were explored included severe capital market stresses, adverse regulatory changes, reputational and internal/external events causing falls in business volumes, and severely adverse claims experience. The results confirmed that the Group remains resilient to extreme stresses as a result of the risk management system in place and the diverse range of mitigating actions available, such as the raising of capital or reduction in the payment of dividends.

Our conclusion on viability

Following this assessment, taking into account the Group's current position and principal risks, the Board can confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, over a viability horizon of five years. The Board's five year viability and longer-term prospects assessment is based upon information known today.

Principal risks and uncertainties

The directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks are set out below including details of how they have been managed or mitigated. Further details of the Group's inherent risk exposures are set out at Notes 7 and 16 to 18 of the financial statements.

Risks and uncertainties	Link to strategy	Trend and outlook	Mitigation
Reserves and our assessment of capital requirements may require revision as a result of changes in experience, regulation or legislation. The pricing of long-term insurance business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates, valuation interest rates, expenses and credit defaults as well as the availability of assets with appropriate returns. Actual experience may require recalibration of these assumptions, increasing the level of reserves and impacting profitability. Management estimates are also required in the derivation of Solvency II capital metrics. These include modelling simplifications to reflect that it is not possible to perfectly model the external environment, with adjustment necessitated where new data emerges. Forced changes in reserves can also arise from regulatory or legislative intervention impacting capital requirements and profitability.	1	We are monitoring the impacts of Covid-19 on the lives we insure and the impacts for longevity and other insurance assumptions. To date Covid-19 mortality is lower than our 1-in-200 pandemic modelling scenario, and we have seen an offsetting effect in our annuities portfolio; however, uncertainty remains. While the availability of vaccines and treatments for Covid-19 are increasing, understanding of virus mutations and the efficacy of vaccines is still evolving. The deferral of non-Covid-19 medical treatments may also impact future rates of mortality, and it is too early to assess the effects of 'long Covid' on morbidity. We remain inherently exposed to longevity risk in our pensions risk transfer businesses and a dramatic advance in medical science beyond that anticipated remains a risk factor. For our protection businesses, risk factors include new diseases, changes in immunology and, for our US term policies variances in the rate of policy renewal compared to our assumptions.	We undertake significant analysis of the variables associated with writing long-term insurance business to ensure that a suitable premium is charged for the risks we take on, and that reserves continue to remain appropriate for factors including mortality, lapse rates, valuation interest rates, and expenses, as well as credit default in the assets backing our insurance liabilities. We also seek to pre-fund and warehouse appropriate investment assets to support the pricing of long-term business. In seeking a comprehensive understanding of longevity we are evaluating how Covid-19 will impact wider trends in life expectancy. In our protection business, as part of our continuous evolution of our underwriting capabilities, we are seeking to ensure we fairly assess Covid-19 as a risk factor and that our reserves remain appropriate. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impacts of significant variations in life expectancy and mortality. See page 188 for sensitivities of our business to selected scenarios.
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital. The performance and liquidity of investment markets, interest rate movements and inflation impact the value of investments we hold in shareholders' funds and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations. Losses can still arise from adverse markets although we seek to match assets and liabilities. Falls in the risk free yield curve can also create a greater degree of inherent volatility to be managed in the Solvency II balance sheet, potentially impacting capital requirements and surplus capital. Falls in investment values can reduce our investment management fee income.	1, 2, 3	The immediate outlook for the global economy is highly uncertain, and whilst the rollout of Covid-19 vaccines and the expectations of renewed US government spending has seen a resurgence in investment markets, they remain highly susceptible to shocks and the re-appraisal of asset values, particularly from actions to control Covid-19. Associated valuation uncertainty is likely to persist in commercial property markets for the foreseeable future and interest rates look set to continue at ultra-low or negative levels. In addition, whilst the UK has agreed post Brexit trade terms, the impacts for certain sectors of the UK economy are still to fully emerge. Similarly, although the US presidential elections are likely to result in a more positive stance on global trade, in the wake of Covid-19 there is potential for protectionist behaviours and a reduction on dependency on extended global supply chains.	We cannot eliminate the downside impacts on our earnings, profitability or surplus capital from these or other investment market and economic risk factors, although we seek to position our investment portfolio and wider business plans for a range of plausible economic scenarios and investment market conditions to ensure their resilience across a range of outcomes. This includes the economic and asset prices stresses that could arise from extreme measures being taken to control the spread of Covid-19. Our ORSA is integral to this process, evaluating capital sufficiency for the risks to which we may be exposed to in our business plans, and supporting analysis of those exposures relative to our risk appetite. Where appropriate we may also take management actions to take advantage of markets conditions, for example by raising debt at attractive rates during 2020. See pages 188, 175 and 179 respectively for sensitivities to interest rates and exposures to worldwide equity markets and currencies.

Strategic priorities

1. Global leader in pensions and retirement solutions
2. Global asset management
3. Leader in socially responsible direct investments
4. Provide financial security
5. Digital financial solutions provider
6. Address climate change

Risks and uncertainties	Link to strategy	Trend and outlook	Mitigation
In dealing with issuers of debt and other types of counterparty the Group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our Solvency II balance sheet surplus, despite already setting aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody and other bespoke business services. A default by a counterparty could expose us to both financial loss and operational disruption of business processes. Default risk also arises where we undertake property lending, with exposure to loss if an accrued debt exceeds the value of security taken.	1, 2	The significant deterioration in the global economic outlook in 2020 saw a widening of credit spreads and rating downgrades, particularly in industries directly impacted by global lockdowns including the leisure, transport, travel and retail consumer cyclical sectors, with the UK Sovereign rating also seeing downgrade in response to greatly increased levels of government debt. Whilst emerging Covid-19 vaccines and treatments are expected to support a gradual economic recovery, as economies emerge from the downturn there remains risk of further downgrade rating actions and debt defaults as governments withdraw current economic support measures. The effect of Covid-19 on reinsurance counterparties, both from mortality payments and unanticipated business interruption claims, also has potential to impact the ratings of weaker reinsurers, although default generally remains a more remote risk.	We actively manage our exposure to downgrade and default risks within our bond portfolios, setting selection criteria and exposure limits, and using LGIM's global credit team's capabilities to ensure risks are effectively controlled. We entered the crisis with a well-diversified credit portfolio, and while we have experienced no credit defaults we remain vigilant to downgrade and default risks, and if appropriate trading out to improve credit quality, particularly in those sectors most affected by global lockdowns. In our property lending businesses, our loan criteria take account of borrower default and movements in the value of security. We manage our reinsurer exposures dealing only with those with a minimum A- rating at outset, setting exposure limits, and where appropriate taking collateral. Whilst we manage risks to our Solvency II balance sheet, we can never eliminate downgrade or default risks, although we seek to hold a strong balance sheet that we believe to be prudent for a range of adverse scenarios. See page 180 to 183 for our credit portfolios.
Changes in regulation or legislation may have a detrimental effect on our strategy. Legislation and government fiscal policy influence our product design, the period of retention of products and required reserves for future liabilities. Regulation defines the overall framework for the design, marketing, taxation and distribution of our products, and the prudential capital that we hold. Significant changes in legislation or regulation may increase our cost base, reduce our future revenues and impact profitability or require us to hold more capital. The prominence of the risk increases where change is implemented without prior engagement with the sector. The nature of long-term business can also result in some changes in regulation, and the re-interpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation.	1, 2, 4	Regulatory driven change remains a significant risk factor across our businesses. In the UK, with the end of the Brexit transition period, responsibility for the future evolution of prudential regulations is now vested in UK regulators, and HM Treasury have initiated consultation on Solvency II. UK conduct regulation continues to focus on consumer protection, market integrity and the promotion of competition, and we are preparing for the FCA's transition in 2021 from LIBOR to SONIA. Regulatory focus also continues on the financial risks presented from climate change and the readiness of firms to prepare for the transition to a low-carbon economy. Alongside regulatory risk, we are also monitoring potential for changes in UK fiscal policy arising from the need to fund government borrowing in response to Covid-19.	We are supportive of regulation in the markets in which we operate where it ensures trust and confidence and can be a positive force on business. We seek to actively participate with government and regulatory bodies to assist in the evaluation of change so as to develop outcomes that meet the needs of all stakeholders. Internally, we evaluate change as part of our formal risk assessment processes, with material matters being considered at the Group Risk Committee and the Group Board. Our activities in readiness for the transition to SONIA are well advanced, and we continue to make good progress in aligning our approach to the management of climate risk with the expectations of our regulators. Our internal control framework seeks to ensure on-going compliance with relevant legislation and regulation. Residual risk remains, however, that controls may fail or that historic financial services industry accepted practices may be reappraised by regulators, resulting in sanctions against the Group.

Principal risks and uncertainties
continued

Risks and uncertainties	Link to strategy	Trend and outlook	Mitigation
New entrants may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low cost products, we recognise that markets remain attractive to new entrants. It is possible that alternative digitally enabled financial services providers emerge with lower cost business models or innovative service propositions and capital structures, and disrupt the current competitive landscape, and that changes in legislation or regulation impact operating models.	1, 3, 5	The need to adjust to living with Covid-19 has seen the acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. It has also seen businesses like ours transform working practices, and we expect to continue to invest in automation, using robotics to improve business efficiency. Evolving governmental initiatives including defined benefit 'superfund' consolidation schemes, pension dashboards and 'collective' pension scheme arrangements also present opportunities.	We continuously monitor the factors that may impact the markets in which we operate and are maintaining our focus on developing our digital platforms (see our insurance business review on page 38 for further detail). In our pensions risk transfer business, our capabilities to assess risk and offer bespoke solutions enable us to differentiate our offer from competitors (see retirement business reviews on pages 21 and 26), and we believe that our investment management and institutional retirement businesses are well positioned for the evolution of the pensions market.
A material failure in our business processes or IT security may result in unanticipated financial loss or reputation damage. We have constructed our framework of internal controls to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage. We are also inherently exposed to the risk that third parties may seek to steal customer data or perpetrate acts of fraud using digital media, and there is strong stakeholder expectation that our core business services are resilient to operational disruption.	1, 2, 5	Although Covid-19 lockdowns have had some impact on our business operations, we have been able to continue the majority of our business services without material disruption. We remain, however, alert to the operational risks in the current environment including the increased risk of cyber threats and the potential for on-going disruption from lockdowns. We continue to invest in our system capabilities, including those for the management of cyber risks, to ensure that our business processes are resilient, and that appropriate recovery plans are in place. We also seek to closely manage our property construction and safety risks through robust internal control systems, including training, monitoring and independent assessments.	Our risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the Group Chief Risk Officer, with independent assurance from Group Internal Audit. The work of the Group Audit Committee in the review of the internal control system is set out on pages 84 to 85. As part of our move to a remote working model, our risk and internal audit functions have undertaken reviews across our business to ensure that our core control processes remain effective and that key operational risks are being managed. Whilst we seek to maintain a control environment commensurate with our risk profile we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed.

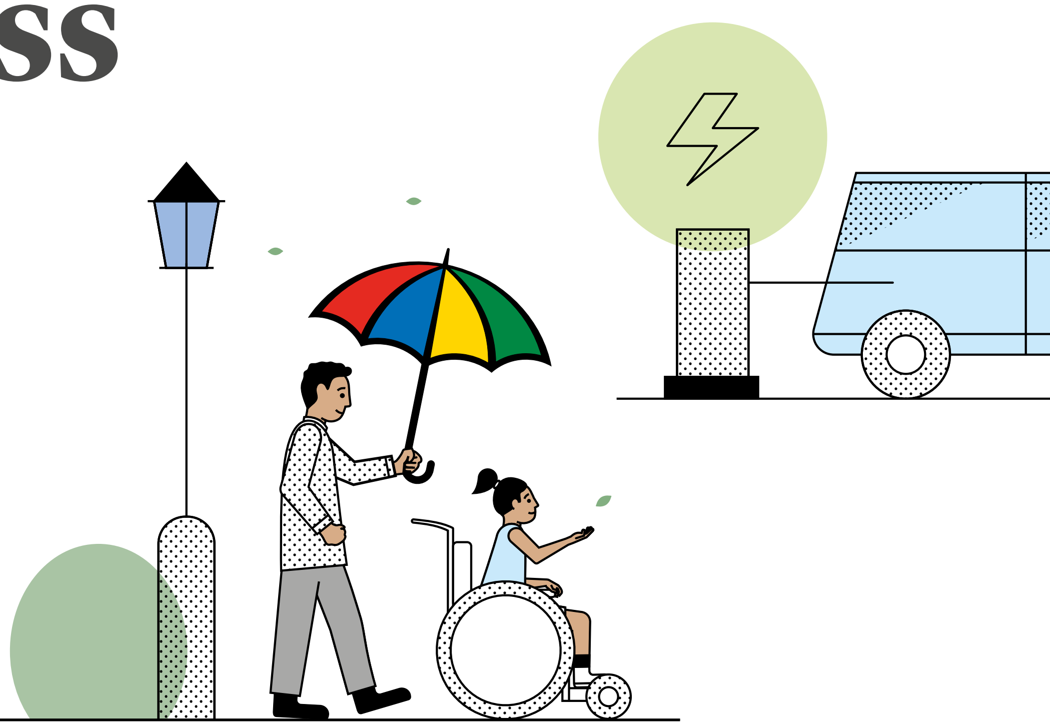
Strategic priorities

1. Global leader in pensions and retirement solutions
2. Global asset management
3. Leader in socially responsible direct investments
4. Provide financial security
5. Digital financial solutions provider
6. Address climate change

Risks and uncertainties	Link to strategy	Trend and outlook	Mitigation
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses. As a significant investor in financial markets, commercial real estate and housing, we are exposed to climate related transition risks, particularly should abrupt shifts in the political and technological landscape impact the value of those investment assets associated with higher levels of greenhouse gas emissions.	3, 6	The science underpinning climate change is clear and the effects can already be seen across the world. We believe, however, that climate change has still to be fully priced in by financial markets. The urgent global response to Covid-19 has illustrated the potential scale of shock that could arise from delays in responding to climate risk with sudden late policy action leading to potentially large and unanticipated shifts in asset valuations for impacted industries and sectors. But alongside the risks, there is an opportunity for investment in new technologies that offer good returns whilst meeting global goals for net zero carbon emissions, including energy efficient property, renewables and new science to support de-carbonisation.	We recognise that our scale brings a responsibility to act decisively in positioning our balance sheet to the threats from climate change and, as one of the largest global institutional investors, also encouraging others to follow suit. We continue to embed the assessment of climate risks in our investment process and are developing our risk metrics and framework for oversight and taking opportunities. As set out on pages 49-50 we continue to measure the carbon intensity targets of our investment portfolios, and along with specific investment exclusions we have set reduction targets aligned with a 1.5°C interpretation of the Paris commitment.

A sustainable business

Being a sustainable business defines our role in society and the value we create.



A long-term positive impact on society

Inclusive capitalism is at the heart of everything we do. We seek opportunities to fund projects in areas of the economy that have historically been underfunded. We develop assets which have the right risk profile to back pension liabilities while serving social and environmental good.

Our success depends on a stable economy and a strong society and we must act to preserve these. 2020 saw expectations of companies' environmental behaviour, social contribution and governance move forward at pace. Our vision continues to set an ambitious change agenda and places corporate responsibility firmly at the centre of how we run our business.

It is in the interest not only of our business but also of our customers, employees, shareholders and the societies in which we work to ensure our shared future is sustainable.

We are undertaking three 'journeys to sustainability', aiming to align with the three elements of environmental, social and governance (ESG) practice.

1. **Our environmental journey:** how, as an investor, an influencer and operationally, we will contribute to limiting climate change to 1.5 degrees Celsius (°C) of warming.
2. **Our social journey:** how we will contribute to a better society.
3. **Our governance journey:** how we run our business responsibly and seek to influence best practice elsewhere.

Uniting these three journeys is our desire to accelerate meaningful change for our employees, investors, customers and society. Transparency and accountability are critical, so we publish our performance against our targets which align with the United Nations' Sustainable Development Goals (SDGs) and each year we set our SDG-specific priority areas in our Sustainability Report.

Sustainability Report
Our sustainability report will be published later in 2021. For details see: www.legalandgeneralgroup.com/csr/

£1.4bn

investment in renewable energy to date.

70%

of our retirement business's renewable investments, by market value, have been made in the UK offshore wind sector.

Environment
Our journey to net zero

We are at the start of the climate decade: scientists, policymakers, markets and regulators increasingly agree that we must move to a global warming trajectory of 1.5°C to avoid potentially catastrophic global physical and economic risks.

We are on a journey to net zero. The transition to a low carbon economy is both a risk and an opportunity. Addressing climate change is one of our six growth drivers and it is embedded in how we run our business, from how we invest our proprietary assets, how we influence as one of the world's largest asset managers, and how we operate day to day.

We support the Task Force on Climate-related Financial Disclosures (TCFD) and in 2020 we strengthened our policies through inclusion of the Science Based Target initiative (SBTi).

1. We will decarbonise the assets on our balance sheet to align with the Paris objective, which we interpret as limiting warming to 1.5°C.
2. We advocate for urgent action to mitigate the climate emergency from both governments and the companies we are invested in.
3. We will use our influence as a large investor to promote a transition to a low carbon economy.
4. We support the goal of carbon neutrality by 2050, in line with global efforts to limit warming to 1.5°C.
5. We have committed to the Science Based Target initiative (SBTi).

Investing our own assets

By committing to the SBTi, we will set short to medium-term targets on our investments and operational footprint.

We continue to invest in housing, especially the affordable and build to rent markets. In 2020 we took steps to reduce the environmental impact of our housing businesses by ensuring that all new homes we build are capable of net zero carbon operation from 2030.

During 2020 we continued to invest in clean energy, including:

- 36% stake in Kensa Group, a UK ground source heat pump technology firm.
- Pod Point, a leading electric vehicle charging point operator, in which we increased our stake from 13% to 22%.
- Oxford PV, a developer of photovoltaic cell technology.
- Lender to HeatRHIght, delivering air source heat pump technology to the social housing sector.

See Journey to net zero section on page 32 for further detail on clean energy investments.

TCFD Report
Our 2020 TCFD report is available on our group website. See: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Below we have summarised our response to the TCFD guidance. For more detailed information see our TCFD report.

Governance

The Board is accountable for the long-term stewardship of the Group and added 'addressing climate change' as one of our six strategic growth drivers in early 2020. The Group Environment Committee oversees the management of climate-related risks.

Strategy

The journey to net zero is an investment opportunity but we recognise the transition risks. The development of our Destination@Risk model influences investment decision making and we believe our strategy and the policies we have in place make us resilient to climate-related risks.

Risk management

We identify transitional risk impacts on asset valuation from the adjustment towards a low carbon economy and physical risk impacts on asset holdings or changes to insurance liabilities as a result of weather events. Our mitigation strategy integrates carbon controls into the investment process.

Metrics and targets

To assess climate-related risks and opportunities, we focus on our Scope 3 investment portfolio carbon intensity, portfolio temperature alignment and operational carbon footprint. We have set a number of Group balance sheet carbon intensity targets to align to global efforts to limit warming to 1.5°C, including reducing our portfolio carbon emission intensity by half by 2030.

'A-' rating

Carbon Disclosure Project.

Using our influence

During 2020 we continued to engage with regulators and companies and collaborated with other investors whilst strengthening our own policies and principles. Our investment management business is ranked #1 in the UK for its approach to climate change among asset managers.

We significantly expanded the coverage and ambitions of our climate engagement programme, the Climate Impact Pledge. Through voting and investment sanctions, we hold companies to account in 15 climate-critical sectors, with climate ratings for around 1,000 large companies made publicly available. Our investment management business was selected for the 'Leaders Group' by the UN Principles for Responsible Investment.

Operational footprint

Our operational carbon footprint has been impacted by Covid-19. During 2020 we transformed our normally office-based operations to a predominantly home-based workforce. To capture the impact of our employees working from home we introduced an assessment methodology based on a paper by leading carbon consultancy EcoAct. This equates to 1,817 tonnes of carbon dioxide equivalent (tCO_2e) and is a new source of Scope 3 emissions.

Whilst the vast majority of our employees worked from home, we also supported employees who needed to work in the office. This meant that our core offices have remained open throughout 2020 and we operated airflow systems for longer periods of time to minimise any risk of in-office transmissions. This resulted in a slight increase in our operational office footprint.

We have also seen an increase in our footprint from our housing businesses which reflects our growth in this sector.

In contrast, our business travel has significantly decreased, as has the carbon from the management of our Real Assets, many of which were impacted by Covid-19 restrictions.

See table below for our operational carbon footprint:

Emissions source (tCO_2e)	Jan–Dec 2020	Jan–Dec 2019
Total CO_2e (Scope 1, 2, 3*)	40,344	46,165
Scope 1 – fuel	15,163	15,226
Scope 2 – location	20,319	23,716
Of which, Scope 2 – market	*1,122*	*3,015*
Scope 3 – business travel	3,045	7,223
Scope 3 – homeworking and serviced offices	1,817	n/a

* Total CO_2e Scope 3 includes business travel, serviced offices and homeworking.
We have used the greenhouse gas (GHG) reporting protocol for calculating our GHG emissions and applied the emission factors from UK Government's GHG Conversion Factors for Company Reporting.

At the end of December 2020 our Scope 3 investment portfolio carbon emission intensity was 117 tCO_2e per £1 million invested, down 2% from the previous year. When applied to our proprietary assets to which shareholders are directly exposed, this gives a carbon footprint of 11.0 million tonnes of CO_2 emissions. The carbon intensity number can be volatile over short periods, hence it is the medium-term annualised trend that is important. Please refer to our TCFD report for further detail.

Our focus for 2021 is to develop detailed and timebound plans in all our business to achieve our aim of net zero. These plans will be linked to the development of science based targets and will provide milestones which we will report our progress against.

Climate Change Virtual Accelerator
During 2020, nearly 100 of our people took part in a facilitated 14-week innovation programme to examine potential material solutions to the climate crisis. The Virtual Accelerator brought together experts from across our business to test out the potential of 10 projects from almost 60 ideas put forward from all areas of the business. The projects range from new net zero investment concepts to retrofitting residential housing stock.

Social
Our journey to a better society

Inclusive capitalism is an economic system where today's capital is used to benefit tomorrow's society. Co-operation and the pooling of resources can achieve better outcomes for more people.

The context of Covid-19 has made it even more important that our business looks to the wellbeing of the society it exists to serve. Supporting society through the challenges of this year and to position us to build back better makes sound commercial sense and is the right thing to do.

We shaped our journey to a better society around five key themes in 2020:

- Supporting healthcare during the early stages of Covid-19.
- Providing critical financial services for our customers.
- Contributing to communities.
- Supporting young people during Covid-19.
- Creating a stronger society for the post Covid-19 world.

Making investments that drive socially advantageous outcomes is core to our work. This section focuses specifically on our Covid-19 response; for more on how we are supporting society more broadly, including through investments in the transition to a low-carbon economy and in city regeneration, see the 'making a difference' section on page 24.

Supporting the healthcare system

We supported the UK's National Health Service (NHS) by offering key workers free accommodation at our build to rent sites, offering our Bracknell site for training and storage and 25 of our other sites for Covid-19 testing, and financial support for NHS charities.

Providing critical financial services

We continued to deliver essential financial services despite the difficulties of lockdown. We based our decisions on balancing our employees' welfare with the needs of our customers and clients.

Following the initial lockdown, there was a temporary reduction in customer service performance as we adapted to new ways of working. We quickly deployed 1,700 laptops to our employees to provide important services from home, including allowing us to make annuity payments to over one million pensioners, and our customer service scores have largely recovered.

We improved our digital accessibility and tools, with the redesign of our digital self-service platforms resulting in a 69% increase in self-service logins over 2020. We also maintained a post room service throughout the pandemic, to ensure those who do not have access to digital channels were not excluded.

We extended our Employee Assistance Programme to around two million customers, and our Care Concierge product to employees and customers. We also supported the NHS's call for people experiencing symptoms of a critical illness to visit their doctor and seek medical advice by issuing a press release, after figures showed a 40% fall in the number of people claiming on our critical illness policies in April.

> "The Advanced Care Research Centre plans to deliver cutting edge research which will inform real improvement over three, five and ten years."

Professor Bruce Guthrie Advanced Care Research Centre Director, University of Edinburgh

The Trinity Challenge
We are participating in the Trinity Challenge, a coalition of 22 leading businesses, charities, researchers and educators. The Challenge will award a £10 million prize fund for breakthrough solutions which harness the power of data and analytics to build systemic resilience to future pandemics.

"Working in partnership with Legal & General, Unite have been fully involved and consulted, and our colleagues are always at the top of the agenda."

Pam Edwards
Head of Unite's Legal & General section, commenting on Legal & General's Covid-19 safety measures.

Contributing to communities
Many charitable and community organisations saw significant funding challenges during the pandemic. In the UK, we responded by:

- Launching a £500,000 Emergency Community Fund in April 2020, which distributed funding to over 200 charities.
- In 2020, the cash contributions made by our employees, cash-matching, volunteering and our UK and US community programmes amounted to a groupwide total of £3.5 million.

Outside the UK, our US and Bermuda businesses responded by:

- Despite Covid restrictions, Legal & General America ran its annual charitable giving campaign. Between digital events and the salary contribution scheme, over $900,000 was raised for the Boys & Girls Club of Frederick County and other charities chosen by the employees.
- Contributing $47,170 to Chicago's Community Covid-19 Response Fund.
- Donating $25,000 to Bermuda's Emergency Fund.
- Matching a total of $17,835 raised by our employees in Maryland and Connecticut for Covid initiatives.

Supporting young people during Covid-19
This year hit young people particularly hard – affecting their studies, relationships, work, opportunities and mental health – and disadvantaged young people have been disproportionately impacted.

We responded to the impacts on young people's work prospects by becoming a founding partner in FastFutures, a 12-week digital and business skills programme for young people from underrepresented groups. We invested £250,000 and 150 of our employees volunteered as mentors to help create opportunities for young people as they start their careers. Of those enrolling in the first cohort, 61% were female, 47% from a black or minority ethnic background, 55% from a lower socio-economic background, 10% LGBTQ+, and 7% disabled.

We have supported remote learning by working with Keele University and Higher Horizons+ to launch the 'Uni Connect' Virtual Maths Club. This gave 420 teachers access to resources designed to engage young people studying at home. Meanwhile, in Bermuda, we donated $25,000 to the Lighthouse Connect initiative, with the aim of providing a laptop to every public school student in the territory.

Creating a stronger society after Covid-19
We have an obligation to contribute to a better society for older people and the response to Covid-19 highlighted the challenges in caring for older people. Pressures on our care system will remain after the current pandemic unless better outcomes are delivered through a longer-term, systemic, research-backed approach to alleviating them.

During 2020, we took steps to support three programmes working toward this goal: the Advanced Care Research Centre at the University of Edinburgh; Newcastle-Upon-Tyne's Being Well programme, where we donated £5 million for the city council's prototype care home with designed-in infection control and small-scale communal living; and our participation in the Trinity Challenge, a global initiative to help populations throughout the world better prevent and respond to public health emergencies.

Isolation invitations
During lockdown, we ran a series of 'isolation invitations' – virtual sessions for our employees featuring guest speakers as diverse as Sir Tim Peake, Steph McGovern, Nadiya Hussain and Louis Theroux – with the aim of connecting our people and offering them practical tips for working and thriving in a virtual world.

Governance
Our responsibility journey

We are responsible for our individual behaviour and corporate culture. We are responsible to our employees, to our customers and to the societies where we live and work. We manage £1.3 trillion of investments and our active ownership team is securing positive change among the companies we invest in.

Responsibility in how we engage with investee companies

We have strengthened our commitment to our progressive diversity policy by opposing all-male boards globally and sanctioning low levels of gender diversity. We support the Parker review of diversity on UK boards, and from 2022 we will vote against large UK and US companies with no ethnically diverse boards.

We continue to promote good governance, from the quality of audit – in the wake of the influential review of the UK market led by our Chairman, Sir John Kingman – to director independence. We will vote against CEOs who also serve as board Chairs, as we believe the increased oversight from the separation of these roles is a key principle of good governance.

We leverage new data and analytics to improve our investment processes, bringing together the best sector expertise across our investment management business to determine the exposure of sectors and companies to material risks and opportunities.

We continue our public policy advocacy through proxy voting and fiduciary duty in the US and safeguards around virtual annual general meetings in Australia. We called for the strengthening of sustainable finance regulation and disclosure in the UK, EU and Asia, and continued our long-standing work on the development of Stewardship and Corporate Governance Codes around the world.

Responsibility to our employees
Supporting our employees during Covid-19

We prioritised our employees' wellbeing whilst maintaining customer service. Most of our employees worked from home, with a small minority accessing our workplaces. Safety measures following government guidance were put in place in sites which needed to open.

Alongside practical support, we are aware of the potential impact that lockdown, and working from home, might have on mental health. We increased our focus on employees' wellbeing by improving the mental health support we offer:

- Provided support for working parents, adapting working hours where necessary to facilitate childcare, and committing to full pay for anyone needing to work differently.
- Extended our Employee Assistance Programme to family members.
- Partnered with mental health app Unmind to offer free access for all our employees.
- Extended healthcare cover to all employees.
- Continued to train and support our network of 100 Mental Health First Aiders.

Employee engagement

The focus of our employee engagement efforts this year has been the production of timely and clear communication and listening carefully to our employees' views.

We are proud to have continued serving our customers while emphasising our employees' safety. Regular, clear communication – including new Chief Executive-led virtual town halls and podcasts, email updates and intranet content – has helped employees to navigate the crisis and associated lockdowns. Use of our corporate intranet increased by 275% in-year, with an average of 18% of our people joining each virtual town hall during 2020.

For further detail on employee engagement, please see Lesley Knox's letter on page 69.

Our Voice Survey

We continued to listen to our people's views in 2020: our Voice survey, which gives line managers real-time access to employee sentiment data, was supplemented by targeted 'Listening in Lockdown' research. This allowed us to monitor overall engagement levels, identify areas of concern for our employees and act on specific issues relating to work during Covid-19. As at October 2020, our overall employee satisfaction score (our key engagement metric) had increased by five points when compared to September 2019, from 72pts to 77pts.

A sustainable business
continued

Diversity and inclusion (D&I)

We stand for inclusion and are committed to building a workplace where everyone can perform at their best, no matter who they are. We want everyone – irrespective of age, ethnicity or race, gender or gender identity, background, sexual orientation or disability – to have the chance and support that they need to succeed.

In our most recent Group-wide employee survey ('Voice'), our people gave us a favourable score of 75% when asked if everyone has an equal chance to succeed at Legal & General.

We previously set a bold vision for gender equality, establishing two aspirational targets to be achieved by the end of 2020 across our core UK and US businesses:

- 50% female representation across our total population.
- 40% female representation at middle/senior management level.

Legal & General's workforce	Female	Male
Board directors	3	7
Executive Committee	3	9
Middle/senior management	1,322	2,433
All employees	4,556	5,543

As at 31 December 2020

As of 31 December 2020, female representation across the Group stood at 45% and at 35% at the middle/senior management level. Whilst it is disappointing not to have hit our target, we remain committed to taking practical steps to increase diversity in all parts of our business.

We are improving ethnic minority representation on our Board. Our appointment of Ric Lewis in 2020 and Nilufer von Bismarck from May 2021, brings greater diversity of ethnicity, in line with our Board Diversity Policy and the recommendations of the Parker Review.

D&I actions in 2020

To reflect the importance of creating a diverse and inclusive business, we established a new Global Diversity and Inclusion council. The Council reports to the Group Board and is chaired by Laura Mason, Chief Executive of our institutional retirement business and our Global D&I sponsor.

To better understand and improve issues relating to D&I in our business, we:

- Undertook a programme of employee listening and idea sharing to create opportunities and build understanding about individuals' different lived experiences. The findings were used to inform our D&I Council's strategy.
- Rolled out a digital, strengths-based 'Best Team' toolkit to help employees challenge thought patterns and behaviours when making hiring, promotion and development decisions.
- Reinforced our inclusive hiring practices and broadened our focus to other areas of under-representation as well as gender.
- Increased efforts to capture relevant workforce data.
- Celebrated International Women's Day and International Men's Day in partnership with Moving Ahead. We also marked World Mental Health Day and supported virtual Pride events.

We are among the Top 75 UK employers in the Social Mobility Foundation's Social Mobility Index in 2020, placing 42, up from 67 in 2019.

Gender pay gap

During 2020, our median gender pay gap continued to narrow, driven by improvements in our investment management and housebuilding businesses but offset by a widening in our retirement and insurance businesses. We have taken steps in 2020 to increase our focus on improving diversity and inclusion across the Group with a view to driving ongoing, progressive improvements in gender equity. See our separate Gender Pay Gap Report for further information.

Gender pay gap	2020 Mean	2020 Median	2019 Mean	2019 Median
Hourly Pay	30.8%	26.6%	27.6%	28.5%
Bonus	48.0%	40.6%	58.4%	45.5%

Learning and development

We want our employees to be ambitious for themselves and the business. We help our people perform at their best, while driving a consistent and efficient approach to their development. Conversations with our employees, feedback from our Voice surveys and our strategic workforce plan have all supported the development of our approach to training and development.

We have three objectives to ensure our people can access talent and development experiences:

1. **Leaders deliver change and business results through inclusive leadership**

- We rolled out line manager training to create consistent capability.
- We launched senior leadership development programmes to drive inclusive leadership.
- We refocused our early careers and apprenticeship activities to support our commitment to creating a diverse and inclusive workforce of the future.

The Diversity Project
We partnered with the Diversity Project to run two public panel events in support of the #TalkAboutBlack initiative. In October, we marked the UK's Black History Month, sharing a programme of events, stimulus and ideas with our global audience. As part of these celebrations, our executive sponsor for D&I led a town hall meeting with the Group CEO and Group Human Resources director to discuss inclusion. Nearly one-fifth of our global employee base joined this event.

Pictured: Justin Onuekwusi, fund manager, was awarded the Freedom of the City of London for his work on D&I.

Gender Pay Gap Report
Our 2020 gender pay gap report is available on our group website. See: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

2. Have a future-ready workforce of professionals with the right skills
- We utilised data analytics to support future skills development.
- We provide resilience, wellbeing and remote working support tools.

3. Have a high trust and high challenge performance-driven culture
- We held performance-focused development sessions to equip managers with coaching skills.
- We evolved our approach to performance management, with a focus on having powerful conversations.

Responsibility in how we run our business

Supply chain

Creating sustainable supply chains is necessary in a world where climate change, environmental disruptions and human rights issues are real risks to smooth (and ethical) supply chain management.

We have created a new Group Procurement and Supplier Management Sustainable Sourcing Principles Statement that provides guidance and a benchmark on these important subjects. Our corporate social responsibility questionnaire, which forms part of the sourcing process, explores suppliers' compliance with policies including but not limited to environment, modern slavery, diversity and inclusion and the gender pay gap. We collect evidence of compliance with our Code of Conduct annually.

Modern slavery

In 2020 we implemented a modern slavery strategy to assess, identify and remedy potential risks to the business. The strategy is built on the framework set out by the UN Guiding Principles on Business and Human Rights and aligned to the International Labour Organization's Core Conventions and the International Bill of Human Rights.

We have adopted the Ethical Trading Initiative Base Code to set strong standards of worker treatment in our supply chains, with emphasis on the 'no forced labour' provision. We have embedded references to the Modern Slavery Act into our policies and documentation and created new policies and supplier requirements where we have identified gaps.

We have committed to the Gangmasters and Labour Abuse Authority Construction Protocol to enable us to proactively be involved in the eradication of modern slavery in the construction industry.

Human rights

A diverse range of people, doing their jobs well, responsibly and respectfully, is where our commitment to human rights begins. From the local master-builders creating new affordable homes in Wales to our pension risk transfer professionals in the United States, it is the responsible behaviour of our people that creates a real culture of respect. Our Human Rights policy – published in 2020 – sets out how we will all work together to achieve this.

Health and safety

During 2020, Covid-19 has been the most significant risk to the health and safety of our people. Our offices and housing businesses have been contacted by regulators to review our controls and our standards, and we are delighted to report that on each occasion the regulator has been complementary of our controls and their implementation. We will continue to ensure that we put health, safety and wellbeing at the core of our operational business decisions.

Anti-bribery and corruption

We will not tolerate any person acting on behalf of the company participating in any form of corrupt practice and we will not accept or offer bribes. Our financial crime risk policy applies across the Group and seeks to ensure that controls are put in place to prevent such activity, including the control and approval of giving and receiving gifts and hospitality.

Non-financial information statement

Under sections 414CA and 414CB of the Companies Act 2006, we are required to include in our strategic report a non-financial information statement.

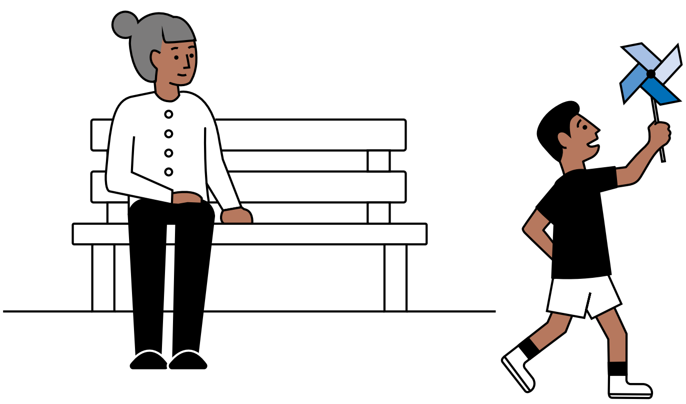
This section of the strategic report (pages 48 to 55) provides the following information required to be included in the non-financial information statement:

- environmental matters
- our employees
- social matters
- human rights
- anti-corruption and bribery

In addition, other required information can be found on the following pages:

- business model (pages 12 to 15)
- principal risks and how they are managed (pages 44 to 47)

Details of relevant policies, due diligence processes, the outcome of these policies and processes, and our non-financial key performance indicators are contained throughout the strategic report.



Living better in later life

There are currently 12 million people over the age of 65 in the UK and this figure is set to rise by 50% in the next 20 years. In March 2020 we provided £20 million of funding to launch the University of Edinburgh's Advanced Care Research Centre (ACRC).

Living longer does not necessarily mean living better.

The ACRC will carry out ground-breaking research into data-driven, personalised and affordable care. It aims to find solutions that will support the independence, dignity and quality of life of older people living in their own homes or supported environments.

All research will be in the public domain and for public benefit.

Governance

Board of directors

Committee membership key
- A Audit
- T Technology
- N Nominations and Corporate Governance
- R Remuneration
- Ri Risk
- Committee Chairman

Other Board members during the year were:

Kerrigan Procter resigned from the Board on 26 November 2020.

Michelle Scrimgeour resigned from the Board on 26 November 2020.

Sir John Kingman
Chairman
Appointed October 2016
T N

John brings financial sector, government and regulatory experience to the Board. John previously served as Second Permanent Secretary to HM Treasury, where he was responsible for policy relating to business, financial services and infrastructure. John was closely involved in the UK response to the financial crisis, handling the resolution of Northern Rock and leading negotiations with RBS, Lloyds and HBOS on their £37 billion recapitalisation. He was the first Chief Executive of UK Financial Investments Ltd. In December 2018 John undertook an independent review of the Financial Reporting Council, recommending its replacement by a new statutory Audit, Reporting and Governance Authority.

Other appointments:
Royal Opera House Covent Garden Foundation (Trustee)
National Gallery (Trustee and Deputy Chair)
UK Research and Innovation (Chair)
Tesco Bank (Chair)

Nigel Wilson
Group Chief Executive Officer
Appointed CFO September 2009; appointed CEO June 2012

Nigel brings strong leadership skills to the Board. In November 2019, Nigel was named Change Maker of the Year by Seven Hills, an organisation that campaigns on behalf of innovators and advocates for the social good that businesses do. Nigel also won the 'Most admired leader' award at Britain's Most Admired Companies Award 2017 for Management Today. Nigel was a member of the Prime Minister's Business Advisory Group during 2015 to 2016 and from 2016 to 2017 was Chairman of the Investment Association's review of Executive Pay and the government's review of Mission Led Business. From 2017 to 2018 he was a member of the government's Patient Capital Review Industry Panel and a Commissioner in the Resolution Foundation's Intergenerational Commission. Nigel is a member of the expert group advising on the government's Social Care Green Paper and on Life Sciences. He chairs the Bank of England's Climate Financial Risk Forum, Innovation Working Group.

Jeff Davies
Chief Financial Officer
Appointed March 2017

Jeff was appointed Group Chief Financial Officer in March 2017. He brings a wealth of insurance experience, having previously served as a senior partner of Ernst & Young LLP (EY) and led its European risk and actuarial insurance services. Prior to joining EY in 2004, he held a number of senior actuarial roles at Swiss Re Life & Health. He is the Chair of Legal & General America Inc. and a Fellow of the Institute of Actuaries.

Julia Wilson
Senior independent Non-Executive Director
Appointed November 2011; Senior Independent Director from May 2016
A T N Ri

Julia was appointed to the Board in November 2011 and became the Senior Independent Director in May 2016. She has significant corporate finance, tax and accounting experience. She is the Group Finance Director of 3i Group plc, which includes responsibility for finance, investment valuations and treasury. Julia is also Chair of the 100 Group. Previously, she was the Group Director of Corporate Finance at Cable & Wireless plc, where she also held a number of other finance-related roles. Julia is a member of the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Taxation. Julia will be stepping down from the Board on 31 March 2021 following a nine-year tenure.

Other appointments:
3i Group plc (Director)
The 100 Group (Chair)

Henrietta Baldock
Independent Non-Executive Director
Appointed October 2018
A N R Ri

Henrietta has been Chair of Legal and General Assurance Society Limited since March 2018. She has extensive knowledge of the financial services and insurance sectors through her 25 years' experience in investment banking, most recently as Chairman of the European Financial Institutions team at Bank of America Merrill Lynch (BAML) where she advised many boards in the sector on some of their most significant transactions. Henrietta joined BAML in 2000 and served as its Vice President of Financial Institutions Group and the Managing Director and Head of European Financial Institutions Investment Banking. She started her career as a generalist adviser and has focused on financial institutions since 1995.

Other appointments:
Investec Plc (Non Executive Director)
Investec Bank Plc (Non Executive Director)
Investec Limited (Non Executive Director)
Hydro Industries (Non Executive Director)

Philip Broadley
Independent Non-Executive Director
Appointed July 2016
A T N R Ri

Philip was appointed to the Board in July 2016. He has extensive insurance experience having spent over 14 years in senior roles in insurance including as Group Finance Director at Old Mutual plc and prior to that as Group Finance Director of Prudential plc. He is a former Chair of the 100 Group of Finance Directors. Philip graduated from St. Edmund Hall, Oxford, where he is now a St. Edmund Fellow. Philip is the Senior Independent Director at AstraZeneca PLC and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments:
- AstraZeneca PLC (Senior Independent Director)
- Eastbourne College (Director & Trustee)
- London Library (Treasurer)

Lesley Knox
Independent Non-Executive Director
Appointed June 2016
A N R Ri

Lesley brings a wealth of international, strategic and financial services experience having spent over 18 years in senior roles in financial services, including with Kleinwort Benson and the Bank of Scotland. Lesley previously served as Chair of Alliance Trust PLC and as Senior Independent Director at Hays plc. Lesley continues in her role as designated workforce director. Lesley was appointed as Chair of the company's subsidiary Legal & General Investment Management (Holdings) Limited in July 2019.

Other appointments:
- Dovecot Studios Limited (Non-Executive Director)
- Genus Plc (Senior Independent Non-Executive Director and Chair of Remuneration Committee)
- The Black Stork Charity (Director)
- Grosvenor Group Limited pension fund (Trustee)
- National Galleries of Scotland Foundation (Trustee)

George Lewis
Independent Non-Executive Director
Appointed November 2018
A N Ri

George has significant, broad, executive and professional experience in financial services, with a strong focus on global asset management. George joined the Royal Bank of Canada in 1986, serving in various financial and wealth management roles. He was a member of RBC's Group Executive Board from 2007 to 2015, with responsibility for RBC's wealth, asset management and insurance segments. In addition to his current appointments, George served on the boards (and chaired the Audit and Risk Committees) of Ontario Power Generation and Enbridge Income Fund and on the board of Cenovus Energy Inc. (TMX).

Other appointments:
- Ontario Teachers' Pension Plan (Non-Executive Director)
- AOG Group (Non-Executive Director)

Ric Lewis
Independent Non-Executive Director
Appointed June 2020
N R Ri

Ric was appointed to the Board on 18 June 2020 and brings significant investment management experience with over 25 years' in the sector. Ric is the founder, Executive Chairman and Chief Investment Officer of Tristan Capital Partners, a pan-European real estate investment management firm with over €12 billion in assets under management. Ric's experience and perspective will bring further expertise to Legal & General as we continue to invest in the real economy.

Other appointments:
- Dartmouth College (USA) (Trustee)
- Royal National Children's SpringBoard Foundation (Trustee)
- Institute of Imagination/London Children's Museum (Trustee)
- Belfer Center for Science & International Affairs, JFK School of Government, Harvard University (Trustee)
- The Black Heart Foundation (Chair & Founder)
- Eastside Young Leaders' Academy (Patron)

Toby Strauss
Independent Non-Executive Director
Appointed January 2017
A T N Ri

Toby was appointed to the Board in January 2017. Toby brings extensive insurance experience to the Board following an executive career in UK financial services which included Group Director of Insurance and Chief Executive of Scottish Widows at Lloyds Banking Group and, prior to that, Chief Executive of Aviva UK Life.

Other appointments:
- Macmillan Cancer Support (Trustee)
- Pacific Life Re Limited (Chair)
- Brewin Dolphin Holdings Plc (Chair)

Geoffrey Timms
Group General Counsel and Company Secretary

Geoffrey has been the Group General Counsel since 1999 and, in addition, the Group Company Secretary since 2008.

Board appointment post year end

Nilufer von Bismarck OBE
Due to join the Group Board as Independent Non-Executive Director on 1 May 2021
A T N

Nilufer is currently Head of the Financial Institutions Group and the Equity Capital Markets practice at Slaughter and May and has spent a large part of her 34-year career working with major international financial institutions. Nilufer will retire from Slaughter and May prior to joining the Group Board. As well as a deep and extensive understanding of the financial services sector, Nilufer also has considerable experience across a range of other industries and sectors, including real estate, green infrastructure and fintech. Nilufer's appointment will bring further expertise to the Board as Legal & General's exposure to these industries and sectors increases.

Other appointments:
- Into University (Trustee)

Executive Committee

Nigel Wilson
Group Chief Executive Officer
See Board of directors pages 58 to 59.

Jeff Davies
Chief Financial Officer
See Board of directors pages 58 to 59.

Geoffrey Timms
Group General Counsel and Company Secretary
See Board of directors pages 58 to 59.

Other business unit Chief Executive Officers (CEOs)

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Michelle was appointed as Chief Executive Officer of Legal & General Investment Management in July 2019. Michelle has extensive asset management experience across investments, distribution, product, operations, risk and control functions. Michelle has spent her career at major global firms, most recently as Chief Executive Officer, EMEA, at Columbia Threadneedle Investments. Prior to that, Michelle was Chief Risk Officer at M&G Investments and Director of M&G Group Limited, joining in 2012 from BlackRock. Michelle held a number of leadership positions at BlackRock, and previously at Merrill Lynch Investment Managers. Michelle is on the Board of the Investment Association, a member of the FCA's Practitioner Panel and a member of the Asset Management Taskforce. Michelle is a member of the COP26 Business Leaders Group.

Kerrigan Procter
Chief Executive Officer, Legal & General Capital

Kerrigan has been Chief Executive Officer of Legal & General Capital since January 2018. He has group-wide experience with in-depth knowledge of the workings of the Group's business divisions from his roles as CEO of the Legal & General Retirement business division from 2013 to 2017, and head of solutions at Legal & General Investment Management from 2006 to 2012, where he was responsible for liability driven investment and fund solutions for defined benefit and defined contribution pension schemes across Europe and the US. Prior to joining the Group, he worked at RBS in the financial markets division where he held several roles. Kerrigan started his career in 1994 with EY Corporate Finance before moving to Mercer. He is a Fellow of the Institute of Actuaries and has a PhD in number theory from King's College, London. Later this year Kerrigan will move from his current role as Chief Executive, Legal & General Capital, to a new role as President of Asia, Legal & General Group.

Laura Mason
Chief Executive Officer, Legal & General Retirement, Institutional

Laura has been CEO of Legal & General's Institutional Retirement business since January 2018. Laura joined Legal & General in 2011 where she was initially responsible for Asset and Liability Management and Investment strategy for the Annuity business. Laura was a part of the senior management team responsible for setting up Legal & General Capital, where she served as Director of Direct Investment. Laura is a qualified actuary and spent eight years at Towers Watson as a consultant to major UK life insurers. Laura has a First Class Honours Degree in Engineering Science from University of Oxford, and a PhD in Engineering Science (Neural Networks and Signal Processing) also from the University of Oxford. Later this year Laura will move from her current role as Chief Executive, Legal & General Institutional Retirement, to succeed Kerrigan Procter as Chief Executive, Legal & General Capital.

Chris Knight
Chief Executive Officer, Legal & General Retirement, Retail

Chris is the Chief Executive Officer of Legal & General's Retail Retirement business. Chris was previously the Chief Financial Officer of Legal & General's Retirement division where he was responsible for driving the financial results of the business. Prior to this he was the Finance Director of the Group's UK Savings and Protection business. Chris is a qualified actuary, and has had a 31-year career in the UK and international financial services markets. He joined Legal & General in 2009. In 2021, Chris will take on the role of Group Chief Risk Officer following Simon Gadd's retirement.

Bernie Hickman
Chief Executive Officer, Legal & General Insurance

Bernie is the Chief Executive Officer of Legal & General Insurance. Bernie joined Legal & General in 1998 from Commercial Union (now Aviva). Between 2005 and 2010 he was the Managing Director of Retail Protection during which time he launched the UK Protection digital platform, OLP Connect, which provides market leading self-service functionality and high levels of straight through processing. Bernie became MD of Retail Retirement in 2014 and the CEO co-founder of Legal & General Home Finance in 2015, when he led the Group's entry into the Lifetime Mortgage market. He has also held the positions of Group Financial Controller, Investor Relations Director and Solvency II Managing Director.

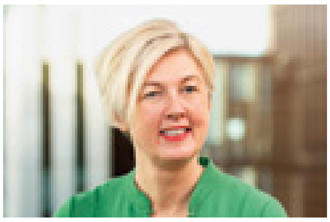
Additional Executive Committee members

Simon Gadd
Group Chief Risk Officer

Simon has had a varied career with Legal & General since completing a mathematics degree at Oxford University. He qualified as an actuary in 1991 and roles undertaken since have included defined benefit pension valuation, various pricing and marketing roles, general management roles, and leadership of the pensions review. Simon has led several different businesses within Legal & General, including the Retail Protection business, Group Protection business and as MD of Annuities from 2006 to 2012. In 2021, Simon Gadd will step down as Chief Risk Officer, transitioning to an advisory role within Legal & General.

John Godfrey
Group Corporate Affairs Director

John has worked in the City for over 36 years, providing advice on corporate affairs and communications to US, European and Japanese financial institutions. He joined Legal & General as Group Communications Director in 2006, becoming Corporate Affairs Director following the global financial crisis. Since then, his responsibilities have variously included communications, public affairs and policy, corporate social responsibility and brand. In 2016 he left Legal & General to work in government as head of the Prime Minister's Downing Street Policy Unit, returning to the company in September 2017. He is a Financial Inclusion Commissioner.



Emma Hardaker-Jones
Group HR Director

Emma joined Legal & General as Group HR Director in 2017. Emma's previous role was as Global HR Director and Board Director at PA Consulting, co-leading the successful sale of 51% of PA Consulting to The Carlyle Group in 2015. Prior to PA Consulting, Emma spent a number of years as Group Head of Talent and Resourcing at BP, driving change across the 100 countries in which BP operates. Emma has also held roles at Prudential and the Bank of England and was the co-founder of a dot com start-up, Skillvest.com. Emma has significant international experience having worked in Europe, North America, Asia and Africa.

The role of the Executive Committee

The Group Executive Committee (Exco), chaired by the Group Chief Executive, brings together the heads of Legal & General's business units with the Executive Committee members shown on these pages. Exco is responsible for the day-to-day implementation of strategy agreed by the Board. The Committee meets regularly to ensure continued cooperation between the business units and the effective adoption of our culture, a key focus for the Group. Exco also monitors and manages risk, ensures efficient operational management and adherence to compliance and addresses key issues such as diversity, environmental and corporate social responsibility.

Stephen Licence
Group Chief Internal Auditor

Stephen joined Legal & General in 2014 having previously been Emerging Markets Chief Internal Auditor at RSA Insurance where he was responsible for the Internal Audit activity in the group's businesses across Latin America, Asia, Middle East and Eastern Europe. His 26 years' Internal Audit experience has included life, general and healthcare insurance in both Legal & General and Lloyd's of London. He was also previously an audit consultant at the London Stock Exchange Group. Stephen is a Chartered Member of the Institute of Internal Auditors.

Executive Committee appointment post year end

Andrew Kail
Chief Executive Officer, Legal & General Retirement, Retail – elect

Appointment effective 4 March 2021

Andrew was previously a senior partner at PricewaterhouseCoopers (PwC). He has 30 years' experience working with a wide range of financial services companies in audit, regulation, transactions and performance improvement. Within PwC he was the leader of the Financial Services practice and brings huge experience from across the industry including expertise in regulation, risk and technology. He is a Chartered Accountant and an Economics graduate from the University of Manchester.

Letter from the Chairman

Sir John Kingman
Chairman

I am delighted to present our 2020 Governance report which provides insight into how we, the Board, have approached our responsibilities during this year and the work of the Board committees.

The global outbreak of Covid-19 has had an unprecedented impact on our customers, employees and society at large. Our business has been very resilient, and continued to provide the products and services that our customers need. Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support. We have continued to pay Legal & General employees as normal and we have done all we can to support our customers while also stepping up our efforts to help affected charities and communities. I am proud of the way our colleagues have adapted to the remote working environment during this time and remained professional, committed and resilient in the face of adversity. I would like to extend my thanks to all of our valued colleagues for their continued hard work and commitment to 'do the right thing'.

Our approach to governance

As a Board, it is our role to promote the highest levels of corporate governance and ensure these values are embedded within our culture and throughout the organisation.

As our business continues to evolve and as we pursue our strategic objectives in an ever-changing environment, our strong governance framework supports the Board in ensuring that across the Group we make decisions in the right way. The Board has worked closely with the Executive team throughout this year as the business has navigated the unprecedented circumstances presented by Covid-19, and the governance framework has supported agile and robust decision making throughout this period.

As a Board we were determined to remain as close to the business and Executive team as possible during these unprecedented times. For a number of months during the first lockdown phase we had weekly virtual meetings with the Executive to ensure we were fully abreast of the impact of Covid-19 on the company and the company's Covid-19 response.

For the year ended 31 December 2020, we were required to measure ourselves against the 2018 UK Corporate Governance Code (the 'Code'). The Board has considered carefully the requirements of the Code and I am pleased to report that we have complied with all provisions of the Code throughout the year. Further detail on our compliance with the Code and how we have applied the various principles can be found on pages 76 to 77.

Virtual shareholder event

In light of the Covid-19 situation and in response to the UK Government's guidance at the time, the arrangements and format of the 2020 Annual General Meeting (AGM) had to be altered. Your Board very much regretted that we had to conduct our 2020 AGM as a closed meeting and that we were not able to meet with you, our shareholders, in person.

In making this decision, your Board had both the safety and wellbeing of shareholders and colleagues as its primary concern. We recognise the importance of the AGM and the opportunity it provides shareholders to engage with the Board. Therefore, we were delighted to be able to host our first virtual shareholder event in December 2020.

A number of our shareholders were able to join us on the day to hear from myself, Nigel Wilson and our Committee Chairs. I was pleased that, despite a global pandemic, we were still able to engage with at least some of our shareholders during 2020 and I would like to thank those who participated in our live Q&A session.

The 2021 AGM will be held on Thursday 20 May 2021 at 10.00am. Full details of the business to be considered at the meeting and any special arrangements that may be in place in light of Covid-19 will be included in the Notice of Annual General Meeting that will be sent to shareholders by their chosen communication means and published on our website.

Finding what you need online
www.legalandgeneralgroup.com/investors/shareholder-centre/agm

Stakeholder engagement

The Board has previously welcomed the changes to the Code aimed at promoting greater transparency around stakeholder engagement. We keep the interests of the Group's shareholders, customers, employees, suppliers and our wider stakeholders at the heart of our decision making and how we deliver our strategy to achieve long-term, sustainable success. Whilst Covid-19 has made face-to-face meetings more challenging this year, there has never been a more important time to stay connected with all of our stakeholders. Further information on how we, as a Board, have fulfilled our duties to our stakeholders under s.172 of the Companies Act 2006, including a case study of our engagement in practice, can be found on pages 64 to 71. In addition, Lesley Knox, our designated non-executive director for engagement with the workforce, provides an update on her activities during 2020 on page 69.

Board changes and succession planning

The company continues to benefit from a high quality Board with a diverse range and depth of expertise and skills. During the year we have continued to assess the composition of the Board. In June 2020 we announced the appointment of Ric Lewis. Ric brings significant experience in investment management and, in particular, in the real estate sector. Ric has more than 25 years of experience in the market, and his experience and perspectives bring further strength to the Board as the Group continues to invest in the real economy. In November 2020 we announced the appointment of Nilufer von Bismarck OBE to the Board. Nilufer will join the Board on 1 May 2021. Nilufer is currently Head of the Financial Institutions Group and the Equity Capital Markets practice at Slaughter and May and has spent a large part of her 34-year career working with major international financial institutions.

We announced on 18 December 2020 that Julia Wilson will retire as our Senior Independent Director on 31 March 2021. I would like to take this opportunity to thank Julia for her enormous contribution to the Board during her nine-year tenure. Julia joined the Board in 2011 and was appointed as Senior Independent Director in 2016. I am very grateful to her for her wise counsel and support over the years. Philip Broadley, our Audit Committee chair, will succeed Julia in the role of Senior Independent Director with effect from 31 March 2021 and I very much look forward to working with Philip in his new role over the coming years.

As part of a continued focus on governance best practice and to streamline executive representation on the Board, Kerrigan Procter, Chief Executive Legal & General Capital, and Michelle Scrimgeour, Chief Executive Legal & General Investment Management, resigned from the Group Board in November 2020. Both Kerrigan and Michelle continue in their executive roles.

This year, the Nominations and Corporate Governance Committee, together with the Board, have continued to focus on succession planning. We review both our Group Board and Executive Committee succession plans regularly and fully. In September we announced planned senior management changes to ensure smooth succession in several key roles at divisional CEO and Executive Committee level. Andrew Kail has joined us and will become CEO of Legal & General Retail Retirement, taking over from Chris Knight, who will become Group Chief Risk Officer. Chris succeeds Simon Gadd, who has held the position of Group Chief Risk Officer since 2013. Simon will be stepping back from his executive role in the summer to allow for a managed transition to Chris and will remain available to Legal & General in an advisory capacity.

I would like to thank Simon for his exceptional commitment to Legal & General over 35 years and I wish him well for the future. I welcome Andrew and Chris to their new roles and look forward to working with them.

In addition, later this year Laura Mason, currently Chief Executive, Legal & General Institutional Retirement (LGRI), will succeed Kerrigan Procter as Chief Executive, Legal & General Capital. Kerrigan Procter will be moving to a new role as President of Asia, Legal & General Group. We will run a formal recruitment process to identify Laura's successor as Chief Executive, LGRI.

We continue to monitor closely the diversity of our succession plans to ensure that we are attracting, developing and progressing diverse talent.

Diversity and inclusion

We stand for diversity and inclusion: for a workplace where we all have the opportunity to perform at our best, no matter who we are. The Board is responsible for overseeing the Group-wide diversity and inclusion policy. We are building an inclusive culture that celebrates diversity and creates fair opportunities for all.

Diversity is important to us because it generates a wider pool of talent, reflecting the broadest range of human attributes, experience and backgrounds. Diversity and inclusion have been important topics for the Nominations and Corporate Governance Committee this year.

Laura Mason has been appointed as our executive sponsor for diversity and inclusion, and great progress has been made with our diversity and inclusion initiatives across the Group. See page 54 for more about these initiatives.

> "As our business continues to evolve and as we pursue our strategic objectives in an ever-changing environment, our strong governance framework supports the Board in ensuring that across the Group we make decisions in the right way."
>
> **Sir John Kingman**
> Chairman

Subsidiary boards

At Legal & General we have benefitted from a strong governance framework operating at subsidiary level for many years now. Our framework of guiding principles remains in place governing the relationship between the Group Board and the Boards of the Group's principal subsidiaries, promoting effective interaction across all levels of the Group.

Lesley Knox and Henrietta Baldock continue in their roles as the Chairs of our two principal operating subsidiaries: Legal & General Investment Management (Holdings) Limited (LGIM(H)) and Legal & General Assurance Society Limited (LGAS), respectively. Interlinking our Group Board directors and principal subsidiary boards allows greater interactions, information flows and promotes enhanced collaboration.

The Board welcomes the positive and constructive working relationships we have with our subsidiaries and we have benefitted greatly from the addition of independent non-executive directors to many of our subsidiary boards.

Board effectiveness

During the year an externally facilitated review of the effectiveness of the Board and its Committees was conducted. This year we took the opportunity to review our external board facilitator in line with best practice and appointed Independent Board Evaluation to facilitate the 2020 external Board review. Further details of the process and outcome of this evaluation can be found on pages 74 to 75.

Sir John Kingman
Chairman

Stakeholder engagement

The Board recognises the importance of considering all stakeholders in its decision making, as set out in section 172 of the Companies Act 2006.

The section below sets out our s.172 statement and provides details of key stakeholder engagement undertaken by the Board during the year. Additional details of our key stakeholders and why they are important to us are set out on pages 10 to 11.

In what has been an unprecedented year, the Group Board has set the direction on all stakeholder relations during the Covid-19 pandemic, throughout which Legal & General has endeavoured to maintain a reputation for high standards of business conduct. Further detail on the company's commitment to our stakeholders during the Covid-19 pandemic can be found on pages 70 to 71.

Directors are briefed on their duties, including their duty under s.172 of the Companies Act 2006, as part of their induction process. Directors are entitled to require from the company all such information they may reasonably request in order to be able to perform their duties as directors, including advice from an independent adviser at the company's expense.

In Board decision making, the relevance of each stakeholder group may vary depending on the subject in question, so the Board seeks to understand the needs of each stakeholder group as part of its decision making. Additionally, the Group Company Secretary is available to provide support to the Board in ensuring that sufficient consideration is given in relation to stakeholder issues during Board discussions. For each transaction approved by the Board, discussion takes place around employee impact. Stakeholder impact is also considered in relation to material acquisitions and strategic expansion.

Engagement with our stakeholders

Shareholders

Overview
Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.

Engagement

Continuing engagement

- During the year the Chairman meets with multiple investors and did so in 2020. In January, the Chairman participated in the Goldman Sachs Chairman's Forum where he engaged with a range of different types of investors. Feedback from investor meetings was shared with the wider Board throughout the year.
- Investor Relations provides regular updates to the Board and engages the Board on shareholder-related matters. They also provide the Board with regular feedback on investors' views on business strategy and the market environment.
- We provide easy access for our shareholders to the company's announcements, results and investor information, via our company website which has a dedicated shareholder section. The website contains all London Stock Exchange regulatory announcements made by the company and a copy of all of our Annual Reports and related publications. A webcast of half-year and full-year results presentations is also made available via a link on the website which is permanently available.

Additional current year engagement

- Due to the fact that this year, our AGM regrettably had to be held as a closed meeting due to government guidelines regarding Covid-19 at the time, we made a promise to shareholders that we would offer an alternative opportunity to engage with the Board later in the year. Shareholders were therefore invited to attend a live, virtual shareholder engagement event at the end of the year, which included presentations from the Chairman, Group Chief Executive and Committee Chairs. Shareholders were also offered the opportunity to pre-submit any questions they may have for the Board, or ask their questions live at the event.
- In November, we hosted a virtual Capital Markets event for investors and analysts. The event consisted of presentations on the Group's strategy, financial performance and ambitions, as well as a live Q&A teleconference with the executive management team. All of the material from the event was made available on the Group website.

Outcomes

- The live, virtual shareholder event (referred to on the left) took place on 9 December 2020 and was a success; a number of shareholder questions submitted either in advance or live were answered on the day.
- The Group Chief Executive received correspondence from a number of retail shareholders during the year highlighting the importance of dividend income to many of our shareholders; the Board recognised how important the dividend is to retail shareholders, particularly when many other companies were deferring or not paying their dividends. Therefore, on the basis that the balance sheet remained robust, the Board took the decision to pay the final dividend.
- Investor input on dividend growth and new business investment received in the first half of the year was incorporated into the ambitions set out at the Capital Markets event referred to on the left.

Engagement with our stakeholders continued

Suppliers

Overview

Interaction with our suppliers and treating our suppliers fairly allows us to drive higher standards, and reduce risk in our supply chain whilst benefitting from cost efficiencies and positive environmental outcomes.

Engagement

Continuing engagement

- The Legal & General Resources Limited Board, our main contracting entity for suppliers, receives a procurement update at each Board meeting, including an update on relationships with suppliers and associated performance. The Group Board has sight of the minutes of each of these Board meetings and any issues are escalated to the Group Board where necessary.
- In accordance with the Group Board matters reserved, any expenditure in relation to a supplier in excess of an amount determined by the Group from time to time was put to the Group Board for consideration and approval during the year.

Additional current year engagement

- The Group Risk Committee received reports relating to outsourcing and third-party management throughout the year. In July the Committee received an update on the company's key suppliers, the key contract dependencies, and how management monitor these.
- The Legal & General Resources Board, Group Risk Committee and Group Environmental Committee were updated throughout the year on the work around Modern Slavery and Corporate Social Responsibility/Environment. A new Sustainable Sourcing Principles statement and a five-year Modern Slavery Strategy were approved.

Outcomes

- The Group Chief Financial Officer and the Legal & General Resources Board received updates regarding any supplier performance issues during the Covid pandemic, including the work undertaken with suppliers to mitigate any risks.
- A new initiative commenced during the year with suppliers and stakeholders, supported by the senior finance community and business unit FDs/CFOs, whereby better spend compliance is being driven using purchase orders.
- A restructure of the Group Procurement and Supplier Management function was undertaken during the year, as well as implementation of new procurement/Supplier Relationship Management software to enable better engagement with our suppliers.
- Suppliers are being considered throughout the sale process of the Mature Savings business, and the sale of a back-book of retail investment products to Fidelity International Ltd.

Regulators

Overview

We work with our regulators proactively, with openness and transparency. Early and active engagement, with both government and our regulators, helps to ensure we understand changing requirements and can take timely action to implement the regulatory change required, optimising outcomes for our customers and our people where possible.

Engagement

Continuing engagement

- The Group Board non-executive directors and subsidiary non-executive directors attend individual meetings with both the PRA and FCA on a frequency determined by the regulators for each supervisory cycle. Topics covered include strategy, financial performance, Board effectiveness, cyber, culture, regulatory matters and customer outcomes.
- At each meeting the Group Board receives a report from the Chief Risk Officer which contains an update on Prudential Regulation. The Chief Risk Officer periodically attends Group Board meetings to present to the Board.
- To mark the beginning of each two-year supervisory cycle, the FCA attend the Group Board to discuss their priorities. The PRA attend the Group Board annually as part of the PRA's Periodic Summary Meeting (PSM) cycle. The FCA attended the Group Board (and two regulated entity boards) in 2020 to discuss their priorities for the current supervision cycle.

Additional current year engagement

- During the year we worked closely with the PRA and FCA on our response to the Covid-19 pandemic, which included weekly meetings for a period. Our response to Brexit has also been an area of focus for 2020.
- The Group Board gave careful consideration to the FCA's letter of January 2020, requesting a full review of how conflicts of interest are managed across the Group by the Group Conduct Risk and Compliance function.
- With a change in supervisory leadership at the FCA, relationship meetings took place with our senior management, including Nigel Wilson meeting the new FCA CEO, Nikhil Rathi.
- Regular meetings continue to take place between management, our risk functions and the PRA and FCA. We have briefed the FCA on a programme to transform our financial crime risk management framework. Additionally, we have sought conversations with regulatory policy teams to share our experience where they may be helpful, such as working with vulnerable customers and the advice market.
- Throughout 2020 we have held quarterly meetings with both the FCA and PRA on our plans to transition away from the interest rate benchmark LIBOR which is expected to cease after 2021.

Outcomes

- Our regulators have actively engaged with us during the year on our Covid-19 response including the change in working patterns from office to home based, and management of the change in risk profile due to Covid-19. We have openly shared our experience and observations across all risk categories including market, credit, liquidity and conduct. In such an unusual time, such responsive and open engagement with our regulators was welcome.
- In rolling out the '5 Conduct Questions' to asset managers, we have had open and constructive dialogue with the FCA on their application. We welcome the FCA's work on this important topic.
- We have shared our experience of running the Senior Manager and Certification Regime requirements with the FCA. With firms across the range of Insurance, Enhanced and Core, we are experienced in all requirements of the regime and aspects that are stronger and weaker in driving intended outcomes.
- Regulators have been fully engaged during the Mature Savings sale process.

Stakeholder engagement
continued

Engagement with our stakeholders continued

Communities

Overview
Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.

Engagement

Continuing engagement

- The Board receives an annual update on the Corporate Social Responsibility (CSR) strategy.
- The Group Environmental Committee (GEC) is responsible for providing strategic direction on the management of our environmental impact, with a particular focus on the Group's management of the financial risks from climate change. The Group Chief Risk Officer is Chair and the Group Chief Financial Officer is a member of the GEC. The GEC provides updates to the Executive Risk Committee on its key decisions and actions. Further information on climate-related activity can be found on page 32.
- Jeff Davies is the Group Board sponsor of the Task Force on Climate-related Financial Disclosures report (TCFD), whilst Lesley Knox is Group Board sponsor of the Modern Slavery Act and Human Rights. These Board members drive the agenda in relation to the respective subject area, receive reports back on targets and plan the upcoming five-year strategy. Further information on the TCFD can be found on page 49 and our Modern Slavery Statement can be found on page 55.
- A number of our Group Board non-executive directors serve as trustees for various charities in their personal capacity; Sir John Kingman is Deputy Chair of the National Gallery and a trustee of the Royal Opera House Covent Garden Foundation. Further detail of our other Group non-executive directors' trusteeships is provided within the director biographies on pages 58 to 59.

Additional current year engagement

- Nigel Wilson (Group Chief Executive) continued as a member of the government's expert advisory groups on Social Care and Life Sciences, as well as chairing the Bank of England/FCA Climate Financial Risk Forum workstream on Innovation, which contributed to the Forum's publication in June and is now engaged in its second year of work. Nigel works closely with local government in a number of UK cities, notably Newcastle, where alongside regeneration through the Group's partnership with the City Council and Newcastle University, the Group is funding a new model future care home. He also plays an active role in our £20 million charitable sponsorship of Edinburgh University's Advanced Care Research Centre.
- Legal & General initiated a Climate Change Virtual Accelerator programme in March 2020. A deep dive of the programme was undertaken by the Group Board in September with a further update on the actions coming out of the programme at the Group Board Strategy Day in October. Further information on the Climate Change Accelerator programme is available on page 50.
- The Chairman's Awards took place in January 2020; this is an event at which employees' achievements in charity work, outside Legal & General, were celebrated. Employees were nominated by staff, friends and family to receive awards for their charitable efforts. Group Board members attended the event.

Outcomes

- Our Legal & General Capital (LGC) teams have launched a new residential housing arm, Suburban Build to Rent, which will create much needed, high quality family homes in areas connected to schools, transport infrastructure and amenities.
- In September, Legal & General announced a new £5 million charitable partnership with Newcastle City Council to enhance elderly care in the city, placing Newcastle at the forefront of development of ground-breaking changes to the way we care for older people.
- Pages 36 to 37 provide further examples of some of our recent investments which have positively impacted communities.
- The Interchange building in Cardiff Central Square was announced in October as the new home of our two Cardiff offices from 2023. The Interchange is part of our £400 million regeneration scheme in Cardiff Central Square. This is a testament to our purpose of inclusive capitalism, as we continue to invest pension money in the future of cities and towns across the UK.
- In line with Legal & General's wider commitments to ESG, the fit out of Cardiff's Central Square will target net zero carbon and reduce embodied carbon throughout the base build. It will also be developed in line with Well Gold and BREEAM standards.
- LGC, consistent with the wider Group, has a target of net zero by 2050. Within LGC's direct investment portfolio action is underway to reduce carbon emissions. In early 2020 LGC made public commitments on delivering all homes as operationally net zero enabled from 2030.
- In September, Legal & General announced that it has formed part of a coalition of 22 leading businesses, charities, researchers and educators to launch the Trinity Challenge, a global initiative to help populations throughout the world better prevent and respond to public health emergencies. More information on the initiative can be found on page 51.

Customers

Overview
Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.

Engagement

Continuing engagement

- The Group Board receives a Customer Champion report annually.
- The Group Risk Committee receives detailed customer Management Information (MI) at each meeting and the Customer Champion attends each meeting to present to the Committee. Subsidiary Boards are also in receipt of regular updates regarding customers.
- A Vulnerable Customer Committee meets regularly, comprised of management and our Conduct Risk team, to discuss improvements to how we interact and support our vulnerable customers.

Additional current year engagement

- Customer management information was regularly reported to the Group Board. Additional detail and insights were shared frequently throughout the second quarter to ensure the Board was kept informed about how Covid-19 was impacting our customers.
- In May, Lesley Knox joined a contact centre team meeting in Mature Savings. The team discussed how Covid-19 was changing customer behaviour and sharing ideas on how best to respond to the types of calls coming through.

Outcomes

- Having reviewed customer MI throughout Q2, both the Board and the Customer Champion identified an early trend that backlogs of work were building within some of our death notification teams. It was agreed that where this was the case, the business would prioritise these to ensure that our customers' dependants and beneficiaries were receiving payment as quickly as possible.
- The Head of Customer & Client Operations in Legal & General Investment Management, was asked to attend the Group Risk Committee in October as the customer MI indicated that the operation had not recovered as quickly as expected following the first lockdown. The Committee were updated with the recovery plans and the team's performance has improved as forecasted since. The Head of Customer & Client Operations in Legal & General Investment Management, will return in Q1 2021 if performance has not returned above targets as planned.
- The Managing Director UK Protection from Legal & General Insurance Retail Protection was asked to attend the Group Risk Committee meeting to update members on the progress made with claim payment times and about the application of terminal illness to pre-2016 term insurance customers.

Engagement with our stakeholders continued

Employees

Overview
Engaging with our people enables us to create an inclusive company culture and a positive working environment.

Engagement

Continuing engagement
- Lesley Knox continues in her role as designated workforce director. Lesley reports back to the Board at each meeting on employee-related matters.
- The Board has and will continue to take part in site visits, giving directors an opportunity to meet with employees from various areas of the business.
- The Voice employee survey was conducted twice throughout 2020, in March and October, and following this, action plans at both Group level and with divisional and local teams were put in place. These surveys continue to provide us with the ability to gain valuable insights about what is important to employees, as well as enabling us to become a more digital, healthy, and inclusive organisation. The Board receives, periodically, detailed metrics on the views and requirements of employees coming out of the Voice survey and plans for how actions will be implemented to address issues raised by employees in the survey.
- The Board has oversight of whistleblowing and receives an annual report as well as more detailed periodic reports when appropriate. Philip Broadley serves as the Group Board's whistleblowing champion.

Additional current year engagement
- The Board attended a site visit to our Later Living site in Warwickshire in January, where it met with both employees and community residents.
- The Group Chairman visited our Hove and Cardiff offices in September and met with a number of teams. During the visits, the Chairman had the opportunity to see the various measures put in place regarding Covid-19. Given the unprecedented working environment throughout this year, a 'Listening in Lockdown' survey was conducted in June, to gain insight into how employees were finding and dealing with the new ways of working.
- During lockdown, we worked closely with employee representatives to create Covid-safe workplaces in line with government guidance and with an emphasis on our people's physical safety. We also acted quickly to enable home working wherever possible, including in territories outside the UK.
- To ensure continued engagement with employees through this challenging time, regular updates and email communications were sent to the entire workforce throughout the year with regular updates provided on The Hub, our digital workplace, that helps us collaborate more effectively across the business.
- The Major Incident Team, comprising senior executives from Operations, Risk, HR, IT, Legal and Corporate Communications, met on a regular basis during the first lockdown to manage and oversee the business's response.
- Throughout 2020, the Group Chief Executive held eight virtual town halls which were made available live to employees across the business, as well as two town halls hosted in Hove at the beginning of the year. Michelle Scrimgeour hosted three virtual town halls during 2020 which were made available to all LGIM/LGIMA staff and Kerrigan Procter hosted a Black Lives Matter virtual live event which was also made available to all employees.
- This year the Group Chief Executive worked alongside The Telegraph on 'The Power of Us' campaign, producing 12 printed articles and six podcasts discussing various topics from greener futures to inclusive tech, all of which were made available to employees via the company's intranet site.
- Our Mental Health First Aiders network was further developed through the year; and a partnership was also signed with market-leading mental health app, Unmind, to offer free access to all employees.

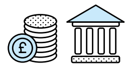
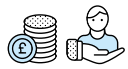
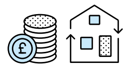
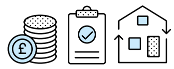
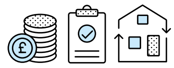
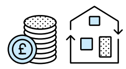
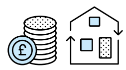
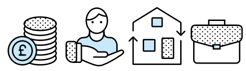
Outcomes
- This year Lesley Knox, in her role as designated workforce director, has attended virtual meetings across our operating divisions. This included focus groups with employee engagement champions, joining a contact centre team meeting and taking part in the telephone-based Befriending volunteer scheme. A report from the designated workforce director, including detail of activities throughout the year and the output of this engagement, is provided on page 69.
- 83% of employees took part in the October Voice survey, providing 16,805 individual comments. Our employee satisfaction score increased considerably during this period and then, in line with other organisations, slightly receded from June to October (74% in March; 81% in June; 77% in October). This reflects an upward trajectory since the beginning of lockdown with an increase between March and October 2020.
- The most predominant positive topics from employees reflected in the Voice Survey were line managers (good communication and support), flexibility (no commute, remote work and improved balance), employee communications (visibility of senior management through town halls and regular company updates), improvements in technology (such as new laptops) and connection (more frequent communication with line managers and colleagues), which combined have influenced the increase in employee satisfaction from 74% in March to 77% in October.
- It is clear from listening to our employees via our Voice and Lockdown surveys, that employees appreciate the efforts the company has taken to adapt to the current ways of working and that they are eager for some of those changes to become a permanent feature of their work experience.
- A Legal & General global Diversity and Inclusion (D&I) council was formed in October, with Laura Mason, CEO of our institutional retirement business, as the executive sponsor. The council reports to our Group Executive and Group Board, through the Nominations and Corporate Governance Committee, and has been tasked with reviewing and refreshing the group-wide aspirational goals for D&I. The council comprises Senior leaders from across our divisions and geographies alongside the Group Chief Financial Officer, Group HR Director, and the Chief Executive Officer of LGIM.
- In January 2020 the Board once again hosted a 'Rising Stars' dinner, providing an opportunity for the Board to meet and interact with a number of the company's valued and high potential individuals across the business. This event was also an opportunity for those employees to meet the Board members and gain some insight into their roles and perspectives.
- In October we announced that our two Cardiff offices would be moving to the Interchange building in Cardiff Central Square in 2023. The investment underlines our commitment to providing our people with modern, flexible working environments.
- During lockdown a series of virtual sessions was run for employees to join, featuring guest speakers as diverse as Sir Tim Peake, Nadiya Hussain and Louis Theroux – with the aim of helping connect our people and providing them with practical tips for building relationships remotely.

Major decisions and discussions during 2020

The Board factored the needs and concerns of our stakeholders into its discussions and decisions throughout the year, in accordance with s.172 of the Companies Act 2006 (see s.172 statement on pages 64 to 67).

Stakeholder issues are an integral part of the Board's decision making and we seek to embed this in key subsidiary boards and decision making committees throughout the organisation. All Group and subsidiary Board papers must demonstrate that stakeholder consideration has been taken into account as part of the Board decision making process.

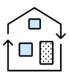
Whilst not all decisions affect every stakeholder group our Board and committees endeavour to balance the sometimes conflicting needs of our stakeholders to ensure all are treated consistently and fairly. Some of the major decisions and considerations of key decision making forums during 2020 include:

Major Decision	Key stakeholder group impacted
Approval of the final 2019 dividend payment: Consideration of the importance of dividends to retail shareholders and the broader pension system.	
Setting and approval of a capital budget for the writing of new pension risk transfer business in 2020 in order to ensure prudent balance sheet management at a time of economic uncertainty.	
Approval for Bruntwood SciTech, LGC's 50:50 joint venture with Bruntwood, to proceed with a £210 million development in Birmingham: A 10-year masterplan will be developed for the Birmingham Health Innovation Campus, which will provide up to 657,000 sq ft of state-of-the-art lab, office and incubation space acting as a catalyst for the growth of the Midlands' life sciences sector. It is set to create up to 10,000 new jobs and contribute £400 million GVA to the regional economy by 2030.	
Approval of £200 million funding for the redevelopment of the Oxford University 'Life and Mind' building through LGC's joint venture with the University: Set to be the largest building project ever undertaken on behalf of the University, and its largest teaching and research facility, significantly improving the way that psychological and biological tuition is undertaken in Oxford and helping scientists to solve some of our major global challenges.	
Approval of development funding for Sky Elstree Studios, a new 32-acre, state of the art TV and film studio facility just north of London: Over the first five years of operation, it is expected that Sky Elstree Studios will generate £3 billion of production investment in the UK's creative economy and lead to the creation of over 2,000 jobs.	
Approval of investment in The Kensa Group: an investment in the UK's leading ground source heat pump supplier and installer, supporting Legal & General's ambition to form part of the UK solution to reaching net zero carbon emissions by 2050.	
Approval of L&G's increased stake in Pod Point, one of the UK's largest electric vehicle charging infrastructure providers, following the acquisition of a majority stake by EDF: Growing Pod Point and funding the roll-out of EV charging infrastructure can facilitate decarbonisation across the UK.	
Approval of the Interchange Building in Cardiff as the new home of L&G's two Cardiff offices: part of L&G's £400 million regeneration scheme in Cardiff Central Square and demonstrating L&G's commitment to providing employees with modern, flexible working environments. Upon completion this will add around £1.1 billion of gross value added to the region and create up to 13,000 new jobs.	
Approval of the launch of LGC's Suburban Build to Rent business (SBTR): The new housing arm will partner with UK housebuilders and undertake a direct delivery programme to bring forward over 1,000 homes each year from 2024.	

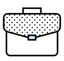
 Shareholders

 Regulators

 Customers

 Communities

 Suppliers

 Employees

Employee engagement

Lesley Knox
Designated workforce director

A year ago, at the start of my new role, I set out a plan for engaging with our employees: to find out what was on their minds by hearing from as many of them as possible; to bring together the various mechanisms for employee representation we have in the Group; and to represent employees' views to my Board colleagues.

What I had not foreseen was the Covid-19 crisis. This significantly changed how I executed this plan, but the fundamentals – including the basic framework of 'listen, reflect and represent' – have remained the same during 2020.

This year has been characterised by the creation of virtual teams and remote working for most of us. Technology has enabled our employees to maintain connections and has acted as a leveller. The convenience of joining a video call removes the logistical challenges of gathering a lot of individuals in one place: it's easier to click a link from one's desk, whether at home or in the office, than to make a special journey – although remote working in itself brings other challenges.

Using Microsoft Teams, I have continued to meet with employees across the Group, as I did face-to-face during 2019. Examples this year included, among others, time spent with Mature Savings contact centre teams, employee voice champions in our insurance business, a group of our actuaries, and a specially convened lockdown feedback group in Group Finance.

I was also delighted to be able to join established groups, such as our executive and personal assistants' group and our corporate responsibility, ESG and modern slavery working groups. Each meeting gave me an opportunity to join employees in different formats and to hear from more of them on a much wider range of issues than would once have been possible.

Our employees' feedback makes clear that Legal & General has largely succeeded in its extra efforts on communication – both formally from members of the Executive Committee and informally between departments and teams – this year. The ease of virtual communication has, for many, led to an increase in the quantity and quality of interaction they have enjoyed.

It has also led to greater interdepartmental collaboration. However, it has also meant that informal mentoring and knowledge sharing have been harder. We are working on ways to change this.

Home working, which remains the reality for most of our employees, is a complex issue, with individual circumstances – family commitments, physical space, quality of internet connection – combining to create different experiences. We have responded by ensuring that the right support is in place for each individual, including provision of equipment for home working, making office access available and safe for those who need it and providing some flexibility in working patterns to help balance work and home commitments.

The issue of personal wellbeing is one of great concern to our employees. The fact they feel able to discuss this topic reflects well on our company's culture. During 2020, we took material steps to put in place and communicate the availability of support mechanisms including helplines, a mental wellbeing app and our network of Mental Health First Aiders: employees who have trained to support their colleagues, an especially important resource during these exceptional times.

Employee wellbeing will remain a focus for the Board into 2021. One way in which we will tackle this is by ensuring that good governance, risk management and control are managed so as to be effective without adding disproportionately to workloads.

During 2020, I reported to each Board meeting on the insights I had gained from my meetings with employees. This was supplemented with insights from our employee survey, 'Voice', which has been discussed throughout the year at the Nominations and Corporate Governance Committee. Not surprisingly, during Covid-19 the work environment has been the major theme of discussions, whereas pay and benefits have not. However, our employees have appreciated the fact that we took steps to protect individuals from financial impacts, including weighting our 2019 and 2020 pay awards towards the lower-paid.

Finally, I have been very impressed by our employees' commitment to charitable and community work, despite the personal impacts of Covid-19. One example among many is the Befriending and Carers Programme, where employees volunteer to call lonely and vulnerable older people and those who are caring for family members. I would like to thank those employees and their managers who are freeing up time to enable it; the involvement of so many in community work says a lot about the values of our people and of our business.

Covid-19 case study: Our commitment to our stakeholders.

Covid-19 has and continues to have an unprecedented impact on our stakeholders. Legal & General continues to support all of our stakeholders and we have done everything we can to help our customers through this difficult period without relying on direct government funding. Our priorities are to look after our customers, to safeguard the wellbeing of our colleagues and to support the needs of the wider community more broadly through inclusive capitalism and by investing in the real economy.

We intend to be a leader in the post-pandemic economic recovery, supporting our shareholders and customers while delivering inclusive capitalism through investments in infrastructure, clean energy, affordable housing, and providing products to support individuals' financial resilience. Examples of the Board's consideration of its stakeholders and some of the decisions that were taken during the pandemic are provided below.

Shareholders

Consideration

The Board recognises the importance of dividend income to many institutional and retail shareholders, particularly in the current environment.

We are also cognisant of the need to act prudently in maintaining balance sheet resilience and in so doing ensure that Legal & General plays its full part in supporting the real economy.

Outcomes

The Board observed that, notwithstanding significant market volatility, the Group had delivered a resilient performance in the year to date and our balance sheet had remained robust, with the Group's solvency ratio in the high-170s. As such, the Board declared an interim dividend of 4.93 pence per share and a final dividend of 12.64 pence per share, resulting in a 2019 full-year dividend of 17.57 pence per share.

In November 2020 we held a Capital Markets day where we set out our new five-year financial ambitions plan for the Group. The Board intends to grow the dividend at low to mid-single digits.

The Board was disappointed that due to the UK Government's guidance at the time, the arrangements and format of the 2020 AGM had to be altered and shareholders were not able to attend in person. In making this decision, the Board had both the safety and wellbeing of shareholders and colleagues as its primary concern. The Board recognised the importance of the AGM and the opportunity it provides shareholders to meet and engage with the Board, and so a virtual shareholder event was held in December 2020, at which shareholders were provided the opportunity to ask any questions they had for the Board.

Suppliers

Engagement

Covid-19 has created risks in the supply chain. We have engaged with our suppliers on these risks and changed the way we operate as a result of the pandemic.

Outcomes

A successful collaborative Microsoft Teams event was held in September with a number of our key suppliers in order to maintain engagement during lockdown and to explore new ways of working.

One-to-one sessions have been held throughout the year with the Executives of a number of our key suppliers in order to maintain contact, understand the latest impact of Covid-19 on their business and establish any opportunities for assistance or development.

Customers

Considerations

Our commitment to supporting our customers will not waver and we have continued to provide service to our customers, whether it is helping them to keep their family financially secure after the death of a loved one, paying annuities or assisting someone with a long-term illness to meet their mortgage repayments.

Our purpose is to provide financial stability to our customers and their dependants in good times and in bad: it is 'what we do'. The human cost of Covid-19 has, regrettably, been high for many Legal & General customers, including holders of life insurance policies and annuitants who have lost their lives prematurely. We continue to pay all valid claims and we have prioritised giving a rapid but sensitive service to bereaved families.

Outcomes

We have made a number of changes to our customer journey during the pandemic:

- Temporarily extended annuity quote guarantee periods.
- Advisers can get new business quotes via the portals and use 'Track My Apps' to check progress on existing applications.
- Introduced a signature-free application and paperless drawdown processes.
- Legal & General Home Finance (LGHF) made its entire programme of educational events for advisers available online and implemented a desktop valuation service for its lifetime mortgage product range, which enables property valuations without a home visit.
- LGHF allowed all Optional Payment Lifetime Mortgage (OPLM) customers to miss up to three monthly interest payments, without these counting towards the six missed payments allowed in the product terms.
- During the first half of the year we paid £939 million of Legal & General Insurance protection claims and, with more than three million people in the UK relying on Legal & General for financial security in retirement, we have maintained our most important business services largely uninterrupted, which includes paying annuities to over one million pensioners.

Communities

Engagement
In support of the wider society, we have launched a range of initiatives to help meet the growing social needs arising from the Covid-19 disruption.

Outcomes
We supported research and testing by accelerating components of our £20 million partnership with Edinburgh University's research into elderly care and being one of the UK's largest Covid-19 testing sites through our investment in Bruntwood SciTech Alderley Park.

Additionally, we have looked to address the needs of local communities in respect of Covid-19; including the establishment of a £500,000 Community Fund.

We are stepping up support for relevant Corporate Social Responsibility projects which address, in particular, the impact of the pandemic on the older population and those using social care.

Regulators

Engagement
The Board recognises the importance and necessity of the increased engagement we have had with our regulators during the pandemic.

Outcomes
The Group Board gave careful consideration to the PRA's letter of March 2020 and has continued to engage the regulator in our dividend discussions.

We have maintained active and open engagement with our regulators during the Covid-19 pandemic and have shared our experience and observations across all risk categories. In addition to ongoing dialogue, regular reports on customer service and insights were provided to our regulators.

Throughout the pandemic, we have provided monthly updates to the PRA on the Group's Solvency II capital and liquidity positions.

The Mastertrust Trustees have engaged with The Pensions Regulator (TPR) during the pandemic to provide the regulator with additional information on how we are engaging with our members and ensuring continuity of service in a remote environment.

Employees

Considerations
Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support. We have continued to pay Legal & General employees as normal.

Our robust, well-embedded remote working solutions have helped keep employees engaged and efficient throughout the shift to home working.

Employees appreciate our efforts, and this is demonstrated by a seven-point increase in employee satisfaction scores since before the Covid-19 lockdown

Outcomes
We have supported our employees' mental and physical wellbeing through a number of resources including trained Mental Health First Aiders, a confidential employee assistance helpline and a dedicated Covid-19 intranet hub.

We have increased the frequency of our employee Voice surveys during the pandemic to ensure we are engaged with our workforce and held a number of virtual town hall meetings with our senior leadership team.

In October 2020 we announced that we would relocate our two Group offices in Wales to a 120,000 sq. ft. facility in Cardiff's Central Square as part of a wider £450 million regeneration scheme. This announcement marks one of the largest office lettings in the UK this year and the state-of-the-art new office and associated services will provide staff with a collaborative, agile space to meet changes to working practices in the wake of Covid-19. It will incorporate a focus on staff wellness and well-being, incorporating cycle and changing facilities, café, social space and an external terrace to meet shifting needs.

Governance report

The UK Corporate Governance Code – committed to the highest standards

The 2018 UK Corporate Governance Code (the 'Code') emphasises the role of good corporate governance in achieving long-term sustainable success. The principles of the Code are the standards against which we are required to measure ourselves during the year. The information on the following pages explains how we have applied the principles of the Code in practice during the year. The information required under Disclosure Guidance and Transparency Rule 7.2.6 can be found in the Directors' report on pages 248 to 251. Each year, the Board reviews the Group's corporate governance framework and compliance with the Code. Pages 76 to 77 set out at a high level how we have complied with each of the principles.

The Board is committed to maintaining the highest standards of corporate governance across the Group to support the delivery of our strategy, positive stakeholder relationships and the creation of long-term sustainable value for our shareholders.

The Board

The table in the adjacent column sets out the changes to the Board that have taken place over the course of the year. Ric Lewis was appointed to the Group Board as an independent non-executive director on 18 June 2020, bringing to the Board significant experience in investment management and, in particular, a focus on the real estate sector. The company announced the appointment of Nilufer von Bismarck OBE as an independent non-executive director on 26 November 2020. Nilufer will join the Board on 1 May 2021 and will bring to the Board extensive experience in financial services.

Julia Wilson, the company's Senior Independent Director, will be stepping down from the Board on 31 March 2021 following a nine-year tenure. Philip Broadley, Chair of the Audit Committee, will take on the position of Senior Independent Director following Julia's departure. As part of a continued focus on governance best practice and to streamline executive representation on the Board, Kerrigan Procter, Chief Executive LGC, and Michelle Scrimgeour, Chief Executive LGIM, resigned from the Group Board in November 2020. Both Kerrigan and Michelle continue in their executive roles.

When considering the appointments of new directors, the Board has been mindful of the contribution and skillset that each new appointee will bring to the Board. The Board continues to focus on maintaining a well-balanced and diversified Board with the right mix of individuals who can apply their wider business knowledge and experiences to the setting and oversight of delivery of the Group's strategy.

Changes to the Board during the year and to the date of this report

Appointments	Resignations
Ric Lewis 18 June 2020	Kerrigan Procter 26 November 2020
Nilufer von Bismarck 1 May 2021	Michelle Scrimgeour 26 November 2020
	Julia Wilson 31 March 2021

How the Board operates

The Board is led by the Chairman, Sir John Kingman. The day-to-day management of the company is led by Nigel Wilson, the Group Chief Executive Officer. The non-executive directors play a key role in our governance framework and culture, and their roles are not limited to the boardroom. Examples of some of the other activities they have undertaken during the course of the year are set out on page 76.

The Board is accountable for the long-term success of the company by setting the Group's strategic objectives and monitoring performance against those objectives. The Board meets formally on a regular basis and at each meeting considers business performance, strategic proposals, acquisitions and material transactions in the context of the Group's strategic plans, risk appetite, the interests of the Group's stakeholders and our social purpose. The Board and its subsidiaries operate within a clearly defined delegated authority framework, which is fully embedded across the Group.

The delegated authority framework ensures that there is an appropriate level of Board contribution to, and oversight of, key decisions, and that the day-to-day business is managed effectively. The delegated authority framework includes a clearly defined schedule of matters reserved for the Board. The types of matters reserved include, amongst other things, matters relating to the Group's strategic plan, material transactions, risk appetite, and oversight of systems of internal control and corporate governance policies. Those matters which are not reserved are delegated by the Board to Group level committees and to the Group Chief Executive Officer who then delegates decision making onward to the Group Capital Committee, an executive decision-making forum, and his direct reports.

How the Board spent its time in 2020

The Board held eight full formal Board meetings during 2020, including two strategy events. In addition, in order to maintain strong oversight of the impact of Covid-19 on the Group and the Group's response to it, the Board held weekly Board calls for a number of months. Board sub-committees were also constituted on a number of occasions in order to deal with matters arising in the ordinary course of business outside of the formal schedule of meetings. A table of individual Board member attendance at the formal Board and Committee meetings is provided on page 77. The non-executive directors have a private meeting without the executives present after each Board meeting and otherwise when required. The non-executive directors meet without the executive directors and the Chair periodically to review the Chair's performance. Board members met informally with the executive and senior management on a regular basis outside of the formal meeting schedule.

The Board agenda is set by the Chairman and consists of the following broad discussion areas:

- An update from the Group Chief Executive, the Group Chief Financial Officer and a report from each of the key business divisions on business performance, key business initiatives, customer and employee engagement, control environment and culture.
- Discussions on strategic ambitions, proposals, acquisitions, material transactions and other material initiatives.
- Risk and compliance matters.
- Legal and governance matters; and
- People and employee engagement matters.

The Board informs itself of the views of shareholders on a regular basis through regular updates from the Group Chief Executive Officer and Group Chief Financial Officer, as well as an annual update from the Chair following his annual schedule of investor meetings.

Members of the senior management team and, as appropriate, individuals from the relevant business areas are invited to attend Board meetings in relation to key items, allowing the Board the opportunity to debate and challenge on initiatives directly with the senior management team along with the executive directors.

Key areas of focus in 2020	Discussion and actions arising
Strategy	• In November, the Board approved the Group's five-year dividend, cash and capital ambitions which were announced at our Capital Markets event on 12 November 2020. • At its December meeting, the Board considered and approved the Group's five-year business plan. This included a review of the divisional strategic objectives, initiatives and financial and non-financial Key Performance Indicators (KPIs). • The Board held a full day strategy event in April which covered, among other things, the work undertaken across the Group under the Group's new strategic driver 'Addressing Climate Change'. and the continued focus on scaling asset origination capabilities in Legal & General Capital. • The Board held a further two-day strategy event in October to discuss progress against the Group's strategic plan and how the Board believes it should evolve. The Board also discussed in depth the strategic opportunities for the Group as a provider of retirement solutions for both retail and institutional customers, its commitment to inclusive capitalism and ESG as well as new strategic growth areas for the longer term. In addition, the Board considered the Group's potential for continued international growth in the US and Asia. • The Board further considered strategic ambitions at its Board meetings and further considered corporate and material transactions to ensure that proposed transactions were aligned with the Group's strategy and risk appetite. The Board had early sight of pipeline initiatives.
Covid-19	• The Board met regularly to scrutinise the impact of Covid-19 on the Group and the Group's response to it, including informally on a weekly basis during the first lockdown period. • Discussions and actions focused on ensuring the continued resilience of the Group both financially and operationally, the continued servicing of the Group's customers and ensuring the safety of the Group's people, in addition to the close monitoring of the wider macro-economic environment. Further detail on our commitment to our stakeholders during the Covid-19 pandemic can be found on pages 70 to 71.
Governance and risk management	• An external Board evaluation took place in the later part of 2020. For this review the Board retained a new board evaluator, Independent Board Evaluation. Detailed recommendations arising from the evaluation were developed and an action plan was subsequently adopted by the Board. • Following recommendations from the Nominations and Corporate Governance Committee, the Board approved the appointments of two new non-executive directors to the Board. • The Board regularly received and discussed reports from the Group General Counsel and Company Secretary on legal matters, emerging regulation and governance changes. • The Board regularly received and discussed reports from the Chief Risk Officer on risk and compliance matters, including an annual report on whistleblowing and the report on our review of management of conflicts of Interest.
Stakeholders	• During the year, the Board regularly considered the Group's relationship with various stakeholder groups. It discussed customers, shareholder matters, employee engagement, and the Group's impact on, and relationship with, wider society and the environment. The Board has focused deep dives on such areas, for example sessions with the executive nominated as the Group's Customer Champion, and it considered these matters as part of its decision making on strategic proposals. • Employee engagement continued to be a focus for the Board in 2020 with Lesley Knox, the designated workforce director, providing regular updates on engagement with the workforce, the results of the employee surveys and visits to a number of Legal & General office locations. • Board members met regularly through the year with key regulators, the Prudential Regulation Authority and Financial Conduct Authority.

Ensuring our directors have the right skills and experience to maintain an effective Board

The Board believes that continuous director training and development is important to maximise the effectiveness of the Board. The Chairman is assisted by the Group Company Secretary in providing all new directors with a comprehensive induction programme on joining the Board. This includes a series of meetings with members of the Board and with the Group's operational and functional leadership, external advisers to the Group and a programme of meetings with staff. This ensures directors obtain a detailed insight of the Group, its businesses and governance framework as well as the regulatory macro environment in which it operates.

The key areas of the Board's induction programme include:

- An introduction to the Group's corporate structure, governance framework and guiding principle.
- A meeting with the Group Company Secretary who provides detail on the roles and responsibilities of the Board, delegated authority framework, listed company requirements and the requirements of the UK Corporate Governance Code, and how the Group complies with its principles.
- Meetings with the CEO of each business division to receive an overview of each business area including information around strategic goals, risk overview and management, customers, and key financial and non-financial KPIs.
- Meetings with members of the Board, the Executive Committee and senior management, covering areas such as:
  - Group risk management
  - risk and compliance
  - finance
  - remuneration
  - investor relations and corporate affairs.
- A meeting with the Group Actuary focusing on regulatory capital and the Group's Internal Model.
- Meetings with the Chairs of the Risk, Remuneration and Audit Committees.
- A meeting with the external auditor.

In addition, all Board members receive continuing education and development at regular intervals throughout the year. It is the responsibility of the Chair to ensure all directors have the necessary knowledge and training. Board and Committee meetings are used regularly to update the Board on developments in the areas in which the Group operates, and specific training sessions for directors are scheduled for key topical issues. In the year, each director was given the opportunity to meet with the Group HR director to discuss any specific focus areas for training. For example, in 2020 the Board received detailed training sessions on our Climate Change Virtual Accelerator Programme, operational resilience, risk and change management, and the LGIM strategic operating model. Other development activities undertaken throughout 2020 included deep dives into the Group's annuity asset portfolio, international Pension Risk Transfer (PRT) ambitions, and best practice around governance controls when considering IT change. The Group Board non-executive directors also visited our business operations in different locations and attended one-to-one briefing sessions with key members of the senior management team on a regular basis over the year.

Technology Committee

The Technology Committee (previously named Group IT Committee) was initially established in January 2018. The Committee was established primarily to provide assurance to the Board on the delivery of the company's programme to implement planned enhancements to the Group's IT estate, to ensure the Group was operating within its targeted access management, information security and cyber risk appetite. Following the successful delivery of the 2018 enhancements to the IT estate and significant improvements in the Group's IT controls, in July 2020 the IT Committee decided to re-focus its attention on more strategic matters. As part of this transition, two executive committees reporting into the Technology Committee were refocused to allow the Technology Committee to place reliance on the IT mechanisms and controls in place at an executive level. In addition, the meetings were lengthened to facilitate more comprehensive strategic discussion. The Technology Committee now focuses primarily on the company's IT, digital and cyber strategies and their implementation plans.

Its other responsibilities include:

- Overseeing the control environment in place for information technology and cyber security.
- Overseeing technology aspects of major change programmes and understanding their strategic contribution and risks; and
- Reviewing risks relating to IT and cyber security and plans for mitigation or treatment.

The Committee membership comprises the Chairman, the Senior Independent Director, the Chair of the Audit Committee and the Chair of the Risk Committee. One of the Group CEO, Group CFO, Chief Risk Officer and Group IT Director are expected to attend all meetings; in practice, all four of these executive members attend. The Committee is advised by three independent cyber and IT experts. The Committee met five times during 2020.

The Group IT community was at the forefront of the Group's Covid-19 response as the company moved to a more agile way of working. The Technology Committee received in depth and regular updates on the Covid-19 technology response, on an ad hoc basis at the beginning of the pandemic and in the regular meeting cycle thereafter.

In 2020 the Committee:

- Focused on the Group's cyber security, information security and access management programmes.
- Reviewed and endorsed the organisation and operating model in place for IT and cyber security and subsequently considered its ongoing suitability.
- Maintained oversight of the overall resilience of the Group's IT systems.
- Maintained oversight of the Group's IT, digital and cyber strategies and the corresponding implementation plans; and
- Received deep dive insights into major IT and cyber programmes across the Group.

Board evaluation

The effectiveness of the Board is essential to the success of the Group. The Board undertakes a formal and rigorous review of its performance and that of its Committees and individual directors each year. During 2019, the Board undertook an externally-facilitated internal review, with a series of outcomes reported in 2020. The recommendations from the 2019 review and the progress the company has made against those recommendations are reported in more detail below.

In accordance with the Code, the Board commissions externally facilitated reviews regularly. During 2020 the Board agreed it would be beneficial to undertake an external evaluation. The Board tendered for the evaluation provider to ensure that the evaluation process was independent, robust and meaningful. This tender was led by the Chairman and the Group Company Secretary. Following this tender, the 2020 evaluation was facilitated by Ffion Hague at Independent Board Evaluation (IBE), an external Board review specialist. IBE had not previously undertaken a Board evaluation for the company, and has no other connection with the company or individual directors.

The aim of the review was to assess the effectiveness of the Board, both as a collective unitary Board, and at individual Board member level, in order to implement any actions required to become a more effective Board. The performance of each of the Board Committees was also assessed and the evaluation included a review of the Chairman's performance. Interviews were conducted with every Board member, according to a set agenda tailored for the Board, which had been agreed in advance with the Chairman and Group Company Secretary. In addition, interviews were held with senior management and advisers who interacted regularly with the Board. Ffion Hague observed a Board meeting and a meeting of each of the Board Committees. Ffion also had access to the papers for each of those meetings. Following the final report, recommendations were considered by the Board and shared with each Committee, and an action plan for areas of focus was agreed. As part of the final report, the Board asked IBE to share good practice observed in other companies. This good practice was built into the action plan, where appropriate.

The Board review focused on, among other things: Board accountability, focus and priorities; Board composition, expertise, decision-making and dynamics; succession planning; selection and induction of new members; oversight and implementation of strategy; communication and relationship with stakeholders; risk management; governance, including links with subsidiary boards; and Board support, including resourcing and quality and volume of papers and presentations. The tone of the feedback was very positive overall. A summary of key recommendations from the review is set out below. Progress to implement the recommendations from the review is monitored by the Group Company Secretary and reported to the Board at each Board meeting. IBE have agreed with the summary of the evaluation process as set out above, and the summary of the recommendations as set out on the following page.

A summary of the key Board evaluation recommendations is provided below:

Recommendations from 2020
Ensure active and regular oversight of Board and senior management succession, discussing and agreeing succession options and timing for key roles.
Develop newer non-executive directors' knowledge of the business.
Refresh, test and clearly articulate the Group's medium-term strategy, especially looking beyond the current very strong pipeline.

Recommendations from 2019 review	Progress against 2019 recommendations
Continue to have regular oversight over and involvement in non-executive and executive development and succession	There was a focused session on non-executive succession planning at the Nominations and Corporate Governance Committee meeting in May, including succession planning for the Senior Independent Director, who is due to step down on 31 March 2021. Following a formal recruitment process, two new non-executive directors were appointed to the Board in 2020, supporting the medium-term succession planning. Executive development and succession planning were discussed at the Nominations and Corporate Governance Committee meeting in July. The Group aims for long integration periods for senior executive roles to ensure well-planned and appropriate handovers. A number of executive changes were announced in September, including the movement of the Legal & General Retail Retirement Chief Executive to the position of Group Chief Risk Officer, putting some of this planning into practice.
Continue to improve the Board's understanding of its stakeholders, including customers, suppliers and employees.	The Board was very focused on its stakeholders in 2020 and in particular on the impact of Covid-19 on its customers and employees. Regular customer Management Information was provided to the Board throughout the Covid-19 lockdown to enable the Board to have visibility on the impact of remote working on important business services. The Board received an update on customers from the Legal & General Retail Retirement Chief Executive (as Customer Champion) and the Group Conduct Risk Director in June, and the Customer Champion presented an update on customers (including institutional clients) to the Board at the meeting in July. Performance of suppliers during the Covid-19 pandemic was also a focus for the Board in 2020. In particular, the Group Risk Committee held a detailed discussion on the Group's top 10 suppliers at its meeting in July. The Board received regular updates on employees, including the results of the employee lockdown surveys, from the Group HR Director, at full Board meetings and regular Board calls. There was continued engagement with the workforce and reporting on this at the Board through the designated workforce non-executive director. Through this, the Board gained an understanding of the key challenges faced by employees throughout the pandemic and their key concerns, as well as an understanding of those steps/actions which were being taken to support employees, both physically and from a mental health perspective. The Board had continued engagement with both institutional and retail shareholders over the year. In particular, we hosted a virtual Capital Markets event for investors and analysts in November. The event consisted of presentations on the Group's strategy, financial performance and ambitions, as well as a live Q&A teleconference with the executive management team. Additionally, we held a live, virtual shareholder engagement event at the end of the year, which included presentations from the Chairman, Group Chief Executive and Committee Chairs. Shareholders were also offered the opportunity to pre-submit any questions they may have for the Board, or ask their questions live at the event.
Continue to enhance focus on the Group's businesses and the markets in which they operate.	Each of the Group's business areas provides regular updates to the Board at each Board meeting, and the divisional Chief Executives periodically attend Board meetings to update in more detail on their business. The Board receives deep dive presentations into specific areas of strategic interest or growth in each business division over the year. There was a particular continued focus throughout Covid-19 on the Group's important business services.
Continue to enhance the support provided to the Board in terms of training, facilities and quality of papers.	The Covid-19 pandemic and move to remote working accelerated the Board's digital journey and Board meetings have been successfully held remotely since April. Incremental improvements have been made to the Board's videoconferencing facilities since then. In addition, safe and socially distanced in-person attendance at Board and Committee meetings has been facilitated since July. Improving the quality of Board papers is an ongoing priority for the Company Secretariat team. In 2020, new formats for Board reporting were introduced to reduce the number of papers and length of reports.

Sir John Kingman
Chairman

Committed to the highest standards

Compliance with the 2018 UK Corporate Governance Code: For the year ended 31 December 2020, we are pleased to report that we have applied the principles and complied with the provisions of the Code.

1. Board leadership and company purpose

A. Board's role

There is a formal schedule of matters reserved for the Board that sets out the structure under which the Board manages its responsibilities, providing guidance on how it discharges its authority and manages the Board's activities. Our governance framework means we have a robust decision making process and a clear framework within which decisions can be made and strategy can be delivered. Our delegated authority framework ensures that decisions are taken by the right people at the right level with accountability up to the Board, and enables an appropriate level of debate, challenge and support in the decision making process. The company continues to be led by an effective and entrepreneurial Board; A yearly planner is reviewed at each Board meeting to ensure the most important and current topics are discussed at meetings throughout the year. The Board's main activities throughout the year are detailed on pages 72 to 73.

B. Purpose and Culture

The Board's agenda is set by the Chairman and deals with those matters relating to the Group's strategic plan, risk appetite, and systems of internal control and corporate governance policies. The Board held a strategy meeting in April 2020 and met for a two day strategy event in October 2020 to consider the Group's strategy. The Board regularly reviews the Chief Risk Officer conduct report, providing insight into culture across the organisation and helping to ensure behaviours throughout the business align with the company's purpose, values and strategy. Furthermore, the Board is responsible for overseeing implementation of the group-wide diversity and inclusion policy which applies to all individuals directly employed by the Group and forms the basis of engagement with customers and suppliers. Board members participate in site visits enabling them to meet with employees and gain first-hand insight into culture in the various business divisions. The Chairman, Group Chief Executive and Group Chief Financial Officer have also hosted virtual town hall events throughout the year. Additionally, when the Board is considering entering a new market or business area, culture plays a major part in discussions and Board members remain conscious of the need to embed the company's inclusive culture in any new business. Building an inclusive culture enables innovation, better decision making and embodiment of our three behaviours: straightforward, collaborative and purposeful. Further information on the purpose of the company is provided on page 6.

C. Resources and controls

Matters delegated to the Group Chief Executive include managing the Group's business in line with the strategic plan and approved risk appetite, and responsibility for the operation of the internal control framework. The Group Risk Committee assists the Board in the oversight of the risks to which the Group may be exposed and provides the Board with strategic advice in relation to current and potential future risk exposures. The risk management framework supports the informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to and the risks that we want to avoid. Further information on risk management can be found on pages 40 to 47.

D. Stakeholder engagement

Board members take an active role in engaging with shareholders and wider stakeholders. Further information on the Board's engagement with stakeholders can be found on pages 64 to 67. Board members receive feedback at each Board meeting from Lesley Knox on her role as designated workforce director and periodic feedback from the employee Voice survey enabling them to assess and monitor culture.

E. Workforce engagement

In addition to Board members' site visits, the designated workforce director meets with employees of various grades and across business divisions throughout the year, enabling visibility of workforce policies and practices across the organisation and how these align with the company's values and the Group's behaviours. There is a whistleblowing hotline available for any members of the workforce who wish to raise any concern of wrongdoing in the workplace. The Board has oversight of whistleblowing and routinely receives reports arising from its operation. Additionally, employees are encouraged to share their views through the Voice survey and with the designated workforce director. Further details are available on page 69.

2. Division of responsibilities

F. Role of the Chairman

The Chairman sets the agendas for meetings, manages the meeting timetable and encourages an open and constructive dialogue during meetings, inviting the views of all Board members.

G. Composition of the Board

In addition to the Chairman, the Board comprises seven independent non-executive directors and two executive directors. The roles of the Chairman and Group Chief Executive are clearly defined and the role profiles are reviewed as part of the annual governance review undertaken by the Board. Sir John Kingman, the Chairman, is responsible for leading the Board while Nigel Wilson, Group Chief Executive, is responsible for the day-to-day management of the company within the parameters of the strategy set by the Board. Sir John Kingman was identified by the directors as being independent on appointment.

H. Role of the non-executive directors

The non-executive directors' engagement with management, constructive challenge and contribution to Board discussion are assessed as part of the Board's annual effectiveness review. The non-executive directors' letters of appointment set out the time commitment expected from them. At times, this time commitment may go beyond that set out in the letter of appointment and is therefore reviewed regularly. External commitments, which may have an impact on existing time commitments, must be agreed in advance with the Chairman and approved by the Nominations and Corporate Governance Committee under its delegation from the Group Board. In addition, the policy for the identification and management of directors' conflicts of interest is reviewed on an annual basis. The significant commitments of each of the directors are included in the Board biographies on pages 58 to 59. The Chairman's commitments were considered as part of his appointment and the Board agreed that he had no commitments that were expected to have a negative impact upon his time commitment to the company. This is kept under review.

I. Role of the Company Secretary

Procedures are in place to ensure that Board members receive accurate and timely information via a secure and electronic portal and all directors have access to the advice of the Group General Counsel and Company Secretary as well as independent professional advice at the expense of the company.

3. Composition, succession and evaluation

J. Appointments to the Board and succession planning

The Nominations and Corporate Governance Committee is responsible for assessing the composition of the Board and, in making recommendations for appointments to the Board, the Committee considers the balance of skills, experience and knowledge needed in order to enhance the Board and support the company in the execution of its strategy. The Nominations and Corporate Governance Committee is responsible for succession planning and leading the process of appointing new directors to the Board. Details of the work undertaken by the Nominations and Corporate Governance Committee are set out on pages 78 to 81.

K. Skills, experience and knowledge of the Board

The Nominations and Corporate Governance Committee is committed to ensuring that all appointments are made on merit having evaluated the capabilities of all potential candidates against the requirements of the

Board, with due regard for the benefits of all types of diversity, including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. Further details of the appointments undertaken during the year can be found on page 79 and a summary of the Board's policy on diversity and inclusion can be found on pages 80 to 81.

L. Board evaluation

The Board undergoes an externally facilitated evaluation every three years. An external Board evaluation was undertaken during 2020. Details of this external evaluation and an update on the progress against the recommendations from the 2019 externally-facilitated internal evaluation are set out on page 75. To ensure that the evaluation process is independent, robust and meaningful, the Board undertook a tender process for the evaluation provider in June, following which, the 2020 evaluation was facilitated by Independent Board Evaluation (IBE). Sir John Kingman's performance is appraised as part of this annual review, as well as the effectiveness of both the non-executives and the executive team.

All directors were subject to shareholder election or re-election at the 2020 Annual General Meeting (AGM) and all directors received over 97% votes in favour of their re-election. All directors will be subject to shareholder election or re-election at the 2021 AGM, aside from Julia Wilson who reached her nine year tenure as non-executive director of the company in December 2020 and so will be stepping down from the Board on 31 March 2021.

4. Audit, risk and internal control

M. Internal and external audit

The Audit Committee comprises six independent non-executive directors and the Board delegates a number of responsibilities to the Audit Committee, including oversight of the Group's financial reporting processes and internal control, and the work undertaken by the external and internal auditors. The Committee also supports the Board's consideration of the company's viability statement and its ability to operate as a going concern. The Audit Committee chair provides regular updates to the Board on key matters discussed by the Committee.

N. Fair, balanced and understandable assessment

The Strategic report, located on pages 1 to 55, sets out the performance of the company, the business model, strategy, and the risks and uncertainties relating to the company's future prospects. The 2020 Strategic Report includes a wide-ranging review and consideration of the impact of Covid-19 on both the Group and its stakeholders. When taken as a whole, the directors consider the annual report is fair, balanced and understandable and provides information necessary for shareholders to assess the company's performance, business model and strategy.

O. Risk management and internal control framework

The Board sets the company's risk appetite and annually reviews the effectiveness of the company's risk management and internal control systems. A description of the principal risks facing the company is set out on pages 44 to 47. Page 43 sets out how the directors have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate (the 'viability statement'). The Group Risk Committee considers assessments of the Group's current risk profile and emerging risk factors, facilitated by the Group Chief Risk Officer. The activities of the Group Risk and Audit Committees are set out on pages 82 to 87.

5. Remuneration

P. Remuneration policies and practices

The company aims to reward employees fairly and its remuneration policy is designed to promote the long-term success of the company whilst aligning the interests of both the directors and shareholders. An updated remuneration policy was approved by shareholders at the 2020 Annual General Meeting. The directors' remuneration policy is set out on pages 94 to 95.

Q. Executive remuneration

The Remuneration Committee is responsible for setting the remuneration for all executive directors. No director is involved in deciding their own remuneration outcome.

R. Remuneration outcomes and independent judgement

Details of the composition and the work of the Remuneration Committee are set out in the Directors' report on remuneration on pages 88 to 113.

UK Corporate Governance Code
A full version of the Code can be found on the Financial Reporting Council's website.
Please visit: frc.org.uk

Board and Committee meetings attendance during 2020[1]

Director	Appointment date	Committee appointments	Board (8)	Audit Committee (5)	Nominations and Corporate Governance Committee (4)	Remuneration Committee (5)	Group Risk Committee (5)	Technology Committee (5)
Chairman and executive directors								
Sir John Kingman[2]	24 October 2016	T N	8/8		4/4			5/5
N D Wilson	1 September 2009		8/8					
J Davies	9 March 2017		8/8					
K Procter[3]	9 March 2017		7/7					
M Scrimgeour[3]	2 September 2019		7/7					
Non-executive directors								
J Wilson[5]	9 November 2011	A T N Ri	8/8	4/5	3/4		4/5	5/5
H Baldock	4 October 2018	A N R Ri	8/8	5/5	4/4	5/5	5/5	
P Broadley	8 July 2016	A T N R Ri	8/8	5/5	4/4	5/5	5/5	5/5
L Knox	1 June 2016	A N R Ri	8/8	5/5	4/4	5/5	5/5	
G Lewis	1 November 2018	A N Ri	8/8	5/5	4/4		5/5	
T Strauss	1 January 2017	A T N Ri	8/8	5/5	4/4		5/5	5/5
R Lewis[4]	18 June 2020	N R Ri	4/4		2/2	3/3	3/3	

1. Attendance at meetings in accordance with the formal schedule of meetings.
2. Attends all Audit, Remuneration and Group Risk Committee meetings as an invitee.
3. Kerrigan Procter and Michelle Scrimgeour resigned from the Legal & General Group Plc Board on 26 November 2020.
4. Ric Lewis was appointed to the Legal & General Group Plc Board on 18 June 2020.
5. Unable to attend May Committee meetings due to prior commitment that was unable to be moved.

Committee membership key
A Audit T Technology N Nominations and Corporate Governance
R Remuneration Ri Risk Committee Chairman

Nominations and Corporate Governance Committee report

> Our ambition is to create an inclusive culture at Legal & General, where we can all perform at our best, no matter who we are. We believe not only that this is the right thing to do, but also that this aim is consistent with our objective around inclusive capitalism."

Sir John Kingman
Chairman

Sir John Kingman
Chairman

The composition of the Committee

The Committee is composed of the Group Chairman and all the independent non-executive directors. The table below sets out the Committee membership during the year. The Group Chief Executive and Group HR Director may be invited to attend meetings where this may assist the Committee in fulfilling its responsibilities and, most notably, in relation to executive appointments and succession planning.

Members
Sir John Kingman
Henrietta Baldock
Philip Broadley
Lesley Knox
George Lewis
Ric Lewis
Toby Strauss
Julia Wilson

In line with our conflicts of interest management policy, directors are asked to absent themselves from any discussions relating to their own reappointment or succession.

The Committee's terms of reference, which set out full details of the Committee's responsibilities, can be viewed on our website: www.legalandgeneralgroup.com/about-us/corporate-governance/

The role of the Committee

The Committee has overall responsibility for leading the process for new appointments to the Board. It also ensures that these appointments bring the required skills and experience to the Board to support the Board's role in the development and oversight of the Group's strategy. As part of this, the Committee reviews the structure, size and composition of the Board to ensure the Board is made up of the right people with the necessary skills and experience whilst striving to achieve a Board composition that promotes diversity of thought and approach.

The Committee's key responsibilities are:

- Regularly reassessing the structure, size and composition of the Board and recommending any suggested changes.
- Considering succession planning for directors and other senior executives. This takes into account the promotion of diversity and inclusion, the challenges and opportunities facing the company, and the skills and expertise needed by the Board in the future. In addition, the Committee ensures the continued ability of the company to compete effectively in the market place.
- Reviewing the criteria for identifying and nominating candidates for appointment to the Board based on the specification for a prospective appointment including the required skills and capabilities.
- Identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise, taking into account other demands on directors' time.
- Reviewing the time commitment required from non-executive directors and assessing the non-executive directors' other significant commitments to ensure that they continue to be able to fulfil their duties effectively.
- Overseeing and monitoring the company's corporate governance framework, ensuring compliance with the UK Corporate Governance Code while promoting the highest standards of corporate governance across the Group.

How the Committee spent its time in 2020

During 2020 the Committee has focused in particular on the recruitment of the two new non-executive directors, Ric Lewis, who joined the Board in July 2020, and Nilufer von Bismarck OBE, whose appointment was announced in November 2020 and who will join the Board in May 2021. The biographies of these two new non-executive directors are set out on page 59 and show the strength and depth of skills and experience they bring to the Board. The process involved in these non-executive director appointments was as follows:

The process for the appointment of new non-executive directors

Role requirements	Process	Search	Recruitment
A specification was prepared for the role of non-executive director, specifying the skills, knowledge, experience and attributes required. A strong understanding of the financial services industry was considered essential in order for the appointee to contribute broadly to Board debate. Provided an individual had the relevant skills, previous Board experience was not a necessity.	As part of Board succession planning, the Committee agreed in 2019 to commence a recruitment process to identify a suitable candidate for a new non-executive director. After a tender process, Spencer Stuart, an external search consultant, was engaged to facilitate the search and selection process.	Potential candidates identified were assessed against the role specification, merit and with due regard for the benefits of all forms of diversity on the Board, including gender and ethnicity. Candidates were then shortlisted for interview. Interviews focused on each candidate's skills and experience for the role.	Following interview by the Chairman, the Group Chief Executive and the Group HR Director, a number of candidates progressed to meet other Board members. All were appropriate for appointment based on their skills and experience. Two of the candidates indicated that they were keen to join the Board and the Committee agreed that those candidates should be recommended to the Group Board for appointment to the Board. The Board approved the two appointments. Ric's appointment took effect on 18 June 2020. Nilufer's appointment was announced on 26 November 2020 and will take effect from 1 May 2021.

In 2019 the Board undertook an assessment of the skills and competencies required for non-executive roles for the Board to effectively develop and oversee the Group's strategy and the identification of any gaps which could be filled to enhance the Board's future performance. The Committee determined that the company had a strong Board that was sufficiently able to manage the demands of the Group, but it would be useful to bolster the Board further in certain areas contemplated by the Group's five-year strategic plan. In addition, the Committee discussed that the Board would benefit from further diversity, including ethnic diversity. In 2020, the Board progressed these discussions and recruited two new non-executive directors, both of whom add valuable experience to the Board in financial services but also in sectors in which the company's exposure is increasing, such as real estate. The two new non-executive directors also add additional diversity to the Board. Further detail on our Group Board diversity is detailed in the charts on page 81.

The Board, as part of a continued focus on achieving best practice in governance, decided in 2020 to streamline executive representation on the Board to ensure there was always a substantial majority of independent non-executive directors. As such, from November 2020 only the Group CEO and Group CFO sit on the Board as executive directors. Kerrigan Procter, Chief Executive LGC, and Michelle Scrimgeour, Chief Executive LGIM, who were previously also executive directors of the Board, have continued in their executive roles.

The Committee has continued to focus on contingency, medium-term and long-term succession planning for the executive and senior management, with particular emphasis on leadership succession and capabilities evaluation. The Committee discussed in particular how the Executive Committee had worked together in response to the challenges posed by the Covid-19 pandemic. Following Committee discussions early in the year on executive succession, a number of changes were made to our executive team in September 2020, including the announcement of the appointment of Chris Knight as Chief Risk Officer and Andrew Kail, joining from PwC, as CEO of LGRR. In addition, later this year Laura Mason, currently Chief Executive, Legal & General Institutional Retirement (LGRI), will succeed Kerrigan Procter as Chief Executive, Legal & General Capital. Kerrigan Procter will be moving to a new role as President of Asia, Legal & General Group. We will run a formal recruitment process to identify Laura's successor as Chief Executive, LGRI. The Group aims for long integration periods for senior executive roles to ensure well-planned and appropriate handovers and this set of changes to the executive team will follow that planned long integration approach.

Nominations and Corporate Governance Committee report continued

The Committee also discussed succession planning for the Senior Independent Director (SID), a position currently held by Julia Wilson. Julia has served a nine-year term on the Board and so will step down on 31 March 2021. Philip Broadley, our Audit Committee chair, will take over from Julia as SID. Philip's four years of experience on the Board and as Audit Committee chair will position him well to fulfil the duties of SID. When considering Philip's appointment as SID, the Committee thought carefully about the time commitment required to undertake both this role, the role of Audit Committee Chair and his other external commitments. The Committee satisfied itself that Philip had sufficient time to fully commit to both roles.

The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director's other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company. As Julia Wilson has served on the Board for nine years, her continued independence was subject to a more rigorous review in 2020. Committee members considered Julia's external interests and other relationships which could materially interfere with her ability to exercise independent judgement. It was concluded that there were no circumstances which would affect Julia's ability to act in the best interest of the company and that her length of tenure had no detrimental impact on her level of independence.

The Committee is also responsible for overseeing and monitoring the Group's corporate governance framework which includes the following activities:

- Monitoring the Group's compliance with the UK Corporate Governance Code.
- Promoting the highest standards of corporate governance across the Group.
- Considering and approving directors' additional external appointments, taking into account other demands on directors' time.
- Ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.
- Overseeing the process for ensuring that non-executive directors have tailored induction programmes on appointment and on-going development programmes, including regular Executive Business Awareness sessions, designed to maximise their effectiveness.
- Overseeing the process by which the Board, each Committee and individual directors assess their effectiveness (including the use of an external facilitator periodically, as well as self-assessment) and report to the Board on the findings and recommendations.

Details of the Group's compliance with the UK Corporate Governance Code have been provided on pages 76 to 77.

Our approach to diversity and inclusion

Our ambition is to create an inclusive culture at Legal & General, where we can all perform at our best, no matter who we are. We believe not only that this is the right thing to do, but also that this aim is consistent with our objectives around inclusive capitalism. There is a clear commercial logic as well as a compelling moral case for this, and it underpins the actions we take to improve diversity and inclusion across the organisation.

1. Building a diverse and inclusive Board

An effective Board is one that embodies diversity of thought and background, and one which reflects our people as well as the businesses and communities our organisation serves. Ensuring appropriate diversity in Board composition with the right mix of skills and experience has been a key focus for the Committee during the year.

We are committed to improving ethnic minority representation on our Board. Our appointment of Ric Lewis in 2020, and the arrival of Nilufer von Bismarck in May 2021, brings to the Board significantly greater diversity of ethnicity, in line with our Board Diversity Policy and the recommendations of the Parker Review.

The Board continues to support Lord Davies' and the Hampton-Alexander voluntary targets, namely for a third of all Board members in FTSE 350 companies to be women by 2020. As at 31 December 2020, our Board comprised 30% women and 70% men.

We are committed to increasing the number of women on our Board further and will address our current position as soon as possible. The chart on the following page demonstrates the Board's current position.

2. Gender diversity and an inclusive Senior Leadership Team

A diverse Senior Leadership Team is as important as a diverse Board, because we believe that executive decision-making is more effective if it takes into account a wider range of views and opinions. Therefore, we continue to hold ourselves to the stretching aspirational targets we set in 2017, to be achieved by the end of 2020:

1. 50% female representation across our total population.
2. 40% female representation at middle/senior management level.

As of 31 December 2020, female representation across the group stood at 45% and at 35% at the middle/senior management level. Our Executive Committee comprises 27% women and 73% men, with two of our five operating businesses led by a female CEO.

Whilst it is disappointing not to hit the targets we set ourselves, we continue to take practical and purposeful steps towards redressing imbalance, including:

- Reinforcing our inclusive hiring practices (such as balanced shortlists and diverse interview panels) and broadening our focus to allow us to address other areas of under-representation beyond gender.
- Continued rollout of a digital, strengths-based assessment tool to reduce bias in talent management decisions.
- Expansion of family-friendly, agile working practices.
- Additional investment in training for line managers and leaders, helping them build new skills for leading inclusive teams where everyone can perform at their best.
- Provision of wellbeing resources including access to a backup network for child, adult and elder care; and
- Ongoing external validation and benchmarking through the Women in Finance Charter, the Bloomberg Gender Equality Index and Hampton Alexander Review.

In 2020, we were awarded the Citywire Gender Diversity 'Judges choice' Award. This accolade was awarded for our stewardship work on gender diversity and leading position on ethnicity, as well as for the female representation in businesses at the board and executive levels and across other senior roles.

Full gender data for our management teams and all employees is available on page 54.

3. Broadening the diversity & inclusion agenda across our organisation

2020 threw into sharp relief the need for continued focus, investment and action to address structural inequality and disadvantage within our organisations and across society. During the year, we spent time listening to our people, exploring external perspectives and reaffirming our commitment to building a diverse and inclusive business.

To reflect the importance of creating a diverse and inclusive business, at the end of 2020, we established our Global Diversity and Inclusion Council which reports to our Group Executive and Group Board, through the Nominations and Corporate Governance Committee. It is chaired by Laura Mason, CEO of our Institutional Retirement business and our Global Diversity and Inclusion Sponsor, and comprises senior leaders from across our divisions and geographies alongside Jeff Davies (Group CFO), Emma Hardaker-Jones (Group HR Director) and Michelle Scrimgeour (CEO, LGIM). The Council is tasked with defining and driving an ambitious agenda for D&I across the Group. It regularly reports to the Nominations and Corporate Governance Committee.

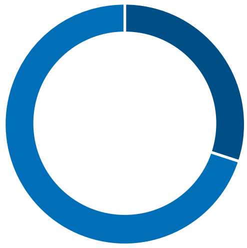
The Board is responsible for overseeing the implementation of our Group-wide diversity and inclusion policy. This policy applies to everyone directly employed by the Group and forms the basis of our engagement with our clients, suppliers and other third-party providers.

Our standards include:

- We will be fair and transparent, and treat our people with integrity and openness. We will be respectful of differences and we will not tolerate behaviour that marginalises, disadvantages or devalues others.
- We will aim to build a workforce that reflects the diverse communities we serve. We will invest in our hiring processes so we can attract a more diverse pool of people, and we will tackle barriers that prevent us from attracting and retaining more diverse talent.
- We will create an inclusive environment where people feel comfortable sharing their opinions and feel like they belong. We will encourage our people to embrace difference, to listen to other points of view, and work together to achieve the best outcome.
- We will ensure that everyone across Legal & General understands their responsibilities in driving an inclusive and diverse culture and the opportunities it can bring. We will develop a clear governance framework and use data and insights to shape our actions, measure our progress, and drive accountability.

Diversity

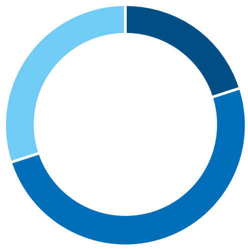
Gender



As at 31 December 2020 the Board comprised:

- **30%** Women
- **70%** Men

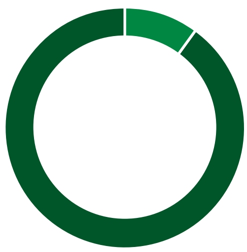
Tenure



As at 31 December 2020 the length of tenure of the non-executives varies:

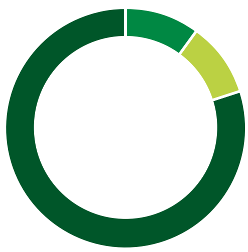
- **20%** Over six years
- **50%** Between three and six years
- **30%** Between zero and three years

Ethnicity



As at 31 December 2020 the Board comprised individuals from the following ethnic groups:

- **10%** Black
- **90%** White



As at 1 May 2021 the Board will comprise individuals from the following ethnic groups:

- **10%** Asian
- **10%** Black
- **80%** White

The Committee only engages executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice for corporate board searches. During the year, the company engaged Spencer Stuart, which is a signatory to this Code. This search firm has no other connection to the company or individual directors.

The Committee briefs the search firm to ensure that the pool of candidates presented includes a diverse range of candidates with an appropriate range of experience, knowledge and background, and who demonstrate independence of approach and thought. As detailed on page 79, this process was followed for the recruitment of our new non-executive directors appointed in 2020.

Finding what you need online
We have published our gender pay gap data which can be found online at www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

A summary is available on page 54 of this report.

Audit Committee report

Philip Broadley
Chairman of the Audit Committee

The composition of the Committee
The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Philip Broadley
Henrietta Baldock
Lesley Knox
George Lewis
Toby Strauss
Julia Wilson

Other regular attendees at Committee meetings include the following:

Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Director of Group Finance; Group Chief Internal Auditor; Legal & General Retirement Finance Director; Group Actuary; Chief Tax Officer; Representatives of the external auditor, KPMG LLP.

Letter from the Chairman

Dear Shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2020. The report explains the work of the Committee during the year and meets the disclosure requirements set out in the 2018 UK Corporate Governance Code (the 'Code').

The Code requires that the Audit Committee must operate effectively and efficiently and that its members have a balance of skills and experience to deliver its responsibilities.

There were no changes to the membership of the Committee during the year. The members of the Audit Committee have a wide range of experience, including as executives in the financial services and other sectors, as non-executive directors, and as board members responsible for financial reporting. The Board considers that I meet the requirements of the Code in having recent and relevant financial experience, as do other members of the Committee.

It is worth highlighting that all members of the Committee are also members of the Risk Committee, which ensures that there is appropriate identification and management of any issues that are relevant to both committees.

The Audit Committee meets regularly and privately with each of the external auditor and the Group Chief Internal Auditor. These meetings allow for regular and open dialogue of any issues relevant to the Committee's work. Audit Committee members also meet regularly with management outside of formal Committee meetings to discuss topical issues and maintain their understanding of the Group's businesses.

Audit Committee focus for 2020

The Audit Committee met five times in accordance with its annual plan and additional informal meetings were arranged as necessary. In line with its purpose, the Committee's time over the course of the year was spent in consideration of:

- Response to the outbreak of Covid-19 and the resilience of operational and financial controls in a remote working environment.
- The integrity of the company's financial statements and Solvency II disclosures, including consideration of the viability statement and going concern assessments.
- Key accounting, financial reporting and actuarial areas of judgement.
- The adequacy and effectiveness of our systems of internal control, including whistleblowing; and
- The effectiveness, performance and objectivity of both the internal and external audit functions including an externally facilitated review of the Group Internal Audit function.

The global outbreak of Covid-19 has had a profound impact on society. Quite rightly, the Committee has spent a large proportion of its time addressing the risks and issues the pandemic has caused our business. This has included work on understanding the impact of the pandemic on both the asset and liability sides of our balance sheet, as well as the resilience of our control environment under remote working conditions. It is important that we continue to monitor all aspects of the control environment as we navigate our way through these unprecedented times. Additionally, as implementation draws closer, the Committee has continued to focus on the company's preparedness for IFRS 17. While our work has primarily remained in respect of ensuring plans are in place to meet the new financial reporting requirements, the focus has begun to shift to more detailed consideration of the modelling, methodologies and assumptions used to calculate insurance liabilities and the impact of transition, and we expect that increased focus to continue through this coming year.

Effectiveness reviews

During the year, the Financial Reporting Council's Audit Quality Review Team ('AQRT') reviewed KPMG's audit of the Group's 2019 financial statements as part of their annual inspection of audit firms. The Audit Committee received and reviewed the final report from the AQRT, which indicated that there were no significant areas of concern.

In May the Committee received a report from PwC following an external quality assessment of the Group Internal Audit (GIA) function. As a Committee it is important for us to have an effective GIA function that we can place reliance on. PwC rated GIA as a mature and high-performing internal audit function, with excellent alignment to the business and a strong and embedded culture of ambition and continuous improvement. This external review confirmed the Committee's own assessment of the quality of GIA.

The Committee's performance was externally evaluated by Independent Board Evaluation in December 2020. The Committee identified two actions as part of its evaluation: undertaking a review of the Committee's composition to ensure that the Committee operated as efficiently and effectively as possible, and enhancing the Committee's engagement with both Group Internal Audit and KPMG.

I am pleased to report that the Committee continues to operate effectively. Looking ahead to the coming year, Covid-19 continues to have a profound reach and impact, and I expect it to act as a key area of focus for the Committee, as it seeks to anticipate the pandemic's impact on controls, customers and critical accounting judgements.

The information on the following pages sets out in detail the activities of the Committee during the year. I hope that you will find this report useful in understanding our work and I welcome any comments from shareholders on my report.

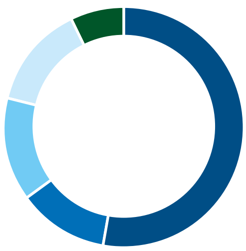
Philip Broadley
Chairman of the Audit Committee

The Audit Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website www.legalandgeneralgroup.com/about-us/corporate-governance/group-board-committees/

How the Audit Committee spent its time in 2020

The Audit Committee is a Board Committee with governance responsibilities that include the oversight of financial disclosures and corporate reporting. The Board has delegated to the Audit Committee the following principal responsibilities to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the Group's financial statements, monitoring the effectiveness of the internal control (including financial internal control) framework and overseeing the independence and objectivity of the internal and external auditors. The Audit Committee is also responsible for advising the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and for reviewing the basis on which the Board provides the viability statement and going concern assessment.
These considerations have been factored into our year-end processes.

Percentage of time allocated to specific agenda items



- **53%** Accounting and financial reporting, including areas of judgement, and reporting developments
- **12%** External audit
- **14%** Internal audit
- **14%** Internal controls
- **7%** Other (including governance)

The Audit Committee has an annual work plan aligned with the financial reporting cycle of the company. The Audit Committee's activities fall into three principal areas:

- Accounting and financial reporting.
- Internal and external audit.
- Internal control.

Accounting and financial reporting

The Audit Committee reviews the appropriateness of the half year and annual financial statements, which it carries out with both management and the external auditors. This review includes ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable, as well as covering compliance with disclosure requirements and the material areas in which significant judgements had been applied.

In collaboration with the Risk Committee, the Audit Committee also reviews the disclosures to be made in relation to internal control and risk management, as well as the principal risks and uncertainties.

The significant accounting issues considered in relation to the 2020 financial statements are detailed on page 84.

Robust year-end governance processes are in place to support the Audit Committee's considerations which include:

- Ensuring that all of those involved in the preparation of the company's annual report have been appropriately trained and fully briefed on the 'fair, balanced and understandable' requirements.
- Internal legal verification of all factual statements, and descriptions used within the narrative.
- Regular engagement with and feedback from senior management on proposed content and changes.
- Feedback from external advisors (corporate reporting specialists, remuneration and strategic reporting advisors, external auditor) to enhance the quality of our reporting; and
- Early opportunity for review and feedback on our annual report by Audit Committee members.

Across global markets and all areas of society, the Covid-19 outbreak has brought with it increased levels of both volatility and uncertainty. While Legal & General has been able to remain robust and resilient as an organisation through 2020, the pandemic has impacted areas of our business, as well as our employees and other key stakeholders in multiple ways. A key area of the Committee's focus has been on ensuring that the disclosures in the Group's half year financial statements and annual report and accounts appropriately reflect the impacts of Covid-19, as well as how the Group has responded to and mitigated those impacts, both financially and operationally.

The Audit Committee, having completed its review, recommended to the Board that, when taken as a whole, the 2020 annual report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. The Audit Committee, together with the Risk Committee, reviewed the key assumptions and methodologies of the risk-based capital model as well as related Solvency II disclosures.

During the year, the Audit Committee has continued to keep abreast of significant and emerging accounting developments, and the Audit Committee regularly considers the progress of the projects to implement new standards, particularly IFRS 17, and the key judgements relating to their implementation, including the expected impacts on results and the approach to transitional disclosures.

Issue	Committee's response
Valuation of non-participating insurance contract liabilities – retirement: The non-participating insurance liabilities for retirement products are significant in size and their estimation is inherently judgemental.	The Committee evaluated the significant judgements that have an impact on the valuation of non-participating insurance liabilities for retirement products. This included considering: Valuation interest rates – which are used to discount the liabilities. These are sensitive to judgements made, for example, on credit default of the backing assets, as well as the investment data used to calculate the internal rate of return. The Committee focused on management's proposed changes to reserving assumptions, other modelling changes, and the determination of the credit default assumption. This included analysis of internal historic data and external market experience, including consideration of Brexit outcomes. Longevity assumptions – which estimate how long policyholders receiving annuity payments will live. The challenge around the setting of longevity assumptions was a particularly significant area for review as the judgements could be expected to have a material impact on the Group's results. The Committee considered the effectiveness of the controls over the accuracy and completeness of the data used in determining the longevity assumption and the validity of independent industry data supporting those assumptions. The Committee also reviewed available data illustrating recent trends in mortality experience in the UK population and the mortality experience on different blocks of our business. The Committee concluded that the retirement insurance contract liabilities are appropriate for including in the financial statements, reflecting the asset risks and the available data on policy holder longevity.
Valuation of complex investments: Mark to model investments can involve significant judgement and can produce valuation challenges for investments in new classes. Mark to model valuations inherently include assumptions that lead to the existence of a range of plausible valuations for financial instruments (known as valuation uncertainty). Certain assets are subject to a higher degree of valuation uncertainty, particularly where valuations are modelled using no market inputs or the valuations are affected by other factors such as the illiquidity of the asset.	The Group has continued to increase its exposure to complex investments, in line with its strategy and risk appetite. The valuation of these investments, including property assets, lifetime mortgages, and private credit, requires the use of complex models and management judgement. The Committee seeks to ensure that the valuation process for these investments is robust. During 2020, Covid-19 notably increased the volatility within asset markets, and this has driven an increased focus by the Committee on asset valuations, particularly non-traded harder to value assets. Given the diversity of our asset portfolio, the impact has been varied with certain asset classes and market sectors more exposed to the impact of Covid-19 than others. The Committee reviewed the processes and controls over investment valuations, the additional activities and governance that have been undertaken as a result of Covid-19, and in particular the valuation uncertainty policies and governance which included management's assessment of valuation uncertainty by asset type. The Committee concluded that there are appropriate controls surrounding the valuation of complex assets and that they are valued appropriately for inclusion in the financial statements.
Valuation of non-participating insurance liabilities – insurance: The non-participating insurance liabilities for protection contracts are an important driver of the profitability for this line of business and require judgements to be made regarding the assumed rates of mortality and persistency. The company makes extensive use of reassurance to reduce mortality risk.	The Committee has reviewed the methodology for calculating reserves including the allowance made for payments to and from reassurance counterparties. The assumptions for the rate of future mortality and morbidity (how many customers will die or become ill during the policy term) and persistency (how many customers will discontinue cover) are based on the company's internal experience and use judgement about how experience may vary in the future. During 2020, the Committee has spent additional time reviewing the findings and judgements in respect of the mortality experience of our UK and US books as a result of Covid-19. The Committee reviewed the assumptions and the expected level of prudence taking into account market benchmarking, internal experience studies and the reassurance structures. The Committee also considered the internal control environment in place to control the valuation models. The Committee concluded that the insurance liabilities of the Insurance division are appropriate for inclusion in the financial statements.

Internal control

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit Committee.

The Audit Committee has the primary responsibility for the oversight of the Group's system of internal controls including controls over financial reporting and the work of the internal audit function. The Audit Committee, in collaboration with the Risk Committee, seeks to ensure that the Group operates within a framework of prudent and effective controls that allow risk to be identified, assessed and managed.

The Audit Committee has completed its review of the effectiveness of the Group's system of internal control policies and procedures, during the year and up to the date this report was approved, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. During this review, the Audit Committee did not identify any weaknesses which were determined to be significant to the preparation of the financial statements. Where areas for improvement were identified, processes are in place to ensure that the necessary actions are taken and progress is monitored by the Audit Committee.

A significant area of focus in the Committee's assessment of the overall effectiveness of the control environment was the impact of Covid-19 and the move to remote working. The Committee received regular reports during the year on the various impacts of remote working, the associated risks and the mitigating actions undertaken by management to maintain resilience across the control environment. The Committee has recognised the changing nature of risks and impacts associated with remote working during the year, moving from those of more technological and operational nature during the initial lockdowns to more complex impacts on culture as a result of employees becoming potentially 'disconnected' from their teams and the wider organisation. The Committee noted the extensive work that has been undertaken at an individual, team and organisational level to mitigate this risk and the positive impact that this work has had, evidenced through employee engagement scores.

Internal Audit

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Group internal audit function. In particular, the Audit Committee evaluates the alignment of the internal audit plan with the Group's key risks and strategy.

The Group Chief Internal Auditor has a standing agenda item at each Audit Committee meeting to update the Audit Committee on audit activities, progress of the audit plans, the results of any unsatisfactory audits and the action plans to address these areas. Despite the challenges that Covid-19 presented to the business, as well as the move to a remote working environment, Internal Audit were able to undertake all the audits within their Internal Audit Plan, including some additional reviews as a result of Covid-19, as approved by the Committee, completing 119 audits in 2020. There was a particular focus on key themes including: the effectiveness of the control framework in a remote working environment, cyber/data management and governance, financial control framework, digital business and regulatory change, conduct risk, financial management and control, model risk, outsourcing/vendor management and economic and political volatility.

The external auditor

The Audit Committee has the primary responsibility for overseeing the relationship with, and performance of the external auditor. This includes making recommendations for their appointment, re-appointment, removal and remuneration.

Appointment

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.

KPMG were appointed as the Group's external auditors with effect from the financial year ended 31 December 2018.

Performance

The Audit Committee assesses the effectiveness of the external auditor against the following criteria:

- Provision of timely and accurate industry specific and technical knowledge.
- Maintaining a professional and open dialogue with the Audit Committee Chair and members at all times.
- Delivery of an efficient audit and the ability to meet objectives within the agreed timeframes.
- The quality of its audit findings, management's response and stakeholder feedback.

The Audit Committee receives regular reports from the external auditor on audit findings and significant accounting issues. In 2020, the Audit Committee continued to focus on the external auditor's assurance work on the financial control environment, as well as their conclusions on the significant accounting issues noted above.

The move to remote working as a result of Covid-19, both for the Legal & General teams as well as those of KPMG, has created additional complexity for efficient and effective external audit work. The Committee has noted the flexing of audit approach and timetabling to address this additional complexity, and has confirmed with KPMG that they have been able to perform their audit with the same rigour, quality, and indeed efficiency, as would normally be expected.

The Chair of the Audit Committee regularly meets the external auditor throughout the course of the year. The Audit Committee also meets the external auditor in private throughout the year.

The Audit Committee reviews and approves the terms of engagement of the external auditor and monitors its independence. This includes overseeing the engagement of the external auditors for non-audit work. The non-audit services policy prohibits the auditor from providing, amongst others, the following services:

- Tax advice and compliance.
- Management or decision making.
- Book-keeping and preparing accounting records or statements.
- Design or implementation of internal controls.
- Valuation.
- Legal, internal audit or human resources.
- Those linked to financing capital structure or allocation or investment strategy.
- Promoting, dealing in or underwriting share issues.
- Payroll services.

Remuneration

In 2020, the group spent £1.2 million on non-audit services provided by KPMG. It spent a further £1.4 million on audit-related services required by legislation, which is excluded from any calculation of the ratio of non-audit to audit fees in accordance with the UK FRC Revised Ethical Standard for Auditors (2019). Further details can be found in Note 33 to the consolidated financial statements. The non-audit fee represents 12% of the total audit fee for 2020. The audit fee for 2020 reflects an increase in fees for consolidated funds (which are not borne directly by the group), additional fees relating to the prior year audit of group subsidiaries, and incremental procedures relating to areas of audit focus in light of Covid-19.

Analysis of current and prior-year spend on audit, other assurance and non-assurance services

	2020	2019	2018
Audit	10.1	7.1	6.0
Audit-related required by legislation	1.4	0.8	0.8
Other audit-related	0.6	1.1	0.6
Other assurance	0.6	0.3	0.2
Non-assurance	–	0.2	1.5
Total	12.7	9.5	9.1

The policy is approved by the Audit Committee and met the requirements of the UK Ethical Standards.

Our policy is to approach other firms for significant non-audit work. The Group's policy requires that all services with an anticipated cost in excess of a specified amount are subject to a full competitive tender involving at least one other alternate party in addition to the external auditor. If the external auditor is selected following the tender process, the Audit Committee is responsible for approving the external auditors' fees on the engagement. For services with an anticipated cost below the specified amount, the Group Chief Financial Officer has authority to approve the engagement. The external auditor and management are required to report regularly to the Audit Committee on the nature and fees relating to non-audit services provided under this authority.

KPMG annually reports on whether and why it deems itself to be independent. The Audit Committee remains satisfied that KPMG continues to be independent.

Group Risk Committee report

Toby Strauss
Chairman of the
Group Risk Committee

The composition of the Committee
The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Toby Strauss
Henrietta Baldock
Philip Broadley
Lesley Knox
George Lewis
Ric Lewis
Julia Wilson

Other attendees at Committee meetings include: the Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Conduct Risk Director; Group Chief Internal Auditor; Chief Executive Officer LGC; Representatives of the external auditor, KPMG LLP.

The role of the Committee is to assist the Board in the oversight of the risks to which the Group may be exposed and to provide the Board with strategic advice in relation to current and potential future risk exposures. This includes reviewing the Group's risk profile and appetite for risk, and assessing the effectiveness of the Group's risk management framework. The Group's approach to the management of risk is set out in more detail on pages 44 to 47.

The work of the Committee is supported by the Group Chief Risk Officer and the Company Secretary, who assists the Committee chair in planning the Committee's work and ensuring that the Committee receives accurate and timely information. The Committee met five times during 2020.

Group Chief Risk Officer's report
The Committee receives at each meeting a formal report from the Group Chief Risk Officer. This report brings to the Committee's attention key factors in the operating environment of the Group's businesses and an assessment of the potential risks that may emerge. The review includes analysis of risks arising from the macro-economic outlook and conditions in financial markets, together with geopolitical, legislative and regulatory change risks that may impact the Group's businesses, and risks associated with the implementation of the Group's business strategy.

In addition to the Group Chief Risk Officer's report, the Committee is provided with management information on risk appetite, comparing actual positions relative to the Group's risk appetite statement; and quantitative analysis of the Group's exposures to financial and operational risks, including risk-based capital requirements in relation to the core risks implicit in the Group's businesses.

Group Conduct Risk Director's report
At each meeting the Committee receives a report from the Group Conduct Risk Director. This provides the Committee with an assessment of the overall profile of conduct risks for the Group; analysis and trends in conduct risk indicators including complaints data, and the results of reviews undertaken by the group conduct risk monitoring team, as well as evaluation of changes in the conduct risk landscape as regulatory approaches evolve. The Group Conduct Risk Director's report is accompanied by a suite of customer service metrics designed to enable the Committee to assess the management of the customer journey across the Group's financial services products.

Assessing the risk impacts of Covid-19
The Committee has engaged extensively with executive and operational management over the course of the pandemic to consider the responses being taken to the range of risks presented by the disease, and the wider impacts for our businesses from the global lockdown.

As well as ensuring the wellbeing of those at Legal & General, the Committee has considered the actions taken to maintain the availability of customer facing services, and the resilience of supporting business activities.

The Committee has also considered assessments on the effects of the lockdown for the global economy and our investment portfolios, including the outlook for credit assets. Reviews of credit exposure have included sectors at risk from the global economic downturn and the longer-term impacts from changes in behaviours as a result of the pandemic. Trends in mortality for the Group's UK and US protection businesses, and offsetting effects with the Group's annuity portfolios have also been evaluated.

Focused business and risk reviews

Focused 'deep dive' reviews of particular risk areas are undertaken at each Committee meeting. The purpose of these reviews is to enable Committee members to examine the risk profile of the core business lines and to consider the robustness of the frameworks in place to manage the key risk exposures. Committee members are invited to participate in setting the agenda for these deep dive reviews, considering both the current operating environment and emerging risk factors. Below are examples of some of the key reviews that took place during 2020, and the areas of focus by the Committee.

- Credit risk management: Reviews of the Group's credit portfolio and its resilience to stressed market conditions.
- Longevity risk management: Review of the nature of longevity risks within the Retirement businesses and the work of the longevity risk team to measure and price for the risk.
- Responding to climate risk: Assessment of the approach and progress in responding to the risks of climate change and the delivery of policy commitments within the Group's TCFD.
- The management of direct investments: Consideration of the credit and operational risks within the Group's portfolio of direct investments and the operation of the risk management and oversight framework.
- Outsourcing and supply chain risks: Review of the Group's framework for oversight of third-party supply and service arrangements, the management of modern slavery risks within the supply chain, and key contract dependencies.
- Protection claims management: The Group's approach to assessing and settling protection claims and ensuring balanced customer outcomes.
- Building safety risks: Review of construction and asset ownership risks including the use of cladding materials.
- Reinsurance counterparty risk: Evaluation of risks associated with reinsurance arrangements.
- Operational resilience: Assessment of the Group's capabilities to ensure continuity of business operations and continued availability of important business services.
- Transition from IBOR: Monitoring the Group's preparations for the transition to SONIA.

The Committee also takes an active role in the Group's recovery and resolution planning, which have been put in place in line with the UK regulatory requirements relating to systemically important insurers.

Risk appetite

At its July meeting, the Committee undertook a detailed review of the operation of the Group's risk appetite framework and the key measures and tolerances used to determine acceptable risk taking, recommending some refinements to the Board. In December, the Committee considered the risk profile of the Group's strategic plan and its alignment with the Group's overall risk appetite.

In addition to this aggregate view of acceptable risk taking, the Committee also considers, as part of the Group's overall transaction approval process, the appetite for specific risks associated with transactions, particularly where the transaction is material in the quantum of risks being assumed or aspects of the transaction may present risks that are relatively new to the Group.

Risk-based capital model

The Group's risk-based capital model (internal model) is used to determine the capital requirements for the Group and forms the calculation engine for the Solvency II internal model. As well as reviewing and using the output of the model in its understanding of the Group's risk profile, the Committee is the focal point for model governance with specific consideration of the:

- Key assumptions, methodologies and areas of expert judgement used within the model.
- Activities undertaken to validate the outputs of the model.
- Development of the model to ensure that it reflects the business lines and risk profile of the Group; and
- Processes to ensure that changes applied in the model are undertaken in a controlled manner, and in line with model development plans.

Own Risk and Solvency Assessment (ORSA)

The ORSA is an ongoing assessment of the risks to which Legal & General is exposed and an evaluation of the sufficiency of capital resources to sustain the business strategy over the plan horizon. Over the course of the year the Committee considered different aspects of the Group's ORSA process. This included the review of proposed stress tests and scenarios to be used in the evaluation of capital adequacy, the profile of risks within the Group's strategic plan and how they may change over the planning period, and the Group's overall capacity to bear the risks identified.

A formal ORSA report is subject to annual review by the Committee prior to formal approval by the Group Board.

Risk governance

Sound frameworks of risk management and internal control are essential in the management of risks. During the year, the Committee has received updates on the continued development of the risk governance framework.

Risk-based remuneration

The Committee advises the Remuneration Committee on risk matters to be considered in reviewing bonus pools.

Directors' report on remuneration

Lesley Knox
Chairman of the Remuneration Committee

Our remuneration report is organised into the following sections

The directors' remuneration policy was subject to a binding vote in 2020, and applies for three years from the 2020 AGM. The annual report on remuneration together with the Chairman's Statement will be subject to an advisory shareholder vote at the 2021 AGM.

Remuneration Committee members

The composition of the Committee

The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Henrietta Baldock
Philip Broadley
Lesley Knox
Ric Lewis (from 18 June 2020)

Other regular attendees at the meeting include the following:
Group Chairman; Group Chief Executive; Director of Group Finance; Group HR Director; Group Reward Director; Head of Executive Compensation; Representative of the independent adviser Deloitte LLP

Letter from the Chairman

Dear Shareholder

I am pleased to present the Remuneration Committee's report for 2020, and describe the Remuneration Committee's considerations and decisions in respect of the year.

Link between pay and performance

2020 was an extraordinary year. Shortly after publishing our 2019 results and setting targets for 2020, the scale of the economic disruption caused by Covid-19 became clear and we reviewed our business plans, to prioritise the preservation of capital and shareholder funds due to the uncertain period ahead. This necessarily impacted planned growth in 2020 of some of our key metrics.

Annual variable pay In these unusual circumstances, our 2020 results demonstrated the resilience of our business model, with financial performance sustained at a level that enabled continued dividend payments. Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support and continued to pay Legal & General employees as normal. Nonetheless, the 2020 financial performance targets had assumed growth and that was not achieved. As a result there will be no bonus payments to executive directors based on Group financial performance for 2020, although some divisional financial performance targets were achieved.

30% of the bonus opportunity for executive directors is based on strategic objectives, and the Committee carefully considered whether it was appropriate to pay any bonus based on the achievement of strategic objectives when Group financial performance targets had not been achieved. Reflecting on the necessary change in business focus during the year to protect stakeholders, and the progress of strategic objectives despite the impact of Covid-19, the Committee concluded that it would not be appropriate to exercise its discretion to prevent a bonus payout based on the achievement of these strategic objectives (strategic implementation, effective risk management and company culture). Consequently bonus payments to the executive directors in place at 31 December 2020, of 23.5% and 24.1% of maximum were permitted. A summary of the 2020 performance targets and outcomes is shown in the 'Quick read' section on page 93 with further details on pages 98 and 99.

Performance Share Plan The long-term incentive (PSP) awards granted in 2018 were subject to EPS and total shareholder return (TSR) performance over the three-year period ended 31 December 2020. Notwithstanding the change in priorities during 2020, the performance targets have not been adjusted, and the impact of 2020 has meant that the EPS threshold was not met. Legal & General outperformed the FTSE 100 and the TSR comparator group, and consequently, 24.2% of the 2018 PSP award will vest, with the remaining 75.8% forfeited. The shares that have vested will be deferred for a further two years and released in 2023. PSP performance targets and outcomes are summarised in the 'Quick read' section on page 93.

PSP awards are normally granted each year, subject to performance. Ordinarily the awards would have been granted to executive directors and other senior executives in April 2020.

However, due to market volatility as a result of Covid-19 and the consequent fall in share price at that time, the Remuneration Committee decided to postpone the grant to executive directors and other senior executives until the markets were more settled, and a decision regarding the quantum and terms of any grant could be more fully considered.

The PSP awards were subsequently granted on 12 August 2020 using an average share price of 229.26p. An additional provision was included in the terms of the grant, enabling the Remuneration Committee to reduce the number of shares vesting and/or impose further conditions on the award to neutralise any 'windfall gain' that might arise from a subsequent rebound in the share price as markets recover. As it is not possible to predict the extent of any 'windfall gain' that might arise, the Remuneration Committee determined that any adjustment would be made at the end of the three year performance period, taking into consideration all relevant factors at that time. There are many factors to be considered which include:

- The share price at grant compared to the market before the impact of Covid-19 and the movement in share price of comparator organisations and key indices before and after grant.
- The share price at vesting and any increase compared with comparator organisations and key indices over the same time period.
- An assessment of any share price growth that may be attributable to an improvement in corporate performance, as opposed to general market movements.
- The impact on performance conditions (EPS and TSR growth) and whether any unusual market conditions during the performance period made them materially easier or more difficult to achieve.

The Remuneration Committee's report for 2023 will include a full description of the factors considered and the determination of any 'windfall gain' adjustment.

Base pay increases In accordance with our remuneration policy, base pay is reviewed annually taking into account external and internal factors, including overall business performance. The Remuneration Committee have decided that no increases will apply for 2021, and therefore executive directors' base pay will remain unchanged.

Board changes

In June 2020, Ric Lewis joined the Group Board as an independent non-executive director and also as a member of this Committee. To streamline executive representation on the Group Board, Kerrigan Procter (CEO LGC) and Michelle Scrimgeour (CEO LGIM) stood down as executive directors on 26 November 2020. They continue in their executive roles, with the policies and practices applying to their remuneration unchanged. Remuneration reporting regulations require us to report their remuneration only while they were executive directors, but to ensure full transparency, their remuneration outcomes for the whole of 2020 are disclosed in this report as additional notes.

Consideration of the wider workforce

The Committee's terms of reference provide that they have regard to remuneration for 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 may vary. During 2020, it was particularly important to protect employees against the health and financial impacts of Covid-19. All permanent UK employees have access to private medical insurance, emergency assistance when travelling on business, and a 24/7 employee assistance helpline.

In addition there are several wellbeing support packages, including Unmind (a confidential mental health app), emergency childcare and eldercare support. Employees were also given additional time off, and participated in charity and community events to support those impacted by Covid-19. As our workplaces began to close due to the government restrictions and employees started to work from home (where they could effectively do so) we maintained all employees' jobs at full pay, even if they were unable to work fully during this period due to caring responsibilities.

In 2020, the average annual base pay increase for UK employees was 3.6%. As in previous years, higher percentage increases were applied to the lower paid, reflecting their proportionally greater exposure to price inflation. The same approach has been adopted for 2021. Those earning less than £30,000 a year may receive a base pay increase of up to 3.0%, but those earning more than £100,000 a year will generally not receive any base pay increase for 2021. Annual bonuses for employees are based on Group, divisional, and individual performance. Some bonuses will be paid to employees for 2020, in particular where individual performance targets were achieved.

Continuing our support for all Legal & General employees, several new benefits were introduced during 2020, including an electric car scheme, a facility for employees to flex their life insurance, income protection and critical illness cover through a new product developed by Legal & General called 'Protect', and an extension of our wellbeing support packages to include family members of employees.

Around two thirds of employees invest in the Share Purchase and ShareSave plans so that, through their employment, they can become shareholders in Legal & General. ShareSave has been offered by Legal & General for over 40 years, and we intend to continue to offer in 2021.

The decision to protect employees' pay, particularly the lower paid, during 2020 while executive director outcomes are much reduced, has resulted in a significant reduction in the CEO pay ratio from a median of 105:1 for 2019, to 41:1 for 2020. Continued focus on all employee opportunities has also produced a further improvement in our median gender pay gap for 2020, with the effect of recent senior female hires and promotions starting to be reflected in the results.

2021 and beyond

A new remuneration policy was presented for approval at the 2020 Annual General Meeting, and I am pleased that this received 95.7% votes in favour. The new policy means that executive directors' shareholding requirement has increased to 325% of base pay, with a requirement to maintain their shareholding for at least two years after leaving employment, and pension contributions will be aligned between executive directors and the majority of the UK workforce by 2022. The remuneration policy table is reproduced on pages 94 and 95 and the full remuneration policy can be found in the 2019 annual report and on the company website.

From 2021, environmental, social and governance (ESG) measures have been included as targets in the Annual Variable Pay (AVP) plan, and will be considered for the vesting of Performance Share Plan (PSP) awards.

In conclusion

For 2020, planned growth in some of our key metrics was not achieved. As a result, total remuneration for executive directors in place at 31 December 2020, is down by more than 50% compared to 2019. This reflects the geared remuneration structure for executive directors designed to reward performance and align with the experience of our shareholders. The Remuneration Committee will actively continue to review remuneration and consider shareholders' experience and views, to ensure that outcomes remain appropriate in all the circumstances. I trust that you will find this report a useful and clear account of the remuneration decisions and outcomes for the year.

Lesley Knox

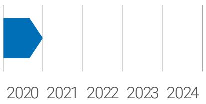
Lesley Knox
Chairman of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2020 implementation

Remuneration element and time horizon | **Policy summary** | **2020 implementation**

Base pay



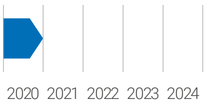
Operation
Reviewed annually, with increases effective 1 March.

Opportunity
No maximum, 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.

Performance
Personal performance will be taken into consideration in determining any increase.

	Effective 1 March 2020	Effective 1 March 2021	% increase
Nigel Wilson	£979,500	£979,500	–
Jeff Davies	£590,000	£590,000	–
Kerrigan Procter	£545,000	£545,000	–
Michelle Scrimgeour	£595,000	£595,000	–
Employees below the Board (average)			*2.2%*

Pension contributions



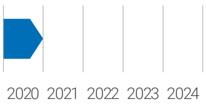
Operation
Defined contribution pension plan or a cash allowance in lieu. Base pay is the only element of pensionable remuneration.

Opportunity
For executive directors, appointed since 2019, pension contributions are aligned to that available to the majority of the workforce (currently 10% of base pay). Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK, but will be aligned with the majority of the UK workforce by 2022.

Performance
No performance conditions.

Pension contributions during 2020 (as % of base pay):	
Nigel Wilson	15%
Jeff Davies	13.8%
Kerrigan Procter	15%
Michelle Scrimgeour	10%
Majority of UK workforce	*10%*
Other senior managers in the UK	*15%*

Benefits



Operation
In line with benefits provided to other employees and senior managers in the UK.

Opportunity
Maximum amount is the cost of providing benefits, and subject to plan limits and HMRC rules.

Performance
No performance conditions.

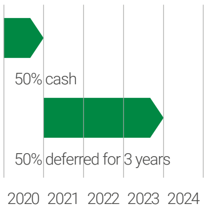
Benefits during 2020 included:

- Allowance in lieu of a company car.
- Private medical insurance.
- Life insurance.
- Income protection.
- All-employee (ShareSave and Share Purchase) plans.

Remuneration policy summary and 2020 implementation

Remuneration element and time horizon	Policy summary	2020 implementation

Annual Variable Pay (AVP)



Operation
Performance assessed over a one-year period, with targets and weightings set annually. Awards are determined after the year end, taking into consideration performance against targets, individual performance and overall business performance. 50% of any AVP award is paid in cash, and 50% is deferred into shares for a further three years. Malus and clawback provisions apply.

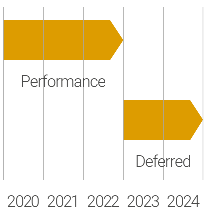
Opportunity
Up to 150% of base pay for the Group Chief Executive and Chief Financial Officer, and 175% of base pay for the other executive directors. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.

Performance
Financial performance (70% weighting), plus strategic and personal performance.

70% Financial performance
30% Strategic and personal performance

Bonus for 2020 (as % of base pay):	At target	At max.	Actual 2020 (as % of max.)
Nigel Wilson	75%	150%	23.5%
Jeff Davies	75%	150%	24.1%
Kerrigan Procter	87.5%	175%	28.4%
Michelle Scrimgeour	87.5%	175%	37.0%

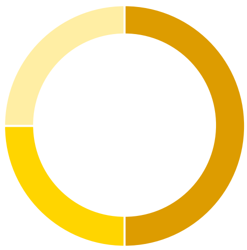
Performance Share Plan (PSP)



Operation
Conditional award of shares, subject to a performance period of no less than three years and a holding period such that no awards are released before five years from grant. Performance targets are set annually by the Committee, aligned with the delivery of shareholder returns over the longer term. The Committee may amend the vesting downwards (but not increase the level of vesting) dependent on the underlying performance of the Group. PSP awards are subject to malus and clawback.

Opportunity
The maximum award opportunity is 300% of base pay (although the normal award opportunity is 250% of base pay). 15% of the award vests for threshold performance, increasing to 100% of the award vesting for maximum performance.

Performance
An appropriate mix (normally an equal weighting) of earnings performance and shareholder return.



50% EPS
25% TSR (vs FTSE 100)
25% TSR (vs comparator group)

PSP award grants in 2020 (as % of base pay):	Maximum	2020 grant
Nigel Wilson	300%	250%
Jeff Davies	300%	250%
Kerrigan Procter	300%	250%
Michelle Scrimgeour	300%	250%

Quick read summary
continued

Shareholding requirements

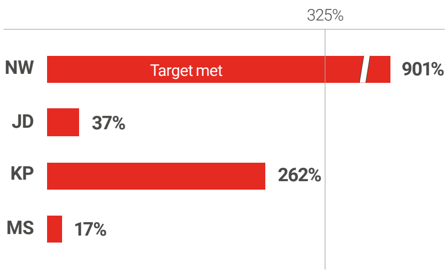
Executive directors' share ownership

Employment + 2 years

Executive directors are expected to retain any after tax vested shares until their shareholding requirements are met, and maintain that shareholding requirement (or actual shareholding if lower) for at least two years after leaving employment.

In 2020, the shareholding requirement increased to 325% of base pay for all executive directors.

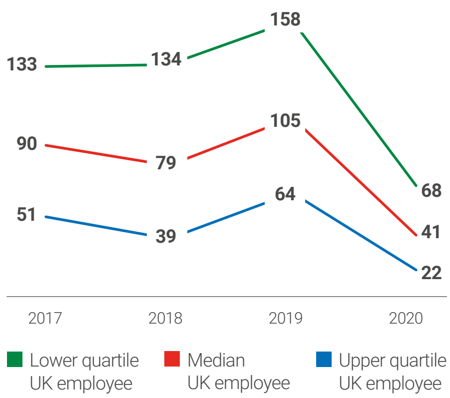
Share ownership at 31 December 2020



CEO pay ratio

Total remuneration
The chart opposite shows the ratio between the CEO single figure total remuneration (as disclosed on page 109) in comparison with the total remuneration of UK employees at lower quartile, median, and upper quartile.

For 2020, the CEO pay ratio has decreased, reflecting the lower bonus and lower level of vesting of PSP awards in respect of 2020.



Alignment with strategy and 2020 performance outcomes

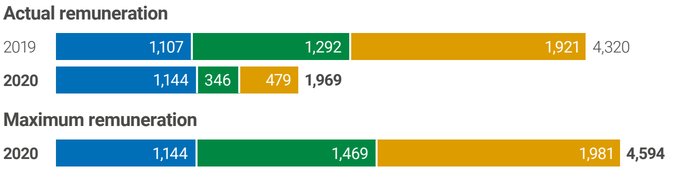
The performance measures for the incentive plans are directly aligned to the Group's key performance indicators. The Group Board reviews the KPIs annually and adds or changes them where appropriate. KPIs are explained in more detail on pages 17 and 18 and further details of performance measures and outcomes are provided on pages 98 to 101.

Overarching drivers of the business	Group KPIs	Incentive plans (weightings) AVP Group CEO & CFO	AVP Divisional CEOs	PSP	2020 performance targets and outcomes Actual[1]	Threshold	Target	Maximum
Profitability	Net release from operations (NRO)	20%	5.7%		£1,511m	£1,579m	£1,682m	£1,734m
	Operating profit	25%	7.1%		£2,007m	£2,085m	£2,210m	£2,273m
	Earnings per share (EPS) 1 year growth	12.5%	3.6%		19.5p	28.8p	31.3p	32.2p
	Return on Equity (ROE)	12.5%	3.6%		12.9%	18.5%	19.0%	19.5%
	Divisional financial performance (see page 99)		50%					
	Earnings per share (EPS) 3 year average annual growth			50%	-3.5%	5.0%		14.0%
Shareholder value creation	TSR vs FTSE 100 (rank out of 95)			25%	36.6	47.0 Median		19.0 Top 20th
	TSR vs comparator group (rank out of 27)			25%	9.4	12.5 Median		5.0 Top 20th
Strategic priorities	(see page 99):	30%	30%					
		100%	**100%**	**100%**				

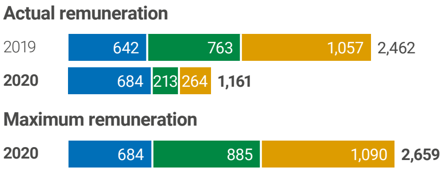
1. Performance measures exclude the impact of mortality assumption changes, profits and gain on disposal, less separation costs relating to the Mature Savings business.

Total remuneration received (£'000)

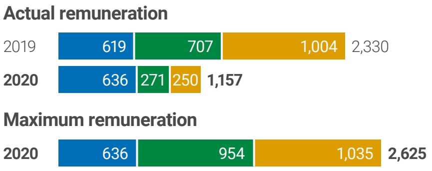
Nigel Wilson



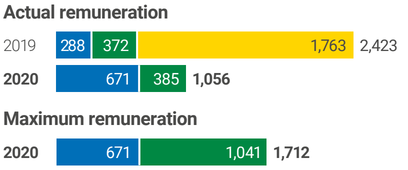
Jeff Davies



Kerrigan Procter



Michelle Scrimgeour



Key
- Fixed (base pay, benefits and pension contributions)
- Annual Variable Pay (AVP)
- Performance Share Plan (PSP)
- Replacement awards.

For full transparency, these figures reflect remuneration received for the whole of 2020, notwithstanding that Kerrigan Procter and Michelle Scrimgeour stood down as executive directors on 26 November 2020.

Remuneration policy

The directors' remuneration policy was approved by shareholders by way of a binding vote at the 2020 AGM on 21 May 2020. The policy table, which contains key aspects of the approved policy, is set out below. A copy of the remuneration policy, including accompanying disclosure, can be found in the 2019 annual report, and on the company's website.

	Fixed pay			
	Base pay	**Pension contributions**	**Benefits**	**Annual Variable Pay (AVP)**
Purpose and link to strategy	Provides a fixed level of earnings, appropriate to the market and requirements of the role.	Provides a basis for savings to provide an income in retirement.	Provides benefits and allowances appropriate to the market, and to assist employees in efficiently carrying out their duties.	Incentivises and rewards the achievement of annual financial performance and delivery of strategic priorities. 50% of any AVP award is deferred into shares, reinforcing retention and alignment with shareholders, by encouraging long-term focus and risk alignment.
Operation	Reviewed annually with effect from 1 March, taking into account: • 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; and • Overall business performance. There is no obligation to increase base pay upon any such review, and any decision to increase base pay will take into account the associated impact on overall quantum.	In line with other employees in the UK, executive directors may: • Participate in a defined contribution pension plan; or • Receive a cash allowance in lieu; or • Receive some combination thereof. Non-UK national executives may be permitted to participate in home-country pension plans where relevant. Base pay is the only element of pensionable remuneration.	In line with other employees in the UK, benefits currently include: • Private medical insurance. • Life insurance. • Income protection; and • All-employee (ShareSave and Share Purchase) plans. Executive directors may participate in voluntary benefits and choose to acquire Legal & General products which they fund themselves, sometimes through salary sacrifice. In line with other senior managers in the UK, executive directors receive a non-pensionable cash allowance in lieu of a company car. Where an executive director is required to relocate, or perform duties outside their home country, additional benefits may be provided, (including healthcare and assistance for housing, school fees, home travel, relocation costs and tax compliance advice) for a period not exceeding two years.	In normal circumstances: • Performance is assessed over a one-year period. • Performance measures and weightings are set annually to ensure they are appropriately stretching, and aligned with the Group's strategic priorities. • Performance targets take into account internal forecasts, market expectations and prior year performance. Target normally equates to the forecast in the strategic plan, with maximum set at an appropriate stretch above plan, but still within the company's risk appetite. • AVP awards are determined after the year end, taking into consideration performance against targets, individual performance, and overall business performance. • 50% of any AVP award is paid in cash, after the year end, with 50% deferred into restricted shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements) for a further three years. • Dividends or dividend equivalents may accrue during the deferral period and vest and are paid in shares upon vesting. • Malus and clawback apply to both cash awards and deferred awards.
Opportunity	There is no set maximum base pay, but any increases will normally be in line with the range of increases for other UK employees. In specific circumstances, the Committee may award increases above this level, for example where: • Base pay for a recently appointed executive director has been set with a view to allowing progression in the role over time; or • There has been a significant increase in the size or scope of an executive director's role or responsibilities; or • There is a significant change in the regulatory environment.	For new executive directors, pension contributions are aligned to that available to the majority of the workforce (currently up to 10% of base pay). Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK defined contribution pension plan (currently up to 15% of base pay). Pension contributions will be aligned between the majority of the UK workforce and all executive directors by 2022.	The maximum amount paid in respect of benefits will be the actual cost of providing those benefits which, particularly in the case of insured benefits, may vary from year to year, although the Committee is mindful of achieving the best value from benefit providers. The maximum opportunity for participation in the all-employee share plans is the same for all employees and takes into account prevailing HMRC rules.	The maximum opportunity in respect of any financial year is: • 150% of base pay for the Group Chief Executive and Chief Financial Officer. • 175% of base pay for other executive directors. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance. The Committee will consider the calculated outcome in the context of a range of factors (not just the specific performance measures) including risk management, behaviours, culture, capital generation, Solvency II coverage ratio and sustainable financial performance, and may apply a 'moderator' to reduce (but not increase) an AVP award if there are factors that warrant such a reduction.
Performance	Personal performance will be taken into consideration in determining any base pay increase.	There are no performance conditions.	There are no performance conditions.	A combination of: • Financial performance (primary measure with at least 70% weighting) – to ensure growth and return to shareholders; and • Strategic and personal performance – to safeguard the future, with the development of future income streams, and focus on key metrics including customers, culture and (from 2021) ESG.

	Performance Share Plan (PSP)	Non-executive directors' fees	Shareholding requirements
Purpose and link to strategy	Provides a direct and transparent link between executive pay and the delivery of shareholder returns over the longer term.	Compensates non-executive directors for their responsibilities and time commitment.	Provides alignment with shareholder returns and ensures the impact on directors' shareholdings moves in line with Legal & General's share price.
Operation	A conditional award of shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements). In normal circumstances: • Subject to a performance period of no less than three years. • Subject to a holding period such that no awards are released before five years from the date of grant. • Performance measures and targets are set annually by the 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. • Dividends or dividend equivalents may accrue in the period following the end of the performance period until vesting and release; and • Malus and clawback apply. Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including: • Lengthen the performance period and/ or the holding period for future awards. • Reduce (but not increase) the level of vesting dependent upon the performance of the Group.	Fees for the Chairman and non-executive directors are set at an appropriate level to reflect: • Time commitment required to fulfil the role. • Responsibilities and duties of the positions; and • Typical competitor practice in the FTSE 100 and other financial services institutions. Fees comprise a base fee for membership of the Board, plus (where applicable) additional fees for: • Senior Independent Director (SID). • Committee chairmanship; and • Committee membership (not including the Nominations and Corporate Governance Committee). Additional fees for membership of Committee, or chairmanship or membership of subsidiary boards, or other fixed fees may apply if justified by time or commitment. The Chairman receives an inclusive fee for the role. The Chairman's fee is reviewed annually by the Committee, and the non-executive directors' fees are reviewed by the executive directors. There is no obligation to increase fees upon any such review.	Executive directors are expected to retain any after tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the Group. The Committee retains the discretion to withhold future PSP grants if executive directors are not making sufficient progress towards their shareholding requirement. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in Legal & General shares until their shareholding requirement is met. The sale of shares prior to the shareholding requirements being met may be permitted in extenuating situations, for example, a change to personal circumstances, ill health, etc.
Opportunity or requirement	The maximum opportunity for an executive director in respect of any financial year is 300% of base pay (although the Committee's current intention is that the normal award opportunity will be 250% of base pay). • 15% of the award vests for threshold performance. • 100% of the award vests for achievement of maximum. The Committee assesses the formulaic vesting outcome, and may amend the vesting downwards (but not increase the level of vesting) considering a range of factors including overall performance, risk management, capital generation, Solvency II coverage ratio, and (from 2021) ESG.	Fees are subject to the aggregate limit in the company's Articles of Association. Any changes in this limit would be subject to shareholder approval. The Chairman and non-executive directors are not eligible to participate in any benefit, pension or incentive plan. However, additional benefits may be provided if the Board feels this is justified, such as tax compliance advice, work permits or similar. Expenses incurred in carrying out duties (and any associated tax liability) may be reimbursed or paid directly by the company.	Shares owned outright equivalent to: • 325% of base pay for executive directors; and • 100% of base fee for non-executive directors.
Performance	An appropriate mix (normally an equal weighting) of: • Earnings performance – to incentivise growth in earnings; and • Shareholder return – to deliver a competitive return for shareholders.	No performance conditions.	Not applicable.

Annual report on remuneration

Audited information
Content contained within a grey outline box indicates that all the information in the panel is audited.

Planned implementation for 2021
Content contained within a black outline box indicates that all the information in the panel is planned for implementation for 2021.

'Single figure' of remuneration – executive directors

The following table shows a single total figure of remuneration for each executive director in respect of qualifying services for the 2020 financial year, together with a comparative figure for 2019.

Single figure table

	Fixed				Variable					
							PSP			
Executive director	Base pay £'000	Benefits £'000	Pensions £'000	Total fixed £'000	AVP £'000	Replacement award £'000	Face value £'000	Share price appreciation £'000	Total variable £'000	Total £'000
2020										
Nigel Wilson	**974**	**24**	**146**	**1,144**	**346**	–	**561**	**(82)**	**825**	**1,969**
Jeff Davies	**584**	**23**	**77**	**684**	**213**	–	**309**	**(45)**	**477**	**1,161**
Kerrigan Procter	**494**	**23**	**62**	**579**	**244**	–	**293**	**(43)**	**494**	**1,073**
Michelle Scrimgeour	**532**	**18**	**54**	**604**	**347**	–	–	–	**347**	**951**
2019										
Nigel Wilson	942	24	141	1,107	1,292	–	1,975*	(54)	3,213	4,320
Jeff Davies	548	22	72	642	763	–	1,087*	(30)	1,820	2,462
Kerrigan Procter	518	31	70	619	707	–	1,032*	(28)	1,711	2,330
Michelle Scrimgeour – from 1 July 2019	192	6	19	217	372	1,763	–	–	2,135	2,352

Both Kerrigan and Michelle stepped down from the Board on 26 November 2020 and in accordance with reporting requirements the single figure table provides details of their remuneration for the period when they were Group Board directors.

Since stepping down from the Board both Kerrigan and Michelle continue to be employed as CEO Legal & General Capital[1] and CEO Legal & General Investment Management and their remuneration is unchanged. In order to provide full transparency, details of their full remuneration for 2020 are provided below.

Executive Director	Base pay (£'000)	Benefits (£'000)	Pension (£'000)	Total Fixed (£'000)	AVP (£'000)	PSP (£'000)	Total Variable (£'000)	Total (£'000)
Kerrigan Procter	542	25	69	636	271	250	521	1,157
Michelle Scrimgeour	592	20	59	671	385	–	385	1,056

*Reporting of the 2017 PSP in the 2019 annual report

The vesting date of the 2017 PSP award occurred after the 2019 results announcement. As a result, the PSP figures recognised in the 2019 annual report were based on a three-month average share price to 31 December 2019. The 2017 PSP figures reported in the 2019 single figure table above now reflect the actual vesting price of the shares, which vested on 6 March 2020, at £2.414 per share. The figures in the 2019 report were £2,193,000 (Nigel Wilson), £1,206,000 (Jeff Davies) and £1,146,000 (Kerrigan Procter).

1. Later this year Kerrigan will move from his current role as CEO Legal & General Capital to a new role as President of Asia, Legal & General Group.

Base pay

Executive director	Annual base pay as at 1 January 2020	Annual base pay effective 1 March 2020	Total base pay paid in 2020	Annual base pay effective 1 March 2021	% increase
Nigel Wilson	945,000	979,500	973,833	979,500	–
Jeff Davies	555,000	590,000	584,167	590,000	–
Kerrigan Procter	525,000	545,000	493,806[1]	545,000	–
Michelle Scrimgeour	575,000	595,000	531,861[1]	595,000	–

Benefits

Benefits include the elements shown in the table below.

Executive director	Car allowance, insurances and taxable expenses £'000	Dividends £'000	Discount SAYE and SIP matching shares £'000	Total benefits £'000
2020				
Nigel Wilson	19	4	1	24
Jeff Davies	20	1	2	23
Kerrigan Procter[1]	18	4	1	23
Michelle Scrimgeour[1]	18	–	–	18
2019				
Nigel Wilson	20	3	1	24
Jeff Davies	20	1	1	22
Kerrigan Procter	20	3	8	31
Michelle Scrimgeour	6	–	–	6

The Share Incentive Plan (SIP) matching shares and dividends relate to the all-employee share purchase plan. No dividends are payable on outstanding share bonus plan (SBP) or PSP awards. The Save As You Earn (SAYE) is calculated based on the value of the discount on SAYE share options exercised in the year. No directors exercised SAYE options during the year.

Benefits for 2021

Benefits for 2021 remain in line with policy.

Pension

Nigel Wilson and Kerrigan Procter received a cash allowance of 15% of base pay. Jeff Davies received a cash allowance of 13.8% of base pay and Michelle Scrimgeour received a cash allowance of 10% of base pay. All cash allowances are subject to normal payroll deductions for income tax and national insurance.

Pension for 2021

Pension arrangements for 2021 remain unchanged for both the executive directors, Nigel Wilson (a cash allowance of 15% of base pay) and Jeff Davies (a cash allowance of 13.8% of base pay) and for the former executive directors, Kerrigan Procter (a cash allowance of 15% of base pay) and Michelle Scrimgeour (a cash allowance of 10% of base pay).

1. These figures represent the value of benefits received for the period in which Kerrigan Procter and Michelle Scrimgeour were executive directors. Details of the value of Kerrigan's and Michelle's benefits for the full year can be found on page 96.

2020 Annual Variable Pay (AVP) awards

This reflects the total AVP awards to be paid in 2021 based on performance for the year ended 31 December 2020. The value includes both the cash element and the portion deferred into shares (50% of the award).

The executive directors' AVP awards in relation to performance during 2020 were agreed by the Committee in February 2020 and were measured against a basket of metrics and objectives. For Nigel Wilson and Jeff Davies, they were weighted between group financial objectives (70%) and other strategic personal objectives including effective risk management (30%). For Kerrigan Procter and Michelle Scrimgeour they were weighted between group financial objectives (20%), divisional objectives (50%) and other strategic personal objectives (30%).

Since 2017, the AVP awards have been subject to potential adjustment based on an assessment of overall financial performance, risk and any other circumstances considered relevant by the Remuneration Committee as well as a Solvency II performance measure. For 2020, the Solvency II performance measure was assessed by the Committee on a qualitative assessment of performance informed by input from the Chief Risk Officer and the Risk Committee. Based on this assessment and consideration of all the circumstances, it was determined that no adjustment was necessary to the formulaic outcome.

For 2020, AVP payouts as a percentage of the maximum were: Nigel Wilson 23.5%, Jeff Davies 24.1%, Kerrigan Procter 28.4% and Michelle Scrimgeour 37.0%. The tables below illustrate performance against each of the measures.

Performance outcome (% of maximum)					**AVP award (£)**		
Executive director	Group financial (max 70%/20%)	Divisional financial (max 50%)	Strategic personal (max 30%)	Total (max 100%)	Cash	Deferred	Total
N Wilson	–	n/a	23.5	23.5	172,850	172,850	345,700
J Davies	–	n/a	24.1	24.1	106,450	106,450	212,900
K Procter	–	5.9	22.5	28.4	122,082	122,082	244,164[1]
M Scrimgeour	–	13.0	24.0	37.0	173,520	173,520	347,040[1]

In these unusual circumstances, our 2020 results demonstrated the resilience of our business model, with financial performance sustained at a level that enabled continued dividend payments to shareholders. Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support and continued to pay Legal & General employees as normal. Nonetheless, the 2020 financial performance targets had assumed growth and that was not achieved. As a result executive directors will receive no bonus based on Group financial performance for 2020, although some divisional financial performance targets were achieved.

30% of the bonus opportunity for executive directors is based on strategic objectives, and the Committee carefully considered whether it was appropriate to pay any bonus based on the achievement of strategic objectives when Group financial performance targets had not been achieved. Reflecting on the necessary change in business focus during the year to protect stakeholders, and the progress of strategic objectives despite the impact of Covid-19, the Committee concluded that it would be inappropriate to exercise its discretion to prevent a bonus payout based on the achievement of these strategic objectives (strategic implementation, effective risk management and company culture).

Group financial – achievement

	Weighting				**2020 performance**				
Performance measures	**Nigel Wilson**	**Jeff Davies**	**Kerrigan Procter**	**Michelle Scrimgeour**	**Threshold**	**Target**	**Maximum**	**Actual**	**Payout % of maximum**
Net release from operations	20.00%	20.00%	5.71%	5.71%	1,579	1,682	1,734	**1,511**	0%
Operating profit[2, 3]	25.00%	25.00%	7.14%	7.14%	2,085	2,210	2,273	**2,007**	0%
Adjusted EPS[2]	12.50%	12.50%	3.57%	3.57%	28.8	31.2	32.2	**19.5**	0%
Adjusted ROE[2]	12.50%	12.50%	3.57%	3.57%	18.5	19.0	19.5	**12.9**	0%
Solvency II performance[4]					Underpin				

1. These figures represent the AVP received for the period in which Kerrigan Procter and Michelle Scrimgeour were executive directors. For full transparency, details of Kerrigan's and Michelle's full year AVP can be found on page 96.
2. Performance measures exclude the impact of mortality assumption changes, profits and gain on disposal, less separation costs relating to the Mature Savings business.
3. References to 'operating profit' in the Annual report on remuneration represent 'Group adjusted operating profit', an alternative performance measure defined in the glossary.
4. Solvency II performance assessed on a qualitative basis.

Divisional performance – achievement

Divisional objectives represent a maximum of 50% of the total AVP opportunity for Kerrigan Procter and Michelle Scrimgeour. The key measures for Legal & General Capital (LGC) were operating profit (for direct investments and traded portfolio but excluding modular housing), profit before tax (PBT, for direct investments excluding modular housing), PBT (traded portfolio), PBT (modular housing) and divisional expenses. The key measures for Legal & General Investment Management (LGIM) were operating profit (excluding workplace savings), PBT, divisional expenses, global annualised net new revenue and external net flows.

Divisional and personal strategic objectives are considered by the Group Board to be commercially sensitive. The actual targets are not formally disclosed in the annual report and will not be disclosed in this year's report or in a future report as they relate to subsidiaries of the Group. Performance commentary is given in the table below.

Executive director	Divisional measures	Summary of performance	Payout (out of 50%)
Kerrigan Procter	LGC key measures were operating profit (for direct investments and traded portfolio but excluding modular housing), PBT (for direct investments excluding modular housing), PBT (traded portfolio), PBT (modular housing) and divisional expenses	• Growth of the direct investment portfolio to £3.1bn, an increase of 9% over 2019. • Operating profit of £275m, a decrease of 24% due to lower profits from direct investments and the pause in housebuilding activity due to Covid-19.	5.9%
Michelle Scrimgeour	LGIM key measures were operating profit (excluding workplace savings), PBT, divisional expenses, global annualised net new revenue and external net flows	• Operating profit growth of 3%, up to £404m. • Assets under management up by £82.7bn, an increase of 7% on 2019. • External net flows of £20.4bn, down on 2019. • Cost income ratio increasing to 57%, reflecting continued investment to ensure operational efficiency and future growth.	13.0%

Strategic personal performance – achievement

Personal objectives represent a maximum 30% of the total AVP opportunity. For all of the directors, the objectives covered strategic implementation, effective risk management, customer experience and company culture. A performance commentary is given in the table below.

Executive director	Overview of measures	Summary of performance	Payout (out of 30%)
Nigel Wilson	For 2020, Nigel's objectives focused on delivering on the medium-term strategy and ensuring good progress against the company's five year aims as set out at our Capital Markets Event, and continuing to deliver benefits to society through investments in the real economy.	Nigel's award reflects his delivery against all his strategic personal objectives including: • Delivering business performance consistent with the achievement of the company's five year aims, including growth in our retirement and investment businesses and maintaining a resilient Solvency II position. • Strong leadership through the year, ensuring good engagement across the business and continued effective delivery of services to clients.	23.5%
Jeff Davies	Jeff's objectives included delivering against the company's medium-term strategy with a focus on ensuring the sustainability of performance through effective management of the balance sheet.	Jeff's award reflects his continued strong performance throughout the year and dealing with the additional challenges presented by Covid-19. Key achievements include: • Driving performance of the Group finance function, embracing technology to build engagement. • Ensuring a Solvency II surplus of £7.4 billion, before payment of dividends, through effective management of the balance sheet. • Ensuring continued effective delivery of financial reporting and controls as the function adapted to a remote working environment.	24.1%
Kerrigan Procter	Kerrigan's objectives focused on the continued implementation of LGC's strategy to invest in the real economy across housing, specialist commercial property, clean energy, and SME finance as well as continued development of a strong culture and risk discipline across the business.	Kerrigan's award reflects his strong performance in delivering across the core areas of strategic focus and his response to the challenges created by Covid-19, including: • Significant new investments including the Life and Mind sciences building in Oxford, the Health Innovation campus in Birmingham, Sheffield's West Bar Square and Kensa Group. • Set up of a new Suburban Build to Rent business to deliver 1,000 new homes a year by 2024. • Strong management of the health and safety risks faced by the housing businesses due to Covid-19.	22.5%
Michelle Scrimgeour	Michelle's objectives focused on delivering progress against LGIM's strategic pillars of modernising, diversifying and internationalising the business and continued strengthening of risk governance within the business.	Michelle's award reflects her delivery against key objectives, including: • Progress on stewardship and ESG activities, with an A+ rating from the UN Principles for Responsible Investing. • Technology investments to create a scalable global operating model and further enhance customer service, including the 'Manage Your Account' portal for 4 million DC scheme members. • Continued international growth across the US, Asia and Europe with a 5% increase in AUM. • Continued strengthening of risk governance.	24.0%

Risk consideration

The Committee reviewed a comprehensive report from the Chief Risk Officer to ascertain that the executive directors' objectives had been fulfilled within the risk appetite of the Group. In addition, the Committee received feedback from the Group Regulatory Risk and Compliance function that there were no issues to consider around regulatory breaches or customer outcomes of such materiality that they would prevent payment of any AVP award or trigger a recommendation that malus should be applied. The Committee was satisfied that the AVP awards should be paid.

Deferral policy

In line with our policy, 50% of all 2020 AVP awards were deferred for three years into conditional shares, subject to continued employment and clawback/malus provisions.

AVP potential 2021

In line with our policy, for 2021 the target and maximum AVP opportunities for our executive directors will be:

Executive director	Target opportunity (% of base pay)	Maximum opportunity (% of base pay)
Nigel Wilson	75%	150%
Jeff Davies	75%	150%

Performance will be based on a combination of group financial performance targets as well as strategic (including environmental, social and governance measures) and personal measures. The percentage weightings will be the same as in 2020. Group financial targets will be disclosed in the 2021 annual report. Some strategic and personal targets are considered confidential and will not be disclosed in any future report.

In line with our policy, 50% of all 2021 AVP awards will be deferred for three years into conditional shares, subject to continued employment and clawback/malus provisions.

Details of how the 2018 PSP award vested

The 2018 PSP award vested at 24.2% in March 2021 based on a combination of TSR (50%) and EPS growth (50%) over the three-year performance period ended 31 December 2020.

Performance measure	Weighting	Outcome (% of maximum)
TSR	50%	24.2
EPS growth (% p.a.)	50%	0
Overall	100%	24.2

The Committee carefully reviewed the company's underlying performance over the performance period taking into consideration a qualitative assessment of Solvency II performance. The Committee saw no reason not to allow the PSP to vest in accordance with the TSR and financial performance out-turn.

The results are shown below:

Grant date	Performance period	Comparator group	Legal & General's TSR[1]	Comparator group median rank	Comparator group 80th percentile TSR performance	Legal & General's notional rank	% of award vesting against comparator group	Percentage of element vesting
16 April 2018	1 January 2018 to 31 December 2020	FTSE 100		47.0	19.0	36.6	46.5%	
		Bespoke comparator group	5.9%	12.5	5.0	9.4	50.3%	48.4%

Performance condition	Performance target: Threshold	Performance target: Maximum	Actual performance	Percentage of element vesting
EPS growth (% p.a.)	5.0%	14.0%	(3.5)%	0%

1. TSR is calculated under the PSP scheme rules using the three-month average prior to the start and end of the performance period.

The figures reported for the 2018 PSP, with a performance period ended 31 December 2020, reflect the market value of the awards that will vest in March 2021. The share price at the date of vesting was not known at the end of the financial year and as such the value included in the 'single figure' of remuneration is based on the number of shares that will vest multiplied by the average share price over the quarter ended 31 December 2020 (£2.283).

Executive director	Shares granted in 2018	Shares vesting in March 2021	Estimated value of shares on vesting (£)
Nigel Wilson	867,717	209,988	479,323
Jeff Davies	477,385	115,527	263,705
Kerrigan Procter	453,515	109,751	250,520
Michelle Scrimgeour	–	–	–

Performance Share Plan (PSP) 2021 awards: Nigel Wilson, Jeff Davies, Kerrigan Procter, and Michelle Scrimgeour will each be granted an award over nil-cost options with a face value of 250% of base pay.

For the 2021 award, the following performance measures will be used:

- Relative TSR performance against the FTSE 100 (25% of award) and a bespoke group of companies (25% of award).
- EPS growth (50% of award).

Vesting of awards will be subject to an assessment of performance against Solvency II objectives. From 2021, environmental, social and governance (ESG) measures will be considered for the vesting of performance share plan (PSP) awards.

Having considered the business plan over the coming three years and market expectations of performance and given the level of stretch within the TSR performance conditions, the Committee considered it appropriate to continue to set threshold vesting (15% of the award) at median TSR performance and maximum vesting at the upper quintile TSR performance.

For the EPS growth measure the Committee considered it appropriate for vesting to be based on performance as set out in the table below:

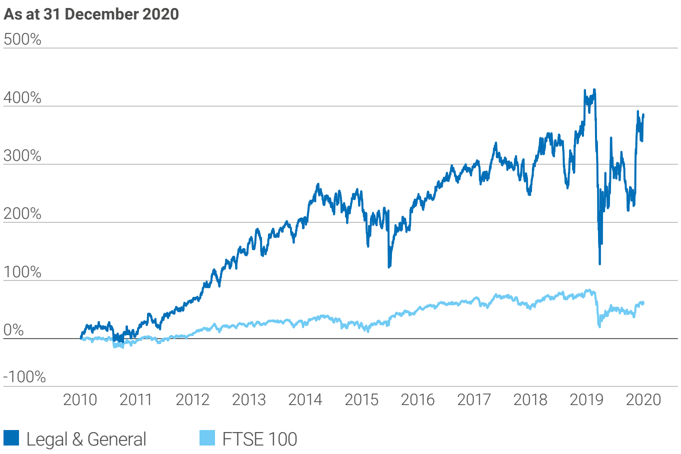
EPS growth p.a.	Proportion of shares vesting
<5%	0%
5%	15%
12%	100%
Between 5% and 12%	Straight line basis between 15% and 100%

Other remuneration information

Total shareholder return (TSR)

The chart shows the value, as at 31 December 2020, of £100 invested in Legal & General shares on 31 December 2010, compared to £100 invested in the FTSE 100 on the same date. The FTSE 100 Index was chosen as the company is a member of this index.

Total shareholder return (%)



Chief Executive – historic remuneration information

The table below shows the remuneration of the Group Chief Executive in place at the time over the same period.

Year	Name	Group Chief Executive single figure of total remuneration (£'000)	Annual variable element against maximum opportunity	PSP vesting rates against maximum opportunity
2020	Nigel Wilson	1,969	23.5%	24.2%
2019	Nigel Wilson	4,592	91.1%	86.9%
2018	Nigel Wilson	3,398	80.4%	48.7%
2017	Nigel Wilson	3,439	85.3%	59.9%
2016	Nigel Wilson	5,417	87.8%	76.6%
2015	Nigel Wilson	5,497	86.3%	100%
2014	Nigel Wilson	4,213	90.7%	100%
2013	Nigel Wilson	4,072	93.1%	100%
2012	Nigel Wilson – appointed CEO 30 June 2012	898	96.0%	0%[1]
	Tim Breedon – retired 30 June 2012	3,280	84.8%	100%[2]
2011	Tim Breedon	2,325	79.6%	16.6%

1. The 2009 PSP vested in full in 2012. However, no PSP is shown in the figure for Nigel Wilson as, while he received the PSP, it vested during the time he was CFO.
2. The 2009 PSP vested in full in 2012. The PSP figure that vested for Tim Breedon is shown in his figure as it vested during the time he was Group Chief Executive.

Due to the timing of the vesting of PSP awards, initially PSP figures within the single figure are calculated based on three-month average share prices to 31 December of the respective year. In the following year, as noted under the single figure table on page 96 for the 2019 PSP, the figures are restated to reflect the actual share price on the vesting date. The figures in the table above have been restated for the years 2015-2019.

Scheme interests awarded during the financial year

The following table sets out details of PSP awards made in 2020.

Executive director	Reason for award	Award type	Awards granted in 2020	Grant price £	Face value at grant price £
Nigel Wilson	PSP	Conditional shares	1,068,110	2.2926	2,448,749
	Deferred bonus	Conditional shares	277,497	2.3287	646,198
Jeff Davies	PSP	Conditional shares	643,374	2.2926	1,474,999
	Deferred bonus	Conditional shares	163,720	2.3287	381,249
Kerrigan Procter	PSP	Conditional shares	594,303	2.2926	1,362,499
	Deferred bonus	Conditional shares	151,717	2.3287	353,298
Michelle Scrimgeour	PSP	Conditional shares	648,826	2.2926	1,487,498
	Deferred bonus	Conditional shares	79,831	2.3287	185,900

Performance conditions for PSP awards granted in 2020

The PSP awards were granted on 12 August 2020. 25% of the award will vest based on TSR performance relative to the FTSE 100, 25% of the award will vest based on TSR performance relative to a bespoke peer group (comprising Aegon, Ageas, Allianz, Assicurazioni Generalli, Aviva, AXA, CNP Assurance, Gjensidige Forsikring, Hannover Rueck., Lincoln National, M&G, Mapfre, Metlife, Muenchener Ruck., NN Group, Phoenix Group, Prudential Financial, Prudential, Sampo A, Standard Life Aberdeen, Swiss Re, Talanx and Zurich Insurance Group), and 50% of the award will vest based on the EPS growth. Vesting will be based on performance as set out in the table below:

Vesting level	TSR	EPS growth p.a.
0%	Below median	<5%
15%	Median	5%
100%	80th percentile and above	12%
Straight line basis between 15% and 100%	Between median and the 80th percentile	Between 5% and 12%

Ordinarily, share awards are granted in April of each year, following announcement of the company's annual results. Due to market volatility in April 2020 as a result of the Covid-19 pandemic, the Remuneration Committee agreed to defer the grant of share awards to executive directors and Persons Discharging Managerial Responsibility (PDMR) until markets had become more settled. The share awards were subsequently granted on 12 August 2020 based on the average share price at the time of grant. For the PSP awards this was based on the average share price for the five days preceding the grant date and for the deferred bonus SBP awards this was based on the average share price for the three days preceding the grant date. In both cases the share price at grant was higher than if the grant had been made in April 2020 as originally intended. The PSP awards were granted with an additional provision that the Remuneration Committee may amend the vesting downwards (but not increase the level of vesting) to ensure there are no 'windfall gains' as a result of a low share price due to market volatility at the time of grant. The PSP awards granted do not attract dividend equivalents during the vesting period.

At the end of the three-year performance period commencing 1 January 2020, the Committee will critically assess whether the formulaic vesting outcome is justified. To do this, the Committee will look at a number of factors including: whether the result is reflective of underlying performance and has been achieved within the company's agreed risk appetite, the Solvency II coverage ratio, the quality of earnings and the nature of any changes in leverage or key assumptions. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downwards discretion. The Remuneration Committee may also consider reducing the number of shares vesting and/or impose further conditions on the award to neutralise any 'windfall gain' that might arise.

Payments to past directors

As set out in the 2019 annual report and accounts, Mark Zinkula had a maximum of 331,292 shares to vest from the 2018 PSP award. As indicated on page 101 the 2018 PSP award vested at 24.2% based on performance.

Mark's outstanding deferred share bonus awards have vested or will vest at the normal times as set out in the table below:

Bonus year	Grant date	Vesting date	Awards	Grant price
2016	18/04/2017	18/04/2020	166,682	£2.495
2017	16/04/2018	16/04/2021	164,818	£2.688
2018	16/04/2019	16/04/2022	121,306	£2.867
2019	14/04/2020	14/04/2023	100,979	£2.043

Statement of directors' shareholding and share interests

Total shareholding of executive directors:

						Shares sold or acquired during the period 1 January 2021 and 9 March 2021	
	Type	Owned outright/ vested shares	Subject to deferral/ holding period	Total vested and unvested shares (excludes any shares with performance conditions)	Subject to performance conditions	Owned outright/ vested shares	Subject to deferral/ holding period
Nigel Wilson	Shares	3,299,219	688,904	3,988,123	–	143	81
	ESP	17,487	4,815	22,302	–	–	–
	Options	–	678,629	678,629	2,763,934	–	–
Jeff Davies	Shares	79,096	397,759	476,855	–	143	81
	ESP	2,514	1,388	3,902	–	–	–
	Options	–	300,269	300,269	1,606,850	–	–
Kerrigan Procter	Shares	516,217	392,026	908,243	–	125,704	81
	ESP	20,632	1,355	21,987	–	–	–
	Options	–	327,343	327,343	1,507,634	–	–
Michelle Scrimgeour	Shares	37,766	357,130	394,896	–	–	–
	ESP	–	–	–	–	–	–
	Options	–	–	–	648,826	–	–

Shareholding requirement – executive directors

The shareholding requirement for all executive directors is 325% of base pay.

	Actual share ownership as % of 2020 base salary: vested shares[1]	Guidelines on share ownership as a % of base salary	Guideline met	Shares owned at 1 January 2020	Shares owned at 31 December 2020	Shares sold or acquired during the period 1 January 2021 and 9 March 2021
Nigel Wilson	901%	325%	Yes	3,013,450	3,316,706	224
Jeff Davies	37%	325%	No	1,582	81,610	224
Kerrigan Procter	262%	325%	No	460,162	536,849	125,785
Michelle Scrimgeour – appointed 2 September 2019	17%	325%	No	–	37,766	–

1. Closing share price as at 31 December 2020: £2.662

Notes
Shares used for the above calculation exclude those with performance conditions, any unexercised options, those shares subject to a period of deferral and any shares held in a private trust where the executive director is not a trustee. They include vested shares where the executive director has beneficial ownership, shares independently acquired in the market and those held by a spouse or civil partner or dependant child under the age of 18 years.

Although the share ownership guidelines are not contractually binding, executive directors are normally expected to retain any after tax vested share awards until the guideline is met. The Committee retains the discretion to withhold future grants under the PSP if executives are not making satisfactory progress against the guidelines. Once shareholding requirements have been met, executive directors may sell surplus shares if they wish. The Committee has discretion to allow executive directors to sell shares prior to the shareholding guidelines being met if there are extenuating circumstances, for example, changes to personal circumstances.

From 2020 all executive directors will also be required to maintain this level of shareholding for two years post-cessation of their employment.

Share options exercised during 2020

The following table shows all share options exercised by the executive directors during 2020.

Executive director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Nigel Wilson	14/04/2015	170,045	19/04/2020	2.054	349,272
Nigel Wilson	21/04/2016	158,009	19/04/2020	2.054	324,550
Nigel Wilson	18/04/2017	265,173	19/04/2020	2.054	544,665
Jeff Davies	18/04/2017	145,859	09/03/2020	2.180	317,973
Jeff Davies	07/04/2017	1,791	22/06/2020	2.205	349
Kerrigan Procter	14/04/2015	44,844	17/12/2020	2.587	116,011
Kerrigan Procter	21/04/2016	53,501	17/12/2020	2.587	138,407
Kerrigan Procter	18/04/2017	138,566	17/12/2020	2.587	358,470

Non-executive directors' remuneration – 2020

Non-executive directors' fees

The fees for the Chairman and non-executive directors were reviewed during 2020 and with effect from 1 August 2020 the fee for the Chairman was increased from £505,000 to £523,000. The attendance fees for non-executive directors were changed to £10,000 for membership of each of the Audit, Remuneration and Group Risk Committees (rather than being payable for sitting on any two Board committees). The current limit for fees paid to non-executive directors is an aggregate of £1,500,000 p.a. The table below sets out the current fees.

Annual fees	Current fee £
Chairman	523,000
Base fee	75,000
Additional fees:	
Senior Independent Director	30,000
Committee Chairmanship fees (Audit, Remuneration and Group Risk Committees)	30,000
Attendance fee (Audit, Remuneration and Group Risk Committees)	10,000

The table below shows the actual fees paid to our non-executive directors in 2020 and 2019.

Non-executive director		Fees for 2020	Benefits for 2020[3]	Total remuneration for 2020	Fees for 2019	Benefits for 2019	Total remuneration for 2019
Sir John Kingman	Chairman T N	**512,500**	**–**	**512,500**	496,250	–	496,250
Henrietta Baldock[1]	A N R Ri	**199,167**	**–**	**199,167**	190,625	1,115	191,740
Philip Broadley	A T N R Ri	**119,167**	**3,053**	**122,220**	115,000	1,439	116,439
Lesley Knox[2]	A N R Ri	**219,167**	**1,628**	**220,795**	165,000	3,062	168,062
George Lewis	A N Ri	**71,458**	**21,227**	**92,685**	102,708	17,906	120,614
Ric Lewis	N R Ri – appointed 18 June 2020	**49,532**	**–**	**49,532**	–	–	–
Julia Wilson	A T N Ri	**119,167**	**89**	**119,256**	115,000	367	115,367
Toby Strauss	A T N Ri	**115,000**	**444**	**115,444**	115,000	437	115,437

Key:
NED Committee membership:
A = Audit
N = Nominations & Corporate Governance
R = Remuneration
Ri = Risk
T = Technology

1. Henrietta Baldock is also Chair of the Legal and General Assurance Society Board for which she receives a separate fee to that paid to her as a non-executive director of the Group. The actual fees in the table above include her total fees for both roles.
2. Lesley Knox is also Chair of the Legal & General Investment Management (Holdings) Limited Board for which she receives a separate fee to that paid to her as a non-executive director of the Group. The actual fees in the table above include her fees for both roles.
3. Benefits for non-executive directors relate to taxable travel and accommodation expenses incurred while undertaking their roles as non-executive directors for Legal & General.

Shareholding requirements – non-executive directors

Non-executive directors are required to build up a shareholding equivalent to one times base fee. The table below shows their shareholding as at 4 January 2021, taking into account share purchases in relation to December 2020 fees, purchased on 4 January 2021.

Name	Shareholding as at 4 January 2021	Shareholding as a % of base fee	Guideline met	Shares purchased from 5 January 2021 to 9 March 2021
Sir John Kingman	258,955	132%	Yes	1,872
Henrietta Baldock	20,637	73%	On target	2,652
Philip Broadley	92,260	327%	Yes	–
Lesley Knox	77,600	275%	Yes	–
George Lewis	30,912	110%	Yes	2,602
Ric Lewis	6,655	24%	On target	3,315
Toby Strauss	54,620	194%	Yes	3,182
Julia Wilson	51,823	184%	Yes	–

Non-executive directors' terms of employment

	Current letter of appointment start date	Current letter of appointment end date
Sir John Kingman	24 October 2016	24 October 2021
Julia Wilson	09 December 2017	09 December 2020[1]
Henrietta Baldock	04 October 2018	04 October 2021
Philip Broadley	08 July 2019	08 July 2022
Lesley Knox	01 June 2019	01 June 2022
George Lewis	01 November 2018	01 November 2021
Ric Lewis	18 June 2020	18 June 2023
Toby Strauss	01 January 2020	01 January 2023

The standard term for non-executive directors is three years and for the Chairman is five years. All non-executive directors are subject to annual re-election.

1. Julia Wilson, the company's Senior Independent Director, will be stepping down from the Board on 31 March 2021 following a nine-year tenure. Philip Broadley, Chair of the Audit Committee, will take on the position of Senior Independent Director following Julia's departure.

Remuneration for employees below Board

General remuneration policy

The Group's remuneration policy is designed to reward, motivate and retain high performers in line with the risk appetite of the Group. Remuneration is considered within the overall context of the Group's sector and the markets in which the divisions operate. The policy for the majority of employees continues to be to pay around the relevant mid-market range with a competitive package designed to align the interests of employees with those of shareholders, and with an appropriate proportion of total remuneration dependent upon performance.

We define core remuneration as base pay, annual bonus and other benefits such as pension. Key employees are also eligible to participate in the performance share plan (PSP).

Summary of the remuneration structure for employees below the Board

Element	Policy
Base pay	We aim to attract and retain key employees by paying base pay which delivers competitive total remuneration. Factors taken into account when determining salaries include: • The nature, size and scope of the role. • The knowledge, skills and experience of the individual. • Individual and overall business performance. • Pay and conditions elsewhere in the Group. • Appropriate external market data. As a member of the Living Wage Foundation, base pay is also set with reference to the Foundation's UK and London living wage levels. During 2020, the average base pay increase was 3.6%. For the latest pay review the approach adopted was for the lowest paid employees (less than £30,000) to receive, on average, the highest increases (generally 3% of base pay).
Annual bonus	The majority of employees participate in a discretionary bonus plan, unless an alternative plan applies based on role. An employee will be considered for a discretionary bonus award based on achievement against objectives, conduct and behaviours, the role performed during that year and internal relativities. The Group operates bespoke bonus plans where business appropriate. However, the Remuneration Committee has ultimate discretion over all bonus plans. Bonuses above a certain threshold are subject to deferral with the deferral amount increasing with the size of the bonus. Deferred awards are normally held in shares for three years. The company reserves the right to adjust deferral levels for code staff as deemed appropriate.
Performance share plan (PSP)	Participation in the PSP is offered to a small number of senior executives each year in recognition of the strategic and influential role that they hold in terms of driving company performance, as well as their individual contribution. Participation in the plan for one year does not guarantee participation in future years. PSP awards were made to around 80 employees during 2020. Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.
Other share plans and long-term incentives	The company operates a Share Bonus Plan (SBP) which provides the vehicle for deferral of annual bonuses in the majority of cases and also allows for a limited number of awards of shares to high potential individuals and those with critical skills.
Benefits	All UK employees have access to private medical insurance, life insurance, and a range of family-friendly policies (maternity, paternity, adoption and shared parental leave). In addition there are several wellbeing support packages including Unmind (a confidential mental health app), childcare and eldercare support.
Pension	All employees are given the opportunity to participate in a Group Pension Scheme. The pension opportunity offered to the majority of the workforce is 10% of base pay.
Employee share plans	All employees are given the opportunity to participate in a ShareSave plan and an Employee Share Purchase plan. These are both HMRC approved plans which offer all employees the opportunity to share in the success of the business.

Annual equal pay audit

The Group seeks to ensure that our pay policies and practices are free from unfair bias. Part of the pay review process is an annual equal pay audit that reviews pay and bonus decisions by gender, ethnicity, age and full-time versus part-time working. In addition, it considers the application of the pay policy more widely, in particular looking at decisions made in the annual pay review across grades, functions and divisions.

Gender pay reporting

The Group has published its gender pay report for 2020. Further details can also be found on page 54 of the annual report.

Pay ratio in relation to the Group CEO

Since 2016 we have voluntarily disclosed details of the pay ratio in relation to the Group CEO and the wider UK employee population. From 2018 we made some amendments to how we report the information in order to align with the reporting requirements set out by BEIS, which came into effect for financial years starting 1 January 2019.

The tables below provide the ratio between the CEO base pay and single figure total remuneration and the base pay and total remuneration for UK employees banded by percentile.

Total remuneration

		Pay ratio			All UK employees £		
Year	**Method**	**75th percentile**	**Median**	**25th percentile**	**75th percentile**	**Median**	**25th percentile**
2020	**B**	**22**	**41**	**68**	**90,324**	**47,472**	**29,030**
2019	B	64	105	158	67,744	41,177	27,408
	A	61	105	167	70,892	40,982	25,814
2018	B	39	79	134	86,082	42,906	25,381
	A	49	83	132	69,923	40,814	25,730
2017	B	51	90	133	67,475	38,055	25,891
	A	52	89	137	66,572	38,802	25,023

Base pay

		Pay ratio			All UK employees £		
Year	**Method**	**75th percentile**	**Median**	**25th percentile**	**75th percentile**	**Median**	**25th percentile**
2020	**B**	**14**	**23**	**40**	**70,167**	**42,408**	**24,479**
2019	B	16	26	40	59,692	36,000	23,375
	A	16	27	42	60,000	35,000	22,550
2018	B	13	26	41	71,583	35,493	22,570
	A	16	27	41	57,853	34,475	22,781
2017	B	18	27	42	51,550	33,706	21,765
	A	16	27	42	58,020	33,649	22,148

Pay ratio commentary

Between 2019 and 2020 the ratio of total remuneration for the Group CEO compared to UK employees has fallen. The decrease is the result of the lower bonus and lower level of vesting of the 2018 PSP compared with the PSP awards in the previous three years.

Methodology

We have chosen option B as our method for calculating the pay ratio for 2020, consistent with the methodology for reporting of the gender pay gap. The total remuneration figures for the UK employees are based on salaries at 1 December 2020. Bonus amounts for 2020 are not determined for some eligible employees until after publication of this report, and therefore it is not possible to determine the exact 2020 total remuneration for all UK employees (option A) within this timescale. For completeness and transparency, we have included the pay ratios based on the option A method for previous years and we will also retrospectively disclose the pay ratio for 2020 based on the option A method in the 2021 report. We do not believe that this will result in pay ratio figures which are materially different to the 2020 figures disclosed above.

Gender Pay Gap Report

Our 2020 gender pay gap report is available on our group website. See: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

Annual report on remuneration
continued

Percentage change in directors' in 2020 remuneration compared with all UK employees

As required under the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the analysis has been expanded to cover all executive directors and non-executive directors, rather than just the Group CEO as has been the case in previous years.

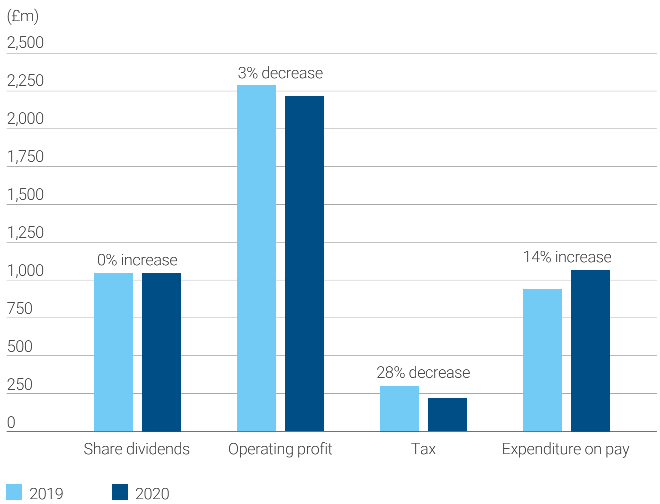
	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)
Executive directors			
Nigel Wilson	3.4%	3.4%	(73.2)%
Jeff Davies	6.6%	6.3%	(72.1)%
Kerrigan Procter	3.2%	(7.1)%	(61.7)%
Michelle Scrimgeour	2.9%	2.5%	(48.2)%
Chairman & NEDs[1]			
Sir John Kingman	3.3%	n/a	n/a
Henrietta Baldock	4.5%	n/a	n/a
Philip Broadley	3.6%	n/a	n/a
Lesley Knox	1.9%	n/a	n/a
George Lewis	4.9%	n/a	n/a
Ric Lewis	n/a	n/a	n/a
Toby Strauss	0.0%	n/a	n/a
Julia Wilson	3.6%	n/a	n/a
Average for UK employees	**3.5%**	**3.5%**	**2.7%**

1. The increase in fees for non-executive directors of the Group is a result of the change in the fee structure in relation to committee memberships. The base fee for non-executive directors has not changed from 2019.

As with last year we have chosen the whole UK employee population as the comparator group. This group has been chosen because it includes a wider cross section of the Group's employees. The increase in benefits for the employee comparator group relates to the impact of base pay increases.

Relative importance of spend on pay

The chart opposite shows the relative importance of spend on pay compared to shareholder dividends and operating profit for the year. Operating profit has been shown because it is a KPI of the business. No share buybacks were made in 2019 or 2020.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2020.

Committee members, attendees and advice

Meetings in 2020

During 2020, the Committee met six times and in addition had ongoing dialogue via email and telephone discussion. An outline of the Committee undertakings during 2020 is shown in the table below. During 2020 the Remuneration Committee comprised the following non-executive directors:

Year	Number of Remuneration Committee meetings attended during 2020
Lesley Knox	6/6
Philip Broadley	6/6
Henrietta Baldock	6/6
Ric Lewis	3/3

Committee undertakings

Quarter	Governance	Performance	Remuneration policy	Regulatory
First		• Reviewed findings of the CRO report. • Approved the 2019/20 annual pay review and executive pay awards. • Approved vesting of the 2017 PSP, LGIM LTIP and LGC Direct Investment Share Awards.	• Approved the 2020 AVP performance measures. • Approved the 2020 ShareSave invitation.	
Second			• Consideration of approach to 2020 PSP and SBP awards in light of the impact of Covid-19.	
Third	• Reviewed outcomes of AGM season.	• Financial update and indicative variable pay update for executive teams.	• Approval of 2020 PSP awards for executive directors and other PDMRs. • Review of pension arrangements.	• Review of potential implications on remuneration of Investment Firm Prudential Regime.
Fourth	• Review and approval of Committee terms of reference. • Review of report on the activities of the Group Reward Steering Committee in 2020.	• Review of the base pay increase budget proposals for 2021. • Consideration of incentive out-turns in respect of 2020.	• Review of AVP and PSP performance measures and targets for 2021.	• Review of code staff lists. • Approved remuneration policy statements for FCA and PRA.

At the invitation of the Remuneration Committee, the Group Chairman attends Committee meetings. Where appropriate, the Group Chief Executive, Nigel Wilson, and the Group HR Director, Group Reward Director, Head of Executive Compensation, Director of Group Finance and Group Chief Risk Officer also attend meetings. No person is present during any discussion relating to his or her own remuneration.

At the invitation of the Remuneration Committee, a representative from Deloitte also attended Committee meetings. During 2020, Deloitte principally advised the Committee on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. Deloitte were appointed by the Committee. The Committee reflects on the quality of advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received from the Deloitte LLP engagement team is objective and independent. Deloitte are signatories to the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The total fees paid to Deloitte in relation to Remuneration Committee work during 2020 were £105,600 (excluding VAT). While fee estimates are required for bespoke pieces of work, fees are generally charged based on time with hourly rates in line with the level of expertise and seniority of the adviser concerned. During the year, Deloitte also provided the company with consulting services.

Annual report on remuneration
continued

Terms of reference

The Committee's terms of reference are available on our website. The remit of the Committee includes the remuneration strategy and policy framework for the whole company as well as the executive directors.

The Committee particularly focuses on:

- Determining the individual remuneration for executive directors and for other designated individuals or for those who are discharging a head of control function role.
- Undertaking direct oversight on the remuneration of other high earners in the Group.
- Oversight of the remuneration of Code staff and employees in the control and oversight functions.
- Oversight of remuneration policies and structures for all employees.

Considering risk

The Reward Steering Committee (RSC) and the Group Regulatory Risk and Compliance Function make a key contribution to the process of designing reward structures and evaluating whether achievement of objectives and any payment from plans have taken into account the overall risk profile of the Group.

Reward Steering Committee (RSC)

Reporting to the Remuneration Committee, the RSC helps set the framework within which our incentive arrangements are normally reviewed and implemented, with a view to supporting business strategy, whilst acting within the Group's risk appetite. The members of the RSC include the Group HR Director, Group Chief Risk Officer (CRO), Group Conduct Risk Director, Regulatory Risk Director, LGIM Chief Compliance Officer, the Director of Group Finance, the Group Reward Director and the Head of Executive Compensation.

Where a business unit tables a proposal for consideration, the relevant business manager is required to attend the RSC meeting to explain the background and to answer all questions and challenges from the RSC.

Group Regulatory Risk and Compliance Function

The Remuneration Committee also works closely with the Group Regulatory Risk and Compliance Function with respect to remuneration proposals.

In particular, the function reports to the Committee on an annual basis on whether any risks have been taken outside of pre-agreed parameters, there have been regulatory breaches, or they are aware of any other considerations that may lead the Committee to consider whether it should impact the payment of bonuses to staff (including in particular the executive directors and Code staff).

The CRO also specifically looks at the overall risk profile of the Group and whether executive directors have achieved objectives within the Group's accepted risk appetite. The CRO also reviews the executive directors' objectives for the forthcoming year to ensure they are in line with the risk parameters.

Since the implementation of a new Solvency II remuneration policy in 2016, the scope of the CRO report has been extended to consider whether there are any risk considerations which may warrant adjustments to the overall level of corporate annual variable pay awards.

Engagement with shareholders

The Committee seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance and any changes to the Group's executive pay arrangements.

During 2019, we reviewed our approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from shareholders and representative bodies. The responses that we received helped shape our thinking with respect to the new remuneration policy which was approved by shareholders at the 2020 AGM in May 2020. Unfortunately due to Covid-19 restrictions we had to change the format of the 2020 AGM but we have continued to engage with shareholders throughout the year and were able to hold a virtual shareholder event in December 2020.

During 2021 the Committee will continue to review the remuneration policy and will consult with the Group's largest shareholders on any changes.

Statement of voting at the Annual General Meeting (AGM) 2020

The table below shows the voting outcomes on the directors' remuneration policy and the directors' remuneration report at the last AGM in May 2020.

Item	For	Against	Abstain number
Remuneration policy	95.71%	4.29%	–
	4,109,620,878	184,122,218	12,853,165
2019 remuneration report	95.40%	4.60%	–
	4,089,839,555	197,291,047	19,465,659

Dilution limits

The company's all-employee plans and the now-closed ESOS operate within the Investment Association's dilution limit of 5% of issued capital in 10 years for executive schemes, and all its plans will operate within the 10% of issued capital in 10 years limit for all schemes.

As at 31 December 2020, the company had 4.92% of share capital available under the 5% in 10 years limit and 9.62% of share capital under the 10% in 10 years limit.

As at 31 December 2020, 33,172,865 shares were held by the Employee Benefit Trust to hedge outstanding awards of 74,327,125 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

The company considers that certain external appointments can help to broaden the experience and contribution to the Board of the executive directors. Any such appointments are subject to annual agreement by the Group and must not be with competing companies. Subject to the Group's agreement, any fees may be retained by the individual. However, they received no fees for the below appointments.

External appointments held in 2020 are shown below:

	Role and organisation	Fees
Nigel Wilson	n/a	Nil
Jeff Davies	n/a	Nil
Kerrigan Procter	n/a	Nil
Michelle Scrimgeour	Director of The Investment Association, Member of the FCA Practitioner Panel	Nil

#ShareTheOrange

We are proud to support #ShareTheOrange, Alzheimer's Research UK's campaign to challenge misconceptions about dementia, for the third year.

The brain of a person with Alzheimer's disease, the most common cause of dementia, weighs around 140g less than a healthy brain – about the weight of an orange. One in five people still incorrectly believe that dementia is an inevitable part of ageing. The campaign's award winning films help to counter this belief and show that dementia is caused by physical diseases that could be slowed, and ultimately stopped, through research.

Legal & General has helped the UK's leading dementia research charity reach new audiences with this important message. The 2020 campaign featured films with Christopher Eccleston, Bryan Cranston and Samuel L. Jackson and had over 3.6 million views.

Financial statements

For more information, visit:
www.alzheimersresearchuk.org/orange/

Image provided by Alzheimer's Research UK.

Group consolidated financial statements

Consolidated financial statements

The **group consolidated financial statements** are divided into three sections:

- The **Primary statements and performance** section, which includes the group primary statements and other notes which we believe are integral to understanding our financial performance.
- The **Balance sheet management** section, which provides further details on our financial position and approach to risk management.
- The **Additional financial information** section, which includes disclosures required to be compliant with accounting standards or the Companies Act. We view this information as important, but less significant in understanding our business and performance.

Contents

Independent auditor's report to the members of Legal & General Group Plc

1 Our opinion is unmodified

We have audited the financial statements of Legal & General Group Plc ('the company') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in Note 1.

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended.
- The group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.
- The parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 17 May 2018. The period of total uninterrupted engagement is for the three financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£108.0 million (2019: £107.0 million) 4.9% (2019: 4.7%) of normalised profit before tax from continuing operations	
Coverage	92.5% (2019: 92.2%) of group profit before tax	
Key audit matters		**vs 2019**
Recurring risks	Valuation of UK annuity policyholder liabilities	▲
	Valuation of hard to value (Level 3) investments	▲
	Parent company risk: Recoverability of parent company's investment in subsidiaries	◀ ▶

Independent auditor's report to the members of Legal & General Group Plc continued

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters (unchanged from 2019), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of UK annuity policyholder liabilities

UK annuity policyholder liabilities included within non-participating insurance contract liabilities of £89,029 million; (2019: £77,881 million)

Refer to page 84 (Audit Committee Report), page 136 (accounting policy) and page 189 (financial disclosures).

The risk

Subjective valuation:
The valuation of the UK annuity liabilities is an inherently subjective area, requiring management judgement in the setting of key assumptions. The longevity, expense and credit risk assumptions involve the greatest level of subjectivity. A small change in these assumptions can have a significant impact on the liabilities. We consider the risk to have increased in the current year due to the higher degree of estimation uncertainty resulting from changes in both demographic and economic conditions caused by the Coronavirus pandemic (Covid-19).

Longevity assumptions
Longevity assumptions have two main components which include mortality base assumptions and the rate of mortality improvements. Changing trends in longevity and emerging medical trends means that there is a high level of uncertainty in the assumptions. This uncertainty is heightened in the current year due to the potential longer-term impacts of Covid-19 on trends in longevity.

Credit assumptions
The valuation discount rate (Valuation Interest Rate, 'VIR') is derived from the yield on the assets backing the annuity liabilities. In setting the valuation interest rate, an explicit allowance for credit risk is deducted from the yield on debt and other fixed income securities.

The assumptions surrounding this deduction require significant judgement and there is a risk that changes in investment yields, market spreads, current actual default experience and anticipated trends are not appropriately reflected. This risk is heightened in the current year due to the potential impact of Covid-19 on the credit risk within the group's investments.

Expense assumptions
Management judgement is required in setting the maintenance expense assumption which is based on management's long-term view of the expected future costs of administering the underlying policies.

Data capture:
There is a risk that incomplete and inaccurate data is used in the calculation of annuity liabilities resulting from inaccurate transfer or conversion of aggregate data from the policy administration systems into model point files used to value the liabilities in the actuarial models. In addition there is a risk that incomplete or inaccurate asset data is used to calculate the default adjustment applied to the VIR.

Calculation error:
Management uses actuarial models to calculate policyholder liabilities. There is a risk that unauthorised or erroneous changes to the models may occur.

Estimation uncertainty:
The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements disclose the sensitivities (Note 20) estimated by the group.

Our response

Our procedures included:
- **Control design and operation:** testing of reconciliation controls to assess completeness of data flows from policy administration systems to the actuarial valuation models.
- **Test of detail:** testing the completeness of data used in the valuation of annuity liabilities by reconciling the data from the policy administration system to the data used in the actuarial models.
- **Test of detail:** By utilising data and analytics procedures, testing the accuracy of the historical data input into the actuarial valuation model by comparing the data used for reporting as at 31 December 2020 to the data used for reporting as at 31 December 2019 in relation to policies that were still in force at that time;
- **Test of detail:** Tracing a sample of new business policyholder data input into the actuarial valuation model to the underlying policy documents;
- **Test of detail:** Reconciling the completeness and accuracy of the assets used in the calculation of the VIR to the assets used to back the insurance liabilities; and
- **Test of detail:** For a sample of assets, validating the accuracy of the asset data used to project the cash flows used in the calculation of the VIR.

We used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included:

- **Methodology choice:** assessing the appropriateness of the methodology for selecting assumptions by applying our understanding of developments in the business and expectations derived from market experience, including consideration of the effects of Covid-19 on policyholder mortality and credit risk.
- **Benchmarking assumptions:** assessing mortality improvement assumptions against industry data on expected future mortality rate improvements and industry historic mortality improvement rates and assessing the appropriateness of the credit risk assumptions by comparing to industry practice and our expectations derived from market experience.
- **Historical comparisons:** evaluating the mortality base assumptions used in the valuation of the annuity liabilities by comparing to the group's historic mortality experience; assessing the credit default assumptions by comparing to the historical performance of the asset portfolio; and assessing whether the expense assumptions reflect the expected future costs of administering the underlying policies by analysing the allocations of the forecast 2021 costs to maintenance expenses, with reference to historical allocations and planned actions.
- **Test of detail:** testing that changes to the actuarial model from the prior year have been appropriately reviewed and approved; and evaluating the appropriateness of the financial impact of the changes made to the model during the year.
- **Assessing transparency:** considering whether the disclosures in relation to the assumptions used in the calculation of valuation of UK annuity policyholder liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Our results
- We found the resulting estimate of the valuation of UK annuity policyholder liabilities within non-participating insurance contract liabilities to be acceptable (2019 result: acceptable).

Valuation of hard to value (Level 3) investments

Lifetime mortgages, private credit, investment property and income strips, included within the Level 3 investments of: £32,233 million

(2019: Lifetime mortgages, private credit, investment property and unlisted fund investments, included within the Level 3 investments of: £30,544 million)

Refer to page 84 (Audit Committee Report), page 136 (accounting policy) and page 164 (financial disclosures).

The risk	Our response

Subjective valuation:
6.0% of the investment portfolio is classified as Level 3 assets, of which we consider the valuation of lifetime mortgages, private credit, investment property and income strips involve the greatest level of subjectivity.
This subjectivity is heightened in the current year due to the economic impacts of the Covid-19 pandemic on asset valuations.
For these positions a reliable third party price from a recent market transaction was not readily available and therefore the application of expert judgement from management in the valuations adopted is required.
 	
The key assumptions underlying the valuations are:
 	
– Lifetime mortgages: property price at valuation date, property price inflation, property index volatility, voluntary early redemption rate and the illiquidity premium added to the risk free rate.
– Private credit: yields of selected comparator securities and credit ratings derived from credit rating models.
– Investment property and income strips: estimated rental value and yield of the property.
 	
Data capture:
Lifetime mortgages
There is a risk that incomplete data is used in the calculation of lifetime mortgages because data does not transfer appropriately from the policyholder system to the actuarial models.
 	
Calculation error:
Lifetime mortgages
The group uses complex actuarial models to calculate the valuation of lifetime mortgages. There is a risk that unauthorised or erroneous changes to the models may occur.
 	
Estimation uncertainty
The effect of these matters is that, as part of our risk assessment, we determined that the valuation of hard to value (Level 3) investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 11) disclose the sensitivity estimated by the group.
	Our procedures included:
	
	– **Control design and operation:** testing of the design, and implementation of key controls over the valuation process for the hard to value (Level 3) investments, including the testing of operating effectiveness of key controls relating to the valuation of private credit assets and lifetime mortgages.
	– **Our valuation expertise:**
	  – using valuation specialists to assess the suitability of the valuation and credit rating methodologies; to independently revalue a sample of the private credit investments and assess the suitability of comparator securities utilised in the valuation on a sample basis.
	  – using actuarial specialists to evaluate the appropriateness of the assumptions used in the valuation of lifetime mortgages with reference to market data and industry benchmarks.
	– **Assessing valuers' credentials:** assessing the objectivity, professional qualifications and competence of external valuers of private credit and investment property investments and reconciling the valuations provided by them to the valuations recorded in the financial statements.
	– **Methodology choice:** assessing the appropriateness of the pricing methodologies for private credit and investment property investments with reference to relevant accounting standards and the group's own valuation guidelines as well as industry practice.
	– **Benchmarking assumptions:** evaluating and challenging the key assumptions upon which the valuations of lifetime mortgages and investment property investments were based, including consideration of the impacts of the Covid-19 pandemic, by making a comparison to our own understanding of the market, comparable evidence relied on by the valuers and to industry benchmarks.
	– **Test of detail:**
	  – Testing that changes to the actuarial model for lifetime mortgages from the prior year have been appropriately reviewed and approved; and evaluating the appropriateness of the financial impact of the changes made to the model during the year.
	  – Testing the completeness of data used in the valuation of lifetime mortgages by reconciling the data from the policy administration system to the data used in the actuarial valuation models.
	
	Assessing transparency: assessing whether the disclosures in relation to the valuation of hard to value (Level 3) investments are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions.
	
	Our results
	– We found the resulting estimate of the valuation of hard to value (Level 3) investments to be acceptable (2019 result: acceptable).

Parent company risk: Recoverability of parent company's investment in subsidiaries

(£9,204 million; 2019: £8,950 million)

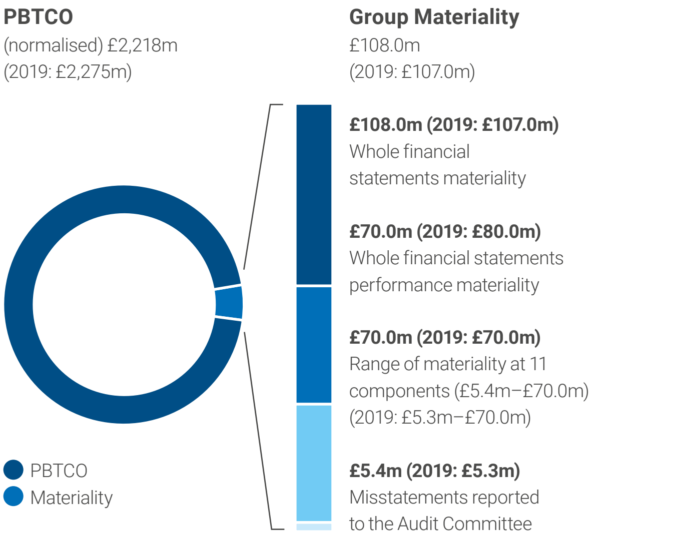
Refer to page 244 (accounting policy) and page 246 (financial disclosures).

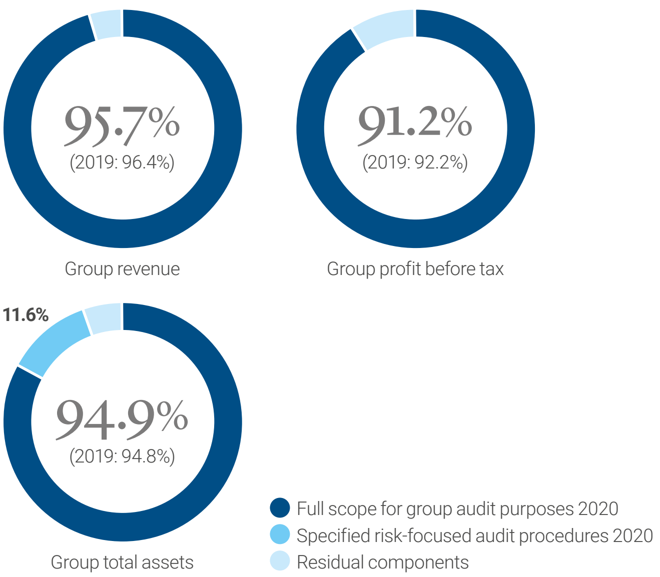
The risk	Our response
Low risk, high value: The carrying amount of the parent company's investments in subsidiaries represents 74.6% (2019: 79.5%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Independent re-performance:** comparing the carrying amount of a sample of the highest value investments, with the relevant subsidiaries' financial information to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Our results** – We found the company's conclusion that there is no impairment of its investment in subsidiaries to be acceptable (2019 result: acceptable).

Independent auditor’s report to the members of Legal & General Group Plc continued

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £108.0 million (2019: 107.0 million), determined with reference to a benchmark of profit before tax from continuing operations (PBTCO), normalised to exclude this year’s investment and other variances and decreases on non-controlling interests as disclosed in Note 2 of the financial statements, of which it represents 4.9% (2019: 4.7%).





Materiality for the parent company financial statements as a whole was set at £28.0 million (2019: £29.0 million). This is lower than the materiality we would otherwise have determined by reference to total assets to reflect that the parent company is a component of the group, and represents 0.23% of the Company’s total assets (2019: 0.26%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 65% (2019: 75%) of materiality for the financial statements as a whole, which equates to £70.0 million (2019: £80.0 million) and £18.9 million (2019: £21.8 million) respectively.

We applied this percentage in our determination of performance materiality based on the increased estimation uncertainty in relation to credit risk and mortality trends due to Covid-19 and the level of identified immaterial unadjusted differences and control deficiencies noted during prior periods.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £5.4 million (2019: £5.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In addition, we applied materiality of £4.2 billion (2019: £3.6 billion) to the classification of unit-linked assets and liabilities in the consolidated balance sheet and related notes, determined with reference to a benchmark of total financial investments and investment property, of which it represents 1.0% (2019: 0.9%). This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items within assets and liabilities, in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

We agreed to report to the Audit Committee any corrected or uncorrected classification misstatements in unit-linked assets and liabilities exceeding £208.0 million (2019: £181.0 million).

Of the group’s audit components, we subjected 7 (2019: 7), which are comprised of 13 reporting packs (2019: 14), to full scope audits for group purposes and 4 (2019: 4), which are comprised of 7 reporting packs (2019: 7), to specified risk-focused audit procedures over financial investments, investment property, cash and cash equivalents, payables and financial liabilities. The components for which we performed specified risk-focused procedures were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages above.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The group team performed procedures on the items excluded from normalised profit before tax from continuing operations.

The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team approved the component materialities, which ranged from £5.4 million to £70.0 million (2019: £5.3 million to £70.0 million), having regard to the mix of size and risk profile of the group across the components.

Whilst we were unable to perform site visits due to the restrictions imposed as a result of the Coronavirus pandemic, the group team held video and telephone conference meetings with 11 (2019: 11) component locations in the United Kingdom, Republic of Ireland and the United States (2019: United Kingdom, Republic of Ireland and the United States), to assess the audit risk and strategy. At these meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

The work on 9 of the 11 components (2019: 9 of the 11 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the group team.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group's and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We used our knowledge of the group and company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the group's and company's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, wider credit spreads and defaults which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of the group's investments and valuation of policyholder liabilities; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the group (such as banks and reinsurers), which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources by the group's financial forecasts.

We considered whether the going concern disclosure in Note 1 (ii) to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's or company's ability to continue as a going concern for the going concern period.
- We have nothing material to add or draw attention to in relation to the directors' statement in Note 1 (ii) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the group and company's use of that basis for the going concern period, and we found the going concern disclosure in Note 1 (ii) to be acceptable; and
- The related statement under the Listing Rules set out on page 249 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit Committee, internal audit, Group Financial Crime team and inspection of policy documentation as to the group's/company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, Audit Committee and Risk Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management; and
- Consulting with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the group.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the group level and request to full scope component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of UK annuity policyholder liabilities and the valuation of hard to value (Level 3) investments.

On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the valuation and recognition of all material revenue streams.

We also identified fraud risks related to the valuation of UK annuity policyholder liabilities and valuation of hard to value (Level 3) investments in response to possible pressures to meet profit targets.

Further detail in respect of the valuation of UK annuity policyholder liabilities and valuation of hard to value (Level 3) investments is set out in the two key audit matters disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test for full-scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures.
- Evaluating the business purpose of significant unusual transactions; and
- Aassessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
As the group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full scope component audit teams of relevant laws and regulations identified at the group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: Listing rules, regulatory capital and liquidity requirements and certain aspects of company legislation recognising the financial and regulated nature of the group's activities and certain regulated subsidiaries. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the directors' report.
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.
Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The directors' confirmation within the Group Board viability statement on page 43 that they have carried out a robust assessment of the emerging and principal risks facing the group, including those that would threaten its business model, future performance, solvency and liquidity.
- The Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- The directors' explanation in the Group Board viability statement of how they have assessed the prospects of the group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Group Board viability statement, set out on page 43 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the group's and company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- The directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.
- The section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- The section of the annual report that describes the review of the effectiveness of the group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in these respects.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 250, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square,
London, E14 5GL

9 March 2021

Primary statements and performance

Consolidated Income Statement

For the year ended 31 December 2020	Notes	2020 £m	2019 £m
Income			
Gross written premiums	30	**12,545**	15,203
Outward reinsurance premiums		**(3,187)**	(3,452)
Net change in provision for unearned premiums		**12**	(66)
Net premiums earned		**9,370**	11,685
Fees from fund management and investment contracts	30	**873**	834
Investment return	31	**39,168**	53,014
Other operational income		**820**	1,253
Total income	30	**50,231**	66,786
Expenses			
Claims and change in insurance contract liabilities		**17,768**	19,005
Reinsurance recoveries		**(3,601)**	(3,502)
Net claims and change in insurance contract liabilities		**14,167**	15,503
Change in investment contract liabilities	22	**31,410**	45,809
Acquisition costs		**617**	805
Finance costs	23	**305**	269
Other expenses	3	**2,233**	2,244
Total expenses		**48,732**	64,630
Profit before tax		**1,499**	2,156
Tax expense attributable to policyholder returns	32	**(69)**	(72)
Profit before tax attributable to equity holders		**1,430**	2,084
Total tax expense	32	**(218)**	(369)
Tax expense attributable to policyholder returns	32	**69**	72
Tax expense attributable to equity holders	32	**(149)**	(297)
Profit after tax from continuing operations	30	**1,281**	1,787
Profit after tax from discontinued operations	29	**290**	23
Profit for the year		**1,571**	1,810
Attributable to:			
Non-controlling interests		**(36)**	(24)
Equity holders		**1,607**	1,834
Dividend distributions to equity holders during the year	4	**1,048**	998
Dividend distributions to equity holders proposed after the year end	4	**754**	753

		p	p
Total basic earnings per share[1]	5	**27.00**	30.92
Total diluted earnings per share[1]	5	**25.60**	30.75
Basic earnings per share derived from continuing operations[1]	5	**22.11**	30.53
Diluted earnings per share derived from continuing operations[1]	5	**20.98**	30.36

1. All earnings per share calculations are based on profit attributable to equity holders of the company.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020	2020 £m	2019 £m
Profit for the year	**1,571**	1,810
Items that will not be reclassified subsequently to profit or loss		
Actuarial (losses) on defined benefit pension schemes	**(168)**	(62)
Tax on actuarial (losses) on defined benefit pension schemes	**48**	11
Total items that will not be reclassified subsequently to profit or loss	**(120)**	(51)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas operations	**2**	(67)
Movement in cross-currency hedge	**7**	13
Tax on movement in cross-currency hedge	**(4)**	(1)
Movement in financial investments designated as available-for-sale	**2**	72
Tax on movement in financial investments designated as available-for-sale	**–**	(15)
Total items that may be reclassified subsequently to profit or loss	**7**	2
Other comprehensive (expense) after tax	**(113)**	(49)
Total comprehensive income for the year	**1,458**	1,761
Total comprehensive income for the year attributable to:		
Continuing operations	**1,168**	1,738
Discontinued operations	**290**	23
Total comprehensive income/(expense) for the year attributable to:		
Non-controlling interests	**(36)**	(24)
Equity holders	**1,494**	1,785

Consolidated Balance Sheet

As at 31 December 2020	Notes	2020 £m	2019[1] £m
Assets			
Goodwill		**68**	64
Purchased interest in long-term businesses and other intangible assets	9	**329**	190
Deferred acquisition costs	10	**47**	54
Investment in associates and joint ventures accounted for using the equity method		**288**	324
Property, plant and equipment		**274**	298
Investment property	11	**8,475**	7,695
Financial investments	11	**526,057**	498,389
Reinsurers' share of contract liabilities	21,22	**6,939**	5,947
Deferred tax assets	32	**5**	8
Current tax assets	32	**634**	468
Receivables and other assets	14	**9,429**	8,532
Assets of operations classified as held for sale		**–**	24,844
Cash and cash equivalents	15	**18,020**	13,923
Total assets		**570,565**	560,736
Equity			
Share capital	36	**149**	149
Share premium	36	**1,006**	1,000
Employee scheme treasury shares	36	**(75)**	(65)
Capital redemption and other reserves		**198**	205
Retained earnings		**8,224**	7,749
Attributable to owners of the parent		**9,502**	9,038
Restricted tier 1 convertible notes	37	**495**	–
Non-controlling interests	38	**(31)**	55
Total equity		**9,966**	9,093
Liabilities			
Non-participating insurance contract liabilities	21	**89,029**	77,881
Non-participating investment contract liabilities	22	**343,543**	320,594
Core borrowings	23	**4,558**	4,091
Operational borrowings	23	**1,055**	1,020
Provisions	24	**1,288**	1,220
UK deferred tax liabilities	32	**168**	189
Overseas deferred tax liabilities	32	**39**	76
Current tax liabilities	32	**61**	107
Payables and other financial liabilities	25	**91,942**	84,039
Other liabilities	39	**756**	804
Net asset value attributable to unit holders		**28,160**	31,507
Liabilities of operations classified as held for sale		**–**	30,115
Total liabilities		**560,599**	551,643
Total equity and liabilities		**570,565**	560,736

1. Following a change in accounting policy for LGIA universal life and annuity reserves, a number of balance sheet items have been restated, notably deferred acquisition costs, financial investments, reinsurers' share of contract liabilities, capital redemption and other reserves, non-participating insurance contract liabilities and overseas deferred tax liabilities. The overall net impact on the group's retained earnings as at 31 December 2019 is a reduction of £284m. Further details on the change in accounting policy are provided in Note 1 (iv).

The notes on pages 132 to 240 form an integral part of these financial statements.

The financial statements on pages 126 to 240 were approved by the board of directors on 9 March 2021 and were signed on their behalf by:

Sir John Kingman
Chairman

Nigel Wilson
Group Chief Executive Officer

Stuart Jeffrey Davies
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2020	**149**	**1,000**	**(65)**	**205**	**7,749**	**9,038**	**–**	**55**	**9,093**
Profit for the year	–	–	–	–	1,607	1,607	–	(36)	1,571
Exchange differences on translation of overseas operations	–	–	–	2	–	2	–	–	2
Net movement in cross-currency hedge	–	–	–	3	–	3	–	–	3
Net actuarial losses on defined benefit pension schemes	–	–	–	–	(120)	(120)	–	–	(120)
Net movement in financial investments designated as available-for-sale	–	–	–	2	–	2	–	–	2
Total comprehensive income for the year	–	–	–	7	1,487	1,494	–	(36)	1,458
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(23)	–	–	(23)	–	–	(23)
Shares vested	–	–	13	(27)	–	(14)	–	–	(14)
Employee scheme treasury shares: - Value of employee services	–	–	–	43	–	43	–	–	43
Share scheme transfers to retained earnings	–	–	–	–	12	12	–	–	12
Dividends	–	–	–	–	(1,048)	(1,048)	–	–	(1,048)
Restricted tier 1 convertible notes[2]	–	–	–	–	–	–	495	–	495
Coupon payable in respect of restricted tier 1 convertible notes net of tax relief	–	–	–	–	(6)	(6)	–	–	(6)
Movement in third party interests	–	–	–	–	–	–	–	(50)	(50)
Currency translation differences	–	–	–	(30)	30	–	–	–	–
As at 31 December 2020	**149**	**1,006**	**(75)**	**198**	**8,224**	**9,502**	**495**	**(31)**	**9,966**

1. Capital redemption and other reserves as at 31 December 2020 include share-based payments £101m, foreign exchange £43m, capital redemption £17m, hedging reserves £35m and available-for-sale reserves £2m.
2. See Note 37 for details.

Consolidated Statement of Changes in Equity continued

For the year ended 31 December 2019	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
As at 1 January 2019	149	992	(52)	230	7,261	8,580	72	8,652
Change in accounting policy[2]	–	–	–	9	(330)	(321)	–	(321)
Restated as at 1 January 2019	149	992	(52)	239	6,931	8,259	72	8,331
Profit for the year	–	–	–	–	1,834	1,834	(24)	1,810
Exchange differences on translation of overseas operations	–	–	–	(67)	–	(67)	–	(67)
Net movement in cross-currency hedge	–	–	–	12	–	12	–	12
Net actuarial gains on defined benefit pension schemes	–	–	–	–	(51)	(51)	–	(51)
Net movement in financial investments designated as available-for-sale	–	–	–	57	–	57	–	57
Total comprehensive income for the year	–	–	–	2	1,783	1,785	(24)	1,761
Options exercised under share option schemes	–	8	–	–	–	8	–	8
Shares purchased	–	–	(20)	–	–	(20)	–	(20)
Shares vested	–	–	7	(35)	–	(28)	–	(28)
Employee scheme treasury shares: - Value of employee services	–	–	–	39	–	39	–	39
Share scheme transfers to retained earnings	–	–	–	–	1	1	–	1
Dividends	–	–	–	–	(998)	(998)	–	(998)
Movement in third party interests	–	–	–	–	–	–	7	7
Currency translation differences	–	–	–	14	(14)	–	–	–
Change in accounting policy[2]	–	–	–	(54)	46	(8)	–	(8)
Restated as at 31 December 2019	149	1,000	(65)	205	7,749	9,038	55	9,093

1. Capital redemption and other reserves as at 31 December 2019 include share-based payments £85m, foreign exchange £71m, capital redemption £17m and hedging reserves £32m.
2. Change in accounting policy represents the impact on retained earnings of the change in accounting policy related to LGIA universal life and annuity reserves, described in Note 1 (iv). The change has been applied retrospectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year		**1,571**	1,810
Adjustments for non cash movements in net profit for the year			
Net gains on financial investments and investment property		**(28,530)**	(45,516)
Investment income		**(9,761)**	(10,501)
Interest expense		**337**	322
Tax expense	32	**144**	598
Other adjustments		**(12)**	117
Net decrease/(increase) in operational assets			
Investments held for trading or designated as fair value through profit or loss		**6,519**	(18,031)
Investments designated as available-for-sale		**1,072**	(179)
Other assets		**(2,445)**	(4,660)
Net increase/(decrease) in operational liabilities			
Insurance contracts		**11,607**	13,089
Investment contracts		**20,855**	27,514
Other liabilities		**(5,900)**	21,313
Net increase in held for sale net liabilities		**–**	1,206
Cash utilised in operations		**(4,543)**	(12,918)
Interest paid		**(301)**	(263)
Interest received		**5,190**	5,047
Tax paid[1]		**(554)**	(540)
Dividends received		**4,509**	5,389
Net cash flows from/(utilised in) operations		**4,301**	(3,285)
Cash flows from investing activities			
Net acquisition of plant, equipment, intangibles and other assets		**(164)**	(89)
Net disposal of operations, net of cash (transferred)/acquired	28	**(277)**	198
Net (investment)/disposal in associates and joint ventures		**(16)**	29
Net cash flows (utilised)/generated from investing activities		**(457)**	138
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	4	**(1,048)**	(998)
Coupon payment in respect of restricted tier 1 convertible notes, gross of tax		**(7)**	–
Options exercised under share option schemes	36	**6**	8
Treasury shares purchased for employee share schemes		**(23)**	(20)
Payment of lease liabilities		**(37)**	(33)
Proceeds from borrowings	23	**1,086**	1,309
Repayment of borrowings	23	**(501)**	(958)
Proceeds from issuance of restricted tier 1 convertible notes, net of associated expenses		**495**	–
Net cash flows utilised in financing activities		**(29)**	(692)
Net increase/(decrease) in cash and cash equivalents		**3,815**	(3,839)
Exchange losses on cash and cash equivalents		**(28)**	(16)
Cash and cash equivalents at 1 January (before reallocation of held for sale cash)		**14,233**	18,088
Total cash and cash equivalents		**18,020**	14,233
Less: cash and cash equivalents of operations classified as held for sale		**–**	(310)
Cash and cash equivalents at 31 December	15	**18,020**	13,923

1. Tax comprises UK corporation tax paid of £417m (2019: £381m), withholding tax of £137m (2019: £166m) and an overseas corporate tax refund of £nil (2019: £7m).

1 Basis of preparation

Legal & General Group Plc, a public limited company incorporated and domiciled in England and Wales, operates across four broad business areas of retirement, investment management, capital investment and insurance through its subsidiaries and associates in the United Kingdom (UK), the United States and other countries throughout the world.

(i) Significant accounting policies

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU), and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The group financial statements also comply with interpretations by the IFRS Interpretations Committee as issued by the IASB and as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. Under the *European Union (Withdrawal) Act 2018*, enacted in UK law by the *European Union (Withdrawal Agreement) Act 2020*, an implementation period had been established, which ended on 'IP completion day', defined as 31 December 2020 at 11.00 p.m. UK time. Reporting in the UK continues to be subject to the EU legislative framework until 31 December 2020. From 1 January 2021, the group will prepare financial statements in accordance with UK-adopted international accounting standards. A new UK endorsement mechanism, overseen by the Secretary of State, is being put in place and to this aim a UK Endorsement Board is currently in the process of being established.

The group financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The group has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been consistently applied to all years presented unless otherwise stated. Accounting policies that relate specifically to a balance or transaction are presented above the relevant numerical disclosure.

Financial assets and financial liabilities are disclosed gross in the Consolidated Balance Sheet unless a legally enforceable right of offset exists and there is an intention to settle recognised amounts on a net basis. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or International Financial Reporting Interpretations Committee (IFRIC) interpretation, as detailed in the applicable accounting policies of the group.

(ii) Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position in the current economic climate are set out in this Annual Report & Accounts. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in these consolidated financial statements. Principal risks and uncertainties are detailed on pages 44 to 47.

The directors have made an assessment of the group's going concern, considering both the group's current performance and the group's outlook for a period of at least, but not limited to, 12 months from the date of approval of these consolidated financial statements, which takes account of the current and future impact of the Covid-19 pandemic, using the information available up to the date of issue of this Annual Report & Accounts.

The group manages and monitors its capital and liquidity, and various stresses are applied to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses is disclosed in section 5.01 of the Full year report 2020. These stresses, including the additional considerations and stresses applied in response to Covid-19, do not give rise to any material uncertainties over the ability of the group to continue as a going concern. Based upon the available information, the directors consider that the group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of Covid-19 and the current economic climate, as detailed on pages 44 to 47, the directors are confident that the group and Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

(iii) New standards, interpretations and amendments to published standards that have been adopted by the group

The group has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2020.

Amendments to IFRS 3 – Business Combinations

These amendments, issued in October 2018, provide more guidance on the definition of a business. These amendments did not have any material impact on the group's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: 'Definition of Material'

These amendments, issued in October 2018, clarify the definition of 'material', and align the definition used in the Conceptual Framework and the standards themselves. These amendments did not have any material impact on the group's consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

These amendments, issued in March 2018, update the current conceptual framework with the aim to assist preparers of financial reports to develop consistent accounting policies for transactions. These amendments did not have any material impact on the group's consolidated financial statements.

Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, and IFRS 7 – Financial Instruments: Disclosures: 'Interest Rate Benchmark Reform'

These amendments were issued in September 2019. They modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. These amendments did not have any material impact on the group's consolidated financial statements.

Amendment to IFRS 16 Leases: 'Covid-19-Related Rent Concessions'

The amendment, issued in May 2020, provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. This amendment did not have any material impact on the group's consolidated financial statements.

(iv) Changes in accounting policy

Legal & General Insurance America (LGIA) universal life and annuity liabilities

During the year, the group has changed its accounting policy for universal life and annuity liabilities on business transacted by its US subsidiaries, which was previously based on recognised actuarial methods reflecting US GAAP. From 1 July 2020, the group has calculated such liabilities on the basis of current information using the gross premium valuation method, which is in line with how similar products are accounted for in other parts of the business.

The group believes the new policy is preferable as it more closely aligns the accounting for this business with that of business written in the UK, and brings it closer to the principles introduced by the upcoming new accounting standard for insurance contracts, IFRS 17. Following the change, the group no longer has any long-term business accounted for based on actuarial methods reflecting US GAAP, therefore resulting in the financial statements providing more reliable and relevant information about the impact of long-term business on the group's financial position, financial performance or cash flows, in line with IFRS requirements.

In addition to the change highlighted above, as at 1 July 2020 the group has reclassified £1,621m of financial investments from designated as available-for-sale and amortised cost to designated as fair value through profit or loss. This represents a further change in accounting policy permitted by IFRS 4, 'Insurance Contracts'.

The above represent voluntary changes in accounting policy and have been applied retrospectively, with prior year retained earnings adjusted accordingly.

The principal impact of the change on the prior year consolidated financial statements is in the non-participating insurance contract liabilities and in the deferred acquisition costs balance, which has been derecognised, and the associated cash flows now recognised within the insurance contract liability calculation. The carrying value of financial investments has also been affected where the measurement model for such investments has moved from amortised cost to fair value through profit or loss.

The impact on each line item of the Consolidated Balance Sheet as at 31 December 2019 is shown in the table below:

	As reported at 31 December 2019 £m	Adjustments £m	As restated at 31 December 2019 £m
Financial investments	498,376	13	498,389
Deferred acquisition costs	75	(21)	54
Reinsurers' share of contract liabilities	5,810	137	5,947
Non-participating insurance contract liabilities	77,317	564	77,881
Overseas deferred tax liability	182	(106)	76
Capital redemption and other reserves	250	(45)	205
Retained earnings	8,033	(284)	7,749

1 Basis of preparation continued

(v) Standards, interpretations and amendments to published standards which are not yet effective

Certain standards, amendments and interpretations to existing standards have been published which are mandatory for the group's accounting periods beginning on or after 1 January 2021 or later periods and which the group has not adopted early, as disclosed below.

IFRS 17 – Insurance Contracts

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 and subsequent amendments were issued in June 2020. The standard is expected to be effective for annual periods beginning on or after 1 January 2023. This reflects a two year delay to the original 2017 timetable confirmed by the IASB in their June 2020 amendments and remains subject to endorsement for use in the UK. The standard will be applied retrospectively, subject to the transitional options provided for in the standard, and provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure. The group has mobilised a project to assess the financial and operational implications of the standard, and work will continue throughout 2021 to ensure technical compliance and to develop the required systems and operational capability to implement the standard.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9, 'Financial Instruments' which is effective for annual periods beginning on or after 1 January 2018. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the current model based on incurred losses) and new requirements on hedge accounting. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allows entities which meet certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17 or 1 January 2021, whichever is the earlier. In June 2020 the IASB agreed to extend the temporary exemption in IFRS 4 from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2023. The group qualifies for, and is making use of, this deferral option. The group has mobilised a project to assess the impact of IFRS 9 on its financial instruments, and work will continue in 2021 to develop the policies and operational changes needed for the implementation of the standard, with a focus on the development of the expected credit losses impairment model and transitional requirements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

These amendments, issued in August 2020, address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual reporting periods beginning on or after 1 January 2021. The group does not expect the impact to be significant.

Annual Improvements to IFRS Standards 2018-2020

These amendments, issued in May 2020, make minor amendments to IFRS 1 'First-time Adoption of IFRS', IFRS 9 'Financial Instruments', IAS 41 'Agriculture' and the Illustrative Examples accompanying IFRS 16 'Leases'. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 16 – Property, plant and equipment

These amendments, issued in May 2020, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets

These amendments, issued in May 2020, specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IFRS 3 – Business Combinations

These amendments, issued in May 2020, update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 1 – Presentation of Financial Statements

These amendments, issued in January 2020, clarify the existing requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, subject to UK endorsement. The group does not expect the impact to be significant.

(vi) Critical accounting policies and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Consolidated Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year. The Audit Committee reviews the reasonableness of judgements associated with and the application of significant accounting policies. The significant accounting matters considered by the Audit Committee are included within the Audit Committee Report on page 82.

The major areas of critical accounting judgement on policy application are considered below:

Insurance and investment contract liabilities (Notes 21 and 22): Product classification and the assessment of the significance of insurance risk transferred to the group in determining whether a contract should be accounted for as an insurance or investment contract.

Contracts which transfer significant insurance risk to the group are classified as insurance contracts. Contracts that transfer financial risk (e.g. change in interest rate or security price) to the group but not significant insurance risk are classified as investment contracts.

Judgement is required in order to assess the significance of the transfer of insurance risk within a contract. This assessment is based on whether the occurrence of an insured event could cause the group to make significant additional payments, i.e. if the occurrence of the event causes significantly higher cash outflows for the group than its non-occurrence.

Certain contracts, which are both insurance and investment, contain discretionary participating features representing the contractual right to receive additional benefits as a supplement to guaranteed benefits under certain conditions, being:

- That the additional benefits are a significant portion of the total contractual benefits.
- The amount and timing of the additional benefits is at the discretion of the group; and
- That the additional benefits are contractually dependent upon the performance of a company, fund or specified pool of assets.

Insurance contracts and investment contracts with such discretionary participation features are accounted for under IFRS 4, while investment contracts without discretionary participation features are accounted for as financial instruments under IAS 39.

Judgement is therefore required in order to establish whether any additional benefits in an insurance or investment contract meet the above requirements for being considered discretionary participation features.

Consolidation (Notes 45 to 47): Assessment of whether the group controls underlying entities and should therefore consolidate them.
The assessment takes account of various criteria, including decision making ability, equity holding and the rights to a variable return from the entity. Control arises when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For operating entities this generally accompanies a shareholding of 50% or more in the entity. Subsidiaries that are consolidated where the group owns less than 50% of the ordinary share capital (structured entities), are consolidated based on an assessment of control normally arising from special rights attaching to the class of share owned, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights.

The group invests in various fund and unit trust entities where it also acts as the asset manager to those entities. In these instances, in determining whether the group controls the entities, the assessment focuses on the aggregate economic interests of the group (direct interest and expected management fees) and on whether the group acts as a principal or agent. This includes an assessment of the removal rights of other investors (their practical ability to allow the group not to control the fund). Additionally, holdings in such investments can fluctuate on a daily basis according to the participation of the group and other investors in them. As a result, in determining control, we look at an assessment of these factors over a longer period to mitigate the impact of daily fluctuations which do not reflect the wider facts and circumstances of the group's involvement. This is performed in line with the following principles:

- Where the entity is managed by a group asset manager, and the group's ownership holding in the entity exceeds 50%, the group is judged to have control over the entity.
- Where the entity is managed by a group asset manager, and the group's ownership holding in the entity is between 30% and 50%, the facts and circumstances of the group's involvement in the entity are considered, including the rights to any fees earned by the asset manager from the entity, in forming a judgement as to whether the group has control over the entity; and
- Where the entity is managed by a group asset manager, and the group's ownership holding in the entity is less than 30%, the group is judged to not have control over the entity, but again the facts and circumstances of the group's involvement in the entity are considered.

1 Basis of preparation continued

(vi) Critical accounting policies and the use of estimates continued

The following sets out information about the critical accounting assumptions made by the group about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of insurance and investment contract liabilities (Notes 19 to 22)

- Determination of longevity, mortality and morbidity assumptions used in the calculation of the insurance contract liabilities; the assumptions for the rate of future longevity, mortality and morbidity are based on the group's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data.
- Determination of the expense assumptions used in the calculation of the insurance liabilities that represent the expected future costs of administering the underlying insurance policies; the expense assumptions are based on management's best estimate of these future costs.
- Determination of valuation interest rates used to discount the liabilities are sensitive to the assumptions made, for example, on credit default of the backing assets; these assumptions take into account consideration of market experience and historic internal data. The valuation interest rate is also sensitive to the selection of assets chosen to back the liabilities.
- Determination of the target long-term asset portfolio at certain period ends, depending on the quantum and timing of pension risk transfer (PRT) volumes; this assumption is used to present LGR's new business metrics.

Insurance and investment contract liabilities are of a long-term nature, and as such the ultimate impact of Covid-19 will emerge over a long period of time. As at FY20, there was insufficient certainty to revise long-term assumptions in response to emerging claims experience relating to the effects of the pandemic, with the exception of certain short-term allowances in protection contracts, which have been made to account for the higher mortality expected in 2021.

Valuation of unquoted illiquid assets and investment property (Note 11)

- Determination of fair value of unquoted and illiquid assets, and investment property involves judgements in model valuations, through the incorporation of both observable and unobservable market inputs, which include assumptions that lead to the existence of a range of plausible valuations for financial assets.

During 2020, Covid-19 increased the volatility within asset markets, and this has driven an increased focus on the valuation of these assets. Given the diversity of our asset portfolio, the impact has been varied with certain asset classes and market sectors more exposed to the impact of Covid-19 than others. In assessing asset valuation, in line with applicable standards and guidance, the group has both projected the short-term impact on earnings and cash flows of the current market volatility, while continuing to review the assets' ability to deliver longer-term returns aligned to their investment cases.

Defined benefit pension plan (Note 24)

- Determination of pension plan assumptions including mortality, discount rates and inflation; these assumptions have been set in accordance with the requirements of IAS 19, 'Employee Benefits' and include consistent judgements with those in setting the annuity liabilities where possible. Note 24 includes a sensitivity analysis to alternative assumptions.

(vii) Consolidation principles

Subsidiary undertakings

The consolidated financial statements incorporate the assets, liabilities, equity, income, expenses and cash flows of the company and of its subsidiary undertakings drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are those entities (including special purpose entities, mutual funds and unit trusts) over which the group directly or indirectly has control (i.e. when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee) (Note 45). Profits or losses of subsidiary undertakings sold or acquired during the year are included in the consolidated results up to the date of disposal or from the date of gaining control. Puttable instruments held by external parties in consolidated investment vehicles, such as unit trusts, are classified as liabilities and appear as 'Net asset value attributable to unit holders' in the Consolidated Balance Sheet.

Associates and joint ventures

The group has interests in associates and joint ventures (Note 46) which form part of an investment portfolio held through private equity vehicles, mutual funds, unit trusts and similar entities. In accordance with the choice permitted by IAS 28, 'Investments in associates', these interests have been classified as fair value through profit or loss and measured at fair value within financial investments, with changes in fair value recognised in the Consolidated Income Statement.

Associates which do not form part of an investment portfolio are initially recognised in the Consolidated Balance Sheet at cost. The carrying amount of the associate is increased or decreased to reflect the group's share of total comprehensive income after the date of the acquisition.

(viii) Product classification

The group's products are classified for accounting purposes as either insurance or investment contracts. The basis of accounting for these products is outlined in Notes 21 and 22 respectively. Following the sale of the Mature Savings business, the group no longer has any participating insurance or investment contracts. The following table summarises the classification of the group's significant types of non-participating insurance and investment contracts as described in Note 6 for each applicable reportable segment.

Reportable segment	Non-participating insurance contracts	Non-participating investment contracts
LGR	• Pension risk transfers • Individual annuities • Longevity insurance • Lifetime Care Plan	• Lifetime mortgages • Fixed term individual annuities • Assured payment policies • Retirement interest only mortgages
LGI	• UK Retail protection • UK Group protection • US Protection • US Universal life • US Individual annuities	
LGIM		• Workplace savings • Institutional pension • Segregated investment management mandates • Collective investment schemes

(ix) Fiduciary activities

Assets associated with fiduciary activities and the income arising from those assets, together with associated commitments to return such assets to customers, are not included in these financial statements. Where the group acts in a fiduciary capacity, for instance as a trustee or agent, it has no contractual rights over the assets concerned.

(x) Foreign exchange and exchange rates

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the group's foreign operations is the currency of the primary economic environment in which the entity operates. The assets and liabilities of all of the group's foreign operations are translated into sterling, the group's presentation currency, at the closing rate at the date of the Consolidated Balance Sheet. The income and expenses for each income statement are translated at average exchange rates. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to a separate component of shareholders' equity.

Foreign exchange gains and losses are recognised in the Consolidated Income Statement, except when recognised in equity as qualifying cash flow or net investment hedges.

The closing exchange rates at 31 December 2020 were 1.37 United States dollar and 1.12 euro (31 December 2019: 1.33 United States dollar and 1.18 euro).

The average exchange rates for the year ended 31 December 2020 were 1.28 United States dollar and 1.13 euro (31 December 2019: 1.28 United States dollar and 1.14 euro).

2 Supplementary operating profit# information

(i) Reconciliation between operating profit and profit from ordinary activities after income tax

	Notes	Profit/ (loss) before tax[1] 2020 £m	Tax (expense)/ credit 2020 £m	Profit/ (loss) after tax 2020 £m	Profit/ (loss) before tax[1] 2019 £m	Tax (expense)/ credit 2019 £m	Profit/ (loss) after tax 2019 £m
Legal & General Retirement (LGR)	2(iii)	**1,731**	**(250)**	**1,481**	1,569	(216)	1,353
– LGR Institutional (LGRI)		1,331	(194)	1,137	1,216	(172)	1,044
– LGR Retail (LGRR)		400	(56)	344	353	(44)	309
Legal & General Investment Management (LGIM)[2]		**404**	**(80)**	**324**	394	(76)	318
Legal & General Capital (LGC)		**275**	**(51)**	**224**	363	(68)	295
Legal & General Insurance (LGI)	2(iii)	**189**	**(34)**	**155**	314	(37)	277
– UK and Other		205	(39)	166	223	(40)	183
– US (LGIA)		(16)	5	(11)	91	3	94
Operating profit from continuing operations		**2,599**	**(415)**	**2,184**	2,640	(397)	2,243
Operating profit from discontinued operations[3]		**34**	**(6)**	**28**	11	(2)	9
Operating profit from divisions/(tax expense) on divisions		**2,633**	**(421)**	**2,212**	2,651	(399)	2,252
Group debt costs[4]		**(233)**	**44**	**(189)**	(208)	40	(168)
Group investment projects and expenses		**(155)**	**38**	**(117)**	(157)	34	(123)
Covid-19 costs[5]		**(27)**	**7**	**(20)**	–	–	–
Operating profit/(tax expense)		**2,218**	**(332)**	**1,886**	2,286	(325)	1,961
Investment and other variances	2(iv)	**(394)**	**115**	**(279)**	(150)	23	(127)
Decrease on non-controlling interests		**(36)**	**–**	**(36)**	(24)	–	(24)
Profit for the year/(tax expense) for the year		**1,788**	**(217)**	**1,571**	2,112	(302)	1,810

1. The profit/(loss) before tax reflects profit/(loss) before tax attributable to equity holders, and includes £358m (2019: £28m) of profit before tax attributable to equity holders in relation to discontinued operations (see Note 29).
2. 2019 has been restated to reflect a reallocation of divisional-related project expenditure from Group investment projects and expenses to Legal & General Investment Management (LGIM) within Operating profit from divisions. This has reduced LGIM operating profit by £29m for the year ended 31 December 2019.
3. Discontinued operations include the results of the Mature Savings division, the sale of which completed on 7 September 2020 (see Note 29). In 2019, discontinued operations also included the results of the General Insurance division.
4. Group debt costs exclude interest on non recourse borrowings.
5. Covid-19 costs reflect incremental operational expenses incurred as a result of Covid-19 and include IT spend on delivering remote working solutions.

This supplementary operating profit information (one of the group's key performance indicators) provides further analysis of the results reported under IFRS and the group believes it provides shareholders with a better understanding of the underlying performance of the business in the year.

- LGR represents worldwide pension risk transfer business including longevity insurance (within LGRI), and retail retirement and lifetime mortgages (within LGRR).
- LGIM represents institutional and retail investment management and workplace savings businesses.
- LGC represents shareholder assets invested in direct investments primarily in the areas of housing, urban regeneration, clean energy and SME finance, as well as traded and treasury assets.
- LGI primarily represents UK and US retail protection business, UK group protection and Fintech business.

Operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items. Operating profit therefore reflects longer-term economic assumptions for the group's insurance businesses and shareholder funds, except the operating profit for LGC's trading businesses (which reflects the IFRS profit before tax). Variances between actual and long-term expected investment return assumptions are reported below operating profit, which include any differences between investment return on actual assets and the target long-term asset mix. Exceptional income and expenses which arise outside the normal course of business in the year, such as gains/losses from mergers and acquisition, and start-up costs, are also excluded from operating profit.

All references to 'Operating profit' throughout this report represent 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

(ii) Reconciliation of release from operations to operating profit before tax

For the year ended 31 December 2020	Release from operations[1] £m	New business surplus/ (strain) £m	Net release from operations £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items £m	Other £m	Operating profit/(loss) after tax £m	Tax expense/ (credit) £m	Operating profit/(loss) before tax £m
LGR	**655**	**277**	**932**	**116**	**400**	**33**	**–**	**1,481**	**250**	**1,731**
– LGRI	492	220	712	81	314	30	–	1,137	194	1,331
– LGRR	163	57	220	35	86	3	–	344	56	400
LGIM	**357**	**(15)**	**342**	**(17)**	**–**	**(1)**	**–**	**324**	**80**	**404**
– LGIM (excluding Workplace Savings)[2]	327	–	327	–	–	–	–	327	80	407
– Workplace Savings[3]	30	(15)	15	(17)	–	(1)	–	(3)	–	(3)
LGC	**224**	**–**	**224**	**–**	**–**	**–**	**–**	**224**	**51**	**275**
LGI	**250**	**8**	**258**	**(41)**	**58**	**(5)**	**(115)**	**155**	**34**	**189**
– UK and Other	146	8	154	(41)	58	(5)	–	166	39	205
– US (LGIA)[4]	104	–	104	–	–	–	(115)	(11)	(5)	(16)
From continuing operations	**1,486**	**270**	**1,756**	**58**	**458**	**27**	**(115)**	**2,184**	**415**	**2,599**
From discontinued operations[5]	**28**	**–**	**28**	**–**	**–**	**–**	**–**	**28**	**6**	**34**
Total from divisions	**1,514**	**270**	**1,784**	**58**	**458**	**27**	**(115)**	**2,212**	**421**	**2,633**
Group debt costs	**(189)**	**–**	**(189)**	**–**	**–**	**–**	**–**	**(189)**	**(44)**	**(233)**
Group investment projects and expenses	**(56)**	**–**	**(56)**	**–**	**–**	**–**	**(61)**	**(117)**	**(38)**	**(155)**
Covid-19 costs[6]	**–**	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**	**(7)**	**(27)**
Total	**1,269**	**270**	**1,539**	**58**	**458**	**27**	**(196)**	**1,886**	**332**	**2,218**

1. Release from operations within US (LGIA) includes £84m of dividends from the US.
2. LGIM (excluding Workplace Savings) includes profits on fund management services.
3. Workplace Savings represents administration business only.
4. Other includes experience variances, changes in valuation assumptions and non-cash items for LGIA.
5. Discontinued operations include the results of the Mature Savings division, the sale of which completed on 7 September 2020.
6. Covid-19 costs reflect incremental operational expenses incurred as a result of Covid-19 and include IT spend on delivering remote working solutions.

Release from operations for LGR, LGIM – Workplace Savings and LGI UK and Other represents the expected IFRS surplus generated in the year from the difference between the prudent assumptions underlying the IFRS liabilities and our best estimate of future experience for in-force non-profit annuities, workplace savings and UK protection businesses. The LGIM release from operations also includes operating profit after tax from the institutional and retail investment management businesses. The LGI release from operations also includes dividends remitted from LGIA. The release from operations within discontinued operations primarily reflects the unwind of expected profits after tax under the risk transfer agreement with ReAssure Limited from the Mature Savings business.

New business surplus/strain for LGR, LGIM – Workplace Savings and LGI UK and Other represents the initial profit or loss from writing new business. This includes the costs associated with acquiring new business and setting up prudent reserves in respect of new business for UK non-profit annuities, workplace savings and protection, net of tax. The new business surplus and release from operations for LGR, LGIM and LGI excludes any capital held in excess of the prudent reserves from the liability calculation.

LGR's new business metrics are presented based on a target long-term asset portfolio. At certain period ends, depending upon the quantum and timing of pension risk transfer (PRT) volumes, we may have sourced more or less of the high quality assets targeted to support that business. At year end, the profit impact of the difference between the actual assets held (including alternative surplus assets where suitable) and the long-term asset mix is reflected in investment variance.

Net release from operations for LGR, LGIM – Workplace Savings, LGI and discontinued operations is defined as release from operations plus new business surplus/(strain).

Release from operations and net release from operations for LGC and LGIM (excluding workplace savings) represents the operating profit (net of tax).

See Note 2 (iii) for more detail on experience variances, changes to valuation assumptions and non-cash items.

All references to 'Operating profit' throughout this report represent 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

2 Supplementary operating profit# information continued
(ii) Reconciliation of release from operations to operating profit before tax continued

For the year ended 31 December 2019	Release from operations[1] £m	New business surplus/(strain) £m	Net release from operations £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items £m	Other £m	Operating profit/(loss) after tax £m	Tax expense/(credit) £m	Operating profit/(loss) before tax £m
LGR	598	327	925	(53)	390	91	–	1,353	216	1,569
– LGRI	418	265	683	(40)	313	88	–	1,044	172	1,216
– LGRR	180	62	242	(13)	77	3	–	309	44	353
LGIM[2]	348	(20)	328	(6)	–	(4)	–	318	76	394
– LGIM (excluding Workplace Savings)[3]	321	–	321	–	–	–	–	321	77	398
– Workplace Savings[4]	27	(20)	7	(6)	–	(4)	–	(3)	(1)	(4)
LGC	295	–	295	–	–	–	–	295	68	363
LGI	259	(7)	252	(11)	44	(12)	4	277	37	314
– UK and Other	165	(7)	158	(11)	44	(12)	4	183	40	223
– US (LGIA)[5]	94	–	94	–	–	–	–	94	(3)	91
From continuing operations	1,500	300	1,800	(70)	434	75	4	2,243	397	2,640
From discontinued operations[6]	9	–	9	–	–	–	–	9	2	11
Total from divisions	1,509	300	1,809	(70)	434	75	4	2,252	399	2,651
Group debt costs	(168)	–	(168)	–	–	–	–	(168)	(40)	(208)
Group investment projects and expenses[2]	(44)	–	(44)	–	–	–	(79)	(123)	(34)	(157)
Total	1,297	300	1,597	(70)	434	75	(75)	1,961	325	2,286

1. Release from operations within US (LGIA) includes £81m of dividends from the US.
2. As described in Note 2 (i), 2019 has been restated to reflect a reallocation of divisional-related project expenditure from Group investment projects and expenses to LGIM. This has reduced LGIM operating profit by £23m and Workplace Savings operating profit by £6m.
3. LGIM (excluding Workplace Savings) includes profits on fund management services.
4. Workplace Savings represents administration business only.
5. Other includes experience variances, changes in valuation assumptions and non-cash items for LGIA.
6. Discontinued operations include the results of the Mature Savings and General Insurance divisions, the sales of which completed on 7 September 2020 and 31 December 2019 respectively.

All references to 'Operating profit' throughout this report represent 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

(iii) Analysis of LGR and LGI operating profit

	LGR 2020 £m	LGI 2020 £m	LGR 2019 £m	LGI 2019 £m
Net release from operations	**932**	**258**	925	252
Experience variances				
– Persistency	**7**	**3**	(4)	(9)
– Mortality/morbidity[1]	**104**	**(46)**	6	(5)
– Expenses	**(5)**	**(5)**	(23)	–
– Project and development costs	**(5)**	**(1)**	(12)	–
– Other	**15**	**8**	(20)	3
Total experience variances	**116**	**(41)**	(53)	(11)
Changes to valuation assumptions				
– Persistency	**–**	**(1)**	–	(16)
– Mortality/morbidity[2]	**255**	**54**	352	39
– Expenses	**–**	**2**	5	–
– Other[3]	**145**	**3**	33	21
Total changes to valuation assumptions	**400**	**58**	390	44
Movement in non-cash items				
– Acquisition expense tax relief	**–**	**(3)**	–	(2)
– Other[4]	**33**	**(2)**	91	(10)
Total movement in non-cash items	**33**	**(5)**	91	(12)
Other[1]	**–**	**(115)**	–	4
Operating profit after tax	**1,481**	**155**	1,353	277
Tax gross up	**250**	**34**	216	37
Operating profit before tax	**1,731**	**189**	1,569	314

1. Mortality experience variances are driven by increased claims experience due to Covid-19, particularly impacting LGIA (reflected in Other) where we retain the majority of the mortality risk, and include a provision of £110m for future Covid-19 related claims.
2. Mortality assumption changes for LGR include a one off release of £153m (net of tax) from an update in the longevity trend assumption from adjusted CMI 2017 to adjusted CMI 2018. In 2019, the comparable one off release of £134m was from adjusted CMI 2016 to adjusted CMI 2017. Other positive longevity variances are driven by routine updates to our assumptions relating to base mortality rates.
3. The £145m positive Other change to valuation assumptions in LGR reflects both the reduction in the assumed late retirement factors applied to deferred annuities and the impact from updating unit cost and investment expense assumptions.
4. LGR Other movement in non-cash items is driven by the net effect of the capitalisation and unwind of future asset management profits on activity managed by LGIM, and is a function of new business volumes and movements in the main unit cost assumptions.

(iv) Investment and other variances

	2020 £m	2019 £m
Investment variance[1]	**(691)**	(27)
M&A related and other variances[2]	**297**	(123)
Total investment and other variances	**(394)**	(150)

1. The investment variance for the year ended 31 December 2020 is broadly made up of three significant items: 1) £459m in LGI, reflecting a reduction in the discount rate used to calculate protection liabilities, the rate being linked to UK government bond and US Treasury yields; 2) £299m in LGC, reflecting market movements in our traded and treasury portfolio and write-downs on certain property assets; 3) partially offset by a positive variance of £57m in respect of the defined benefit pension scheme, reflecting the impact of the acquisition of annuity assets from LGR, and the beneficial rate difference between the IAS 19 and annuity discount rates.
2. M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions and disposals. 2020 includes a £335m profit on disposal of the Mature Savings division.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets, economic assumption changes (e.g. credit default and inflation), the impact of any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business, and excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate.

The long-term expected investment return is based on opening economic assumptions applied to the assets under management at the start of the reporting period. The assumptions underlying the calculation of the expected returns for traded equity and commercial property assets are based on long-term historic average returns expected to apply through the cycle. The principal assumptions are:

	2020	2019
Equities	**7%**	7%
Commercial property	**5%**	5%
Residential property	**RPI + 50bps**	RPI + 50bps

3 Other expenses
An analysis of other expenses is set out below:

	Notes	2020 £m	2019 £m
Staff costs (including pensions and share-based payments)	34	**1,069**	939
Redundancy costs		**6**	6
Lease rentals[1]		**–**	4
Auditor's remuneration	33	**13**	10
Depreciation and impairment of plant and equipment		**52**	45
Amortisation and impairment of purchased interest in long-term businesses and other intangible assets	9	**21**	89
Direct operating expenses arising from investment properties which generate rental income		**6**	13
House building expenses[2]		**643**	869
Other administrative expenses		**433**	560
Total other expenses		**2,243**	2,535
Less: other expenses from discontinued operations		**(10)**	(291)
Other expenses from continuing operations		**2,233**	2,244

1. Lease rentals represent expenses on short-term leases or low value leases as permitted under IFRS 16.
2. House building expenses represent cost of sales of the group's housing businesses, including CALA Homes. A total of £748m (2019: £1,056m) of house building income has been recognised in the year (see Note 30 (ii) (d)).

4 Dividends

Interim dividends on ordinary shares are deducted from retained earnings in the period in which they are paid. Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the company.

	Dividend 2020 £m	Per share[1] 2020 p	Dividend 2019 £m	Per share[1] 2019 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2018 dividend paid in June 2019	–	–	704	11.82
– Interim 2019 dividend paid in September 2019	–	–	294	4.93
– Final 2019 dividend paid in June 2020	754	12.64	–	–
– Interim 2020 dividend paid in September 2020	294	4.93	–	–
Total dividends	**1,048**	**17.57**	998	16.75
Ordinary share dividend proposed[2]	**754**	**12.64**	753	12.64

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. Subsequent to 31 December 2020, the directors declared a final dividend for 2020 of 12.64 pence per ordinary share. This dividend will be paid on 27 May 2021. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2021 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2020.

5 Earnings per share

Earnings per share is a measure of the portion of the group's profit allocated to each outstanding share. It is calculated by dividing net income attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares. For this purpose, net income is defined as the profit after tax, attributable to equity holders of the company, derived from continuing operations.

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares, such as share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

(i) Basic earnings per share

	After tax 2020 £m	Per share[1] 2020 p	After tax 2019 £m	Per share[1] 2019 p
Profit for the year attributable to equity holders	**1,607**	**27.10**	1,834	30.92
Less: coupon payable in respect of restricted tier 1 convertible notes net of tax relief	**(6)**	**(0.10)**	–	–
Total basic earnings	**1,601**	**27.00**	1,834	30.92
Less: earnings derived from discontinued operations	**(290)**	**(4.89)**	(23)	(0.39)
Basic earnings derived from continuing operations	**1,311**	**22.11**	1,811	30.53

1. Basic earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares.

(ii) Diluted earnings per share

	After tax 2020 £m	Weighted average number of shares 2020 m	Per share[1] 2020 p
Profit for the year attributable to equity holders	**1,607**	**5,930**	**27.10**
Net shares under options allocable for no further consideration	**–**	**40**	**(0.18)**
Conversion of restricted tier 1 convertible notes	**–**	**307**	**(1.32)**
Total diluted earnings	**1,607**	**6,277**	**25.60**
Less: diluted earnings derived from discontinued operations	**(290)**	**–**	**(4.62)**
Diluted earnings derived from continuing operations	**1,317**	**6,277**	**20.98**

	After tax 2019 £m	Weighted average number of shares 2019 m	Per share[1] 2019 p
Profit for the year attributable to equity holders	1,834	5,932	30.92
Net shares under options allocable for no further consideration	–	33	(0.17)
Total diluted earnings	1,834	5,965	30.75
Less: diluted earnings derived from discontinued operations	(23)	–	(0.39)
Diluted earnings derived from continuing operations	1,811	5,965	30.36

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees and conversion of restricted tier 1 convertible notes.

Balance sheet management

6 Principal products

A significant part of the group's business involves the acceptance and management of risk.

A description of the principal products offered by the group's segments is outlined below. The group seeks to manage its exposure to risk through controls which ensure that the residual exposures are within acceptable tolerances agreed by the board. The group's risk appetite framework and the methods used to monitor risk exposures can be found on pages 40 to 47.

The group has historically offered a range of products to meet customers' long-term savings objectives, including: non-participating savings, pension and endowment contracts; participating savings business (comprising endowment contracts, with-profit pensions, with-profit annuities and with-profit bonds); and unit-linked savings contracts and collective investment savings products. All balances and exposures in relation to these products have been removed from the group's balance sheet following the completion of the sale of the Mature Savings business on 7 September 2020.

Details of the risks associated with the group's principal products and the controls used to manage these risks can be found in Notes 7 and 16 to 18.

Legal & General Retirement (LGR)

Annuity contracts

Annuity products provide guaranteed income for a specified time, usually the life of the policyholder, in exchange for a lump sum capital payment. No surrender value is available under any of these products.

Pension Risk Transfer (PRT) represents bulk annuities, whereby the group accepts the assets and liabilities of a company pension scheme or a life fund. These are written predominantly to UK clients but increasing internationally.

Immediate annuity contracts are offered to individual policyholders. Immediate annuities provide a regular income stream to the policyholder, purchased with a lump sum investment, where the income stream starts immediately after the purchase.

Some non-participating deferred annuities sold by the group contain guaranteed cash options, predominantly minimum factors for commuting part of the annuity income into cash at the date of vesting. The value of such guaranteed options is currently immaterial.

There is a block of immediate and deferred annuities within the UK non-profit business with benefits linked to changes in the RPI or for a minority the CPI, but with contractual maximum or minimum increases. In particular, most of these annuities have a provision that the annuity will not reduce if RPI, or for a minority CPI, becomes negative. The total annual annuity value of such annuities in payment at 31 December 2020 was £1,170m (2019: £930m). Thus, 1% negative inflation, which was reversed in the following year, would result in a guarantee cost of approximately £12m (2019: £9m). Negative inflation sustained over a longer period would give rise to significantly greater guarantee costs. Some of these guarantee costs have been partially matched through the purchase of negative inflation hedges and limited price indexation swaps.

The group also offers products for individuals that provide a guaranteed level of income over a chosen fixed period of time, in exchange for an initial lump sum payment from the policyholder. The products can provide a fixed lump sum at maturity and/or options to surrender on non-guaranteed terms.

The group writes Assured Payment Policies (APP). An APP is a long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over time from the insurer.

Longevity insurance contracts

The group also provides longevity insurance products for company pension schemes, under which regular payments are made to the scheme reflecting their actual longevity experience, while the scheme makes an agreed set of regular payments in return. Some policies contain a guaranteed surrender value which is currently immaterial.

Lifetime mortgages

Lifetime mortgages are a form of equity release mortgage that provide non-commercial borrowers with a loan secured against their main residence, without the need for regular repayments. They are regulated retail mortgages offered only to borrowers over the age of 55 through specialist intermediaries. Interest accrues over the term of the loan and is repayable at the time the principal becomes due. Loans can be advanced in a single lump sum amount or in several subsequent drawdowns of an agreed facility. All lifetime mortgages provide a 'no negative equity' guarantee, which means that if the loan is repaid from the sale of the property and if the net sale proceeds are lower than the balance of the loan, the group will accept the net sale proceeds as full settlement.

Lifetime Care Plan

The Lifetime Care Plan provides a monthly payment to a UK registered care provider that helps meet the cost of care for the policyholder's life. A policyholder can choose to receive a fixed monthly payment or opt to have escalation built in. A death benefit exists within the product, so that if a policyholder dies within the first 6 months of the start date, a percentage of the original premium less any payments already made is payable to the estate.

Retirement Interest Only mortgages

A Retirement Interest Only (RIO) mortgage is a standard residential mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- The loan is usually only paid off on death, move into long-term care or sale of the house.
- The borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term. No repayment solution is required as repayment defaults to sale of property.

6 Principal products continued

Legal & General Investment Management (LGIM)

LGIM offers both active and passive management on either a pooled or segregated basis to clients domiciled globally. Assets are managed in London, Chicago and Hong Kong on behalf of pension funds, institutional clients, sovereign wealth clients, retail clients and subsidiary companies within the group.

The key products provided by LGIM are Workplace Savings, Institutional Pensions, Segregated investment management mandates and Collective Investment Schemes.

The core strategies applied for managing the products are set out below.

Index fund management

LGIM provides a diversified range of pooled index funds, providing a wide choice and the ability to pursue specific benchmarks efficiently. In addition, segregated solutions are offered to institutional clients providing large scale customisation against established market capitalisation weighted and alternative indices.

The LGIM ETF business provides clients access to LGIM's index fund management capabilities via our Exchange Traded Fund platform. ETF products cover a broad range of traditional and thematic asset classes.

Active strategies

LGIM offers a range of pooled and segregated active fixed income funds. The LGIM liquidity funds offer institutional investors a solution for their cash management requirements across a range of core currencies. The liquidity funds aim to deliver competitive returns with a high level of diversification, whilst focusing on capital preservation through portfolios of high quality, liquid assets.

Active strategies also includes an active equity management business comprising focused teams managing stock selection across different regions.

Solutions and Liability Driven Investment (LDI)

LGIM provides a range of pooled and bespoke solutions to help de-risk defined benefit pension schemes. These solutions will usually combine active or passive underlying portfolios with derivative overlays designed to meet clients' specific requirements. An allocation strategy service is also offered to institutional clients, which may also allocate some of the portfolio to managers other than LGIM.

Multi-asset funds

Multi-asset funds for retail and institutional clients, built using LGIM's expertise in asset allocation which is informed by an in-house research capability. The underlying asset classes may be managed on an active or passive basis within LGIM.

Real Assets

LGIM offers a range of pooled funds, segregated accounts and joint ventures investing on behalf of UK and overseas investors across physical real estate, private corporate debt, infrastructure debt and real estate loans. The business has specialist teams of fund and asset managers and an in-house research team.

Workplace Savings

Workplace Savings provides corporate pension scheme solutions to enable companies to meet their auto-enrolment obligations. Workplace Savings (a business division of LGAS operated within LGIM) acts as scheme operator and administrator for these products while the customers hold the individual or scheme level pension policies issued by LGAS.

Legal & General Capital (LGC)

Investment strategy and implementation

Legal & General Capital manages shareholder assets which are not directly required to meet contractual obligations to policyholders. LGC's investments fall into two distinct categories: direct investments and traded assets. The value of, and income from, both categories is sensitive to conditions within investment markets and the broader economy. Potential volatility in returns is managed using a range of techniques, including foreign exchange and interest rate hedging, and exposure concentration limits by asset type, sector and geographic region.

Direct investments and structuring

Direct investments are an integral part of the wider group strategy. LGC's direct investments are typically illiquid investments entered into through acquisition, joint venture with strategic partners or by the creation of new companies. LGC seeks to make direct investments in sectors where there are structural funding shortfalls, and is organised into three sectors: housing, future cities (including urban regeneration and clean energy) and SME finance (including venture capital). LGC employs capital and sector expertise to such investments to target attractive risk-adjusted returns which can deliver higher returns and / or lower volatility for our shareholder capital than listed equity.

Legal & General Insurance (LGI)

LGI business comprises UK and US retail protection, UK group protection, US universal life business and Fintech business.

UK protection business (retail and group)

The group offers protection products which provide mortality or morbidity benefits. They may include health, disability, critical illness and accident benefits; these additional benefits are commonly provided as supplements to main life policies but can also be sold separately. The benefit amounts would usually be specified in the policy terms. Some sickness benefits cover the policyholder's mortgage repayments and are linked to the prevailing mortgage interest rates. In addition to these benefits, some contracts may guarantee premium rates, provide guaranteed insurability benefits and offer policyholders conversion options.

US protection business

Protection consists of individual term assurance, which provides death benefits over the medium to long-term. The contracts have level premiums for an initial period with premiums set annually thereafter. During the initial period, there is generally an option to convert the contract to a universal life contract. After the initial period, the premium rates are not guaranteed, but cannot exceed the age-related guaranteed premium.

Reinsurance is used within the protection businesses to manage exposure to large claims. These practices lead to the establishment of reinsurance assets on the group's balance sheet. Within LGA, reinsurance and securitisation are also used to provide regulatory solvency relief (including relief from regulation governing term insurance and universal life reserves).

US universal life

Universal life contracts written by LGA provide savings and death benefits over the medium to long-term. The savings element has a guaranteed minimum growth rate. LGA has exposure to loss in the event that interest rates decrease and it is unable to earn enough on the underlying assets to cover the guaranteed rate. LGA is also exposed to loss should interest rates increase, as the underlying market value of assets will generally fall without a change in the surrender value.

Annuities

Immediate annuities have similar characteristics as products sold by LGR. Deferred annuity contracts written by LGA contain a provision that, at maturity, a policyholder may move the account value into an immediate annuity, at rates which are either those currently in effect, or rates guaranteed in the contract.

7 Asset risk

The group is exposed to the following categories of asset risk as a consequence of offering the principal products outlined in Note 6. The group is also exposed to insurance risk as a consequence of offering these products – more detail on insurance risk can be found in Note 18.

Following the completion of the sale of the Mature Savings business on 7 September 2020, the group is no longer exposed to any asset risk in relation to the with-profits or savings products.

Market risk
Exposure to loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets.

Credit risk
Exposure to loss if another party fails to perform its financial obligations to the group.

Liquidity risk
The risk that the group, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The group is not directly exposed to any market risk, credit risk or liquidity risk associated with LGIM's businesses. As a result, the detailed risk disclosures have not been presented.

The group seeks to manage its exposures to risk through controls which ensure that the residual risk exposures are within acceptable tolerances agreed by the board. A description of the risks associated with the group's principal products and the associated controls is detailed below.

Market risk

Principal risks	Business segment	Controls to mitigate risks
Investment performance risk The group is exposed to the risk that the income from, and value of, assets held to back insurance liabilities do not perform in line with investment and product pricing assumptions leading to a potential financial loss.	LGR and LGI	Models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities in order to determine optimum portfolios of invested assets. For annuities, which are sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change.
For unit linked contracts, there is a risk of volatility in asset management fee income due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based. There is also the risk of expense over-runs should the market depress the level of charges which could be imposed.	Unit linked	The risk is managed through maintaining a diversified range of funds in which customers may invest. The performance of linked investment funds relative to their investment objectives is subject to regular monitoring. Periodic assessment is also made of the long-term profitability to the group of these funds. For some contracts the group has discretion over the level of management charges levied.
Property risk Lifetime mortgages include a no-negative equity guarantee which transfers a potential loss exposure to the group as a result of low house price inflation and an exposure to specific properties which may experience lower house price inflation for whatever reason.	LGR	To mitigate the risk, maximum loan to value ratios are set for all lending with further underwriting criteria setting out acceptable properties for lending purposes. Policy terms also require properties to be fully insured and maintained, including the right of inspection. The diversification of lending by property type and geographic region seeks to control exposures to specific aspects in the property market.
LGC businesses build homes across the residential market, invest in large commercial and residential development projects and manage several developed real-estate assets. The group's revenue streams are exposed to residential sales achieved, as well as the volume of transactions, both of which many be affected by the performance of the housing market. Independent valuations of real-estate assets, either in development or developed, also depend on an assessment of the wider real-estate market.	LGC	Diversification by geographic region and property type avoids concentration of exposures to specific areas of the property market. Sites are developed in a number of phases to spread the risk to local markets over several years and where possible we seek to co-invest with local experts to manage assets. The purchasing of new land for development requires approval from LGC's Investment Committee and the Group Capital Committee. Where appropriate, key methods are adopted to further manage the risk, such as fixed price construction contracts, forward sales and pre-letting. These businesses can also benefit from flexible funding arrangements available from the group.

7 Asset risk continued
Market risk

Principal risks	Business segment	Controls to mitigate risks
Currency risk To diversify credit risk within the annuities business corporate bond portfolio, investments are held in corporate bonds denominated in non-sterling currencies. LGC also invest in overseas assets. Fluctuations in the value of, or income from, these assets relative to liabilities denominated in sterling could result in unforeseen foreign exchange losses.	LGR, LGC and LGI	To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to corporate bonds denominated in currencies other than sterling. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties. The hedges do not eliminate all currency risk and the group retains some residual risk.
The consolidated international subsidiaries and financial instruments of subsidiaries are translated into sterling in the consolidated accounts. Changes in the sterling value can impact consolidated equity but may be mitigated by associated hedging transactions.	Group	To mitigate the risk of loss from currency translation the company continuously monitors its exposure and executes appropriate hedging transactions when necessary. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties.
Inflation risk Inflation risk is the potential of realising a loss because of relative or absolute changes in inflation rates. Annuity contracts may provide for future benefits to be paid taking account of changes in the level of inflation. Annuity contracts in payment may include an annual adjustment for movements in price indices.	LGR	The investment strategy for the annuities business takes explicit account of the effect of movements in price indices on contracted liabilities. Significant exposures that may adversely impact profitability are hedged using inflation swaps. Annuity contracts also typically provide for a cap on the annual increase in inflation linked benefit payments. The hedges do not eliminate all inflation risk and the group retains some residual risk.
Interest rate risk Interest rate risk is the risk that the group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.	LGR, LGI and Group	To mitigate the risk that guarantees and commitments are not met, financial instruments are purchased, which broadly match the nature and terms of the expected policy benefits payable. The composition of the investment portfolio is governed by the nature of the insurance or savings liabilities, the expected rate of return applicable on each class of asset and the capital available to meet the price fluctuations of each asset class, relative to the liabilities they support.

Credit risk

Principal risks	Business segment	Controls to mitigate risks
Bond default risk A significant portfolio of corporate bonds and commercial loans are held to back the liabilities arising from writing insurance and annuities business. Whilst the portfolio is diversified, the asset class is inherently exposed to the risk of issuer default, with the possibility of financial loss.	LGR and LGI	Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region to limit exposure to a default event. Issuer limits are regularly reviewed to take account of changes in market conditions, sector performance and the re-assessment of financial strength by rating agencies and the group's own internal analysis. Exposures are monitored relative to limits. Financial instruments are also used to mitigate the impact of rating downgrades and defaults. If appropriate, actions are taken to trade out investments at risk of default.
Reinsurance counterparty risk Exposure to insurance risk is mitigated by ceding part of the risks assumed to the reinsurance market. Default of a reinsurer would require the business to be re-brokered potentially on less advantageous terms, or for the risks to be borne directly resulting in possible financial loss. Credit risk syndication also exposes the group to counterparty default risks. The group is required to carry an element of associated credit risk capital on its balance sheet should the business not be re-brokered on the same terms.	LGR and LGI	When selecting new reinsurance partners for its protection business, the group considers only companies which have a minimum credit rating equivalent to A- from Standard & Poor's. For each reinsurer, exposure limits are determined based on credit ratings and projected exposure over the term of the treaty. Actual exposures are regularly monitored relative to these limits. Similarly, for longevity and credit risk syndication transactions, the group targets the use of strongly rated counterparties and seeks to ensure that positions are fully collateralised. The adequacy and quality of collateral is subject to ongoing monitoring.
Property lending counterparty risk As part of our asset diversification strategy, we hold property lending and sale and leaseback investments. We are inherently exposed to the risk of default by a borrower or tenant.	LGR and LGC	Each property lending and sale and leaseback investment transaction is subject to a due diligence process to assess the credit risks implicit in the transaction and confirm that any risk of default has been appropriately mitigated. We also protect our interests by taking security over the underlying property associated with each investment transaction.
Banking counterparty risk The group is exposed to potential financial loss should banks or the issuers of financial instruments default on their obligations to us. We are also exposed to counterparty risks in respect of the providers of settlement and custody services.	Group, LGR and LGC	The group controls its exposures to banking counterparties and the issuers of financial instruments using a framework of counterparty limits. These limits take account of the relative financial strength of the counterparty as well as other bank counterparty exposures that the group may have. Limits are subject to regular review with actual exposures monitored against limits. The group has defined criteria for the selection of custody and settlement services. The financial strength of providers is regularly reviewed.

7 Asset risk continued

Liquidity risk

Principal risks	Business segment	Controls to mitigate risks
Contingent event risk Events that result in liquidity risk include a pandemic that could lead to significantly higher levels of claims than would normally be expected, or extreme events impacting the timing of cash flows or the ability to realise investments at a given value within a specified timeframe.	LGI and Group	The group seeks to ensure that it meets its obligations as they fall due and avoids incurring material losses on forced asset sales in order to meet those obligations. A limited level of contingent liquidity risk is, however, an accepted element of writing insurance contracts. It is furthermore a consequence of the markets in which the group operates and the execution of investment management strategies. However, the group's insurance businesses seek to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity is identified using techniques including stress tests for shock events and the profile of actual liquid assets is regularly compared to the required liability profile. The group's treasury function provides formal facilities to other areas of the group to cover contingent liquidity requirements arising from more extreme events and where investment assets may not be readily realisable.
Collateral liquidity risk Within the annuities business, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral with counterparties at short notice.	LGR, LGC and Group	Liquidity requirements to meet potential collateral calls under stressed conditions are actively managed and an appropriate pool of eligible assets is maintained with counterparties as specified in the associated agreements. As at 31 December 2020, LGR held eligible collateral worth more than five times the total amount of outstanding collateral (using the most representative definition of collateral contained within the group's different collateral agreements).
Investment liquidity risk Direct lending, sale and leaseback investments and lifetime mortgage business are inherently illiquid forms of investment, with limited secondary markets to realise the value of assets outside agreed redemption terms.	LGR and LGC	Given the illiquid nature of the annuity and other liabilities the group is able and willing to take advantage of the premium offered by illiquid assets. The group, however, sets limits on the overall exposure to illiquid investments taking account of the nature and type of liabilities that the assets are held to meet.

As at 31 December 2020, the group had £3.6bn (2019: £2.7bn) of cash and cash equivalents in shareholder funds and non profit non-unit linked funds and a £1.0bn syndicated committed revolving credit facility in place, provided by a number of its key relationship banks, maturing in December 2023.

8 Assets analysis

The group has categorised its assets and liabilities in the following disclosure in accordance with the level of shareholder exposure to market and credit risks. Various reinsurance arrangements are in place as a mechanism to mitigate the risks, including a risk transfer agreement with ReAssure Limited, which was effective from 1 January 2018 until the completion of the sale of the Mature Savings business on 7 September 2020, and under the terms of the group transferred all economic risks and rewards of the Mature Savings business, including with-profits, to ReAssure Limited.

The four categorisations presented are:

Unit linked
For unit linked contracts, there is a direct link between the investments and the obligations. Unit linked business is written in both Legal and General Assurance Society Limited and Legal and General Assurance (Pensions Management) Limited. The financial risk on these contracts is borne by the policyholders. The group is therefore not directly exposed to any market risk, currency risk or credit risk for these contracts. As a result, risk disclosures have not been presented for unit linked assets and liabilities.

With-profits
Policyholders and shareholders share in the risks and returns of the with-profits fund. The return to shareholders on virtually all participating products is in the form of a transfer to shareholders' equity, which is analogous to a dividend from the fund and is dependent upon the bonuses credited or declared on policies in that year. The bonuses are broadly based on historic and current rates of return on equity, property and fixed income securities, as well as expectations of future investment returns. The with-profits classification excludes unit linked contracts.

Following the completion of the sale of the Mature Savings business on 7 September 2020, the group no longer retains any with-profits assets or liabilities.

Non profit non-unit linked
Shareholders are exposed to the risk and rewards of ownership of assets backing non profit non-unit linked business.

Shareholder
All other assets are classified as shareholder assets. Shareholders of the group are directly exposed to market and credit risk on these assets. This includes the assets and liabilities of our overseas insurance operations and general insurance.

The table below presents an analysis of the balance sheet by category. All of the quantitative risk disclosures in Notes 16 and 17 have been provided using this categorisation.

8 Assets analysis continued

As at 31 December 2020	Shareholder £m	Non profit non-unit linked £m	With-profits £m	Unit linked £m	Total £m
Assets					
Goodwill and Purchased interests in long-term businesses and other intangible assets	**387**	**10**	**–**	**–**	**397**
Investment in associates and joint ventures accounted for using the equity method	**288**	**–**	**–**	**–**	**288**
Property, plant and equipment	**268**	**6**	**–**	**–**	**274**
Investments[1]	**11,193**	**110,867**	**–**	**430,492**	**552,552**
Reinsurers' share of contract liabilities	**660**	**6,276**	**–**	**3**	**6,939**
Other assets	**3,087**	**4,384**	**–**	**2,644**	**10,115**
Assets of operations classified as held for sale	**–**	**–**	**–**	**–**	**–**
Total assets	**15,883**	**121,543**	**–**	**433,139**	**570,565**
Liabilities					
Core borrowings	**4,609**	**–**	**–**	**(51)**	**4,558**
Operational borrowings	**1,044**	**1**	**–**	**10**	**1,055**
Non-participating contract liabilities	**1,145**	**88,875**	**–**	**342,552**	**432,572**
Other liabilities	**3,384**	**28,408**	**–**	**90,622**	**122,414**
Liabilities of operations classified as held for sale	**–**	**–**	**–**	**–**	**–**
Total liabilities	**10,182**	**117,284**	**–**	**433,133**	**560,599**

As at 31 December 2019	Shareholder £m	Non profit non-unit linked £m	With-profits £m	Unit linked £m	Total £m
Assets					
Goodwill and Purchased interests in long-term businesses and other intangible assets	243	11	–	–	254
Investment in associates and joint ventures accounted for using the equity method	315	9	–	–	324
Property, plant and equipment	292	6	–	–	298
Investments[1,2]	10,724	87,270	2,388	419,625	520,007
Reinsurers' share of contract liabilities[2]	459	5,485	–	3	5,947
Other assets[2]	3,215	2,638	–	3,209	9,062
Assets of operations classified as held for sale	–	456	7,989	16,399	24,844
Total assets	15,248	95,875	10,377	439,236	560,736
Liabilities					
Core borrowings	4,138	–	–	(47)	4,091
Operational borrowings	1,013	–	–	7	1,020
Non-participating contract liabilities[2]	860	77,432	–	320,183	398,475
Other liabilities[2]	4,049	14,163	–	99,730	117,942
Liabilities of operations classified as held for sale	–	384	10,375	19,356	30,115
Total liabilities	10,060	91,979	10,375	439,229	551,643

1. Investments includes financial investments, investment property and cash and cash equivalents.
2. Following a change in accounting policy for LGIA universal life and annuity reserves, a number of balance sheet items have been restated, notably deferred acquisition costs, financial investments, reinsurers' share of contract liabilities, non-participating insurance contract liabilities and overseas deferred tax liabilities. Further details on the change in accounting policy are provided in Note 1 (iv).

9 Purchased interest in long-term businesses (PILTB) and other intangible assets

Portfolios of in-force insurance or investment contracts acquired either directly or through the acquisition of a subsidiary undertaking are capitalised at fair value. The value of business acquired represents the present value of anticipated future profits in acquired contracts. These amounts are amortised over the anticipated lives of the related contracts in the portfolio.

Other intangible assets mainly consist of customer relationships, brand and capitalised software costs. Intangible assets acquired via business combinations are recognised at fair value and are subsequently amortised on a straight line method over their estimated useful life. Where software costs are separately identifiable and measurable, they are capitalised at cost and amortised over their expected useful life on a straight line basis.

Purchased interest in long-term businesses and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

	PILTB insurance contracts 2020 £m	PILTB investment contracts 2020 £m	Other intangible assets 2020 £m	Total 2020 £m
Cost				
As at 1 January	**382**	**33**	**349**	**764**
Additions[1]	–	–	166	166
Disposals[2]	(24)	(2)	(30)	(56)
Decrease due to currency translation	(7)	–	(1)	(8)
Other movements[3]	(4)	(31)	(79)	(114)
As at 31 December	**347**	**–**	**405**	**752**
Accumulated amortisation and impairment				
As at 1 January	**(379)**	**(33)**	**(162)**	**(574)**
Amortisation for the year	–	–	(21)	(21)
Impairment	–	–	–	–
Disposals[2]	24	2	25	51
Decrease due to currency translation	7	–	–	7
Other movements[3]	1	31	82	114
As at 31 December	**(347)**	**–**	**(76)**	**(423)**
Total net book value as at 31 December	**–**	**–**	**329**	**329**
To be amortised within 12 months				60
To be amortised after 12 months				269

1. Other intangible assets include £1m related to acquisitions made during the year.
2. Disposals primarily relate to the sale of the Mature Savings business, which completed on 7 September 2020.
3. Other movements reflect the removal of fully amortised assets that are no longer in use.

9 Purchased interest in long-term businesses (PILTB) and other intangible assets continued

	PILTB insurance contracts 2019 £m	PILTB investment contracts 2019 £m	Other intangible assets 2019 £m	Total 2019 £m
Cost				
As at 1 January	391	33	330	754
Additions[1]	–	–	93	93
Disposals[2]	–	–	(76)	(76)
(Decrease)/increase due to currency translation	(9)	–	2	(7)
As at 31 December	382	33	349	764
Accumulated amortisation and impairment				
As at 1 January	(380)	(33)	(115)	(528)
Amortisation for the year	–	–	(26)	(26)
Impairment[3]	(8)	–	(55)	(63)
Disposals[2]	–	–	34	34
Decrease due to currency translation	9	–	–	9
As at 31 December	(379)	(33)	(162)	(574)
Total net book value as at 31 December	3	–	187	190
To be amortised within 12 months				40
To be amortised after 12 months				150

1. Other intangible assets include £2m related to acquisitions made during the year.
2. Disposals primarily relate to the sale of the General Insurance business, which was completed on 31 December 2019.
3. Impairments of other intangible assets relates to capitalised software development costs.

10 Deferred acquisition costs

The group incurs costs to obtain and process new business. These are accounted for in line with the appropriate accounting standards as follows:

Long-term insurance business
Acquisition costs comprise direct costs, such as initial commission, and the indirect costs of obtaining and processing new business. Some acquisition costs relating to non-participating insurance contracts written outside the with-profits fund which are incurred during a financial year are deferred by use of an asset which is amortised over the period during which the costs are expected to be recoverable, and in accordance with the expected incidence of future related margins. For participating contracts, acquisition costs are charged to the income statement when incurred.

Investment contracts
For participating investment contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. These costs are charged to the income statement when incurred. For non-participating investment contracts, only directly attributable costs relating to investment management services which vary with, and are related to, securing new contracts and renewing existing contracts, are capitalised and amortised over the period during which the service is provided on a straight line basis. All other costs are recognised as expenses when incurred.

	Insurance contracts 2020 £m	Investment contracts 2020 £m	Total 2020 £m	Insurance contracts 2019 £m	Investment contracts 2019 £m	Total 2019 £m
As at 1 January	**27**	**465**	**492**	112	466	578
Change in accounting policy[1]	–	–	–	(21)	–	(21)
Acquisition costs deferred	**48**	**1**	**49**	161	1	162
Amortisation charged to income statement	**(54)**	**(2)**	**(56)**	(159)	(3)	(162)
Disposals[2]	–	**(438)**	**(438)**	(65)	–	(65)
Decrease due to currency translation	–	–	–	(1)	–	(1)
Other	–	–	–	–	1	1
Total as at 31 December	**21**	**26**	**47**	27	465	492
Less: assets of operations classified as held for sale[3]	–	–	–	–	(438)	(438)
As at 31 December	**21**	**26**	**47**	27	27	54
To be amortised within 12 months[4]	**21**	**5**	**26**	27	31	58
To be amortised after 12 months[4]	–	**21**	**21**	–	434	434

1. Change in accounting policy represents the cumulative impact of the change in accounting policy relating to LGIA universal life and annuity reserves, described in Note 1 (iv). The change has been applied retrospectively.
2. Disposals relate to the sale of the Mature Savings business, which completed on 7 September 2020. Disposals in 2019 relate to the sale of the General Insurance business, which completed on 31 December 2019.
3. Assets of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
4. The maturity analysis of the assets between less and more than 12 months is based on Total as at 31 December.

11 Financial investments and investment property

The group holds financial investments and investment property to back insurance contracts on behalf of policyholders and as group capital.

The group classifies its financial investments on initial recognition as held for trading (HFT), designated at fair value through profit or loss (FVTPL), available-for-sale (AFS) or loans and receivables. Initial recognition of financial investments is on the trade date.

The group's policy is to measure investments at FVTPL except for certain overseas assets where the related liability is valued on a passive basis (not using current information), in which case investments are classified as AFS or loans held at amortised cost. Following the change in accounting policy described in Note 1 (iv), no long-term liabilities valued on a passive basis remain in the group. All derivatives other than those designated as hedges are classified as HFT.

Certain financial investments held by the group are designated as FVTPL as their performance is evaluated on a total return basis, consistent with asset performance reporting to the Group Investment and Market Risk Committee and the group's investment strategy. Assets designated as FVTPL include debt securities (including lifetime and retirement interest only mortgages) and equity instruments which would otherwise have been classified as AFS and reverse repurchase agreements within loans which would otherwise be designated at amortised cost. Assets backing participating and non-participating policyholder liabilities are designated as FVTPL. For participating contracts the assets are managed on a fair value basis to maximise the total return to policyholders over the contract life. The group's non-participating investment contract liabilities are measured on the basis of current information and are designated as FVTPL to avoid an accounting mismatch in the income statement.

Financial investments classified as HFT and designated at FVTPL are measured at fair value with gains and losses reflected in the Consolidated Income Statement. Transaction costs are expensed as incurred.

Financial investments classified as AFS are measured at fair value with unrealised gains and losses recognised in a separate reserve within equity. Realised gains and losses, impairment losses, dividends, interest and foreign exchange movements on non-equity instruments are reflected in the Consolidated Income Statement. Directly attributable transaction costs are included in the initial measurement of the investment.

Financial investments classified as loans are either designated at FVTPL, or initially measured at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method. The designated at FVTPL classification currently only applies to reverse repurchase agreements.

Financial investments are recognised when the group becomes a party to the contractual provisions of the instrument. Financial investments are derecognised only when the contractual rights to the cash flows from the investment expire, or when the group transfers substantially all the risks and rewards of ownership to another entity.

Financial assets, other than those measured at FVTPL, are assessed for impairment at each balance sheet date. They are impaired where there is objective evidence that, as a result of one or more events after initial recognition of the financial asset, the estimated future cash flows have been affected.

Investment property comprises land and buildings which are held for long-term rental yields and capital growth, as well as right-of-use assets of the same nature. It is carried at fair value with changes in fair value recognised in the Consolidated Income Statement within investment return.

Investment property in the UK is valued at least bi-annually by external chartered surveyors at open market values in accordance with the 'Appraisal and Valuation Manual' of The Royal Institution of Chartered Surveyors or using internal valuations and estimates during the intervening period. Outside the UK, valuations are produced in conjunction with external qualified professional valuers in the countries concerned. In the event of a material change in market conditions between the valuation date and balance sheet date, an internal valuation is performed and adjustments made to reflect any material changes in fair value.

Right-of-use investment property assets relate to long-leasehold interests in land held solely for the purposes of the related investment property asset. The group applies the fair value model to these interests as they meet the definition of investment property under IAS 40, 'Investment Property'.

The group receives and pledges collateral in the form of cash or non-cash assets in respect of various transactions, in order to reduce the credit risk of these transactions. The amount and type of collateral required where the group receives collateral depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, where the group has contractual rights to receive the cash flows generated, is recognised as an asset in the Consolidated Balance Sheet with a corresponding liability for its repayment. Non-cash collateral received is not recognised in the Consolidated Balance Sheet unless the counterparty defaults on its obligations under the relevant agreement.

Non-cash collateral pledged where the group retains the contractual rights to receive the cash flows generated is not derecognised from the Consolidated Balance Sheet, unless the group defaults on its obligations under the relevant agreement.

Cash collateral pledged, where the counterparty has contractual rights to receive the cash flows generated, is derecognised from the Consolidated Balance Sheet and a corresponding receivable is recognised for its return.

	Note	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Unit linked 2020 £m	Total 2020 £m
Financial investments at fair value classified as:						
Fair value through profit or loss		**7,458**	**80,487**	**–**	**396,161**	**484,106**
Available-for-sale		**643**	**–**	**–**	**–**	**643**
Held for trading		**68**	**20,868**	**–**	**3,695**	**24,631**
Loans at fair value	11(ii)	**595**	**3,522**	**–**	**12,429**	**16,546**
Financial investments at fair value		**8,764**	**104,877**	**–**	**412,285**	**525,926**
Loans at amortised cost	11(ii)	**131**	**–**	**–**	**–**	**131**
Total financial investments		**8,895**	**104,877**	**–**	**412,285**	**526,057**
Investment property		**353**	**4,319**	**–**	**3,803**	**8,475**
Total financial investments and investment property		**9,248**	**109,196**	**–**	**416,088**	**534,532**
Expected to be recovered within 12 months						**47,809**
Expected to be recovered after 12 months						**486,723**

	Note	Shareholder 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Unit linked 2019 £m	Total 2019 £m
Financial investments at fair value classified as:						
Fair value through profit or loss[2]		7,588	70,255	8,615	402,307	488,765
Available-for-sale[2]		492	–	–	–	492
Held for trading		108	11,448	115	3,157	14,828
Loans at fair value	11(ii)	632	630	397	14,718	16,377
Financial investments at fair value		8,820	82,333	9,127	420,182	520,462
Loans at amortised cost[2]	11(ii)	121	–	–	–	121
Total financial investments		8,941	82,333	9,127	420,182	520,583
Investment property		254	3,798	507	4,548	9,107
Total financial investments and investment property		9,195	86,131	9,634	424,730	529,690
Less: assets of operations classified as held for sale[1]		–	–	(7,703)	(15,903)	(23,606)
Financial investments and investment property		9,195	86,131	1,931	408,827	506,084
Expected to be recovered within 12 months						51,720
Expected to be recovered after 12 months						477,970

1 Assets of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
2. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost and designated as available-for-sale to designated as fair value through profit or loss. Accordingly, the 2019 balances for Fair value through profit and loss, Available-for-sale and Loans at amortised cost have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

Market risks on unit linked assets are borne by the policyholders. The remaining risks associated with financial investments are outlined in Note 7.

11 Financial investments and investment property continued

Financial investments, cash and cash equivalents include £4,097m (2019: £4,408m) of assets pledged as collateral against net derivative liability counterparty positions. The assets used as collateral are Treasury Gilts, Foreign Government Bonds, AAA and AA Corporate Bonds and Cash (2019: Treasury Gilts, Foreign Government Bonds, AAA and AA Corporate Bonds and Cash). The group is entitled to receive all of the cash flows from the asset during the period when it is pledged as collateral. Further, there is no obligation to pay or transfer these cash flows to another entity. The group can decide to substitute an asset which is designated as collateral at any time, provided the relevant terms and conditions of the International Swap Dealers Association agreement are met.

Financial investments include £53,853m (2019: £56,884m) of assets that have been sold but not derecognised and are subject to repurchase agreements. The related obligation to repurchase the financial assets is included within Payables and other financial liabilities (Note 25).

Various pension risk transfer deals include collateralised structures. £8,022m (2019: £7,556m) of Corporate Bonds and Treasury Gilts are pledged as collateral in relation to these.

Collateral of £760m (2019: £323m) made up of Treasury Gilts, Foreign Government Bonds and Corporate Bonds (AAA, AA, A and BBB) was pledged out in respect of the reinsurance agreements. These assets are neither past due, not impaired. The carrying value of these assets reflects the full exposure value of these assets.

Financial investments have been allocated between those expected to be settled within 12 months and after 12 months in line with the expected settlement of the backed liabilities. Assets in excess of the insurance and investment contract liabilities have been classified as expected to be settled after 12 months.

(i) Financial investments at fair value

	Notes	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Unit linked 2020 £m	Total 2020 £m
Equity securities		3,037	49	–	186,003	189,089
Debt securities[1]		5,047	79,893	–	209,286	294,226
Accrued interest		17	545	–	872	1,434
Derivative assets	13	68	20,868	–	3,695	24,631
Loans at fair value	11(ii)	595	3,522	–	12,429	16,546
Total financial investments at fair value		**8,764**	**104,877**	**–**	**412,285**	**525,926**

	Notes	Shareholder 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Unit linked 2019 £m	Total 2019 £m
Equity securities[2]		2,670	194	3,103	194,398	200,365
Debt securities[1,3]		5,387	69,530	5,468	206,859	287,244
Accrued interest[3]		23	531	44	1,050	1,648
Derivative assets	13	108	11,448	115	3,157	14,828
Loans at fair value	11(ii)	632	630	397	14,718	16,377
Total financial investments at fair value		8,820	82,333	9,127	420,182	520,462

1. Non profit non-unit linked debt securities include £1.6bn (2019: £1.9bn) of commercial real estate loans and £6.0bn (2019: £4.7bn) of lifetime mortgages designated as fair value through profit and loss.
2. Property investments which are held via partnerships or unit trust vehicles were included within equity securities in 2019, but have now been disposed as part of the sale of the Mature Savings business in 2020.
3. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for Debt securities and Accrued interest have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

Accrued interest in the above tables represents accrued interest on debt securities only. Accrued interest on loans at fair value is included within loans at fair value.

Included within unit linked equity securities are £227m (2019: £269m) of debt instruments which incorporate an embedded derivative linked to the value of the group's share price.

(ii) Loans

	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Unit linked 2020 £m	Total 2020 £m
Loans at amortised cost					
Policy loans	31	–	–	–	31
Other loans and receivables	100	–	–	–	100
	131	–	–	–	131
Loans at fair value					
Reverse repurchase agreements	595	3,522	–	12,429	16,546
Total loans	726	3,522	–	12,429	16,677

	Shareholder 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Unit linked 2019 £m	Total 2019 £m
Loans at amortised cost					
Policy loans	33	–	–	–	33
Other loans and receivables[1]	88	–	–	–	88
	121	–	–	–	121
Loans at fair value					
Reverse repurchase agreements	632	630	397	14,718	16,377
Total loans	753	630	397	14,718	16,498

1. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balance for Loans at amortised cost has been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

There are no material differences between the carrying values reflected above and the fair values of these loans.

(iii) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the group's view of market assumptions in the absence of observable market information. The group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:
Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

The group's financial assets are valued, where possible, using standard market pricing sources, such as IHS Markit, ICE and Bloomberg, or Index Providers such as Barclays, Merrill Lynch or JPMorgan. Each uses mathematical modelling and multiple source validation in order to determine consensus prices, with the exception of OTC Derivative holdings, which are marked to market using an in-house system (Lombard Oberon), external vendor (IHS Markit), internal model or Counterparty Broker marks. Where inputs to the valuation have been sourced from a market that is not suitably active the prices have been classified as Level 2. Refer to Note 11 (iii) (a) for Level 3 methodology.

The group's investment properties are valued by appropriately qualified external valuers using unobservable inputs, resulting in all investment property being classified as Level 3.

The group's policy is to re-assess categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time.

During the year the group has enhanced the level of market data it uses to support the determination of the observability of valuation inputs, and as a result a significant number of debt securities, totalling £37,103m as at 31 December 2019, transferred from Level 2 to Level 1 in the fair value hierarchy.

11 Financial investments and investment property continued
(iii) Fair value hierarchy continued

As at 31 December 2020	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	3,037	1,876	–	1,161
Debt securities	5,047	1,024	2,769	1,254
Accrued interest	17	6	8	3
Derivative assets	68	4	64	–
Loans at fair value	595	–	595	–
Investment property	353	–	–	353
Non profit non-unit linked				
Equity securities	49	29	16	4
Debt securities	79,893	28,651	30,877	20,365
Accrued interest	545	217	281	47
Derivative assets	20,868	–	20,868	–
Loans at fair value	3,522	–	3,522	–
Investment property	4,319	–	–	4,319
With-profits				
Equity securities	–	–	–	–
Debt securities	–	–	–	–
Accrued interest	–	–	–	–
Derivative assets	–	–	–	–
Loans at fair value	–	–	–	–
Investment property	–	–	–	–
Unit linked				
Equity securities	186,003	185,345	22	636
Debt securities	209,286	167,506	41,492	288
Accrued interest	872	649	223	–
Derivative assets	3,695	224	3,471	–
Loans at fair value	12,429	–	12,429	–
Investment property	3,803	–	–	3,803
Total financial investments and investment property at fair value[1]	534,401	385,531	116,637	32,233

1. This table excludes loans (including accrued interest) of £131m, which are held at amortised cost.

As at 31 December 2019	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	2,670	1,579	–	1,091
Debt securities	5,387	1,038	3,175	1,174
Accrued interest	23	6	13	4
Derivative assets	108	3	105	–
Loans at fair value	632	–	632	–
Investment property	254	–	–	254
Non profit non-unit linked				
Equity securities	194	158	32	4
Debt securities	69,530	8,281	43,342	17,907
Accrued interest	531	29	464	38
Derivative assets	11,448	–	11,444	4
Loans at fair value	630	–	630	–
Investment property	3,798	–	–	3,798
With-profits				
Equity securities	3,103	2,908	–	195
Debt securities	5,468	1,590	3,878	–
Accrued interest	44	11	33	–
Derivative assets	115	8	107	–
Loans at fair value	397	–	397	–
Investment property	507	–	–	507
Unit linked				
Equity securities	194,398	191,687	1,966	745
Debt securities	206,859	144,072	62,512	275
Accrued interest	1,050	499	551	–
Derivative assets	3,157	202	2,955	–
Loans at fair value	14,718	–	14,718	–
Investment property	4,548	–	–	4,548
Total financial investments and investment property at fair value[1,2,3]	529,569	352,071	146,954	30,544

1. This table excludes loans (including accrued interest) of £121m, which are held at amortised cost.
2. This table includes financial investments of £22,194m and investment property of £1,412m relating to assets of operations classified as held for sale.
3. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for Debt securities and Accrued interest have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

11 Financial investments and investment property continued

(iii) Fair value hierarchy continued

(a) Level 3 assets measured at fair value

Level 3 assets, where modelling techniques are used, comprise property, unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, investments in private equity and property vehicles. Untraded debt securities include private placements, commercial real estate loans, income strips and lifetime and retirement interest only mortgages.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the group determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the group has classified within Level 3.

The group determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The group also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the group's credit standing, liquidity and risk margins on unobservable inputs.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee and validated independently as appropriate.

The group's policy is to reassess the categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time.

	Equity securities 2020 £m	Other financial investments 2020 £m	Investment property 2020 £m	Total 2020 £m	Equity securities 2019 £m	Other financial investments 2019 £m	Investment property 2019 £m	Total 2019 £m
As at 1 January	**2,035**	**19,402**	**9,107**	**30,544**	1,757	13,915	8,608	24,280
Total gains/(losses) for the year								
– in other comprehensive income	**–**	**2**	**–**	**2**	–	20	–	20
– realised and unrealised gains/(losses)[1]	**(85)**	**1,367**	**(85)**	**1,197**	51	1,384	(86)	1,349
Purchases / Additions	**283**	**2,491**	**1,019**	**3,793**	416	5,680	1,187	7,283
Sales / Disposals[2]	**(451)**	**(1,123)**	**(1,566)**	**(3,140)**	(199)	(1,850)	(675)	(2,724)
Transfers into Level 3	**52**	**–**	**–**	**52**	21	5	73	99
Transfers out of Level 3	**(32)**	**(87)**	**–**	**(119)**	(10)	(11)	–	(21)
Foreign exchange rate movements[3]	**(1)**	**(95)**	**–**	**(96)**	(1)	(70)	–	(71)
Change in accounting policy[4]	**–**	**–**	**–**	**–**	–	329	–	329
As at 31 December	**1,801**	**21,957**	**8,475**	**32,233**	2,035	19,402	9,107	30,544

1. The realised and unrealised gains and losses have been recognised in Investment return in the Consolidated Income Statement.
2. Disposals include £926m of Investment property and £234m of Equity securities that relate to the sale of the Mature Savings business, which completed on 7 September 2020.
3. The 2019 balance has been represented to separate foreign exchange from realised and unrealised gains/(losses).
4. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balance for Other financial investments has been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

Asset valuation approach at 31 December 2020

While recognising the volatility within asset markets, our approach to the valuation of assets as at 31 December 2020 was substantially consistent with our usual processes, policies and methodologies. However, we have applied increased focus on the valuation of those assets more directly impacted by the Covid-19 pandemic, particularly Level 3 assets. Given the diversity of our portfolio, the impact has been varied with certain asset classes and market sectors more exposed to the impact of Covid-19 than others. In assessing the valuation of such assets, in line with applicable standards and guidance (including compliance with Royal Institution of Chartered Surveyors (RICS) and International Private Equity and Venture Capital (IPEV) guidelines), we have both projected the short-term impact on earnings and cash flows of the current market volatility, while continuing to review the assets' ability to deliver longer-term returns aligned to their investment cases.

Equity securities

Level 3 equity securities amount to £1,801m (2019: £2,035m), of which the majority is made up of holdings in investment property vehicles and private investment funds. They are valued at the proportion of the group's holding of the Net Asset Value reported by the investment vehicles. Other equity securities are valued by a number of third party specialists using a range of techniques which are often dependent on the maturity of the underlying investment but can also depend on the characteristics of individual investments. Such techniques include transaction values underpinned by analysis of milestone achievement, and cash runway for early/start-up stage investments, discounted cash flow models for investments at the next stage of development and earnings multiples for more mature investments.

Other financial investments

Lifetime mortgage (LTM) loans amount to £6,036m (2019: £4,733m). They are valued using a discounted cash flow model by projecting best-estimate net asset proceeds and discounting using rates inferred from current LTM loan pricing. The inferred illiquidity premiums for the majority of the portfolio range between 100 and 350bps. This ensures the value of loans at outset is consistent with the purchase price of the loan, and achieves consistency between new and in-force loans. The mortgages include a no negative equity guarantee (NNEG) to borrowers. This ensures that if there is a shortfall between the sale proceeds of the house and the outstanding loan balance on redemption of the loan, the value of the loan will be reduced by this amount. The NNEG on loan redemption is valued as a series of put options, which we calculate using a variant of the Black-Scholes formula. Key assumptions in the valuation of lifetime mortgages include long-term property growth rates, property index volatility, voluntary early repayments and longevity assumptions. The valuation as at 31 December 2020 reflects a long-term property growth rate assumption of RPI + 0.1%, after allowing for the effects of dilapidation. The values of the properties collateralising the LTM loans are updated from the date of the last property valuation to the valuation date by indexing using UK regional house price indices.

Private credit loans (including commercial real estate loans) amount to £11,889m (2019: £10,998m). Their valuation is determined by discounted future cash flows which are based on the yield curve of the LGIM approved comparable bonds and the initial spread, both of which are agreed by IHS Markit who also provided independent monthly valuation of comparable bonds. Unobservable inputs that go into the determination of comparators include: rating, sector, sub-sector, performance dynamics, financing structure and duration of investment. Existing private credit investments, which were executed back as far as 2011, are subject to a range of interest rate formats, although the majority are fixed rate. The weighted average duration of the portfolio is 11.0 years, with a weighted average life of 14.0 years. Maturities in the portfolio currently extend out to 2064. The private credit portfolio of assets is not externally rated but has internal ratings assigned by an independent credit team in line with internally developed methodologies. These credit ratings range from AAA to BB.

Private placements held by the US business amount to £2,049m (2019: £1,673m). They are valued using a pricing matrix comprised of a public spread matrix, internal ratings assigned to each holding, average life of each holding, and a premium spread matrix. These are added to the risk-free rate to calculate the discounted cash flows and establish a market value for each investment grade private placement. The valuation as at 31 December 2020 reflects illiquidity premiums between 10 and 70bps.

Income strip assets amount to £1,449m (2019: £1,326m). Their valuation is outsourced to Knight Frank and CBRE who apply a yield to maturity to discounted future cash flows to derive valuations. The overall valuation takes into account the property location, tenant details, tenure, rent, rental break terms, lease expiries and underlying residual value of the property. The valuation as at 31 December 2020 reflects equivalent yield ranges between 2% and 7% and estimated rental values (ERV) between £10 and £337 per sq.ft.

Commercial mortgage loans amount to £419m (2019: £414m) and are determined by incorporating credit risk for performing loans at the portfolio level and for loans identified to be distressed at the loan level. The projected cash flows of each loan are discounted along stochastic risk free rate paths and are inclusive of an Option Adjusted Spread (OAS), derived from current internal pricing on new loans, along with the best observable inputs. The valuation as at 31 December 2020 reflects illiquidity premiums between 20 and 40bps.

Other debt securities which are not traded in an active market have been valued using third party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transactions.

Investment property

Level 3 investment property amounting to £8,475m (2019: £9,107m) is valued with the involvement of external valuers. All property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institute of Chartered Surveyors, and are undertaken by appropriately qualified valuers as defined therein. Whilst transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

The valuation of investment properties also include an income approach that is based on current rental income plus anticipated uplifts, where the uplift and discount rates are derived from rates implied by recent market transactions. These inputs are deemed unobservable. The valuation as at 31 December 2020 reflects equivalent yield ranges between 2% and 18% and ERV between £1 and £356 per sq.ft.

The below table breaks down the investment property by sector.

	2020 £m	2019[1] £m
Retail	**999**	1,139
Leisure	**440**	508
Distribution	**1,142**	851
Office space	**3,703**	3,181
Industrial and other commercial	**1,588**	1,562
Accommodation	**603**	454
Total	**8,475**	7,695

1. The 2019 investment property by sector excludes £1,412m relating to assets of operations classified as held for sale.

11 Financial investments and investment property continued

(iii) Fair value hierarchy continued

(b) Effect of changes in assumptions on Level 3 assets

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the group assesses the sensitivity of fair values of Level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impact of applying these sensitivities on the fair value of Level 3 assets as at 31 December. In light of Covid-19, we have reviewed and reflected changes in those sensitivities, and further disclosure in how these sensitivities have been applied can be found in the sensitivity descriptions following the table.

		Sensitivities	
	Fair value 2020 £m	Positive impact 2020 £m	Negative impact 2020 £m
Lifetime mortgages	6,036	392	(426)
Private credit portfolios	14,357	1,050	(1,050)
Investment property	8,475	711	(722)
Other investments[1]	3,365	268	(289)
Total Level 3 investments	**32,233**	**2,421**	**(2,487)**

1. Other investments include Level 3 equity securities, income strip assets and other traded debt securities which are Level 3.

The sensitivities are not a function of sensitising a single variable relating to the valuation of the asset, but rather a function of flexing multiple factors often at individual asset level. The following sets out a number of key factors by asset type, and how they have been flexed to derive reasonable alternative valuations.

Lifetime mortgages

Key assumptions used in the valuation of the Lifetime mortgage asset are listed in Note 11(iii)(b) and sensitivities are applied to each assumption to arrive at the overall sensitised values in the above table. The most significant sensitivity by value is +/-10% instant reduction in property valuation across the portfolio which, applied in isolation produces sensitised values of £311m and (£349m). During the early stages of the Covid-19 pandemic an increased dispersion in pricing coupled with general market uncertainty resulted in a higher level of uncertainty associated with these assets. While pricing has largely contracted at the balance sheet date continued market uncertainty has been reflected in the sensitivities.

Private credit portfolios

The sensitivity in the private credit portfolio has been determined through a method which estimates investment spread value premium differences as compared to the institutional investment market. Individual investment characteristics of each holding, such as credit rating and duration are used to determine spread differentials for the purposes of determining alternate values. Spread differentials are determined to be higher for highly rated and/or shorter duration assets as compared to lower rated and/or longer duration assets. Factors influencing the sensitivities under normal conditions are further adjusted during more volatile market conditions, as seen during the Covid-19 pandemic, in order to acknowledge an anticipated wider range of investor value determination. If we were to take an A rated asset in normal market conditions with an estimated premium difference of 15bps (as opposed to 30bps for a similar duration BBB rated asset) this would be increased by 15bps under stressed market conditions. Applied in isolation the additional sensitivity used to reflect the uncertainty caused by the Covid-19 pandemic produces sensitised values of £219m and (£219m).

Investment property

Investment property holdings are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors (RICS). As such, sensitivities are calculated through a mixture of asset level and portfolio level methodologies which make reference to individual investment characteristics of the holding but do not flex individual assumptions used by the independent expert in valuing the holdings. Each method is applied individually and aggregated with equal weighting to determine the overall sensitivity determined for the portfolio. One method is similar to that used in the private credit portfolio as it determines the impact of an alternate property yield determined in reference to credit ratings, remaining term and other characteristics of each holding. In this methodology we would apply a lower yield sensitivity to a highly rated and/or shorter remaining term asset compared with a lower rated and/or longer remaining term asset. If we were to take an AA rated asset with remaining term of 25 years in normal market conditions this would lead to a 15bps yield flex (as opposed to a 35bps yield flex for a BBB rated asset with 30 year remaining term). The methodology which leads to the most significant sensitivity at the balance sheet date is related to an example in case law where it was found that an acceptable margin of error in a valuation dispute is 10% either way, subject to the valuation being undertaken with due care. If this sensitivity were to be taken without a weighting it would produce sensitised values of £620m and (£620m).

As a result of the uncertainty caused by the Covid-19 pandemic a number of property valuations were provided in the group's interim financial statements as at 30 June 2020 on the basis of 'material valuation uncertainty' as per VPS3 and VPG10 of the RICS Red Book Global. Independent valuers confirmed that the inclusion of 'material valuation uncertainty' clauses does not mean that the valuations cannot be relied upon. Consequently, less certainty and a higher degree of caution should be attached to the valuations provided than would normally be the case. Rather, the clause is used to be clear and transparent with all parties that, in the context of the market conditions, less certainty can be attached to valuations than would otherwise be the case. At half year this was reflected as an addition to the sensitivities applied increasing the range. At the 31 December 2020 balance sheet date all such 'material uncertainty clauses' have been withdrawn by the independent valuers and therefore the additional sensitivity has been removed.

It should be noted that some sensitivities described above are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

12 IFRS 9 'Financial Instruments' deferral

As required by the amendments to IFRS 4 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', the disclosures below are presented in order to provide users of the financial statements with information which allows them to compare financial assets when IFRS 9 is not applied with those of entities applying IFRS 9. All entities within the group whose activities are not primarily insurance related and which prepare financial statements on an IFRS basis (including UK entities qualifying for disclosure exemptions under FRS 101, 'Reduced Disclosure Framework') have implemented IFRS 9 in 2018. The financial statements of these entities will be made available through Companies House through 2021.

(i) Fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (passing the SPPI test):

	Financial assets passing the SPPI test[1,2] 2020 £m	All other financial assets[3] 2020 £m	Financial assets passing the SPPI test[1,2,5] 2019 £m	All other financial assets[3] 2019 £m
Equity securities	–	189,089	–	200,365
Debt securities	2,339	291,887	2,044	285,200
Accrued interest	11	1,423	9	1,639
Derivative assets	–	24,631	–	14,828
Loans at fair value	–	16,546	–	16,377
Total financial investments at fair value	2,350	523,576	2,053	518,409
Loans at amortised cost	131	–	121	–
Reinsurance receivables	73	–	99	–
Insurance and intermediaries receivables	68	8	67	–
Other financial assets	5,961	–	5,219	–
Total fair value of financial assets[4]	8,583	523,584	7,559	518,409

1. Financial assets classified as held for trading or that are managed and whose performance is evaluated on a fair value basis do not require an SPPI test to be performed. These assets are reported in All other financial assets.
2. For financial assets which pass the SPPI test held at 31 December 2020 there was a change in the fair value in the year of £40m (2019: £64m).
3. For all other financial assets held at 31 December 2020 there was a change in the fair value in the year of £28,281m (2019: £45,492m).
4. Financial assets exclude cash and cash equivalents and receivables under finance leases.
5. Following a change in accounting policy for LGIA universal life and annuities reserves, LGIA financial assets passing the SPPI test have been restated. Further details on the change in accounting policy are provided in Note 1 (iv).

(ii) Credit risk information of financial assets passing the SPPI test:

	AAA 2020 £m	AA 2020 £m	A 2020 £m	BBB 2020 £m	BB or below[1] 2020 £m	Other[2] 2020 £m	Total 2020 £m
Debt securities	432	206	462	1,176	63	–	2,339
Accrued interest	2	1	3	5	–	–	11
Total financial investments at fair value	434	207	465	1,181	63	–	2,350
Loans at amortised cost	–	–	1	–	–	130	131
Reinsurance receivables	–	–	–	–	–	73	73
Insurance and intermediaries receivables	–	–	–	–	–	68	68
Other financial assets	–	2	89	4	3	5,863	5,961
Total carrying value of financial assets passing the SPPI test[3]	434	209	555	1,185	66	6,134	8,583

1. Financial assets classified as 'BB or below' are considered to be lower than investment grade, and therefore are not deemed to have low credit risk under IFRS 9.
2. Other financial assets are made up of unrated and short-term receivables for which a formal credit rating is not assigned. The fair value of financial assets passing the SPPI test that are not deemed to have low credit risk as at 31 December 2020 is £81m.
3. Financial assets exclude cash and cash equivalents and receivables under finance leases. The fair value of these assets approximates to their carrying value.

12 IFRS 9 'Financial Instruments' deferral continued
(ii) Credit risk information of financial assets passing the SPPI test continued:

	AAA 2019 £m	AA[4] 2019 £m	A[4] 2019 £m	BBB[4] 2019 £m	BB or below[1,4] 2019 £m	Other[2,4] 2019 £m	Total 2019 £m
Debt securities	361	223	434	994	32	–	2,044
Accrued interest	2	1	3	3	–	–	9
Total financial investments at fair value	363	224	437	997	32	–	2,053
Loans at amortised cost	–	–	–	–	–	121	121
Reinsurance receivables	–	–	–	–	–	99	99
Insurance and intermediaries receivables	–	–	–	–	–	67	67
Other financial assets	–	3	96	3	1	5,116	5,219
Total carrying value of financial assets passing the SPPI test[3]	363	227	533	1,000	33	5,403	7,559

1. Financial assets classified as 'BB or below' are considered to be lower than investment grade, and therefore are not deemed to have low credit risk under IFRS 9.
2. Other financial assets are made up of unrated and short-term receivables for which a formal credit rating is not assigned. The fair value of financial assets passing the SPPI test that are not deemed to have low credit risk as at 31 December 2019 is £43m.
3. Financial assets exclude cash and cash equivalents and receivables under finance leases. The fair value of these assets approximates to their carrying value.
4. Following a change in accounting policy for LGIA universal life and annuities reserves, credit risk information of LGIA financial assets have been restated. Further details on the change in accounting policy are provided in Note 1 (iv).

13 Derivative assets and liabilities

The group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The group uses derivatives such as foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The group uses hedge accounting, provided the prescribed criteria in IAS 39, 'Financial Instruments: Recognition and Measurement' are met, to recognise the offsetting effects of changes in the fair value or cash flow of the derivative instrument and the hedged item. The group's principal uses of hedge accounting are to:

(i) Defer in equity the changes in the fair value of derivatives designated as the hedge of a future cash flow attributable to a recognised asset or liability, a highly probable forecast transaction, or a firm commitment until the period in which the future transaction affects profit or loss or is no longer expected to occur.
(ii) Hedge the fair value movements in loans due to interest rate and exchange rate fluctuations. Any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the Consolidated Income Statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the Consolidated Income Statement; and
(iii) Hedge of a net investment in a foreign operation: a hedge of the exposure to the currency risk of a net investment in a foreign entity.

The relationship between the hedging instrument and the hedged item, together with the risk management objective and strategy for undertaking the hedge transaction, are documented at the inception of the transaction. The effectiveness of the hedge is documented and monitored on an ongoing basis. Hedge accounting is only applied for highly effective hedges (between 80% and 125% effectiveness) with any ineffective portion of the gain or loss recognised in the Consolidated Income Statement in the current year.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Where the risks and characteristics of derivatives embedded in other contracts are not closely related to those of the host contract and the whole contract is not carried at fair value, the derivative is separated from that host contract and measured at fair value, with fair value movements reflected within investment return, unless the embedded derivative itself meets the definition of an insurance contract.

Cash inflows and outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

Forward foreign exchange contracts – net investment hedges
The group hedges part of the foreign exchange translation exposure on its net investment in certain overseas subsidiaries, using forward foreign exchange contracts. It recognises the portion of the gain or loss which is determined in the Consolidated Statement of Comprehensive Income, along with the gain or loss on translation of the foreign subsidiaries.

Other derivative contracts – held for trading
The group uses certain derivative contracts which are effective hedges of economic exposures in accordance with the group's risk management policy, but for various reasons are not designated within a formal hedge accounting relationship. Therefore, these contracts must be designated as held for trading, and gains and losses on these contracts are recognised immediately in the Consolidated Income Statement.

13 Derivative assets and liabilities continued

	Fair values		Fair values	
	Assets[1] 2020 £m	Liabilities[2] 2020 £m	Assets[1] 2019 £m	Liabilities[2] 2019 £m
Shareholder derivatives:				
Currency swap contracts – held for trading	**25**	**114**	44	112
Inflation swap contracts – held for trading	**1**	**1**	1	–
Other derivatives – held for trading	**42**	**21**	63	14
Total shareholder derivatives	**68**	**136**	108	126
Non profit non-unit linked derivatives:				
Interest rate contracts – held for trading	**17,927**	**15,967**	9,875	7,967
Forward foreign exchange contracts – held for trading	**78**	**75**	87	71
Currency swap contracts – held for trading	**1,067**	**290**	448	146
Inflation swap contracts – held for trading	**1,781**	**3,623**	987	2,280
Credit derivatives – held for trading	**–**	**28**	28	3
Other derivatives – held for trading	**15**	**1,129**	23	902
Total non profit non-unit linked derivatives	**20,868**	**21,112**	11,448	11,369
With-profits derivatives:				
Interest rate contracts – held for trading	**–**	**–**	88	20
Other derivatives – held for trading	**–**	**–**	27	10
Total with-profits derivatives	**–**	**–**	115	30
Unit linked derivatives:				
Interest rate contracts – held for trading	**373**	**220**	469	339
Forward foreign exchange contracts – held for trading	**1,767**	**345**	1,790	357
Credit derivatives – held for trading	**15**	**36**	16	52
Inflation swap contracts – held for trading	**158**	**601**	99	287
Inflation rate contracts – held for trading	**–**	**–**	11	7
Equity/index derivatives – held for trading	**1,282**	**696**	608	328
Other derivatives – held for trading	**100**	**62**	164	218
Total unit linked derivatives	**3,695**	**1,960**	3,157	1,588
Total derivative assets and liabilities	**24,631**	**23,208**	14,828	13,113

1. Derivative assets are reported in the Consolidated Balance Sheet within Financial investments and investments property (Note 11).
2. Derivative liabilities are reported in the Consolidated Balance Sheet within Payables and other financial liabilities (Note 25).

The group has entered into fixed rate borrowings denominated in USD and is therefore exposed to foreign exchange and interest rate risks. In order to hedge these risks the group has entered into a cross currency interest rate swap, enabling the exposure to be swapped into a fixed rate in its functional currency. These had a fair value liability totalling £74m (2019: £51m) and a notional amount of £1,099m (2019: £1,099m) at 31 December 2020. There was no ineffectiveness recognised in the income statement in respect of these hedges during 2020.

The contractual undiscounted cash flows in relation to non-unit linked derivatives have the following maturity profile. Unit linked derivatives have not been included as shareholders are not directly exposed to liquidity risks.

As at 31 December 2020	Fair values £m	Maturity profile of undiscounted cash flows Within 1 year £m	1–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Cash inflows							
Shareholder derivatives							
Derivative assets	68	967	236	1,186	–	–	2,389
Derivative liabilities	(136)	125	409	2,368	–	–	2,902
Non profit non-unit linked derivatives							
Derivative assets	20,868	10,368	12,940	21,581	13,274	12,902	71,065
Derivative liabilities	(21,112)	5,391	3,553	13,562	7,716	8,190	38,412
With-profits derivatives							
Derivative assets	–	–	–	–	–	–	–
Derivative liabilities	–	–	–	–	–	–	–
Total	(312)	16,851	17,138	38,697	20,990	21,092	114,768
Cash outflows							
Shareholder derivatives							
Derivative assets	68	(923)	(171)	(1,153)	–	–	(2,247)
Derivative liabilities	(136)	(137)	(428)	(2,464)	–	–	(3,029)
Non profit non-unit linked derivatives							
Derivative assets	20,868	(8,687)	(9,129)	(16,051)	(9,036)	(7,199)	(50,102)
Derivative liabilities	(21,112)	(6,821)	(8,433)	(19,995)	(11,508)	(12,691)	(59,448)
With-profits derivatives							
Derivative assets	–	–	–	–	–	–	–
Derivative liabilities	–	–	–	–	–	–	–
Total	(312)	(16,568)	(18,161)	(39,663)	(20,544)	(19,890)	(114,826)
Net shareholder derivatives cash flows		32	46	(63)	–	–	15
Net non profit non-unit linked derivatives cash flows		251	(1,069)	(903)	446	1,202	(73)
Net with-profits derivatives cash flows		–	–	–	–	–	–

Future cash flows on the floating legs of interest rate and exchange derivatives are calculated using current spot rates, which may differ from the market expectation incorporated in the fair value.

Cash flows arising from implied events covered by credit derivatives are presented in the table above on an expected basis as cash flows within one year.

Cash inflows or outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

13 Derivative assets and liabilities continued

The contractual undiscounted cash flows in relation to non-unit linked derivatives have the following maturity profile. Unit linked derivatives have not been included as shareholders are not directly exposed to liquidity risks.

		Maturity profile of undiscounted cash flows					
As at 31 December 2019	Fair values £m	Within 1 year £m	1–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Cash inflows							
Shareholder derivatives							
Derivative assets	108	1,137	220	1,137	–	1	2,495
Derivative liabilities	(126)	251	398	2,293	1	2	2,945
Non profit non-unit linked derivatives							
Derivative assets	11,448	6,604	8,213	20,245	10,096	8,475	53,633
Derivative liabilities	(11,369)	4,997	6,548	14,327	8,998	6,988	41,858
With-profits derivatives							
Derivative assets	115	935	73	127	64	34	1,233
Derivative liabilities	(30)	138	16	27	13	7	201
Total	146	14,062	15,468	38,156	19,172	15,507	102,365
Cash outflows							
Shareholder derivatives							
Derivative assets	108	(1,055)	(126)	(882)	–	(1)	(2,064)
Derivative liabilities	(126)	(269)	(437)	(2,438)	(1)	(2)	(3,147)
Non profit non-unit linked derivatives							
Derivative assets	11,448	(6,044)	(7,227)	(19,520)	(8,439)	(5,364)	(46,594)
Derivative liabilities	(11,369)	(5,609)	(9,675)	(18,537)	(11,865)	(9,573)	(55,259)
With-profits derivatives							
Derivative assets	115	(898)	(44)	(101)	(50)	(24)	(1,117)
Derivative liabilities	(30)	(150)	(22)	(34)	(16)	(10)	(232)
Total	146	(14,025)	(17,531)	(41,512)	(20,371)	(14,974)	(108,413)
Net shareholder derivatives cash flows		64	55	110	–	–	229
Net non profit non-unit linked derivatives cash flows		(52)	(2,141)	(3,485)	(1,210)	526	(6,362)
Net with-profits derivatives cash flows		25	23	19	11	7	85

Future cash flows on the floating legs of interest rate and exchange derivatives are calculated using current spot rates, which may differ from the market expectation incorporated in the fair value.

Cash flows arising from implied events covered by credit derivatives are presented in the table above on an expected basis as cash flows within one year.

Cash inflows or outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

14 Receivables and other assets

	Note	2020 £m	2019 £m
Reinsurance receivables		**73**	99
Receivables under finance leases	14(i)	**173**	171
Accrued interest and rent		**360**	376
Prepayments and accrued income		**255**	416
Insurance and intermediaries receivables		**76**	67
Inventories[1]		**2,179**	2,120
Contract assets[2]		**292**	223
Other receivables[3]		**6,021**	5,272
Total other assets		**9,429**	8,744
Less: assets of operations classified as held for sale[4]		**–**	(212)
Other assets		**9,429**	8,532
Due within 12 months		**7,444**	7,035
Due after 12 months		**1,985**	1,709

1. Inventories represent house building stock including land, options on land, work in progress and other inventory.
2. Contract assets represent the entity's right to consideration in exchange for goods or services that have been transferred to a customer.
3. Other receivables include amounts receivable from brokers and clients for investing activities, collateral pledges, unsettled cash, FX spots and other sundry balances.
4. Assets of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

(i) Receivables under finance leases

The group leases certain investment properties to third parties. Under these agreements, substantially all the risks and reward incidental to ownership are transferred to the lessee; therefore the contracts have been classified as finance leases. At the lease commencement date, the group derecognises the investment property asset and recognises a receivable asset on its balance sheet to reflect the net investment in the lease, equal to the present value of the lease payments. The group recognises finance income over the lease term to reflect the rate of return on the net investment in the lease.

The group acts as a lessor of certain finance leases, which have a weighted average duration to maturity of 30 years as at 31 December 2020. The counterparties, as lessee, are regarded to be the economic owner of the leased assets.

The future minimum lease payments under the arrangement, together with the present value, are disclosed below:

	Total future payments 2020 £m	Unearned interest income 2020 £m	Present value 2020 £m	Total future payments 2019 £m	Unearned interest income 2019 £m	Present value 2019 £m
Within 1 year	**10**	**(6)**	**4**	10	(6)	4
1–2 years	**10**	**(5)**	**5**	10	(5)	5
2–3 years	**11**	**(5)**	**6**	10	(5)	5
3–4 years	**10**	**(5)**	**5**	10	(5)	5
4–5 years	**10**	**(5)**	**5**	10	(5)	5
After 5 years	**210**	**(62)**	**148**	210	(63)	147
Total	**261**	**(88)**	**173**	260	(89)	171

15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Unit linked 2020 £m	Total 2020 £m
Cash at bank and in hand	**406**	**746**	**–**	**2,646**	**3,798**
Cash equivalents[1]	**1,539**	**925**	**–**	**11,758**	**14,222**
Total cash and cash equivalents	**1,945**	**1,671**	**–**	**14,404**	**18,020**

	Shareholder 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Unit linked 2019 £m	Total 2019 £m
Cash at bank and in hand	406	279	102	977	1,764
Cash equivalents	1,123	860	454	10,032	12,469
Total cash and cash equivalents	1,529	1,139	556	11,009	14,233
Less: assets of operations classified as held for sale[2]	–	–	(99)	(211)	(310)
Cash and cash equivalents	1,529	1,139	457	10,798	13,923

1. The classification of debt securities and cash and cash equivalents, which is based upon a comparison of purchase and maturity dates, has been updated during the year. If applied in respect of prior year balances, the impact is not considered material and therefore no adjustment has been made.
2. Assets of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

16 Market risk

(i) Investment performance risk

(a) Equity securities

The group controls its exposure to geographic price risks by using internal country risk exposure limits. These exposure limits are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments. The table below indicates the group's exposure to different equity markets around the world. Unit linked equity investments are excluded from the table as the risk is retained by the policyholder.

Exposure to worldwide equity markets	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Total 2020 £m	Shareholder 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Total 2019 £m
United Kingdom	236	4	–	240	443	47	967	1,457
North America	154	45	–	199	336	80	462	878
Europe	196	–	–	196	410	55	653	1,118
Japan	26	–	–	26	95	–	169	264
Asia Pacific	58	–	–	58	130	12	333	475
Other	62	–	–	62	60	–	221	281
Listed equities	732	49	–	781	1,474	194	2,805	4,473
Unlisted equities[1]	277	–	–	277	301	–	–	301
Holdings in unit trusts[2]	2,028	–	–	2,028	895	–	298	1,193
Total equities	3,037	49	–	3,086	2,670	194	3,103	5,967

1. Unlisted equities are split between £226m (2019: £224m) United Kingdom, £46m (2019: £41m) Europe and £5m (2019: £36m) North America.
2. Limited Partnerships are included within Holdings in unit trusts.

16 Market risk continued

(i) Investment performance risk continued

(b) Debt securities

The group controls its exposure to geographic price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments. The table below indicates the group's exposure to different debt security markets around the world. Unit linked debt securities are excluded from the table as the risk is retained by the policyholder.

Total debt securities and accrued interest	Shareholder 2020 £m	Non profit non-unit linked 2020 £m	With-profits 2020 £m	Total 2020 £m	Shareholder[1] 2019 £m	Non profit non-unit linked 2019 £m	With-profits 2019 £m	Total 2019 £m
United Kingdom	**1,454**	**42,140**	**–**	**43,594**	1,726	37,940	3,186	42,852
USA	**2,397**	**24,768**	**–**	**27,165**	2,359	20,084	658	23,101
Netherlands	**107**	**2,492**	**–**	**2,599**	205	2,324	270	2,799
France	**325**	**1,385**	**–**	**1,710**	213	1,373	286	1,872
Germany	**14**	**596**	**–**	**610**	15	492	134	641
GIIPS:								
– Greece	**–**	**–**	**–**	**–**	–	–	–	–
– Ireland	**10**	**1,333**	**–**	**1,343**	26	975	45	1,046
– Italy	**1**	**35**	**–**	**36**	10	30	18	58
– Portugal	**–**	**–**	**–**	**–**	–	–	–	–
– Spain	**1**	**299**	**–**	**300**	1	150	23	174
Belgium	**52**	**322**	**–**	**374**	29	237	50	316
Russia	**–**	**–**	**–**	**–**	6	–	12	18
Rest of Europe	**458**	**2,925**	**–**	**3,383**	339	2,962	387	3,688
Brazil	**1**	**62**	**–**	**63**	8	44	37	89
Rest of World	**244**	**4,009**	**–**	**4,253**	473	3,368	406	4,247
Collateralised debt obligations[2]	**–**	**72**	**–**	**72**	–	82	–	82
Total	**5,064**	**80,438**	**–**	**85,502**	5,410	70,061	5,512	80,983
Analysed as:								
Debt securities	**5,047**	**79,893**	**–**	**84,940**	5,387	69,530	5,468	80,385
Accrued interest	**17**	**545**	**–**	**562**	23	531	44	598

1. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for debt securities and accrued interest have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).
2. All CDOs of £72m (2019: £82m) are domiciled in the Rest of World.

(c) Additional disclosures on shareholder and non profit non-unit linked debt securities exposure

	2020 £m	2020 %	2019[1] £m	2019[1] %
Sovereigns, supras and sub-sovereigns	**16,244**	**19**	12,683	17
Banks:				
– Tier 1	**–**	**–**	2	–
– Tier 2 and other subordinated	**107**	**–**	100	–
– Senior	**5,175**	**6**	5,452	7
– Covered	**158**	**–**	167	–
Financial services:				
– Tier 2 and other subordinated	**204**	**–**	301	–
– Senior	**1,077**	**1**	947	1
Insurance:				
– Tier 2 and other subordinated	**293**	**–**	242	–
– Senior	**1,166**	**1**	988	1
Consumer services and goods:				
– Cyclical	**3,241**	**4**	3,509	5
– Non-cyclical	**8,749**	**10**	7,358	10
– Healthcare	**1,997**	**2**	1,469	2
Infrastructure:				
– Social	**6,455**	**8**	5,798	8
– Economic	**5,469**	**7**	5,051	7
Technology and telecoms	**5,167**	**6**	4,418	6
Industrials	**1,510**	**2**	1,443	2
Utilities	**11,794**	**14**	10,778	14
Energy	**1,232**	**1**	1,166	2
Commodities	**1,277**	**2**	912	1
Oil and gas	**2,474**	**3**	2,203	3
Real estate	**3,398**	**4**	3,552	5
Structured finance ABS/RMBS/CMBS/Other	**2,207**	**3**	2,117	3
Lifetime mortgage loans	**6,036**	**7**	4,733	6
Collateralised debt obligations	**72**	**–**	82	–
Total	**85,502**	**100**	75,471	100

1. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for Structured finance ABS / RMBS / CMBS / Other have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

16 Market risk continued
(i) Investment performance risk continued
(c) Additional disclosures on shareholder and non profit non-unit linked debt securities exposure continued

Analysis of Sovereigns, Supras and Sub-Sovereigns	2020 £m	2019 £m
Market value by region		
United Kingdom	**11,568**	9,764
USA	**2,654**	1,995
Netherlands	**27**	1
France	**295**	28
Germany	**423**	310
GIIPS:		
– Greece	**–**	–
– Ireland	**318**	–
– Italy	**–**	11
– Portugal	**–**	–
– Spain	**–**	–
Russia	**–**	6
Rest of Europe	**335**	306
Brazil	**–**	4
Rest of World	**624**	258
Total	**16,244**	12,683

16 Market risk continued

(ii) Currency risk

The group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies; nearly all such holdings are either backing insurance contracts in the same currency, or are hedged back to GBP.

The group operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The largest United States dollar currency exposures relate to the group's US business, Legal & General America. The majority of currency exposures relating to euros are held by Legal & General Investment Management (Europe) Limited, a subsidiary of Legal & General Investment Management Limited. The group does not hedge foreign currency revenues as these are substantially retained locally to support the growth of the group's business and meet local regulatory and market requirements.

Businesses aim to maintain sufficient assets in local currency to meet local currency liabilities, however movements may impact the value of the group's consolidated shareholders' equity which is expressed in sterling. This aspect of foreign exchange risk is monitored and managed centrally, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the group's regulatory capital requirements by currency. Currency borrowings and derivatives may be used to manage exposures within the limits that have been set.

As at 31 December 2020, the group held 14% (2019: 15%) of its total equity attributable to shareholders in currencies, mainly United States dollar and euro, other than the functional currency of the relevant business unit. The exchange risks inherent in these exposures may be mitigated through the use of derivatives, mainly forward currency contracts.

Consistent with the group's accounting policies, the profits of overseas business units (reported as functional currencies) are translated at average exchange rates and the net assets (reported as functional currencies) at the closing rate for the reporting period. A 10% increase (weakening of foreign currencies) or decrease (strengthening of foreign currencies) in these rates would increase or reduce the profit for the year and net assets as follows:

	A 10% increase in USD:GBP exchange rate		A 10% decrease in USD:GBP exchange rate	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Profit for the year[1]	**18**	(1)	**(22)**	1
Net assets attributable to USD exposures[1,2]	**(80)**	(47)	**98**	57

	A 10% increase in EUR:GBP exchange rate		A 10% decrease in EUR:GBP exchange rate	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Profit for the year[1]	**–**	–	**–**	–
Net assets attributable to EUR exposures[1]	**(73)**	(103)	**90**	125

1. Profit for the year impacts relate only to overseas business units where the functional currency is not sterling. Net asset impacts include both functional currency and non functional currency exposures.
2. US net assets have been restated following the change in accounting policy for LGIA universal life and annuity reserves. Further details on the change in accounting policy are provided in Note 1 (iv).

17 Credit risk

The credit profile of the group's assets exposed to credit risk is shown below. The credit rating bands are provided by independent rating agencies. For unrated assets, the group maintains internal ratings which are used to manage exposure to these counterparties. Unit linked assets have not been included as shareholders are not directly exposed to the associated credit risk. Additionally, assets such as equity securities, deferred acquisition costs and tax, have no exposure to the associated credit risk and therefore have also been excluded.

The carrying amount of the financial assets recorded in the financial statements represent the maximum exposure to credit risk.

Shareholder

As at 31 December 2020	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		435	821	26	16	7	31	1,336
Other fixed rate securities		96	371	1,172	242	108	610	2,599
Variable rate securities		17	284	160	648	3	–	1,112
Total debt securities[1]	11(i)	**548**	**1,476**	**1,358**	**906**	**118**	**641**	**5,047**
Accrued interest	11(i)	2	4	3	2	2	4	17
Loans	11(ii)	44	80	426	91	–	85	726
Derivative assets	13	–	–	65	3	–	–	68
Cash and cash equivalents	15	19	780	1,020	79	–	47	1,945
Reinsurers' share of contract liabilities		–	359	294	3	–	4	660
Other assets		72	14	97	11	3	2,846	3,043
Total		**685**	**2,713**	**3,263**	**1,095**	**123**	**3,627**	**11,506**

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £30m is rated AAA, £99m AA, £133m A, £318m BBB, £64m BB or below and £1m as other.

Non profit non-unit linked

As at 31 December 2020	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		1,901	8,706	62	369	2	192	11,232
Other fixed rate securities		1,564	5,096	17,098	18,529	858	12,451	55,596
Variable rate securities		63	1,762	2,545	1,267	57	1,335	7,029
Lifetime mortgages		–	–	–	–	–	6,036	6,036
Total debt securities[1]	11(i)	**3,528**	**15,564**	**19,705**	**20,165**	**917**	**20,014**	**79,893**
Accrued interest	11(i)	23	57	169	234	12	50	545
Loans	11(ii)	–	2,950	460	112	–	–	3,522
Derivative assets	13	–	36	18,356	2,433	–	43	20,868
Cash and cash equivalents	15	231	222	1,048	10	–	160	1,671
Reinsurers' share of contract liabilities		–	5,232	664	–	–	380	6,276
Other assets		7	17	599	37	–	3,695	4,355
Total		**3,789**	**24,078**	**41,001**	**22,991**	**929**	**24,342**	**117,130**

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £4,038m is rated AAA, £3,248m AA, £6,569m A, £5,791m BBB, £401m BB or below and £17m as other.

17 Credit risk continued

Shareholder

As at 31 December 2019	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1,2] £m	Total £m
Government securities		314	527	35	47	26	202	1,151
Other fixed rate securities		141	618	1,246	385	165	684	3,239
Variable rate securities		56	363	65	508	5	–	997
Total debt securities[1]	11(i)	511	1,508	1,346	940	196	886	5,387
Accrued interest	11(i)	2	4	5	4	3	5	23
Loans	11(ii)	32	135	448	50	–	88	753
Derivative assets	13	–	45	54	9	–	–	108
Cash and cash equivalents	15	16	522	790	107	–	94	1,529
Reinsurers' share of contract liabilities		–	155	163	1	–	3	322
Other assets		142	23	112	10	1	2,872	3,160
Total		703	2,392	2,918	1,121	200	3,948	11,282

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £4m is rated AAA, £341m AA, £161m A, £338m BBB, £40m BB or below and £7m as other.
2. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for debt securities, accrued interest and loans have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

Non profit non-unit linked

As at 31 December 2019	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		1,372	6,343	17	195	1	186	8,114
Other fixed rate securities		1,126	4,724	15,044	16,903	418	11,486	49,701
Variable rate securities		330	1,934	2,737	709	33	1,239	6,982
Lifetime mortgages		–	–	–	–	–	4,733	4,733
Total debt securities[1]	11(i)	2,828	13,001	17,798	17,807	452	17,644	69,530
Accrued interest	11(i)	23	55	171	240	4	38	531
Loans	11(ii)	–	126	454	50	–	–	630
Derivative assets	13	–	1,723	9,244	434	–	47	11,448
Cash and cash equivalents	15	175	211	626	4	–	123	1,139
Reinsurers' share of contract liabilities		–	4,706	460	–	–	344	5,510
Other assets		3	18	163	73	–	2,372	2,629
Total		3,029	19,840	28,916	18,608	456	20,568	91,417

1. Of the total debt securities and accrued interest that has been internally rated and unrated, £3,172m was rated AAA, £2,960m AA, £5,983m A, £5,273m BBB, £248m BB and below and £46m as other.

With-profits

As at 31 December 2019	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other £m	Total £m
Government securities		22	1,180	27	50	27	134	1,440
Other fixed rate securities		387	717	1,325	1,187	38	65	3,719
Variable rate securities		24	233	47	3	2	–	309
Total debt securities	11(i)	433	2,130	1,399	1,240	67	199	5,468
Accrued interest	11(i)	7	10	9	16	1	1	44
Loans	11(ii)	–	79	286	32	–	–	397
Derivative assets	13	–	–	115	–	–	–	115
Cash and cash equivalents	15	2	133	415	6	–	–	556
Other assets		–	–	1	1	–	58	60
Total		442	2,352	2,225	1,295	68	258	6,640

17 Credit risk continued

Impairment

The group reviews the carrying value of its financial assets (other than those held at FVTPL) at each balance sheet date. If the carrying value of a financial asset is impaired, the carrying value is reduced through a charge to the Consolidated Income Statement. There must be objective evidence of impairment as a result of one or more events which have occurred after the initial recognition of the asset. Impairment is only recognised if the loss event has an impact on the estimated future cash flows of assets held at amortised cost or fair value of assets classified as available for sale.

The table below includes assets at FVTPL, which provides information regarding the carrying value of financial assets which have been impaired and the ageing analysis of financial assets which are past due but not impaired. Unit linked assets have not been included as shareholders are not exposed to the risks from unit linked policies.

Ageing analysis

		Past due but not impaired					
As at 31 December 2020[1]	**Neither past due nor impaired £m**	**0–3 months £m**	**3–6 months £m**	**6 months–1 year £m**	**Over 1 year £m**	**Impaired £m**	**Carrying value £m**
Shareholder	**11,386**	**63**	**21**	**29**	**7**	**–**	**11,506**
Non profit non-unit linked	**116,928**	**187**	**3**	**1**	**11**	**–**	**117,130**

		Past due but not impaired					
As at 31 December 2019[1]	Neither past due nor impaired £m	0–3 months £m	3–6 months £m	6 months–1 year £m	Over 1 year £m	Impaired £m	Carrying value £m
Shareholder[2]	11,130	124	9	11	8	–	11,282
Non profit non-unit linked	91,210	193	3	–	11	–	91,417
With-profits[1]	6,598	41	–	–	1	–	6,640

1. The With-profits Fund was disposed of as part of the sale of the Mature Savings business, which completed on 7 September 2020.
2. As part of a change in accounting policy for LGIA universal life and annuity reserves, certain financial investments were reclassified from designated as amortised cost to designated as fair value through profit or loss. Accordingly, the 2019 balances for shareholder financial assets have been restated to reflect the fair value of those assets. Further details on the change in accounting policy are provided in Note 1 (iv).

Offsetting

Financial assets and liabilities are offset in the Consolidated Balance Sheet when the group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and liability simultaneously.

The group has not entered into any financial transactions resulting in financial assets and liabilities being offset in the Consolidated Balance Sheet. The table below shows the financial assets and liabilities that are subject to master netting agreements in the shareholder, non profit non-unit linked and with-profits. Unit linked assets and liabilities have not been included as shareholders are not exposed to the risks on these policies.

	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
As at 31 December 2020	**Gross and net amounts reported in the Consolidated Balance Sheet £m**	**Related financial instruments[1] £m**	**Cash collateral[2] £m**	**Securities collateral pledged[2] £m**	**Net amount £m**
Derivative assets	**20,936**	**(18,593)**	**(823)**	**(1,758)**	**(238)**
Reverse repurchase agreements	**4,117**	**–**	**–**	**(4,121)**	**(4)**
Total	**25,053**	**(18,593)**	**(823)**	**(5,879)**	**(242)**
Derivative liabilities	**(21,249)**	**18,593**	**2,118**	**610**	**72**
Repurchase agreements	**(2,004)**	**–**	**–**	**2,010**	**6**
Total	**(23,253)**	**18,593**	**2,118**	**2,620**	**78**

1. Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.
2. Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
As at 31 December 2019	Gross and net amounts reported in the Consolidated Balance Sheet £m	Related financial instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged[2] £m	Net amount £m
Derivative assets	11,671	(9,846)	(543)	(1,602)	(320)
Reverse repurchase agreements	1,659	–	–	(1,647)	12
Total	13,330	(9,846)	(543)	(3,249)	(308)
Derivative liabilities	(11,525)	9,846	1,696	496	513
Repurchase agreements	(620)	–	–	620	–
Total	(12,145)	9,846	1,696	1,116	513

1. Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.
2. Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

In the tables above, the amounts of assets or liabilities presented in the Consolidated Balance Sheet are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by cash and securities collateral. The actual amount of collateral may be greater than the amounts presented in the tables above.

18 Insurance risk

The group is exposed to insurance risk as a consequence of offering the principal products outlined in Note 6. Insurance risk is the exposure to loss arising from experience being different to that anticipated. Detailed below are the risks associated with each of the group's segments and the associated controls operated. They are applicable to all stated products across the group.

Following the completion of the sale of the Mature Savings business on 7 September 2020, the group is no longer exposed to any insurance risk in relation to with-profits or savings products.

Principal risks	Division	Controls to mitigate risks
Longevity, mortality & morbidity risks For contracts providing death benefits, higher mortality rates would lead to an increase in claims costs. The cost of health related claims depends on both the incidence of policyholders becoming ill and the duration over which they remain ill. Higher than expected incidence or duration would increase costs over the level currently assumed in the calculation of liabilities.	LGI	The pricing of protection business is based on assumptions as to future trends in mortality and morbidity having regard to past experience. Underwriting criteria are defined setting out the risks that are unacceptable and the terms for non-standard risks presented by the lives to be insured. Extensive use of reinsurance is made within the UK retail protection business, placing a proportion of all risks meeting prescribed criteria. Mortality and morbidity experience is compared to that assumed within the pricing basis with variances subject to actuarial investigation.
For annuity contracts, the group is exposed to the risk that mortality experience is lower than assumed. Lower than expected mortality would require payments to be made for longer and increase the cost of benefits provided. Lifetime mortgage business also explicitly has some exposure to the life expectancy of borrowers.	LGR	Annuity business is priced having regard to trends in improvements in future mortality. Enhanced annuities, which are priced taking account of impairments to life expectancy, are subject to specific underwriting criteria. Certain annuitant mortality risks, including enhanced annuities, are placed with reinsurers. The group regularly reviews its mortality experience and industry projections of longevity and adjusts the pricing and valuation assumptions accordingly. In pricing lifetime mortgage business, account is taken of trends in mortality rates in setting the amounts that are advanced to borrowers relative to the value of the property on which the loan is secured.
Persistency risk In the early years of a policy, lapses may result in a loss to the group, as the acquisition costs associated with the contract would not have been recovered from product margins.	LGI	The pricing basis for protection business includes provision for policy lapses. The persistency assumption for non-participating protection business allows for the expected pattern of persistency, adjusted to incorporate a margin for adverse deviation. Actual trends in policy lapse rates are monitored with adverse trends being subject to actuarial investigation.

Principal risks	Division	Controls to mitigate risks
Expense risk In pricing long-term insurance business, assumptions are made as to the future cost of product servicing. A significant adverse divergence in actual expenses experience could reduce product profitability.	LGR and LGI	In determining pricing assumptions, account is taken of changes in price indices and the costs of employment, with stress testing used to evaluate the effect of significant deviations. Actual product servicing costs are monitored relative to the costs assumed with the product pricing basis, with variances investigated.
Concentration (catastrophe) risk Insurance risk may be concentrated in geographic regions, altering the risk profile of the group. The most significant exposure of this type arises for group protection business, where a single event could result in a large number of related claims.	LGI	Group protection business contracts include an 'event limit' capping the total liability under the policy from a single event. Excess of loss reinsurance further mitigates loss from the exposure. Additionally, exposure by location is monitored to ensure there is a geographic spread of risk. Catastrophe reinsurance cover also mitigates loss from concentrations of risk.
Epidemic (catastrophe) risk The spread of an epidemic could cause large aggregate claims across the group's portfolio of protection businesses.	LGI	The pricing basis for protection business includes an assessment of potential claims as a result of epidemic risks. Quota share and excess of loss reinsurance contracts are used by individual and group protection, respectively, to further mitigate the risk. Depending on the nature of an epidemic, mortality experience may lead to a reduction in the cost of claims for annuity business. As in the current pandemic, we can update the pricing for new business to reflect the change in expected claims. The provision for future Covid-19 claims relies on assumptions about the future developments of the pandemic, including the impact of new variants, vaccines, social distancing and treatment, all of which could result in a higher or lower loss than assumed.

Accumulation of risks

There is limited potential for single incidents to give rise to a large number of claims across the different contract types written by the group. In particular, there is little significant overlap between the long-term and short-term insurance business written by the group. However, there are potentially material correlations of insurance risk with other types of risk exposure. The group's capital model seeks to measure risk correlations, particularly those that would tend to be more acute as the underlying risk scenarios become more extreme. An example of the accumulation of risk is the correlation between reinsurer credit risk with mortality and morbidity exposures.

Operational risk

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. Potential for exposure to operational risk extends to all the group's businesses. The group has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action or reputational damage.

19 Long-term insurance valuation assumptions

The group's insurance assumptions, described below, relate to the UK insurance business and material lines of the US insurance business, Legal & General America (LGA). Other non-UK businesses do not constitute a material component of the group's operations and consideration of geographically determined assumptions is therefore not included.

The group seeks to make prudent assumptions about future experience based on current market conditions and recent experience. Assumptions incorporate prudent margins in excess of our best estimate assumptions to reduce the possibility of actual experience being less favourable than assumed.

(i) Mortality and morbidity

Mortality and morbidity assumptions for the UK business are set with reference to standard tables drawn up by the Continuous Mortality Investigation Bureau (CMIB), a subsidiary of the Institute and Faculty of Actuaries, and/or UK death registrations. US assumptions are set with reference to standard tables drawn up by the American Academy of Actuaries. Assumptions include an appropriate allowance for prudence. Tables are based on industry-wide mortality and morbidity experience for insured lives.

The group conducts statistical investigations of its mortality and morbidity experience, the majority of which are carried out at least annually. Investigations determine the extent to which the group's experience differs from that underpinning the standard tables, and suggest appropriate adjustments which need to be made to the valuation assumptions.

For 2020 reporting the group has concluded that there is insufficient certainty to revise long-term assumptions in response to emerging claims experience relating to Covid-19. For protection contracts, certain short-term allowances have been made to reflect the impact of the higher mortality expected from the pandemic in 2021, based on applying projections from the Institute for Health Metrics and Evaluation to our insured population.

In most cases, mortality rates are set separately for sex and smoker status, and the percentage of mortality table will vary for the first 2-5 years of the policy's duration to allow for underwriting selection.

Mortality tables	**2020**	2019
Non-linked individual assurance business		
UK term assurances[1]	**99%–101% TM08/TF08 Sel 5**	98%–104% TM08/TF08 Sel 5
UK term assurances with terminal illness[1]	**63%–95% TM08/TF08 Sel 5**	62%–104% TM08/TF08 Sel 5
UK term assurances with critical illness[2]	**107%–159% ACL08 Sel 2**	112%–164% ACL04 Sel 2
US term assurances[3]	**Adjusted SOA 2014 VBT**	Adjusted SOA 2014 VBT
Whole of Life Protection Plan[4]	**Bespoke Tables based on TM08/TF08, AM92/AF92 and UK death registrations**	Bespoke Tables based on TM08/TF08, AM92/AF92 and UK death registrations
Whole of Life over 50[4]	**Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions**	Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions
Annuity business		
UK annuities in deferment[5]	**71.9%–81.9% PNMA00/PNFA00**	73.1%–82.9% PNMA00/PNFA00
UK vested annuities[6]		
Pension risk transfer	**72.7%–81.9% PCMA00/PCFA00**	73.9%–82.9% PCMA00/PCFA00
Other annuities	**57.6%–105.1% PCMA00/PCFA00**	58.5%–95% PCMA00/PCFA00
US annuities[7]	**Bespoke tables based on RP–2014 Healthy Annuitant Total table**	Bespoke tables based on RP–2014 Healthy Annuitant Total table

1. Improvement assumptions applied for 2020 of 0.6% p.a. for males and females (2019: 1% p.a. for males and females).
2. Morbidity rates are assumed to deteriorate at a rate of 0.50% p.a. for males and 0.75% p.a. for females (2019: 0.50% p.a. for males and 0.75% p.a. for females).
3. Adjustments are made for sex, select period, smoker status, policy size, policy duration and year, issue year and age.
4. Mortality rates are assumed to reduce based on CMI 2018 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females (2019: Mortality rates are assumed to reduce based on CMI 2016 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females).
5. Table created by blending PCXA00 with PNXA00 tables. The base table to be used for bulk purchase annuity policies in deferment is PNMA00 up to and including age 55 and PCMA00 for age 65 and above for males. The identical method is applied to females using PNFA00 and PCFA00.
6. Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2018 (2019: CMI 2017) with the following parameters:
   Males: long-term rate of 1.50% p.a. up to age 85 tapering to 0% at 110 (2019: long-term rate of 1.50% p.a. up to age 85 tapering to 0% at 110).
   Females: long-term rate of 1.00% p.a. up to age 85 tapering to 0% at 110 (2019: long-term rate of 1.00% p.a. up to age 85 tapering to 0% at 110).
   Smoothing is applied to derive initial rates using a smoothing parameter (Sk) value of 7.5 applied to L&G bespoke population data to 2018. The resulting initial rates are then adjusted to reflect socio economic class. (2019: smoothing parameter (Sk) value of 7.5 applied to L&G bespoke population data to 2017).
   For individual annuities distributed through retail channels, a further allowance is made for the effect of initial selection.
   The basis above is applicable up to age 90. After age 90 the basis is blended towards a bespoke table from age 105 onwards.
7. Improvement table is MP2018 (2019: improvement table is MP2016).

(ii) Valuation rates of interest and discount rates

The valuation interest rate used to discount the cash flows for the purpose of valuing insurance contract liabilities is based on the yield on the assets backing the contract.

For annuity business, an explicit allowance for risk is deducted from the yield. The allowance for risk comprises long-term assumptions about defaults on a prudent basis or, in the case of lifetime mortgage assets, a prudent expectation of losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating. The allowance for risk for government backed bonds equated to 9bps (2019: 9bps) and 45bps for corporate bonds and direct investments (2019: 47bps). This is equivalent to a default provision of £3.5 billion at 31 December 2020 (2019: £3.2 billion). For lifetime mortgage business, the allowance for risk in respect of lifetime mortgage assets is equivalent to £0.6 billion at 31 December 2020 (2019: £0.5 billion).

For UK assurance business, different rates apply depending on whether the liabilities are positive or negative. An appropriate valuation interest rate is applied at all times during the projection, i.e. when liabilities switch from being negative to positive the valuation interest rate will also switch from being high to low. The crossover point at which the margin changes direction is assessed for broad product groups but applied at a policy by policy level.

For US assurance business, the valuation interest rate is derived by combining the risk free yield curve (based on the USD curve specified by EIOPA for Solvency II) plus a risk adjusted spread addition based on the portfolio of assets LGA invests in. It includes prudent adjustments for default and reinvestment risk.

Rate of interest/discount rates	2020	2019
UK life assurances	**0.72%–2.24% p.a.**	1.07%–2.88% p.a.
UK pension assurances	**0.25%–2.15% p.a.**	1.00%–2.76% p.a.
US life assurances	**0.80%–2.40% p.a.**	2.37%–3.05% p.a.
UK annuities – Fixed	**1.28% p.a.**	1.93% p.a.
UK annuities – Index Linked	**(1.85)% p.a.**	(1.28)% p.a.
US annuities	**2.29% p.a.**	3.09% p.a.

(iii) Persistency

The group monitors its persistency experience and carries out detailed investigations annually. Persistency experience can be volatile and past experience may not be an appropriate future indicator.

The group tries to balance past experience and potential future conditions by making prudent assumptions about expected long-term average persistency levels.

Where explicit persistency assumptions are not made, prudence is also incorporated into the liabilities by ensuring that they are sufficient to cover the more onerous of the two scenarios where the policies either remain in-force until maturity or where they discontinue at the valuation date.

For UK term assurance business, the margin acts to increase the best estimate lapse rate in the early part of a policy's lifetime (when it is treated as an asset) but to reduce the best estimate lapse rate later in the policy's lifetime (when it is treated as a liability). The crossover point at which the margin changes direction is assessed for broad product groups but applied at a policy by policy level. Any liability to reinsurers on discontinuance within the first four years from inception is allowed for explicitly in the cash flows, using the valuation lapse basis, together with a prudent allowance for clawback of commission from agents upon lapse.

For US term assurance, a single margin is used across guaranteed period durations for a given policy. All US term assurance contracts are assumed to lapse at the end of the guaranteed period. Policies past the guaranteed period as of the valuation date are assumed to lapse on the next premium due date.

Lapse rates	2020	2019
UK Level term	**2.3%–25.7%**	2.2%–25.3%
UK Decreasing term	**6.1%–14.6%**	6.1%–15.3%
UK Accelerated critical illness cover	**2.6%–26.4%**	2.6%–26.8%
Pensions term	**2.3%–3.8%**	2.2%–3.8%
Whole of Life (conventional non profit)	**0.5%–6.1%**	0.5%–5.3%
US term – 10 year guarantee period	**5.7%–6.5%**	6.1%–6.4%
US term – 15 year guarantee period	**3.4%–4.6%**	3.4%–4.7%
US term – 20 year guarantee period	**2.4%–4.9%**	2.4%–4.6%
US term – 30 year guarantee period	**1.7%–5.2%**	1.8%–5.2%
US Universal Life	**1.9%**	n/a

(iv) Expenses

The group monitors its expense experience and carries out detailed investigations regularly to determine the expenses incurred in writing and administering the different products and classes of business. Adjustments may be made for known future changes in the administration processes, in line with the group's business plan. An allowance for expense inflation in the future is also made in line with RPI, taking account of both salary and price information. The expense assumptions and expense inflation assumption include an appropriate allowance for prudence.

20 IFRS sensitivity analysis

	Impact on pre-tax group profit net of reinsurance 2020 £m	Impact on group equity net of reinsurance 2020 £m	Impact on pre-tax group profit net of reinsurance 2019 £m	Impact on group equity net of reinsurance 2019 £m
Economic sensitivity				
Long-term insurance				
100bps increase in interest rates	**438**	**350**	257	130
50bps decrease in interest rates	**(283)**	**(227)**	(188)	(109)
50bps increase in future inflation expectations	**(148)**	**(119)**	53	43
Credit spreads widen by 100bps with no change in expected defaults	**(304)**	**(246)**	(220)	(273)
25% rise in equity markets[1]	**482**	**399**	512	446
25% fall in equity markets[1]	**(482)**	**(399)**	(513)	(446)
15% rise in property values[1]	**1,111**	**903**	1,016	838
15% fall in property values[1]	**(1,187)**	**(964)**	(1,075)	(886)
10bps increase in credit default assumptions	**(856)**	**(692)**	(717)	(580)
10bps decrease in credit default assumptions[1]	**832**	**672**	703	569
Non-economic sensitivity				
Long-term insurance				
1% increase in annuitant mortality	**209**	**176**	195	221
1% decrease in annuitant mortality	**(218)**	**(183)**	(201)	(225)
5% increase in assurance mortality	**(450)**	**(356)**	(385)	(305)
10% increase in maintenance expenses	**(254)**	**(205)**	(210)	170

1. Following improvements to the modelling of market risk sensitivities during the current year, a number of 2019 impacts have been restated to be on a basis consistent with the 2020 results. These restatements do not impact any items reported in the Consolidated Income Statement or Consolidated Balance Sheet.

The table above shows the impacts on group pre-tax profit and equity, net of reinsurance, under each sensitivity scenario. The current disclosure reflects management's view of key risks in current economic conditions.

In calculating the alternative values, all other assumptions are left unchanged. In practice, items of the group's experience may be correlated.

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The group seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the group asset and liability position and any second order tax effects.

The sensitivity of the profit to changes in assumptions may not be linear. They should not be extrapolated to changes of a much larger order.

The change in interest rate test assumes a 100 basis point increase and a 50 basis point decrease in the gross redemption yield on fixed interest securities together with the same change in the real yields on variable securities. Valuation interest rates are assumed to move in line with market yields, adjusted to allow for prudence calculated in a manner consistent with the base results.

The inflation stress adopted is a 0.5% p.a. increase in inflation, resulting in a 0.5% p.a. reduction in real yield and no change to the nominal yield. In addition, the expense inflation rate is increased by 0.5% p.a.

In the sensitivity for credit spreads, corporate bond yields have increased by 100bps, gilt and approved security yields remain unchanged, and there has been no adjustment to the default assumptions. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress below.

The equity stresses are a 25% rise and 25% fall in listed equity market values.

The property stresses adopted are a 15% rise and 15% fall in property market values including lifetime mortgages. Rental income is assumed to be unchanged. Where property is being used to back liabilities, valuation interest rates move with property yields, and so the value of the liabilities will also move.

The credit default assumption is set based on the credit rating of individual bonds and their outstanding term using Moody's global credit default rates. The credit default stress assumes a +/-10bps stress to the current unapproved credit default assumption, which will have an impact on the valuation interest rates used to discount liabilities. Other credit default allowances are unchanged. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress above.

The annuitant mortality stresses are a 1% increase and 1% decrease in the mortality rates for immediate and deferred annuitants with no change to the mortality improvement rates.

The assurance mortality stress is a 5% increase in the mortality and morbidity rates with no change to the mortality and morbidity improvement rates.

The maintenance expense stress is a 10% increase in all types of maintenance expenses in future years.

21 Insurance contract liabilities

Insurance contracts are contracts which transfer significant insurance risk to the insurer at the inception of the contract. This is the case if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, other than a scenario which lacks commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

The group historically had a number of insurance and investment contracts containing discretionary participating features (DPF), referred to as participating contracts. These included with-profits contracts in the UK. Following the completion of the sale of the Mature Savings business on 7 September 2020, the group no longer has any obligations related to such participating contracts.

Long-term insurance

Death claims are accounted for on notification of death. Surrenders for non-linked policies are accounted for when payment is made. Critical illness claims are accounted for when admitted. All other long-term claims and surrenders are accounted for when payment is due. Claims payable include the direct costs of settlement.

The change in the insurance liability reflects the reduction in liabilities due to the payment of claims in the year, offset by liabilities arising from new business. The movement also reflects assumption changes relating to variables such as claims expectations, expenses and the unwind of the previous period's expectations.

Under current IFRS requirements, insurance contract liabilities are measured using local Generally Accepted Accounting Principles (GAAP), as permitted by IFRS 4, 'Insurance Contracts'.

UK

For non-participating insurance contracts, the liabilities are calculated on the basis of current information using the gross premium valuation method. This brings into account the full premiums receivable under contracts written, having prudent regard to expected lapses and surrenders, estimated renewal and maintenance costs, and contractually guaranteed benefits. For unit linked insurance contract liabilities the provision is based on the fund value together with an allowance for any excess of future expenses over charges where appropriate.

Overseas

All annuity and term assurance business written by overseas subsidiaries is recognised and measured in line with those written in the UK. All other long-term insurance contract liabilities for business transacted by overseas subsidiaries are determined on the basis of recognised actuarial methods which reflect local supervisory principles.

Liability adequacy tests

The group performs liability adequacy testing on its insurance liabilities to ensure that the carrying amount of liabilities (less related deferred acquisition costs) is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, the group discounts all contractual cash flows and compares this amount with the carrying value of the liability. Any deficiency is immediately charged to the Consolidated Income Statement, initially reducing deferred acquisition costs and then by establishing a provision for losses.

Reinsurance

The group's insurance subsidiaries cede insurance premiums and risk in the normal course of business in order to limit the potential for losses and to provide financing. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured. Reinsurance assets include balances due from reinsurers for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded as an asset in the Consolidated Balance Sheet unless a right of offset exists, in which case the associated liabilities are reduced commensurately.

Contracts with reinsurers are assessed to determine whether they contain significant insurance risk. Contracts that do not give rise to significant transfer of insurance risk to the reinsurer are considered to be financial reinsurance and are accounted for and disclosed in a manner consistent with financial instruments.

21 Insurance contract liabilities continued

(i) Analysis of non-participating insurance contract liabilities

	Note	Gross 2020 £m	Reinsurance 2020 £m	Gross 2019[1] £m	Reinsurance 2019[1] £m
Non-participating insurance contracts	21(iii)	**88,958**	**(6,936)**	78,715	(5,970)
General insurance contracts		**71**	**–**	77	–
Total non-participating insurance contract liabilities		**89,029**	**(6,936)**	78,792	(5,970)
Less: liabilities of operations classified as held for sale	21(iii)	**–**	**–**	(911)	26
Insurance contract liabilities		**89,029**	**(6,936)**	77,881	(5,944)

1. Following the change in accounting policy for LGIA universal life and annuity reserves, the gross non-participating insurance contract liabilities and the related reinsurance asset have been restated. The impact of the restatement is an increase of £564m in gross non-participating insurance contract liabilities and £137m in the reinsurance asset. Further details on the change in accounting policy are provided in Note 1 (iv).

(ii) Expected non-participating insurance contract liability cash flows

	Undiscounted cash flows				
As at 31 December 2020	**0–5 years £m**	**5–15 years £m**	**15–25 years £m**	**Over 25 years £m**	**Total £m**
Non-participating insurance contract liabilities	**16,878**	**32,311**	**22,259**	**21,358**	**92,806**

	Undiscounted cash flows				
As at 31 December 2019	0–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Non-participating insurance contract liabilities	16,961	32,216	22,524	21,180	92,881

Non-participating insurance contract undiscounted cash flows are based on the expected date of settlement.

Amounts under unit linked contracts are generally repayable on demand and the group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions. Accordingly, unit linked liabilities have been excluded from the table.

(iii) Movement in non-participating insurance contract liabilities

	Gross 2020 £m	Reinsurance 2020 £m	Gross 2019 £m	Reinsurance 2019 £m
As at 1 January	**78,715**	**(5,970)**	65,301	(4,723)
New liabilities in the year	**9,316**	**(1,223)**	11,474	(1,638)
Liabilities discharged in the year	**(4,595)**	**652**	(3,640)	319
Unwinding of discount rates	**1,530**	**(102)**	1,687	(125)
Effect of change in non-economic assumptions	**(835)**	**120**	(1,058)	529
Effect of change in economic assumptions	**5,975**	**(492)**	4,906	(228)
Foreign exchange adjustments	**(231)**	**51**	(225)	24
Modelling and methodology changes	**(49)**	**8**	(322)	17
Other	**(31)**	**(3)**	28	(8)
Change in accounting policy[1]	**–**	**–**	564	(137)
Disposals	**(837)**	**23**	–	–
Total as at 31 December	**88,958**	**(6,936)**	78,715	(5,970)
Less: liabilities of operations classified as held for sale	**–**	**–**	(911)	26
As at 31 December	**88,958**	**(6,936)**	77,804	(5,944)
Expected to be settled within 12 months (net of reinsurance)[2]	**1,339**		2,236	
Expected to be settled after 12 months (net of reinsurance)[2]	**80,683**		70,509	

1. Change in accounting policy represents the cumulative impact of the retrospective change in accounting policy related to LGIA universal life and annuity reserves, described in Note 1 (iv).
2. The expected maturity analysis between within and after 12 months is based on the Total non-participating insurance contract liabilities and reinsurance as at 31 December.

22 Investment contract liabilities

Non-participating investment contract liabilities are measured at fair value. For unit linked liabilities, fair value is determined by reference to the value of the underlying net asset values of the group's unitised investment funds at the balance sheet date. For non linked liabilities, fair value is based on a discounted cash flow analysis which incorporates an appropriate allowance for credit default risk. As described in Note 21, following the completion of the sale of the Mature Savings business on 7 September 2020, the group no longer has participating contracts on its balance sheet.

Claims are not included in the income statement but are deducted from investment contract liabilities. The movement in investment contract liabilities consists of claims incurred in the year less the corresponding elimination of the policyholder liability originally recognised in the balance sheet and the investment return credited to policyholders.

(i) Analysis of non-participating investment contract liabilities

	Gross 2020 £m	Reinsurance 2020 £m	Gross 2019 £m	Reinsurance 2019 £m
Total non-participating investment contracts	**343,543**	**(3)**	339,271	(149)
Less: liabilities of operations classified as held for sale[1]	**–**	**–**	(18,677)	146
Non-participating investment contract liabilities	**343,543**	**(3)**	320,594	(3)
Expected to be settled within 12 months (net of reinsurance)[2]	**44,878**		48,035	
Expected to be settled after 12 months (net of reinsurance)[2]	**298,662**		291,087	

1. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
2. The expected maturity analysis between within and after 12 months is based on the Total non-participating investment contract liabilities.

Amounts under unit linked contracts are generally repayable on demand and the group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

The presented fair values of the non-participating investment contract liabilities reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

(ii) Movement in investment contract liabilities

	Gross 2020 £m	Reinsurance 2020 £m	Gross 2019 £m	Reinsurance 2019 £m
As at 1 January	**343,845**	**(149)**	316,071	(183)
Reserves in respect of new business	**43,407**	**(1)**	46,975	(6)
Amounts paid on surrenders and maturities during the year	**(53,407)**	**4**	(67,620)	75
Investment return and related benefits[1]	**30,579**	**(3)**	48,654	(35)
Management charges	**(180)**	**–**	(235)	–
Disposals[2]	**(20,701)**	**146**	–	–
Total as at 31 December	**343,543**	**(3)**	343,845	(149)
Less: liabilities of operations classified as held for sale[2]	**–**	**–**	(23,251)	146
Total as at 31 December	**343,543**	**(3)**	320,594	(3)

1. Investment return and related benefits is disclosed on a total basis including discontinued operations. In the Consolidated Income Statement, the investment return for discontinued operations is included within 'Profit after tax from discontinued operations'.
2. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the income statement over the borrowing period using the effective interest rate method.

Borrowings comprise core borrowings such as subordinated bond issues and long-term unsecured senior debt and operational borrowings such as commercial paper issuance and bank borrowings under both committed and uncommitted debt facilities, including bank overdrafts. Borrowings secured on specific assets/cash flows are included as non recourse borrowings.

(i) Analysis by type

	Borrowings excluding unit linked borrowings 2020 £m	Unit linked borrowings 2020 £m	Total 2020 £m	Borrowings excluding unit linked borrowings 2019 £m	Unit linked borrowings 2019 £m	Total 2019 £m
Core borrowings	**4,558**	**–**	**4,558**	4,091	–	4,091
Operational borrowings	**1,045**	**10**	**1,055**	1,042	7	1,049
Total borrowings	**5,603**	**10**	**5,613**	5,133	7	5,140
Less: liabilities of operations classified as held for sale[1]	**–**	**–**	**–**	(29)	–	(29)
Borrowings	**5,603**	**10**	**5,613**	5,104	7	5,111

1. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

£233m of interest expense was incurred during the year (2019: £208m) on borrowings excluding non recourse and unit linked borrowings. The total finance costs incurred in the year were £305m (2019: £269m), which also includes £11m of finance costs on lease liabilities (2019: £13m).

(ii) Analysis by nature

(a) Core borrowings

	Carrying amount 2020 £m	Coupon rate 2020 %	Fair value 2020 £m	Carrying amount 2019 £m	Coupon rate 2019 %	Fair value 2019 £m
Subordinated borrowings						
10% Sterling subordinated notes 2041 (Tier 2)	**313**	**10.00**	**329**	312	10.00	353
5.5% Sterling subordinated notes 2064 (Tier 2)	**589**	**5.50**	**813**	589	5.50	726
5.375% Sterling subordinated notes 2045 (Tier 2)	**604**	**5.38**	**714**	603	5.38	691
5.25% US Dollar subordinated notes 2047 (Tier 2)	**628**	**5.25**	**703**	648	5.25	704
5.55% US Dollar subordinated notes 2052 (Tier 2)	**369**	**5.55**	**411**	380	5.55	405
5.125% Sterling subordinated notes 2048 (Tier 2)	**400**	**5.13**	**484**	399	5.13	459
3.75% Sterling subordinated notes 2049 (Tier 2)	**598**	**3.75**	**662**	598	3.75	613
4.5% Sterling subordinated notes 2050 (Tier 2)	**499**	**4.50**	**587**	–	–	–
Client fund holdings of group debt (Tier 2)[1]	**(42)**	**–**	**(51)**	(38)	–	(44)
Total subordinated borrowings	**3,958**		**4,652**	3,491		3,907
Senior borrowings						
Sterling medium-term notes 2031–2041	**609**	**5.88**	**926**	609	5.88	877
Client fund holdings of group debt[1]	**(9)**	**–**	**(12)**	(9)	–	(13)
Total senior borrowings	**600**	**–**	**914**	600	–	864
Total core borrowings	**4,558**	**–**	**5,566**	4,091	–	4,771

1. £51m (2019: £47m) of the group's subordinated and senior borrowings are held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the group's core borrowings reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

Subordinated borrowings

10% Sterling subordinated notes 2041
In 2009, Legal & General Group Plc issued £300m of 10% dated subordinated notes. The notes are callable at par on 23 July 2021 and every five years thereafter. If not called, the coupon from 23 July 2021 will be reset to the prevailing five year benchmark gilt yield plus 9.325% p.a. These notes mature on 23 July 2041.

5.5% Sterling subordinated notes 2064
In 2014, Legal & General Group Plc issued £600m of 5.5% dated subordinated notes. The notes are callable at par on 27 June 2044 and every five years thereafter. If not called, the coupon from 27 June 2044 will be reset to the prevailing five year benchmark gilt yield plus 3.17% p.a. These notes mature on 27 June 2064.

5.375% Sterling subordinated notes 2045
In 2015, Legal & General Group Plc issued £600m of 5.375% dated subordinated notes. The notes are callable at par on 27 October 2025 and every five years thereafter. If not called, the coupon from 27 October 2025 will be reset to the prevailing five year benchmark gilt yield plus 4.58% p.a. These notes mature on 27 October 2045.

5.25% US Dollar subordinated notes 2047
On 21 March 2017, Legal & General Group Plc issued $850m of 5.25% dated subordinated notes. The notes are callable at par on 21 March 2027 and every five years thereafter. If not called, the coupon from 21 March 2027 will be reset to the prevailing US Dollar mid-swap rate plus 3.687% p.a. These notes mature on 21 March 2047.

5.55% US Dollar subordinated notes 2052
On 24 April 2017, Legal & General Group Plc issued $500m of 5.55% dated subordinated notes. The notes are callable at par on 24 April 2032 and every five years thereafter. If not called, the coupon from 24 April 2032 will be reset to the prevailing US Dollar mid-swap rate plus 4.19% p.a. These notes mature on 24 April 2052.

5.125% Sterling subordinated notes 2048
On 14 November 2018, Legal & General Group Plc issued £400m of 5.125% dated subordinated notes. The notes are callable at par on 14 November 2028 and every five years thereafter. If not called, the coupon from 14 November 2028 will be reset to the prevailing five year benchmark gilt yield plus 4.65% p.a. These notes mature on 14 November 2048.

3.75% Sterling subordinated notes 2049
On 26 November 2019, Legal & General Group Plc issued £600m of 3.75% dated subordinated notes. The notes are callable at par on 26 November 2029 and every five years thereafter. If not called, the coupon from 26 November 2029 will be reset to the prevailing five year benchmark gilt yield plus 4.05% p.a. These notes mature on 26 November 2049.

4.5% Sterling subordinated notes 2050
On 1 May 2020, Legal & General Group Plc issued £500m of 4.5% dated subordinated notes. The notes are callable at par on 1 November 2030 and every five years thereafter. If not called, the coupon from 1 November 2030 will be reset to the prevailing five year benchmark gilt yield plus 5.25% p.a. These notes mature on 1 November 2050.

All of the above subordinated notes are treated as tier 2 own funds for Solvency II purposes.

Senior borrowings

Between 2000 and 2002 Legal & General Finance Plc issued £600m of senior unsecured Sterling medium-term notes 2031-2041 at coupons between 5.75% and 5.875%. These notes have various maturity dates between 2031 and 2041.

23 Borrowings continued
(ii) Analysis by nature continued
(b) Operational borrowings

	Carrying amount 2020 £m	Interest rate 2020 %	Fair value 2020 £m	Carrying amount 2019 £m	Interest rate 2019 %	Fair value 2019 £m
Short-term operational borrowings						
Euro Commercial Paper	**50**	**0.78**	**50**	200	0.93	200
Bank loans and overdrafts	**54**	**–**	**54**	–	–	–
Non recourse borrowings						
Consolidated Property Limited Partnerships	**–**	**–**	**–**	58	2.36	58
Later Living portfolio	**72**	**2.77**	**72**	72	3.47	72
CALA revolving credit facility	**170**	**2.95**	**170**	178	3.37	178
Class B Surplus Notes	**639**	**2.45**	**639**	489	4.33	489
Affordable Homes revolving credit facility	**60**	**2.13**	**60**	29	2.66	29
L&G Homes Limited revolving credit facility	**–**	**–**	**–**	16	3.44	16
Total operational borrowings[1]	**1,045**		**1,045**	1,042		1,042
Less: liabilities of operations classified as held for sale[2]	**–**	**–**	**–**	(29)	2.36	(29)
Operational borrowings	**1,045**		**1,045**	1,013		1,013

1. Unit linked borrowings with a carrying value of £10m (2019: £7m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £1,055m (2019: £1,020m).
2. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

Non recourse borrowings
- Consolidated Property Limited Partnerships loans had a charge on the assets of the relevant Property Fund.
- Loan facilities to Later Living portfolio have a charge on all assets of each individual SPV company.
- CALA Group (Holdings) Limited's revolving credit facility is secured by way of a bond and floating charge, and guarantees and fixed charges granted by CALA Group Limited and its main subsidiaries (CALA 1999 Limited, CALA Limited, and CALA Management Limited). A number of other bonds and floating charges, fixed securities, debentures and share pledges over land and assets have been granted by certain subsidiaries of CALA Group Limited in favour of the lenders.
- The Class B Surplus Notes have been issued by a US subsidiary of the group as part of a coinsurance structure for the purpose of US statutory regulations. The notes were issued in exchange for bonds of the same value from an unrelated party, included within financial investments on the group's Consolidated Balance Sheet.
- The revolving credit facility to Affordable Homes is subject to agreed covenants, a breach of which could result in a charge on the land and work in progress of L&G Affordable Homes (Development 2) Limited.
- The revolving credit facility to L&G Homes Limited was secured by way of a charge on the land assets of L&G Homes Limited.

The carrying value of operational borrowings approximates to their fair value. The presented fair values reflect observable market information and have been classified as Level 2 in the fair value hierarchy with the exception of the Later Living portfolio and Affordable Homes revolving credit facility which have been classified as Level 3.

(iii) Analysis by maturity

As at 31 December 2020	Carrying amount £m	Within 1 year £m	1–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
		Maturity profile of undiscounted cash flows					
Subordinated borrowings							
10% Sterling subordinated notes 2041 (Tier 2)	313	(13)	–	–	(300)	–	(313)
5.5% Sterling subordinated notes 2064 (Tier 2)	589	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	604	(6)	–	–	(600)	–	(606)
5.25% US Dollar subordinated notes 2047 (Tier 2)	628	(9)	–	–	–	(622)	(631)
5.55% US Dollar subordinated notes 2052 (Tier 2)	369	(4)	–	–	–	(366)	(370)
5.125% Sterling subordinated notes 2048 (Tier 2)	400	(3)	–	–	–	(400)	(403)
3.75% Sterling subordinated notes 2049 (Tier 2)	598	(2)	–	–	–	(600)	(602)
4.5% Sterling subordinated notes 2050 (Tier 2)	499	(4)	–	–	–	(500)	(504)
Senior borrowings							
Sterling medium-term notes 2031–2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(51)	–	–	–	–	–	–
Total core borrowings	**4,558**	**(52)**	**–**	**(590)**	**(910)**	**(3,088)**	**(4,640)**
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Bank loans and overdrafts	54	(54)	–	–	–	–	(54)
Non recourse borrowings							
Later Living portfolio	72	(72)	–	–	–	–	(72)
CALA revolving credit facility	170	(91)	(80)	–	–	–	(171)
Class B Surplus Note	639	(26)	(91)	(186)	(338)	–	(641)
Affordable Homes revolving credit facility	60	(1)	(60)	–	–	–	(61)
Total operational borrowings	**1,045**	**(294)**	**(231)**	**(186)**	**(338)**	**–**	**(1,049)**
Total borrowings excluding unit linked borrowings[1]	**5,603**	**(346)**	**(231)**	**(776)**	**(1,248)**	**(3,088)**	**(5,689)**
Contractual undiscounted interest payments		(223)	(1,414)	(2,489)	(1,981)	(885)	(6,992)
Total contractual undiscounted cash flows		**(569)**	**(1,645)**	**(3,265)**	**(3,229)**	**(3,973)**	**(12,681)**

1. Unit linked borrowings are excluded from the analysis above as the risk is retained by policy holders.

23 Borrowings continued
(iii) Analysis by maturity continued

As at 31 December 2019	Carrying amount £m	Maturity profile of undiscounted cash flows: Within 1 year £m	1–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Subordinated borrowings							
10% Sterling subordinated notes 2041 (Tier 2)	312	(13)	–	–	(300)	–	(313)
5.5% Sterling subordinated notes 2064 (Tier 2)	589	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	603	(6)	–	–	–	(600)	(606)
5.25% US Subordinated notes 2047 (Tier 2)	648	(9)	–	–	–	(641)	(650)
5.55% US Subordinated notes 2052 (Tier 2)	380	(4)	–	–	–	(377)	(381)
5.125% Sterling subordinated notes 2048 (Tier 2)	399	(3)	–	–	–	(400)	(403)
3.75% Sterling subordinated notes 2049 (Tier 2)	598	(2)	–	–	–	(600)	(602)
Senior borrowings							
Sterling medium-term notes 2031–2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(47)	–	–	–	–	–	–
Total core borrowings	4,091	(48)	–	(590)	(310)	(3,218)	(4,166)
Short-term operational borrowings							
Euro Commercial Paper	200	(200)	–	–	–	–	(200)
Non recourse borrowings							
Consolidated Property Limited Partnerships	58	–	(58)	–	–	–	(58)
Later Living portfolio	72	(37)	(35)	–	–	–	(72)
CALA revolving credit facility	178	(180)	–	–	–	–	(180)
Class B Surplus Note	489	–	(60)	(165)	(266)	–	(491)
Affordable Homes revolving credit facility	29	–	(29)	–	–	–	(29)
L&G Homes limited revolving credit facility	16	–	(16)	–	–	–	(16)
Total operational borrowings	1,042	(417)	(198)	(165)	(266)	–	(1,046)
Less: borrowings of operations classified as held for sale[1]	(29)	–	29	–	–	–	29
Operational borrowings	1,013	(417)	(169)	(165)	(266)	–	(1,017)
Total borrowings excluding unit linked borrowings[2]	5,104	(465)	(169)	(755)	(576)	(3,218)	(5,183)
Contractual undiscounted interest payments		(201)	(1,246)	(2,315)	(1,835)	(933)	(6,530)
Total contractual undiscounted cash flows		(666)	(1,415)	(3,070)	(2,411)	(4,151)	(11,713)

1. Borrowings of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
2. Unit linked borrowings are excluded from the analysis above as the risk is retained by policyholders.

The maturity profile above is calculated on the basis that a facility to refinance a maturing loan is not recognised unless the facility and loan are related. If refinancing under the group's credit facilities was recognised, then all amounts shown as repayable within one year would be reclassified as repayable between one and five years. Unit linked borrowings are excluded from the analysis as the risk is retained by the policyholders.

Undiscounted interest payments are estimated based on the year end applicable interest rate and spot exchange rates.

Syndicated Credit Facility
As at 31 December 2020, the group had in place a £1bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in December 2023. No amounts were outstanding at 31 December 2020.

(iv) Movement in borrowings

	2020 £m	2019 £m
As at 1 January	**5,140**	4,976
Cash movements:		
– Proceeds from borrowings	**1,022**	1,309
– Repayment of borrowings	**(501)**	(958)
– Net increase/(decrease) in bank loans and overdrafts	**64**	(137)
Non-cash movements:		
– Amortisation and other non cash-items	**2**	15
– Foreign exchange rate movements	**(56)**	(59)
– Other[1]	**(58)**	(6)
Total borrowings as at 31 December	**5,613**	5,140
Less: liabilities of operations classified as held for sale[2]	**–**	(29)
Total borrowings	**5,613**	5,111

1. Other primarily reflects the deconsolidation of funds as a result of the sale of Mature Savings.
2. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

24 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The group operates a number of defined benefit and defined contribution pension schemes in the UK and overseas. The assets of all UK defined benefit schemes are held in separate trustee administered funds which are subject to regular actuarial valuations every three years, updated by formal reviews at reporting dates. The actuarial assumptions used in the triennial valuation would normally be consistent or more prudent than those used for the purposes of IAS 19, 'Employee Benefits' reporting.

The liability recognised in the Consolidated Balance Sheet in respect of the defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, provided any surplus in the Fund and Scheme is not restricted. Plan assets exclude the insurance contracts issued by the group. The defined benefit obligation is calculated actuarially each year using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate is based on market yields of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate to those of the related pension liability.

The group pays contractual contributions in respect of defined contribution schemes. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(i) Analysis of provisions

	2020 £m	2019 £m
Retirement benefit obligations	**1,165**	1,107
Other provisions	**123**	114
Total provisions	**1,288**	1,221
Less: liabilities of operations classified as held for sale[1]	**–**	(1)
Provisions	**1,288**	1,220

1. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

(ii) Retirement benefit obligations

Defined contribution schemes

The group operates the following principal defined contribution pension schemes in the UK and overseas:

- Legal & General Group Personal Pension Plan (UK).
- Legal & General Staff Stakeholder Pension Scheme (UK).
- Legal & General America Inc. Savings Plan (US).
- CALA defined contribution pension scheme.

Contributions of £75m (2019: £65m) were made during the year in respect of defined contribution schemes.

Defined benefit schemes

The group operates the following defined benefit pension schemes in the UK and overseas:

- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020.
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020.
- Legal & General America Inc. Cash Balance Plan (US); the last full actuarial valuation was as at 31 December 2018.
- CALA Retirement and Death Benefits Scheme (UK). This scheme closed to new members from 31 December 2007 and closed to future accrual on 31 December 2018; the last triennial actuarial valuation was as at 6 April 2018.

The UK defined benefit schemes operate within the UK pensions' regulatory framework.

Certain of the following disclosures have only been presented in relation to the Fund and the Scheme, as they represent the most significant defined benefit scheme obligations.

The UK Fund and Scheme were closed to future accrual on 31 December 2015. As part of this arrangement, payments to the Fund and Scheme in respect of future accruals ceased from this date and were replaced with a company contribution payment of between 5% and 15% into a defined contribution arrangement. In addition, as part of the closure, the company will contribute an additional £3m per annum until 31 December 2024 towards the deficit.

The assets of all UK defined benefit schemes are held in separate trustee administered funds to meet long-term pension obligations to past and present employees. Trustees are appointed to the schemes and have a responsibility to act in the best interest of the scheme beneficiaries. The trustees' long-term objectives are to minimise the risk that there are insufficient assets to meet the liabilities of the scheme over the longer-term, control the ongoing operational costs of the schemes and to maximise investment returns for the beneficiaries within an acceptable level of risk.

The total number of members of the Fund and Scheme was:

	2020	2019
Employed deferreds	**93**	140
Deferreds	**2,960**	3,113
Pensioners	**3,723**	3,669
Total	**6,776**	6,922

The group works closely with the trustees to develop an investment strategy for each UK scheme in order to meet the long-term objectives of the trustees as noted above. Each UK scheme has a Statement of Investment Principles which governs the mix of assets and limits for each class of asset. As noted below, the asset mix of the Fund is primarily split between investment funds including Liability Driven Investment (LDI) funds and unit trusts, and equities. The main intention of the use of LDI is to hedge movements in the liabilities due to changes in interest rate and inflation expectations.

Certain parts of the liabilities of the Fund and the Scheme are secured by way of annuities purchased from the group. These annuities are not recognised as an asset for IAS 19 purposes, but at 31 December 2020 the value of these annuities, on an IAS 19 basis, was £1,051m (2019: £944m).

Additionally, on 8 December 2020, the Scheme purchased an Assured Payment Policy ('APP') from the group to match the majority of the future expected cash flows of uninsured members of the Scheme. The APP is recognised as an asset for IAS 19 purposes. The value of the APP is included in the table summarising the plan assets.

On a gilts flat discount rate measure, including hedging from annuities, the Fund currently aims to hedge around 90% of the impact of changes in interest rate (gilt yields) and inflation expectations on its total liabilities. Similarly, on a gilts flat measure, including hedging from annuities and the APP, the Scheme currently aims to hedge around 90% of the impact of changes in interest rate and inflation expectations on its total liabilities.

The Fund and Scheme expose the group to a number of risks:

Risk	Detail
Uncertainty in benefit payments	The value of the group's liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will primarily depend on the level of inflation and how long individuals live.
Volatility in asset values	The group is exposed to future movements in the values of assets held in the Fund and Scheme to meet future benefit payments.
Uncertainty in cash funding	Movements in the values of the obligations or assets may result in the group being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. In addition, the group is also exposed to adverse changes in pension regulation.

These risks are managed within the risk appetite of the Fund and Scheme. The sensitivity of the net obligations to changes in any of the variables are monitored and action is taken if any risk moves outside of the appetite.

Annuities are purchased to mitigate risks for certain parts of the pension liabilities which passes the risks from the Fund and Scheme onto the group.

Full actuarial valuations are carried out for the Fund and Scheme every three years, updated by formal reviews at each anniversary date between. The actuarial assumptions used in the triennial valuation would normally be more prudent than those used for the purposes of IAS 19 reporting. The latest triennial valuation at 31 December 2018 was completed on 1 July 2020. Where the Fund or Scheme are in deficit following the triennial valuations, the group and the trustee agree a deficit recovery plan. Both the Fund and Scheme have formal deficit recovery plans which aim to make good the deficits over a certain period of time. The triennial valuation at 31 December 2018 showed a total funding deficit for both the Fund and Scheme of £541m. As a result of this, a recovery plan was agreed of £77m per annum from 1 January 2019 to 30 June 2020, £98m per annum from 1 July 2020 to 31 December 2024 and a one-off catch-up payment of £33m by 31 July 2020.

24 Provisions continued

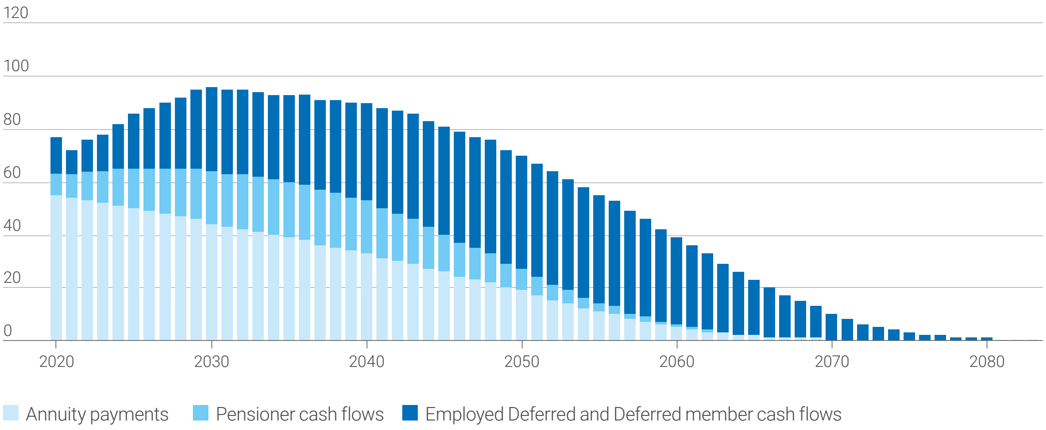
(ii) Retirement benefit obligations continued

Defined benefit schemes continued

The Fund and the Scheme liabilities have an average duration of 19.0 years (2019: 18.5 years) and 18.4 years (2019: 18.0 years) respectively. The expected undiscounted benefits payments to members of the Fund and Scheme, including pensions in payment secured by annuities purchased from the group, are shown in the unaudited chart below:

Undiscounted benefit payments

Projected benefit payments (£m)



The benefits paid from the defined benefit schemes are based on percentages of the employees' final pensionable salary for each year of credited service. The group has no liability for retirement benefits other than for pensions. The Fund and Scheme account for all of the UK and over 90% of worldwide assets of the group's defined benefit schemes.

The principal actuarial assumptions for the Fund and Scheme were:

	Fund and Scheme 2020 %	Fund and Scheme 2019 %
Rate used to discount liabilities	**1.25**	2.08
Rate of increase in pensions in payment (pre-2006 service)	**3.59**	3.61
Rate of increase in deferred pensions (pre-2006 service)	**3.63**	3.67
Rate of general inflation (RPI)	**2.97**	3.02
Post retirement mortality		

2020: 75% / 85% (Male/Female) (Fund) and 70% / 80% (Male/Female) (Scheme) of PCMA/PCFA 00 with improvement at CMI 2018 base date 2015, with initial improvement factor A = 0.14% / 0.19% (Male/Female) (Fund) and 0.17% / 0.26% (Male/Female), smoothing factor Sk = 7.5, long-term rates 1.5% p.a. males and 1.0% p.a. females; and tapering linearly down to nil between ages 90 and 120.

2019: 75% / 85% (Male/Female) (Fund) and 70% / 80% (Male/Female) (Scheme) of PCMA/PCFA 00 with improvement at CMI 2017 base date 2015 with initial improvement factor A = 0.14% / 0.19% (Male/Female) (Fund) and 0.17% / 0.26% (Male/Female), smoothing factor Sk = 7.5, long-term rates 1.5% p.a. males and 1.0% p.a. females, and tapering linearly down to nil between ages 90 and 120.

This equates to average life expectancy as follows:

	Fund and Scheme 2020 years	Fund and Scheme 2019 years
Normal retirement age	**60.0**	60.0
Male life expectancy at retirement age	**87.5**	87.7
Female life expectancy at retirement age	**88.8**	89.0
Male life expectancy at 20 years younger than retirement age	**89.6**	89.8
Female life expectancy at 20 years younger than retirement age	**90.1**	90.4

	Fund and Scheme 2020 £m	CALA Homes and Overseas 2020 £m	Fund and Scheme 2019 £m	CALA Homes and Overseas 2019 £m
Movement in present value of defined benefit obligations				
As at 1 January	**(2,375)**	**(135)**	(2,183)	(120)
Current service cost	**(2)**	**(3)**	(3)	(2)
Past service credit	**–**	**–**	16	–
Interest expense	**(48)**	**(4)**	(61)	(4)
Actuarial remeasurement (recognised in Consolidated Statement of Comprehensive Income)				
– Change in financial assumptions	**(350)**	**(17)**	(283)	(17)
– Change in demographic assumptions	**24**	**–**	19	1
– Experience	**8**	**(2)**	(3)	(2)
Benefits paid	**128**	**6**	123	7
Exchange differences	**–**	**2**	–	2
As at 31 December	**(2,615)**	**(153)**	(2,375)	(135)
Movement in fair value of plan assets				
As at 1 January	**1,292**	**111**	1,092	99
Expected return on plan assets at liability discount rate	**27**	**2**	31	3
Actuarial remeasurement (recognised in Consolidated Statement of Comprehensive Income)	**159**	**10**	213	10
Employer contributions	**127**	**10**	79	7
Benefits paid	**(128)**	**(6)**	(123)	(7)
Exchange differences	**–**	**(1)**	–	(1)
As at 31 December	**1,477**	**126**	1,292	111
Gross pension obligations	**(1,138)**	**(27)**	(1,083)	(24)
Gross pension obligations included in provisions	**(1,138)**	**(27)**	(1,083)	(24)
Annuity obligations insured by LGAS	**1,051**	**–**	944	–
Gross defined benefit pension deficit	**(87)**	**(27)**	(139)	(24)
Deferred tax on defined benefit pension deficit	**17**	**5**	24	4
Net defined benefit pension deficit	**(70)**	**(22)**	(115)	(20)

During 2020 annuities were purchased from the group. A premium of £50m (2019: £78m) was paid from the assets of the Fund and the Scheme to purchase these annuities. These annuities are not recognised as an asset for IAS 19 purposes and so the actuarial remeasurement recognised in the Consolidated Statement of Comprehensive Income includes allowance for this premium payment as well as annuity receipts over 2020 of £53m (2019: £55m).

The effect on the defined benefit obligation of the Fund and Scheme of assuming reasonable alternative assumptions in isolation is shown below (net of annuities and APP). Opposite sensitivities are broadly symmetrical, but larger sensitivities are not necessarily broadly proportionate due to, for example, the existence of maxima and minima for inflation linked benefits. These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Fund and Scheme.

	2020 £m	2019 £m
1 year increase in longevity	**(92)**	(78)
0.1% decrease in the rate used to discount liabilities	**(27)**	(32)
0.1% increase in the rate of general inflation (RPI)	**(14)**	(16)

24 Provisions continued
(ii) Retirement benefit obligations continued
The historic funding and experience adjustments are as follows:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of defined benefit obligations	**(2,768)**	(2,510)	(2,303)	(2,575)	(2,660)
Fair value of plan assets	**1,603**	1,403	1,191	1,309	1,421
Gross pension obligations included in provisions	**(1,165)**	(1,107)	(1,112)	(1,266)	(1,239)
Experience adjustments on plan liabilities	**6**	(5)	7	22	76
Experience adjustments on plan assets	**169**	223	(111)	4	240

The fair value of the plan assets at the end of the year is made up as follows:

	Valuation based on quoted market price		Valuation based on other than quoted market price	
As at 31 December 2020	**Fund and Scheme £m**	**CALA Homes and Overseas £m**	**Fund and Scheme £m**	**CALA Homes and Overseas £m**
Equities	**22**	**27**	**–**	**–**
Bonds	**–**	**12**	**–**	**–**
Investment funds	**1,029**	**72**	**–**	**–**
Properties	**–**	**3**	**–**	**–**
Assured Payment Policy[1]	**–**	**–**	**396**	**–**
Cash and cash equivalents	**30**	**12**	**–**	**–**
Fair value of plan assets	**1,081**	**126**	**396**	**–**

1. During the year, the Scheme completed an Assured Payment Policy (APP) transaction with Legal and General Assurance Society Limited (LGAS), a group company, resulting in a premium paid by the Scheme of £397m. The plan asset recognised is transferable and therefore has not been subject to consolidation within the group's financial statements.

	Valuation based on quoted market price		Valuation based on other than quoted market price	
As at 31 December 2019	Fund and Scheme £m	CALA Homes and Overseas £m	Fund and Scheme £m	CALA Homes and Overseas £m
Equities	131	25	–	–
Bonds	–	9	–	–
Investment funds	1,100	64	–	–
Properties	–	3	53	–
Cash and cash equivalents	8	10	–	–
Fair value of plan assets	1,239	111	53	–

The bond assets are all AAA rated as at 31 December 2020 (31 December 2019: AAA rated).

Employer contributions of £137m (2019: £86m) have been made during 2020. Employer contributions of £109m are expected to be paid to the plan during 2021.

The following amounts have been charged to the income statement:

	Fund and Scheme 2020 £m	CALA Homes and Overseas 2020 £m	Fund and Scheme 2019 £m	CALA Homes and Overseas 2019 £m
Current service costs	**2**	**3**	3	2
Past service credit	**–**	**–**	(16)	–
Net interest expense	**21**	**2**	30	1
Total amounts included in other expenses	**23**	**5**	17	3

25 Payables and other financial liabilities

Derivative liabilities and repurchase agreements are measured at fair value, with changes in fair value recognised in profit or loss.

The fair value of derivative liabilities is derived using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Repurchase agreements are valued based on the discounted cash flows expected to be paid, using an observable market interest rate, in line with the value of the underlying security.

Collateral repayable on short position reverse repurchase agreements and other financial liabilities balances, including FX spots, broker and other payables, are measured at amortised cost. The carrying value of these liabilities approximates their fair value.

Trail commission represents a liability for the present value of future commission costs on distribution agreements with intermediaries, recognised in the balance sheet on inception of the contract. At each subsequent reporting date the liability is remeasured, with changes reflected in profit or loss.

	2020 £m	2019 £m
Derivative liabilities	**23,208**	13,113
Repurchase agreements[1]	**53,853**	56,884
Other financial liabilities[2]	**14,881**	14,476
Total payables and other financial liabilities	**91,942**	84,473
Less: payables and other liabilities of operations classified as held for sale[3]	**–**	(434)
Payables and other financial liabilities	**91,942**	84,039
Due within 12 months[4]	**65,316**	64,689
Due after 12 months[4]	**26,626**	19,784

1. The repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The vast majority of the repurchase agreements are unit linked.
2. Other financial liabilities includes trail commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of the short positions at 31 December 2020 was £5,147m (2019: £7,673m).
3. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
4. The maturity analysis of the liabilities between less and more than 12 months is based on the Total payables and other financial liabilities.

Fair value hierarchy

As at 31 December 2020	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Amortised cost[1] £m**
Derivative liabilities	**23,208**	**300**	**22,826**	**82**	**–**
Repurchase agreements	**53,853**	**–**	**53,853**	**–**	**–**
Other financial liabilities	**14,881**	**5,222**	**29**	**11**	**9,619**
Total payables and other financial liabilities	**91,942**	**5,522**	**76,708**	**93**	**9,619**

As at 31 December 2019	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	13,113	283	12,828	2	–
Repurchase agreements	56,884	–	56,884	–	–
Other financial liabilities	14,476	7,822	9	139	6,506
Total payables and other financial liabilities	84,473	8,105	69,721	141	6,506

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.

Trail commission (included within Other financial liabilities) is modelled using expected cash flows, incorporating expected future persistency. It has therefore been classified as a Level 3 liability. A reasonably possible alternative persistency assumption would have the effect of increasing the trail commission liability by £4m (2019: £4m).

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2020 (2019: no significant transfers).

26 Leases

The group leases offices, vehicles, IT equipment and investment properties under non-cancellable operating lease agreements. The group has elected to make use of the recognition exemptions as permitted by the standard in respect of short-term leases (lease contracts with a term of 12 months or less), and lease contracts for which the underlying asset is of low value. Such leases are not recognised on the Consolidated Balance Sheet but the group recognises the associated lease payments as an expense over the lease term.

As a lessee, the group recognises leases on the balance sheet as 'right-of-use' assets and lease liabilities. The right-of-use assets are either classified as property, plant and equipment or investment property.

The right-of-use assets' value is initially recognised as the calculated value of the lease liabilities, initial direct costs and incentives received. The right-of-use assets are subsequently accounted for in accordance with the cost model in IAS 16, 'Property, Plant and Equipment' or as investment property under IAS 40, 'Investment Property'. The group also assesses right-of-use assets classified as property, plant and equipment for impairment when such indicators exist.

The initial measurement of the lease liabilities is made up of the present value of lease payments to be made over the lease term, including fixed lease payments and excluding lease incentive receivables. The group uses the incremental borrowing rate as a discount rate for calculating the lease liabilities. The lease liabilities are unwound over the term of the lease giving rise to an interest expense. Additionally, the liabilities are reduced when lease payments are made. The group reassesses the carrying amount of lease liabilities and right-of-use assets if certain events occur that modify the original assumptions used to calculate the lease balances upon initial recognition.

Extension and termination options are included in various leases across the group. These are generally used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on balance sheet within property, plant and equipment:[1]

Carrying amount	Office buildings 2020 £m	IT 2020 £m	Vehicles 2020 £m	Total 2020 £m	Office buildings 2019 £m	IT 2019 £m	Vehicles 2019 £m	Total 2019 £m
As at 1 January	**189**	**46**	**3**	**238**	214	58	5	277
Additions	**7**	**1**	**1**	**9**	4	–	–	4
Depreciation for the period	**(27)**	**(12)**	**(1)**	**(40)**	(22)	(12)	(2)	(36)
Disposals[2]	**–**	**–**	**–**	**–**	(5)	–	–	(5)
Decrease due to currency translation	**(2)**	**–**	**–**	**(2)**	(2)	–	–	(2)
As at 31 December	**167**	**35**	**3**	**205**	189	46	3	238

1. Excludes investment property right-of-use assets, which are presented as part of the Investment property disclosure in Note 11.
2. The disposal relates to the sale of the General Insurance business to Allianz, which completed on 31 December 2019.

The maturity profile of lease liabilities is presented in the table below. Lease liabilities are included within Payables and other financial liabilities (see Note 25)[1].

As at 31 December	Undiscounted lease payments 2020 £m	Unpaid finance charge 2020 £m	Present value 2020 £m	Undiscounted lease payments 2019 £m	Unpaid finance charge 2019 £m	Present value 2019 £m
Within 1 year	**44**	**(10)**	**34**	46	(11)	35
1–2 years	**43**	**(8)**	**35**	45	(10)	35
2–3 years	**34**	**(7)**	**27**	43	(9)	34
3–4 years	**31**	**(6)**	**25**	33	(7)	26
4–5 years	**26**	**(5)**	**21**	31	(6)	25
After 5 years	**203**	**(110)**	**93**	321	(200)	121
Total lease liabilities	**381**	**(146)**	**235**	519	(243)	276

1. Includes investment property lease liability.

Interest expense of £11m (2019: £13m) on lease liabilities is included in finance costs.

The remaining terms on the group's leases range from 1 to 237 years (2019: 2 to 238 years), with approximately 36% of the leases (2019: 25%) having extension options and 70% of these leases (2019: 76%) having termination options. Extension and termination options are included in various leases across the group and are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

At 31 December 2020 the group had committed to no additional leases which had not yet commenced (2019: £102m).

Income from sub-leasing right-of-use assets is presented within Investment return (see Note 31).

27 Management of capital resources

Solvency II

The group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At a group level, Legal & General had to comply with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA).

The group calculates its Solvency II capital requirements using a Partial Internal Model. The vast majority of the risk to which the group is exposed is assessed on the Partial Internal Model basis approved by the PRA. Capital requirements for a few smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's US insurance businesses are valued on a local statutory basis following the PRA's approval to use the Deduction and Aggregation method of including these businesses in the group solvency calculation.

The table below shows the 'shareholder view' of the group Own Funds, Solvency Capital Requirement (SCR) and Surplus Own Funds, based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP) (recalculated as at 31 December 2020 as agreed with the PRA). The TMTP incorporates estimated impacts of end December 2020 economic conditions and changes during 2020 to the Internal Model and Matching Adjustment. This is in line with group's management of the capital position on a dynamic TMTP basis.

The Solvency II results are estimated and unaudited.

As at 31 December 2020, and on the above basis, the group had a surplus of £7.4bn (2019: £7.3bn) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio on a 'shareholder view' basis of 177% (2019: 184%). The shareholder view of the Solvency II capital position is as follows:

	2020 £bn	2019 £bn
Unrestricted tier 1 Own Funds	**12.3**	12.4
Restricted tier 1 Own Funds[1]	**0.5**	–
Tier 2 Subordinated liabilities[2]	**4.5**	3.9
Eligibility restrictions	**(0.2)**	(0.2)
Solvency II Own Funds[3]	**17.1**	16.1
Solvency Capital Requirement	**(9.7)**	(8.8)
Solvency II surplus	**7.4**	7.3
SCR coverage ratio[4]	**177%**	184%

1. Restricted tier 1 Own Funds represent Perpetual Restricted tier 1 Contingent Convertible Notes issued during the year.
2. Tier 2 subordinated liabilities include new debt issue of £0.5bn during the year.
3. Solvency II Own Funds allow for a Risk Margin of £6.1bn (2019: £5.9bn) and TMTP of £5.6bn (2019: £5.7bn).
4. SCR Coverage ratio is based on unrounded inputs.

27 Management of capital resources continued

Solvency II continued

The 'shareholder view' basis excludes the contribution that the final salary pension schemes would normally make to the group position. This is reflected by reducing the group's Own Funds and the group's SCR by the amount of the SCR for the final salary pension schemes.

On a 'proforma basis', which includes the contribution of the With-profits fund (2019 only) and the final salary pension schemes, the coverage ratio at 31 December 2020 is 175% (31 December 2019: 179%).

On 6 December 2017, the group announced the sale of its Mature Savings business to ReAssure Limited. ReAssure Limited assumed the economic exposure of the business from 1 January 2018 via a risk transfer agreement. The formal transfer of the business completed on 7 September 2020. The transfer was effected by way of a Part VII transfer under the Financial Services and Markets Act 2000.

A reconciliation of the group's IFRS shareholders' equity to Solvency II Own Funds is given below:

	2020 £bn	2019[4] £bn
IFRS equity	**10.0**	9.1
Remove DAC, goodwill and other intangible assets and associated liabilities	**(0.4)**	(0.5)
Add IFRS carrying value of subordinated borrowings[1]	**4.0**	3.5
Insurance contract valuation differences[2]	**4.5**	5.6
Difference in value of net deferred tax liabilities	**(0.6)**	(0.6)
SCR for with-profits fund and final salary pension schemes	**(0.2)**	(0.8)
Eligibility restrictions[3]	**(0.2)**	(0.2)
Solvency II Own Funds	**17.1**	16.1

1. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
2. Differences in the measurement of technical provisions between IFRS and Solvency II.
3. Relating to the Own Funds of non-insurance regulated entities that are subject to local regulatory rules.
4. Following the change in accounting policy for LGIA universal life and annuities IFRS reserves, the 2019 reconciliation has been restated. Further details on the change in accounting policy are provided in Note 1 (iv).

Capital management policies and objectives

The group aims to manage its capital resources to maintain financial strength, policyholder security and relative external ratings advantage. The group also seeks to maximise its financial flexibility by maintaining strong liquidity and by utilising a range of alternative sources of capital including equity, senior debt, subordinated debt and reinsurance.

Capital measures

The group measures its capital on a number of different bases, including those which comply with the regulatory frameworks within which the group operates and those which the directors consider most appropriate for managing the business. The measures used by the group include:

Accounting and Economic bases

Management use financial information prepared on both an IFRS and Economic Capital basis to manage capital and cash flow usage and to determine dividend paying capacity.

The group maintains a risk-based capital model that is used to calculate the group's Economic Capital position and support the management of risk within the group. This modelling framework, suitably adjusted for regulatory constraints, also meets the needs of the Solvency II regime. Our Economic Capital model has not been reviewed by the Prudential Regulatory Authority (PRA), nor will it be.

Regulatory bases

The financial strength of the group's insurance subsidiaries is measured under various local regulatory requirements (see below).

Basis of regulatory capital and corresponding regulatory capital requirements
In each country in which the group operates, the local insurance regulator specifies rules and guidance for the minimum amount and type of capital which must be held by insurance subsidiaries in excess of their insurance liabilities. The minimum capital requirements have been maintained at all times throughout the year. This helps to ensure that payments to policyholders can be made as they fall due.

The required capital is calculated by either assessing the additional assets which would be required to meet the insurance company's liabilities in specified, stressed financial conditions, or by applying fixed percentages to the insurance company's liabilities and risk exposures. The requirements in the different jurisdictions in which the group operates are detailed below:

Group regulatory basis
The group is required to comply with the Solvency II capital requirements calculated using the group's Partial Internal Model. The vast majority of the risk to which the group is exposed is assessed on the Internal Model basis approved by the PRA. The group capital requirements for a handful of smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's capital requirements in respect of its US insurance businesses are valued on a local statutory basis, following PRA approval of the group's application to use the Deduction and Aggregation method of including these businesses in the group solvency calculation.

UK regulatory basis
At the balance sheet date, required capital for the life business was based on the Solvency II Framework Directive, as adopted by the PRA. All material EEA insurance firms, including Legal and General Assurance Society Limited, and Legal and General Assurance (Pensions Management) Limited (LGIM's insurance subsidiary) are required to hold eligible own funds in excess of their Solvency Capital Requirement, calculated on an Internal Model basis. These firms, as well as the non-EEA insurance firm (Legal & General Reinsurance Company Limited (LGRe) based in Bermuda), contribute over 93% of the group's SCR.

US regulatory basis
Required capital is determined to be the Company Action Level Risk Based Capital (RBC) based on the National Association of Insurance Commissioners RBC model. RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations, taking into account its size and risk profile. The calculation is based on applying factors to various asset, premium, claims, expense and reserve items, with higher factors used for those items with greater underlying risk and lower factors for less risky items.

Bermudan regulatory basis
Bermudan regulated insurers are required to hold sufficient capital to meet 120% of the Bermudan Solvency Capital Requirement (BSCR). The BSCR model follows a standard formula framework; capital attributed to each risk is calculated by applying specified stresses to the assets and liabilities. The individual risk elements (excluding operational risk) are combined using a covariance matrix and then added to an operational risk charge.

28 Disposals

Mature Savings division

On 6 December 2017 the group announced the sale of its Mature Savings business to ReAssure Limited ('ReAssure') for £650m. While the Part VII transfer became effective on 7 September 2020, the economic effective date of completion and the date on which the assets and liabilities of the Mature Savings business, previously classified as held for sale, were fully derecognised was 31 August 2020. The group recognised a pre-tax gain on disposal of £289m which has been included in profit from discontinued operations in the Consolidated Income Statement for the year ended 31 December 2020[1].

(i) Profit on the sale of the Mature Savings business

	2020 £m
Consideration received	**650**
Less: Unwind of expected underlying profits before disposal[2]	**(106)**
Less: Final settlement[3]	**(55)**
Less: Transaction and separation costs	**(63)**
Net proceeds from sale	**426**
Carrying value of net assets disposed	**137**
Profit on the sale of the Mature Savings business before tax[1]	**289**

1. As set out in Note 32, the group's total tax expense in the Consolidated Income Statement includes income tax borne by both policyholders and shareholders. This is apportioned between that attributable to policyholders' returns and equity holders' profits. Under this methodology, the profit on disposal before tax attributable to equity holders' is £335m, as disclosed in Note 29.
2. From 1 January 2018 up until the completion of the transaction, the group recognised the unwind of expected profits from the Mature Savings business through the Consolidated Income Statement, totalling £106m since that time. This effectively reduces the amount of consideration attributable to the final profit on sale by an equivalent amount.
3. The final settlement is an amount payable from the group to ReAssure, reflecting the residual net position of assets and liabilities transferred at the date of the Part VII.

(ii) Carrying value of net assets disposed

	2020 £m
Deferred acquisition costs	**438**
Investment property	**926**
Financial investments	**25,092**
Reinsurers' share of contract liabilities	**550**
Income tax recoverable	**101**
Cash and cash equivalents	**248**
Other assets	**117**
Total assets	**27,472**
Participating insurance contracts	**(4,297)**
Participating investment contracts	**(4,352)**
Unallocated divisible surplus	**(655)**
Present value of future profits	**42**
Non-participating insurance contacts	**(837)**
Non-participating investment contracts	**(16,804)**
Provisions	**(1)**
Deferred tax liabilities	**(17)**
Payables and other financial liabilities	**(253)**
Other liabilities	**(161)**
Total liabilities	**(27,335)**
Carrying value of net assets disposed	**137**

29 Discontinued operations

The group classifies as discontinued operations components which have been disposed of or are classified as held for sale, and which either represent a separate major line of business or geographical area, are part of a plan to dispose of one, or are a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are shown on the face of the Consolidated Income Statement, separately from the results of the other parts of the group's business.

The results of the Mature Savings business have been classified as discontinued operations. 2019 also includes the results of the General Insurance business, the sale of which completed on 31 December 2019.

(i) Financial performance of discontinued operations

	2020 £m	2019 £m
Revenue[1]	(855)	4,225
Expenses[2]	782	(3,973)
Profit on disposal	289	–
Profit before tax	216	252
Tax credit/(expense)	74	(229)
Profit after tax from discontinued operations	290	23
Total comprehensive income from discontinued operations	290	23

1. Revenue includes investment return.
2. Expenses include change in insurance and investment contract liabilities.

This is represented as:

	2020 £m	2019 £m
Profit before tax	216	252
Tax expense attributable to policyholder returns	142	(224)
Profit before tax attributable to equity holders	358	28
Tax expense attributable to equity holders	(68)	(5)
Profit after tax from discontinued operations	290	23

Profit before tax attributable to equity holders reported in Note 2(i) as:

	2020 £m	2019 £m
Operating profit# from discontinued operations	34	11
Investment and other variances[1]	324	17
Profit before tax attributable to equity holders	358	28

1. Investment and other variances in 2020 includes the profit on disposal attributable to equity holders of the Mature Savings business of £335m. (2019 includes the profit on disposal of the General Insurance business of £2m.)

(ii) Cash flow information of discontinued operations

	2020 £m	2019 £m
Net cash inflow/(outflow) from operating activities	9	35
Net cash inflow/(outflow) from investing activities	–	–
Net cash inflow/(outflow) from financing activities	–	–
Net increase/(decrease) in cash generated by discontinued operations	9	35

Operating profit represents 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

30 Segmental analysis

The group provides a segmental analysis to enhance the understanding of the financial statements.

Under the requirements of IFRS 8, 'Operating segments', operating and reportable segments are presented in a manner consistent with the internal reporting provided to the chief operating decision maker, which has been identified as the board of Legal & General Group Plc.

Reportable segments

The group has four reportable segments that are continuing operations, comprising LGR, LGIM, LGC and LGI, as set out in Note 2. Group central expenses and debt costs are reported separately. Transactions between reportable segments are on normal commercial terms, and are included within the reported segments.

Continuing operations exclude the results of the Mature Savings and the General Insurance divisions (General Insurance is in respect of 2019 only), which have been classified as discontinued following the group's announcement to sell these businesses to ReAssure Limited and Allianz respectively. The sale of the Mature Savings business completed on 7 September 2020, whilst that of the General Insurance business completed on 31 December 2019.

Reporting of assets and liabilities by reportable segment has not been included, as this is not information that is provided to key decision makers on a regular basis. The group's assets and liabilities are managed on a legal entity rather than reportable segment basis, in line with regulatory requirements.

Financial information on the reportable segments is further broken down where relevant in order to better explain the drivers of the group's results.

(a) Profit/(loss) for the year

For the year ended 31 December 2020	LGR £m	LGIM £m	LGC £m	LGI £m	Group expenses and debt costs[1] £m	Total continuing operations £m
Operating profit/(loss)#	**1,731**	**404**	**275**	**189**	**(415)**	**2,184**
Investment and other variances	**19**	**(3)**	**(299)**	**(459)**	**24**	**(718)**
Losses attributable to non-controlling interests	**–**	**–**	**–**	**–**	**(36)**	**(36)**
Profit/(loss) before tax attributable to equity holders	**1,750**	**401**	**(24)**	**(270)**	**(427)**	**1,430**
Tax (expense)/credit attributable to equity holders	**(230)**	**(63)**	**(8)**	**58**	**94**	**(149)**
Profit/(loss) for the year	**1,520**	**338**	**(32)**	**(212)**	**(333)**	**1,281**

For the year ended 31 December 2019	LGR £m	LGIM[2] £m	LGC £m	LGI £m	Group expenses and debt costs £m	Total continuing operations £m
Operating profit/(loss)#	1,569	394	363	314	(365)	2,275
Investment and other variances	43	(9)	91	(234)	(58)	(167)
Losses attributable to non-controlling interests	–	–	–	–	(24)	(24)
Profit/(loss) before tax attributable to equity holders	1,612	385	454	80	(447)	2,084
Tax (expense)/credit attributable to equity holders	(234)	(75)	(75)	12	75	(297)
Profit/(loss) for the year	1,378	310	379	92	(372)	1,787

1. Group expenses and debt costs include £27m of incremental costs incurred as a result of Covid-19.
2. As described in Note 2, 2019 has been restated to reflect a reallocation of divisional-related project expenditure from Group investment projects and expenses to LGIM. This has reduced LGIM operating profit by £29m for the year ended 31 December 2019.

Operating profit represents 'Group adjusted operating profit', an alternative performance measure defined in the glossary.

(ii) Revenue

Revenue comprises of the following:

Net premiums earned
Revenue from insurance and investment contracts has been described in section (e) of this note.

Investment return
Investment return has been described in Note 31 of this report.

Fees from fund management and investment contracts*
The group generates revenue from acting as the investment manager for clients. Fees charged on investment management services are based on the contractual fee arrangements applied to assets under management and recognised as revenue as the services are provided.

The group's income from investment contracts is primarily derived from fees for administration and managing of funds in pension plans. Revenue generated on investment contracts is recognised as services are provided. No significant judgements are applied on the timing or transaction price. In the instances of performance fees where revenue is subject to meeting a certain performance threshold, such revenue is not recognised until the condition has been met, and it is highly probable that no significant reversal of amounts would occur. Variable costs directly related to securing new contracts are capitalised and amortised over the estimated period over which the revenue is earned.

Transaction fees are charged to implement trades for clients. Such fees are charged at the time the transaction takes place and are based on the size of the underlying contract.

House building*
House building revenue arises from the sale of residential properties and land, and is recognised net of discounts and sales incentives. Sales of private houses are recognised on legal completion. Following the implementation of IFRS 15, 'Revenue from Contracts with Customers', the sale proceeds of part exchange properties are also included in revenue. Sales of social housing, where multiple units are developed and sold under a contractual agreement with a single customer, typically a housing association, are recognised over time in accordance with construction progress. Sales of land and commercial property are recognised on unconditional exchange, namely when contracts are exchanged or missives concluded and, where appropriate, construction is complete. The transaction price is determined using extensive research and expert judgement, current market values and regional variations.

Warranties are provided on all properties and range from 2-10 years. Due to their features, these do not represent separate performance obligations.

Professional services fees*
The group's professional services fees revenue arises from professional services provided by employed surveyors and third party providers, panel management fees and administration fees. These fees are based on fee scales or contracts. Revenue is recognised when the service has been rendered.

In addition, the group derives professional fees from facilitation of mortgage arrangements and related products such as conveyancing. These are based on an agreement/contract and could be tiered based on volume. The obligation in such instances is satisfied on completion of the mortgage/service, at which point the revenue is recognised. There is no significant judgement applied on the timing or amount of fee recognised.

Insurance broker*
Fees are charged on each performance obligation offered to the customer as per agreed structure. Revenue for placement services is recognised at the point in time when the intermediary has satisfied its performance obligation, that is when the terms of the insurance policy have been agreed contractually by the insurer and policyholder, and the insurer has a present right to payment from the policyholder. No significant judgements are applied on the timing or transaction price.

* Contracts are either expected to last one year or less, or reflect the right to consideration from a customer in an amount that corresponds directly with the value of the performance completed to date. As permitted under IFRS 15, the transaction price allocated to any unsatisfied contracts is not disclosed.

30 Segmental analysis continued
(ii) Revenue continued
(a) Total revenue

	Note	2020 £m	2019 £m
Total income		**50,231**	66,786
Adjusted for:			
Share of loss/(profit) from associates and joint ventures, net of tax	45	**28**	(17)
Gain on acquisition and disposal of subsidiaries, associates and joint ventures		**–**	(51)
Total revenue from continuing operations		**50,259**	66,718

(b) Total income

For the year ended 31 December 2020	LGR £m	LGIM[1,2] £m	LGI £m	LGC and other[3] £m	Total continuing operations £m
Internal income	**–**	**201**	**–**	**(201)**	**–**
External income	**15,057**	**20,878**	**1,799**	**12,497**	**50,231**
Total income	**15,057**	**21,079**	**1,799**	**12,296**	**50,231**

For the year ended 31 December 2019	LGR £m	LGIM[1,2] £m	LGI £m	LGC and other[3] £m	Total continuing operations £m
Internal income	–	188	–	(188)	–
External income	16,385	43,836	1,593	4,972	66,786
Total income	16,385	44,024	1,593	4,784	66,786

1. LGIM internal income relates to investment management services provided to other segments.
2. LGIM external income primarily includes fees from fund management and investment returns on unit linked funds.
3. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.

(c) Fees from fund management and investment contracts

For the year ended 31 December 2020	LGIM £m	LGI £m	LGC and other[1] £m	Total continuing operations £m
Investment contracts	**79**	**1**	**–**	**80**
Investment management fees	**954**	**–**	**(188)**	**766**
Transaction fees	**27**	**–**	**–**	**27**
Total fees from fund management and investment contracts[2]	**1,060**	**1**	**(188)**	**873**

For the year ended 31 December 2019	LGIM £m	LGI £m	LGC and other[1] £m	Total continuing operations £m
Investment contracts	73	1	–	74
Investment management fees	903	–	(166)	737
Transaction fees	23	–	–	23
Total fees from fund management and investment contracts[2]	999	1	(166)	834

1. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.
2. Fees from fund management and investment contracts are a component of Total revenue from continuing operations disclosed in Note 30 (ii)(a).

(d) Other operational income from contracts with customers

For the year ended 31 December 2020	LGR £m	LGIM £m	LGI £m	LGC and other £m	Total continuing operations £m
House building	–	–	–	748	748
Professional services fees	1	–	83	–	84
Insurance broker	–	–	16	–	16
Total other operational income from contracts with customers[1]	**1**	**–**	**99**	**748**	**848**

For the year ended 31 December 2019	LGR £m	LGIM £m	LGI £m	LGC and other £m	Total continuing operations £m
House building	–	–	–	1,056	1,056
Professional services fees	2	2	91	–	95
Insurance broker	–	–	34	–	34
Total other operational income from contracts with customers[1]	2	2	125	1,056	1,185

1. Total other operational income from contracts with customers is a component of Total revenue from continuing operations disclosed in Note 30 (ii)(a) and excludes the share of profit/loss from associates and joint ventures and gain on acquisition and disposal of subsidiaries, associates and joint ventures.

(e) Gross written premiums on insurance contracts

Gross written premium represents the total premiums written by the group before deductions for reinsurance.

Long-term insurance premiums are recognised as revenue when due for payment. General insurance premiums are accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

Premiums received relating to investment contracts are not recognised as income, but are included in the balance sheet investment contract liability.

Outward reinsurance premiums from continuing operations are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured.

For the year ended 31 December 2020	LGR £m	LGI[1] £m	Total continuing operations £m
Gross written premiums	**9,582**	**2,963**	**12,545**

For the year ended 31 December 2019	LGR £m	LGI £m	Total continuing operations £m
Gross written premiums	12,407	2,796	15,203

1. Includes £114m of gross written premiums relating to a residual reinsurance treaty following the disposal of the General Insurance business.

31 Investment return

Investment return includes fair value gains and losses, excluding fair value movements attributable to available-for-sale (AFS) investments, dividends, rent and interest. Dividends are accrued on an ex-dividend basis. Interest and rent are included on an accruals basis. Interest income for financial assets which are not classified as fair value through profit or loss (FVTPL) is recognised using the effective interest method.

The group earns an investment return from holdings in financial instruments and property investments, held to either back insurance and investment contracts on behalf of policyholders or deliver returns on group capital.

	2020 £m	2019 £m
Dividend income	4,098	5,389
Interest income on financial investments at fair value through profit or loss	5,172	5,181
Other investment income/(expense)[1]	110	128
Gains/(losses) on financial investments designated at fair value through profit or loss	28,545	45,411
Gains/(losses) on derivative instruments designated as held for trading	42	197
Realised gains/(losses) on financial assets designated as available-for-sale	16	30
Financial investment return	**37,983**	56,336
Rental income	387	441
Net fair value (losses)/gains on properties	(79)	(92)
Property investment return	**308**	349
Total investment return	**38,291**	56,685
Investment return from discontinued operations	877	(3,671)
Investment return from continuing operations	**39,168**	53,014

1. Includes interest income of £13m (2019: £53m) on financial investments designated as available-for-sale. There was no impairment on assets classified as available-for-sale during the year.

32 Tax

The tax shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income comprises current and deferred tax.

Current tax

Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Consolidated Income Statement unless it relates to items which are recognised in the Consolidated Statement of Comprehensive Income or directly in equity.

Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited to the Consolidated Statement of Comprehensive Income or charged or credited directly in equity.

Tax attributable to policyholders and equity holders

The total tax expense shown in the group's Consolidated Income Statement includes income tax borne by both policyholders and shareholders. This has been apportioned between that attributable to policyholders' returns and equity holders' profits. This represents the fact that the group's long-term business in the UK pays tax on policyholder investment return, in addition to the corporation tax charge charged on shareholder profit. The separate presentation is intended to provide more relevant information about the tax that the group pays on the profits that it makes.

For this apportionment, the equity holders' tax on long-term business is estimated by applying the statutory tax rate to profits attributed to equity holders. This is considered to approximate the corporation tax attributable to shareholders as calculated under UK tax rules. The balance of income tax associated with UK long-term business is attributed to income tax attributable to policyholders' returns and approximates the corporation tax attributable to policyholders as calculated under UK tax rules.

Use of estimates

Tax balances include the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Consolidated Income Statement. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.

For tax this includes the determination of liabilities/recoverables for uncertain tax positions and estimation of future taxable income supporting deferred tax asset recognition.

As the group operates internationally, it is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on interpretation of legislation, management experience and professional advice. The directors have assessed the group's uncertain tax positions and are comfortable that the provisions in place are not material individually or in aggregate, and that a reasonable possible alternative outcome in the next financial year would not have a material impact to the results of the group.

Tax rates

The table below provides a summary of the standard corporate income tax rates of the main territories we operate in.

	2020	2019
UK	**19.0%**	19.0%
USA	**21.0%**	21.0%
Bermuda	**0.0%**	0.0%
Ireland	**12.5%**	12.5%

32 Tax continued
(i) Tax charge in the Consolidated Income Statement

	2020 £m	2019 £m
Current tax	**333**	478
Deferred tax		
– Origination or reversal of temporary differences in the year	**(163)**	113
– Impact of reduction in UK and US corporate tax rates on deferred tax balances	**16**	(2)
Total deferred tax	**(147)**	111
Adjustment to equity holders' tax in respect of prior years	**(42)**	9
Total tax charge[1]	**144**	598
Less: tax attributable to policyholder returns		
– Continuing operations	**(69)**	(72)
– Discontinued operations	**142**	(224)
	73	(296)
Total tax charge attributable to equity holders	**217**	302
Less: tax from discontinued operations attributable to equity holders	**(68)**	(5)
Tax from continuing operations attributable to equity holders	**149**	297

1. Total tax charge is comprised of a tax charge attributable to continuing operations of £218m (2019: £369m) and a discontinued operations tax credit of £74m (2019: £229m charge).

The tax charge attributable to equity holders differs from the tax calculated on profit before tax at the standard UK corporation tax rate as follows:

	Continuing operations 2020 £m	Total 2020 £m	Continuing operations 2019 £m	Total 2019 £m
Profit before tax attributable to equity holders	**1,430**	**1,788**	2,084	2,112
Tax calculated at 19.00%	**272**	**340**	396	401
Adjusted for the effects of:				
Recurring reconciling items:				
Income not subject to tax	**(1)**	**(1)**	(4)	(4)
(Lower)/higher rate of profits taxed overseas[1]	**(111)**	**(111)**	(117)	(117)
Non-deductible expenses	**11**	**11**	2	2
Differences between taxable and accounting investment gains	**(10)**	**(10)**	(10)	(10)
Property income attributable to minority interests	**–**	**–**	4	4
Foreign tax	**1**	**1**	6	6
Unrecognised tax losses	**14**	**14**	14	14
Non-recurring reconciling items:				
Income not subject to tax	**–**	**–**	(6)	(6)
Non-deductible expenses	**–**	**–**	6	6
Adjustments in respect of prior years[2]	**(42)**	**(42)**	9	9
Impact of the change in corporate tax rates on deferred tax balances[3]	**16**	**16**	(2)	(2)
Other	**(1)**	**(1)**	(1)	(1)
Tax attributable to equity holders	**149**	**217**	297	302
Equity holders' effective tax rate[4]	**10.4%**	**12.1%**	14.3%	14.3%

1. The lower rate of tax on overseas profits is principally driven by the 0% rate of taxation arising in our Bermudan reinsurance company, which provides the group with regulatory capital flexibility for both our PRT and US term insurance businesses. This line also includes the impact of tax on our US operations which are taxed at 21%.
2. In line with normal practice, adjustments in respect of prior years relate to revisions of earlier estimates.
3. The Finance Act 2020 removed the planned reduction in the headline UK corporation tax rate from 19% to 17%. As a result, UK deferred tax assets and liabilities previously recognised at 17% have been revalued. In the Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the headline rate of corporation tax to 25% from 1 April 2023. The impact of this has not been reflected in the tax balances at 31 December 2020. See Note 44 for further details.
4. Equity holders' effective tax rate is calculated by dividing the tax attributable to equity holders over profit before tax attributable to equity holders.

The UK standard rate of corporation tax is used in the above reconciliation as a significant proportion of the group's profits are earned and are taxable in the UK, which is also the main domicile for the group.

(ii) Deferred tax – Consolidated Balance Sheet

Deferred tax assets and liabilities have been recognised/(provided) for temporary differences and unused tax losses. The recognition of deferred tax assets in respect of temporary differences and tax losses are supported by management's best estimate of future taxable profits to absorb the losses in future years. Deferred tax assets and liabilities presented on the Consolidated Balance Sheet have been offset to the extent it is permissible under the relevant accounting standards. The net movement in deferred tax assets and liabilities during the year is as follows:

	Net tax liability as at 1 January 2020[1] £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals £m	Net tax liability as at 31 December 2020 £m
Deferred acquisition expenses	35	50	–	–	85
– UK	(40)	40	–	–	–
– Overseas	75	10	–	–	85
Difference between the tax and accounting value of insurance contracts	(524)	(34)	1	–	(557)
– UK	(198)	(12)	3	–	(207)
– Overseas	(326)	(22)	(2)	–	(350)
Unrealised gains on investments	(184)	146	–	27	(11)
Excess of depreciation over capital allowances	15	3	–	–	18
Excess expenses	20	(9)	–	(10)	1
Accounting provisions and other	(44)	(4)	–	–	(48)
Trading losses[2]	217	72	–	–	289
Pension fund deficit	28	(54)	48	–	22
Acquired intangibles	(2)	1	–	–	(1)
Total net deferred tax liabilities	(439)	171	49	17	(202)
Less: net deferred tax liabilities of operations classified as held for sale[3]	182	(165)	–	(17)	–
Net deferred tax liabilities	(257)	6	49	–	(202)
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets	8	(3)	–	–	5
– UK deferred tax liabilities	(189)	(30)	51	–	(168)
– Overseas deferred tax liabilities[4]	(76)	39	(2)	–	(39)

1. US deferred tax liabilities in respect of deferred acquisition costs and non-participating insurance contracts have been restated following the change in accounting policy for LGIA universal life and annuity reserves. Further details on the change in accounting policy are provided in Note 1 (iv). The net impact to overseas deferred tax liabilities is a reduction of £106m at 31 December 2019.
2. Trading losses reflect deferred tax on UK trade and US operating losses of £5m (2019: £4m) and £284m (2019: £213m) respectively.
3. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
4. Overseas deferred tax liability is wholly comprised of US balances as at 31 December 2020.

32 Tax continued

(ii) Deferred tax – Consolidated Balance Sheet continued

	Net tax liability as at 1 January 2019 £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions £m	Net tax liability as at 31 December 2019[1] £m
Deferred acquisition expenses	25	10	–	–	35
– UK	(40)	–	–	–	(40)
– Overseas	65	10	–	–	75
Difference between the tax and accounting value of insurance contracts	(494)	(57)	24	3	(524)
– UK	(171)	(25)	(5)	3	(198)
– Overseas	(323)	(32)	29	–	(326)
Unrealised gains on investments	(72)	(97)	(15)	–	(184)
Excess of depreciation over capital allowances	12	1	–	2	15
Excess expenses	21	(1)	–	–	20
Accounting provisions and other	(28)	(16)	–	–	(44)
Trading losses[2]	163	55	(1)	–	217
Pension fund deficit	41	(24)	11	–	28
Acquired intangibles	(4)	2	–	–	(2)
Total net deferred tax liabilities[3]	(336)	(127)	19	5	(439)
Less: net deferred tax liabilities of operations classified as held for sale[4]	97	90	–	(5)	182
Net deferred tax liabilities	(239)	(37)	19	–	(257)
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets	7	1	–	–	8
– UK deferred tax liabilities	(144)	(50)	5	–	(189)
– Overseas deferred tax liabilities[5]	(102)	12	14	–	(76)

1. US deferred tax liabilities in respect of deferred acquisition costs and non-participating insurance contracts have been restated following the change in accounting policy for LGIA universal life and annuity reserves. Further details on the change in accounting policy are provided in Note 1 (iv). The net impact to overseas deferred tax liabilities is a reduction of £106m at 31 December 2019.
2. Trading losses include deferred tax on UK trade and US operating losses of £4m (2018: £4m) and £213m (2018: £159m) respectively.
3. Total net deferred tax liabilities are presented gross of held for sale liabilities in 2019.
4. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
5. Overseas deferred tax liability is wholly comprised of US balances as at 31 December 2019.

Unrecognised deferred tax assets

The group has the following unrelieved tax losses and deductible temporary differences carried forward as at 31 December 2020. No deferred tax asset has been recognised in respect of these as at 31 December 2020 (or 31 December 2019), as it is not probable that there will be suitable taxable profits emerging in future periods against which to relieve them. These tax assets will only be recognised if it becomes probable that suitable taxable profits will arise in future periods.

	Gross 2020 £m	**Tax 2020 £m**	Gross 2019 £m	Tax 2019 £m
Trading losses[1]	**190**	**31**	171	27
Capital losses	**70**	**13**	61	12
Excess management expense	**60**	**12**	–	–
Unrelieved interest payments on debt instruments	**14**	**3**	14	3
Unrecognised deferred tax assets[2]	**334**	**59**	246	42

1. Of the unrecognised deferred tax asset, £13m (2019: £13m) relates to US trading losses which are expected to expire between 2026 and 2032.
2. Unrecognised deferred tax assets include UK balances of £39m (2019: £23m) and trading losses arising overseas of £20m (2019: £19m).

(iii) Current tax – Consolidated Balance Sheet

	2020 £m	2019 £m
Tax recoverable within 12 months	**363**	276
Tax recoverable after 12 months	**271**	298
Total current tax assets	**634**	574
Less: current tax assets of operations classified as held for sale[1]	**–**	(106)
Current tax assets	**634**	468

	2020 £m	2019 £m
Tax due within 12 months	**–**	91
Tax due after 12 months	**61**	50
Total current tax liabilities	**61**	141
Less: current tax liabilities of operations classified as held for sale[1]	**–**	(34)
Current tax liabilities	**61**	107

1. Assets and liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

(iv) Tax charged directly in equity

	Note	2020 £m	2019[1] £m
Current tax		**(2)**	(37)
Deferred tax	32(ii)	**(11)**	(11)
Tax recognised directly in equity		**(13)**	(48)

1. Restated to reflect the impact of the LGIA universal life and annuity reserves adjustment, described in Note 1 (iv).

33 Auditor's remuneration

	2020 £m	2019 £m
Remuneration receivable by the company's auditors for the audit of the consolidated and company financial statements	**1.4**	1.2
Remuneration receivable by the company's auditors and its associates for the supply of other services to the company and its associates, including remuneration for the audit of the financial statements of the company's subsidiaries:		
The audit of the company's subsidiaries	**8.7**	5.9
Audit related assurance services – required by national or EU legislation	**1.4**	0.8
Audit related assurance services – other	**0.6**	1.1
Other assurance services	**0.6**	0.3
Total assurance services	**12.7**	9.3
Other services not covered above	**–**	0.2
Total non-assurance services	**–**	0.2
Total remuneration	**12.7**	9.5

34 Employee information

	2020	2019
Monthly average number of staff employed during the year:		
UK	**9,083**	8,884
USA	**874**	819
Europe	**33**	27
Other	**56**	47
Worldwide employees	**10,046**	9,777

	Notes	2020 £m	2019 £m
Wages and salaries		**732**	674
Social security costs		**82**	75
Share-based incentive awards	35	**43**	39
Defined benefit pension costs	24	**137**	86
Defined contribution pension costs	24	**75**	65
Total employee related expenses		**1,069**	939

35 Share-based payments

The fair value at the date of grant of the equity instrument is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions. At each balance sheet date, the group revises its estimate of the number of equity instruments which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment is made to equity. On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the group is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium.

(i) Description of plans

The group provides a number of equity settled share-based long-term incentive plans for directors and eligible employees.

The Savings Related Share Option Plan (ShareSave) allows employees to enter into a regular savings contract over three and/or five years, coupled with a corresponding option over shares of the group. The grant price is equal to 80% of the quoted market price of the group shares on the invitation date. Fair value is calculated using the Black-Scholes model.

Nil Cost Options can be granted to senior managers under the Performance Share Plan (PSP), based upon individual and company performance. Pre the 2014 award, the number of performance shares transferred to the individual at the end of the three year vesting period was dependent on the group's relative Total Shareholder Return (TSR). New performance conditions attached to awards from 2014 result in the number of options that vest being equally dependent on the group's relative TSR and Earnings per Share (EPS)/Dividend per Share (DPS) growth. In addition, the awards vest after the end of the three year performance period and become exercisable in thirds over three, four and five years. Further changes were made to the performance conditions for awards granted in 2018. The number of options that vest in respect of these awards is equally dependent on the group's relative TSR and EPS growth (subject to Solvency II objectives). The majority of awards vest after the end of the three year performance period and become exercisable in thirds in year three, four and five. Awards granted to executive directors and Persons Delivering Managerial Responsibilities vest after three years but any options that vest will not become exercisable until year five.

The Share Bonus Plan (SBP) awards conditional shares, restricted shares, combined awards of CSOP options and restricted shares and combined awards of CSOP options and nil-paid options. Recipients of restricted shares are entitled to both vote and receive dividends. Fair value is calculated as the market value on the grant date, adjusted to reflect the eligibility for dividend payments. Conditional Share awards, which include awards to executive directors, do not have voting or dividend rights.

Under the HMRC tax-advantaged Employee Share Plan (ESP), UK employees may elect to purchase group shares from the market at the prevailing market price on a monthly basis. The group supplements the number of shares purchased by giving employees one free matching share for every one share purchased up to the first £20 of the employees' contributions and one free matching share for every two shares purchased with contributions between £20 and £125. There is currently no match on contributions between £125 and £150. From time to time, the group may make an award of free shares. Both the free and matching shares must be held in trust for three years. The fair value of awarded shares is equal to the market value on award date.

The fair values of the share awards made during the year have been calculated using the following assumptions:

	SAYE	PSP	PSP
Award date	3 April 2020	4 April 2020	12 August 2020
Weighted average share price (pence)	159.7	191.8	229.3
Weighted average exercise price (pence)	199.0	n/a	n/a
Expected volatility	36%	37%	43%
Expected life	3–5 years	3–5 years	3–5 years
Risk free investment rate	0.10–0.12%	0.08%	(0.02)%
Dividend yield	6.5%	8.7%	7.7%

(ii) Total recognised expense

The total recognised expense relating to share-based payments in 2020 was £43m (2019: £39m) before tax, all of which related to equity settled share schemes. This is broken down between the group's plans as detailed below:

	2020 £m	2019 £m
Share Bonus Plan (SBP)	27	25
Performance Share Plan (PSP)	13	10
Employee Share Plan (ESP)	2	2
Savings related share option scheme (SAYE)	1	2
Total share-based payment expense	**43**	39

(iii) Outstanding share options

	SAYE Options 2020	Weighted average exercise price 2020 p	CSOP Options 2020	Weighted average exercise price 2020 p	SBP Options 2020	Weighted average exercise price 2020 p
Outstanding at 1 January	**13,316,235**	**210**	**3,570,864**	**267**	**418,327**	**–**
Granted during the year	**11,119,385**	**199**	**1,716,010**	**204**	**208,276**	**–**
Forfeited during the year	**(2,835,918)**	**210**	**–**	**–**	**–**	**–**
Exercised during the year	**(2,009,106)**	**203**	**–**	**–**	**(1,203)**	**–**
Expired during the year	**(1,357,622)**	**210**	**(1,329,719)**	**248**	**(38,886)**	**–**
Outstanding at 31 December	**18,232,974**	**204**	**3,957,155**	**245**	**586,514**	**–**
Exercisable at 31 December	**39,424**	**221**	**3,252**	**118**	**109,358**	**–**
Weighted average remaining contractual life (years)	**3**		**9**		**8**	

Exercised during the year includes 1,202 options, which were predominantly CSOP options linked to SBP which have been settled using employee scheme shares.

	SAYE Options 2019	Weighted average exercise price 2019 p	CSOP Options 2019	Weighted average exercise price 2019 p	SBP Options 2019	Weighted average exercise price 2019 p
Outstanding at 1 January	12,839,984	199	4,051,676	254	397,647	–
Granted during the year	6,256,244	217	1,056,968	287	159,752	–
Forfeited during the year	(800,507)	210	–	–	–	–
Exercised during the year	(4,574,015)	188	(1,233,728)	243	(126,918)	–
Expired during the year	(405,471)	203	(304,052)	256	(12,154)	–
Outstanding at 31 December	13,316,235	210	3,570,864	267	418,327	–
Exercisable at 31 December	35,527	191	7,365	188	73,577	–
Weighted average remaining contractual life (years)	3		8		8	

Exercised during the year includes 1,360,646 options, which were predominantly CSOP options linked to SBP which have been settled using employee scheme shares.

(iv) Total options

Options over 22,776,643 shares (2019: 17,305,426 shares) are outstanding under CSOP, SAYE and SBP as at 31 December 2020. These options have a range of exercise prices between 0p and 287p (2019: 0p and 267p) and maximum remaining contractual life up to 2030 (2019: 2029).

36 Share capital, share premium and employee scheme treasury shares

An equity instrument is any contract which evidences a residual interest in the net assets of an entity. It follows that a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on unfavourable terms; and
- the instrument is either a non-derivative which contains no contractual obligation to deliver a variable number of own equity instruments, or is a derivative which will be settled only by the group exchanging a fixed amount of cash, or other financial assets, for a fixed number of its own equity instruments.

Where any group entity purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to shareholders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects. Shares held on behalf of employee share schemes are disclosed as such on the Consolidated Balance Sheet.

(i) Share capital and share premium

Authorised share capital	2020 Number of shares	2020 £m	2019 Number of shares	2019 £m
At 31 December: ordinary shares of 2.5p each	**9,200,000,000**	**230**	9,200,000,000	230

Issued share capital, fully paid	**Number of shares**	**Share capital £m**	**Share premium £m**
As at 1 January 2020	**5,965,349,607**	**149**	**1,000**
Options exercised under share option schemes	**2,009,106**	**–**	**6**
As at 31 December 2020	**5,967,358,713**	**149**	**1,006**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2019	5,960,768,234	149	992
Options exercised under share option schemes	4,581,373	–	8
As at 31 December 2019	5,965,349,607	149	1,000

There is one class of ordinary shares of 2.5p each. All shares issued carry equal voting rights.

The holders of the company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the company.

(ii) Employee scheme treasury shares

The group uses the Employee Share Ownership Trust (ESOT) and the Legal & General Group Employee Share Plan (ESP) to purchase and hold shares of the group for delivery to employees under various employee share schemes. Shares owned by these vehicles are included at cost in the Consolidated Balance Sheet and are shown as a deduction from shareholders' equity. They are disclosed as employee scheme treasury shares until they vest to employees. Share-based liabilities to employees may also be settled via purchases directly from the market or by the issue of new shares.

The ESOT has waived its voting rights and its rights to some of the dividends payable on the shares it holds. Employees are entitled to dividends on the shares held on their behalf within the ESP.

	2020 Number of shares	2020 £m	2019 Number of shares	2019 £m
As at 1 January	**31,190,048**	**65**	27,476,097	52
Shares purchased	**10,054,526**	**23**	7,762,925	20
Shares vested	**(5,937,903)**	**(13)**	(4,048,974)	(7)
As at 31 December	**35,306,671**	**75**	31,190,048	65

37 Restricted tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every five years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The tier 1 notes are therefore treated as equity and the coupon payment of £7m is recognised directly in equity. The notes rank junior to all other liabilities and senior to equity attributable to shareholders. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the issuer at the prevailing conversion price.

The notes are treated as restricted tier 1 own funds for Solvency II purposes.

38 Non-controlling interests

Non-controlling interests represent third party interests in direct equity investments, including private equity, and property investment vehicles which are consolidated in the group's results.

As at 31 December 2020, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the group holds 50%.

The decrease in non-controlling interests during the year primarily reflects the deconsolidation of property investment vehicles following the sale of the Mature Savings business.

No other individual non-controlling interests are considered to be material on the basis of the year end carrying value or share of profit or loss.

39 Other liabilities

	2020 £m	2019 £m
Accruals	**410**	431
Deferred income	**2**	49
Other	**344**	384
Total other liabilities	**756**	864
Less: liabilities of operations classified as held for sale[1]	**–**	(60)
Other liabilities	**756**	804
Due within 12 months[2]	**715**	772
Due after 12 months[2]	**41**	92

1. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
2. The maturity analysis of the liabilities between less and more than 12 months is based on the Total other liabilities as at 31 December.

40 Reconciliation of Assets under management to Consolidated Balance Sheet financial investments, investment property and cash and cash equivalents

	2020 £bn	2019 £bn
Assets under management[1]	1,279	1,196
Derivative notionals[1,2]	(340)	(336)
Third party assets[1,3]	(419)	(379)
Other[1,4]	33	63
Total financial investments, investment property and cash and cash equivalents	553	544
Less: assets of operations classified as held for sale[5]	–	(24)
Financial investments, investment property and cash and cash equivalents	553	520

1. These balances are unaudited.
2. Derivative notionals are included in the assets under management measure but are not for IFRS reporting and are thus removed.
3. Third party assets are those that LGIM manage on behalf of others which are not included on the group's Consolidated Balance Sheet.
4. Other includes assets that are managed by third parties on behalf of the group, other assets and liabilities related to financial investments, derivative assets and pooled funds.
5. Assets of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.

41 Related party transactions

(i) Key management personnel transactions and compensation

There were no material transactions between key management and the Legal & General group of companies during the year. All transactions between the group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £137m (2019: £86m) for all employees.

At 31 December 2020 and 31 December 2019 there were no loans outstanding to officers of the company.

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	2020 £m	2019 £m
Salaries	8	12
Share-based incentive awards	5	7
Key management personnel compensation	13	19

(ii) Services provided to and by related parties

All transactions between the group and associates, joint ventures and other related parties during the year are on commercial terms which are no more favourable than those available to companies in general.

Loans and commitments to related parties are made in the normal course of business.

The group has the following material related party transactions:

- Annuity contracts issued by Legal and General Assurance Society Limited for consideration of £50m (2019: £78m) purchased by the group's UK defined benefit pension schemes during the year, priced on an arm's length basis.
- During the year, the Legal & General Group UK Senior Pension Scheme (the Scheme) completed an Assured Payment Policy (APP) transaction with Legal and General Assurance Society Limited (LGAS), a group company. An APP is an investment contract product sold by LGR which, issued to a pension scheme, provides the scheme with a fixed or inflation linked schedule of payments to match the scheme's expected liabilities.

At inception a premium of £397m was paid by the Scheme to LGAS, and LGAS and the Scheme recognised an investment contract liability and an APP plan asset respectively of the same amount. As at 31 December 2020, LGAS recognised a liability related to the APP transaction with the Scheme of £396m which is included in the group's non-participating investment contract liabilities. The Scheme holds a transferable plan asset of the same amount which does not eliminate on consolidation.

- Loans outstanding from related parties at 31 December 2020 of £89m (2019: £83m), with a further commitment of £14m.
- The group has total other commitments of £1,207m to related parties (2019: £1,213m), of which £772m has been drawn at 31 December 2020 (2019: £749m).

42 Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, ombudsman rulings, industry compensation schemes and court judgments.

Various group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. The relevant members of the group ensure that they make prudent provision as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

Group companies have given warranties, indemnities and guarantees as a normal part of their business and operating activities or in relation to capital market transactions or corporate disposals. Legal & General Group Plc has provided indemnities and guarantees in respect of the liabilities of group companies in support of their business activities including Pension Protection Fund compliant guarantees in respect of certain group companies' liabilities under the group pension fund and scheme. LGAS has provided indemnities, a liquidity and expense risk agreement, a deed of support and a cash and securities liquidity facility in respect of the liabilities of group companies to facilitate the group's matching adjustment reorganisation pursuant to Solvency II.

43 Commitments
(i) Capital commitments

	2020 £m	2019 £m
Authorised and contracted commitments not provided for in respect of investment property development, payable after 31 December:		
– Long-term business	**570**	581

(ii) Lease commitment receivable – payments to be received under operating leases

Under other agreements, the group, as the lessor, is considered to substantially retain all the risks and reward of ownership of the underlying asset, therefore these contracts have been classified as operating leases.

The future undiscounted minimum lease payments under such arrangements are disclosed below:

	Total future payments 2020 £m	Total future payments 2019 £m
Within 1 year	**310**	381
1–2 years	**310**	373
2–3 years	**301**	357
3–4 years	**288**	344
4–5 years	**275**	326
After 5 years	**4,124**	4,674
Total lease commitment receivable	**5,608**	6,455

Lease commitments payable are disclosed as part of the lease disclosure in Note 26.

44 Post balance sheet events
In the Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the headline rate of corporation tax to 25% from 1 April 2023.

Deferred tax assets and liabilities are required to be valued using the tax rate which will be in force at the time when the temporary difference is expected to unwind. In line with the requirements of IAS 12, the impact of the change in rate has not been reflected in the deferred tax balances at 31 December 2020 and will be recognised once it has been substantively enacted by the UK Parliament. The estimated impact of the change in tax rate would be an increase in the deferred tax liability of c.£50m.

The Solvency II balance sheet and capital position recognise deferred tax assets and liabilities associated with the taxable differences between the IFRS and Solvency II balance sheets. The estimated impact of the change in tax rate is a small increase in the group's coverage ratio.

45 Subsidiaries

The Companies Act 2006 requires disclosure of information about the group's subsidiaries, associates, joint ventures and other significant holdings. A complete list of the group's subsidiaries, associates, joint ventures and significant holdings is provided in Notes 45 and 46.

Subsidiaries are those entities (including special purpose entities, mutual funds and unit trusts) over which the group directly or indirectly has the power to govern the operating and financial policies in order to gain economic benefits. Profits or losses of subsidiary undertakings sold or acquired during the year are included in the consolidated results up to the date of disposal or from the date of gaining control. The interests of parties, other than the group, in investment vehicles, such as unit trusts, are classified as liabilities and appear as 'Net asset value attributable to unit holders' in the Consolidated Balance Sheet. The basis by which subsidiaries are consolidated in the group financial statements is outlined in the basis of preparation (Note 1).

The particulars of the company's subsidiaries, mutual funds and partnerships that have been consolidated as at 31 December 2020 are listed below. The main territory of operation of subsidiaries incorporated in England and Wales is the UK. For overseas subsidiaries the principal country of operation is the same as the country of incorporation. All subsidiaries have a 31 December year end reporting date and are 100% owned, unless stated otherwise. The registered office of all subsidiaries in England and Wales is One Coleman Street, London EC2R 5AA, United Kingdom, and in Ireland is Dillon Eustace, 33 Sir John Rogerson's Quay, Dublin 2, Ireland, unless otherwise noted. All subsidiaries are held through intermediate holding companies unless noted that they are held direct by the company. Subsidiaries that are consolidated where the group owns less than 50% of the ordinary share capital, are consolidated based on an assessment of control normally arising from special rights attaching to the class of share owned, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights.

The group reassesses the appropriateness of the consolidation of an investee whenever facts and circumstances indicate that there has been a change in the relationship between the group and the investee which affects control.

45 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Country of incorporation: England and Wales				
103 Wardour Street Retail Investment Company Limited	Investment vehicle	Ordinary	31-Dec	100.0
Antham 1 Limited	Investment vehicle	Ordinary	31-Dec	100.0
Banner (Spare) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Construction Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Developments Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Freehold Limited[1]	Letting and operating of leased real estate	Ordinary	31-Dec	100.0
Banner Homes Bentley Priory Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Central Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Group Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Limited[1]	Dormant company	Ordinary	31-Dec	100.0
Banner Homes Midlands Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Southern Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Ventures Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Management Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
BQN Limited	Development of building projects	Ordinary	31-Dec	100.0
BTR Core Limited	Investment vehicle	Ordinary	31-Aug	100.0
Bucklers Park Estate Management Company Limited	Management of real estate	Limited by guarantee	31-May	100.0
CALA (ESOP) Trustees Limited[1]	Financial intermediation	Ordinary	31-Dec	100.0
CALA 1 Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Group (Holdings) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Chiltern) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Midlands) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (North Home Counties) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (South Home Counties) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Southern) Limited[1]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (Thames) Limited[1]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (Yorkshire) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Properties Banbury Limited[1]	Dormant company	Ordinary	31-Dec	100.0
Cardiff Interchange Limited	Dormant company	Ordinary	31-Dec	100.0
Care Secured Limited[1]	Dormant company	Ordinary	31-Dec	100.0
Chineham General Partner Limited	Dormant company	Ordinary	31-Dec	100.0
Chineham Shopping Centre Limited Partnership	Investment vehicle	Partnership	31-Dec	100.0
City & Urban Developments Limited	Holding company	Ordinary	31-Dec	100.0
CleverMover Limited	Provision of services	Ordinary	31-Dec	100.0
Cross Trees Park (Shrivenham) Management Company Limited	Property management	Limited by guarantee	31-Dec	100.0
Ealing Shopping Centre Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
Finchwood Park Management Company Limited[2]	Residents property management	Limited by guarantee	31-Dec	100.0
Finovation UK Limited	Pension tracing and transfer service	Ordinary	31-Dec	100.0
Florence (building) Basingstoke Limited (UK)[3]	Development of real estate	Ordinary	31-Dec	100.0
GO ETF Solutions LLP	Investment management	Partnership	31-Dec	100.0
Gresham Street General Partner Limited	General Partner	Ordinary	31-Dec	100.0
Gresham Street Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
Haut Investments 2 Limited	Holding company	Ordinary	31-Dec	100.0
Haut Investments Limited	Holding company	Ordinary	31-Dec	100.0
Investment Discounts On Line Limited	Insurance agents and brokers	Ordinary	31-Dec	100.0
IPIF Trade General Partner Limited	General Partner	Ordinary	31-Dec	100.0
IPIF Trade Nominee Limited	Non-trading company	Ordinary	31-Dec	100.0
Jimcourt Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
L&G Bristol Temple Island Limited	Domestic building construction	Ordinary	31-Dec	100.0
Latchmore Park Nominee No.1 Limited	Non-trading company	Ordinary	31-Dec	100.0

1. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
2. Discovery House, Crossley Road, Stockport, Greater Manchester, England, SK4 5BH
3. Registered office: 30 Finsbury Square, London, EC2A 1AG

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Legal & General (Caerus) Limited[3]	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General (PMC Trustee) Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General (Portfolio Management Services) Limited	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General (Portfolio Management Services) Nominees Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General (Strategic Land Harpenden) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General (Strategic Land North Horsham) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General (Strategic Land) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General (Unit Trust Managers) Limited	Unit trust management	Ordinary	31-Dec	100.0
Legal & General (Unit Trust Managers) Nominees Limited	Non-trading company	Ordinary	31-Dec	100.0
Legal & General Affordable Homes (Development 2) Limited	Domestic building construction	Ordinary	31-Dec	100.0
Legal & General Affordable Homes (Development) Limited	Domestic building construction	Ordinary	31-Dec	100.0
Legal & General Affordable Homes (Operations) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Affordable Homes Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Capital Investments Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Co Sec Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General Development Assets Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Digital Solutions Limited	Technology services	Ordinary	31-Dec	100.0
Legal & General Employee Benefits Administration Limited	Non-trading company	Ordinary	31-Dec	100.0
Legal & General Estate Agencies Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General Finance PLC	Treasury operations	Ordinary	31-Dec	100.0
Legal & General Financial Advice Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General FX Structuring (SPV) Limited	Special Purpose Vehicle	Ordinary	31-Dec	100.0
Legal & General GP LLP	Development of building projects	Partnership	31-Dec	100.0
Legal & General Holdings No.2 Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Home Finance Administration Services Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Home Finance Holding Company Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Home Finance Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General Homes (Services Co) Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Arborfield) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Crowthorne) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Didcot) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Shrivenham) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Homes Modular Limited	Development of modular housing	Ordinary	31-Dec	100.0
Legal & General Insurance Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Insurance Holdings No. 2 Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management (Holdings) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management Funds ICVC	Open ended investment company	Ordinary	31-Dec	100.0
Legal & General Investment Management Limited	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General Later Living Limited	Holding company	Ordinary	31-Oct	100.0
Legal & General Leisure Fund Trustee Limited	Trustee	Ordinary	31-Dec	100.0
Legal & General Life Fund Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
Legal & General LTM Structuring (SPV) Limited	Special Purpose Vehicle	Ordinary	31-Dec	100.0
Legal & General Middle East Limited[4]	Holding company	Ordinary	31-Dec	100.0
Legal & General Overseas Operations Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Partnership Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Partnership Services Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Pension Fund Trustee Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General Pension Scheme Trustee Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General Pensions Limited	Limited company	Ordinary	31-Dec	100.0

3. Registered office: 30 Finsbury Square, London, EC2A 1AG
4. Directly held by Legal & General Group Plc. All other subsidiaries are held through intermediate holding companies.

45 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Legal & General Property Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Property Partners (Industrial Fund) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Property Partners (Industrial) Nominees Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General Property Partners (IPIF GP) LLP	General Partner	Partnership	31-Dec	100.0
Legal & General Property Partners (Leisure GP) LLP	General Partner	Partnership	31-Dec	100.0
Legal & General Property Partners (Leisure) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Property Partners (Life Fund) Limited	Investment vehicle	Ordinary	31-Dec	100.0
Legal & General Property Partners (Life Fund) Nominee Limited	Investment vehicle	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF Geared) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF Geared Two) Limited	Investment in UK real estate	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF Two) Limited	Investment in UK real estate	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Re Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Resources Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Retail Investments (Holdings) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Senior Living Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Share Scheme Trustees Limited[4,5]	Dormant company	Ordinary	31-Dec	100.0
Legal & General Surveying Services Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Trustees Limited	Fund trustee	Ordinary	31-Dec	100.0
Legal & General UK PIF Two GP LLP	Limited partnership	Partnership	31-Dec	100.0
Legal and General Assurance (Pensions Management) Limited	Long-term business	Ordinary	31-Dec	100.0
Legal and General Assurance Society Limited	Long-term and general insurance	Ordinary	31-Dec	100.0
LGIM Commercial Lending Limited	Commercial lending	Ordinary	31-Dec	100.0
LGIM Corporate Director Limited	Non-trading company	Ordinary	31-Dec	100.0
LGIM International Limited	Institutional fund management	Ordinary	31-Dec	100.0
LGIM Real Assets (Operator) Limited	Development of building projects	Ordinary	31-Dec	100.0
LGIM Real Assets Limited	Development of building projects	Ordinary	31-Dec	100.0
LGP Newco Limited	Dormant company	Ordinary	31-Dec	100.0
LGPL Cornwall Limited[3]	Investment vehicle	Ordinary	31-Dec	100.0
Northampton General Partner Limited	Investment vehicle	Ordinary	31-Dec	100.0
Northampton Shopping Centre Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
NSC Building A Limited	Real estate trading	Ordinary	31-Dec	100.0
NSC Building B Limited	Real estate trading	Ordinary	31-Dec	100.0
Old Cornwall Limited[3]	Investment vehicle	Ordinary	31-Dec	100.0
Performance Retail (General Partner) Limited	Development of building projects	Ordinary	31-Dec	100.0
Performance Retail (Nominee) Limited	Dormant company	Ordinary	31-Dec	100.0
PRLP GP LLP	Limited partnership	Partnership	31-Dec	100.0
Red Ahead Storage Shed Limited	Manufacturing of sheds	Ordinary	30-Jun	100.0
Rowley Lane Borehamwood Limited	Construction of commercial buildings	Ordinary	31-Dec	100.0
Senior Living (Bramshott Place) Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Caddington) Limited	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Chandlers Ford) Limited	Development of building projects	Ordinary	31-Dec	100.0
Senior Living (Durrants) Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Exeter) Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Freelands) Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Great Leighs) Limited	Development of real estate	Ordinary	31-Dec	100.0
Senior Living (Halstead) Limited	Development of building projects	Ordinary	31-Dec	100.0
Senior Living (Ledian Farm) Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living (Matchams) Limited	Development of building projects	Ordinary	31-Dec	100.0

3. Registered office: 30 Finsbury Square, London, EC2A 1AG
4. Directly held by Legal & General Group Plc. All other subsidiaries are held through intermediate holding companies.
5. Registered office: 30 Finsbury Square, London, EC2P 2YU
6. Registered office: The Stanley Building, 7 St Pancras Square, London, N1C 4AG

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Senior Living (Sonning Common) Limited	Development of real estate	Ordinary	31-Dec	100.0
Senior Living (Tattenhall) Limited[6]	Development of building projects	Ordinary	31-Dec	100.0
Senior Living (Tunbridge Wells) Limited	Development of real estate	Ordinary	31-Dec	100.0
Senior Living (Turvey) Limited	Development of real estate	Ordinary	30-Nov	100.0
Senior Living (Walkern) Limited	Development of building projects	Ordinary	31-Dec	100.0
Senior Living (Warwick Gates) Limited[6]	Development of building projects	Ordinary	31-Dec	100.0
Senior Living Finance 1 Limited	Dormant company	Ordinary	31-Dec	100.0
Senior Living Medici Holdco Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living Medici Limited[6]	Dormant company	Ordinary	31-Dec	100.0
Senior Living Urban (Bath) Limited	Development of real estate	Ordinary	31-Oct	100.0
Senior Living Urban (Epsom) Limited	Development of real estate	Ordinary	31-Dec	100.0
Senior Living Urban (Uxbridge) Limited	Development of real estate	Ordinary	31-Dec	100.0
Senior Living Urban (Walton) Limited	Development of real estate	Ordinary	31-Dec	100.0
Stratford City Offices (No. 2) General Partner Limited	General Partner	Partnership	31-Dec	100.0
Stratford City Offices (No. 2) Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
Sunderland Vaux 1 Limited	Construction of commercial buildings	Ordinary	31-Dec	100.0
Synergy Gracechurch Limited[5]	Investment vehicle	Ordinary	31-Dec	100.0
Tattenhall Care Village LLP	Trading company	Partnership	31-Dec	100.0
Terminus Road (Nominee 1) Limited	Dormant company	Ordinary	31-Dec	100.0
Terminus Road (Nominee 2) Limited	Dormant company	Ordinary	31-Dec	100.0
The Advantage Collection Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
The Pathe Building Management Company Limited	Investment vehicle	Ordinary	31-Dec	100.0
Warwick Gates LLP	Trading company	Partnership	31-Dec	100.0
West Bar Square Limited	Construction of commercial buildings	Ordinary	31-Dec	100.0
Whitegates (Holdings) Limited[5]	Dormant company	Ordinary	31-Dec	100.0
Accelerated Digital Ventures Limited[7]	Venture Capital investing	Ordinary	31-Dec	98.0
L&G Future World Sustainable Opportunities	Unit trust	Unit	31-Dec	97.0
Swindon (The Hub) Management Company Limited[8]	Dormant company	Ordinary	31-Dec	96.0
L&G Future World ESG UK Index	Unit trust	Unit	30-Sep	89.4
L&G UK Smaller Companies Trust	Unit trust	Unit	31-Dec	68.2
L&G Cash Trust	Unit trust	Unit	31-Dec	62.6
L&G Future World Gender in Leadership UK Index	Unit trust	Unit	31-Dec	61.3
L&G Multi-Asset Target Return Fund	Unit trust	Unit	31-Dec	60.2
L&G UK Special Situations Trust	Unit trust	Unit	31-Dec	55.4
Inspired Villages Group	Management of real estate	Ordinary	31-Dec	55.0
LGIM Global Corporate Bond Fund	Open ended investment company	Ordinary	31-Dec	54.0
LGIM OEIC Global Corporate Bond	Open ended investment company	Ordinary	30-Apr	54.0
L&G Global Developed Four Factor Scientific Beta Index Fund	Authorised contractual schemes	Ordinary	31-Dec	51.0
245 Hammersmith Road Nominee 1 Limited	Dormant company	Ordinary	31-Dec	50.0
245 Hammersmith Road Nominee 2 Limited	Dormant company	Ordinary	31-Dec	50.0
245 HR GP LLP	Limited liability partnership	Partnership	31-Dec	50.0
ECV Partnerships Tattenhall Limited[6]	Limited partnership	Partnership	31-Dec	50.0
ECV Partnerships Warwick Limited[6]	Limited partnership	Partnership	31-Dec	50.0
Thorpe Park Developments Limited[9]	Property development company	Ordinary	31-Dec	50.0
Thorpe Park Holdings Limited[9]	Holding company	Ordinary	31-Dec	50.0
TP 2005 Limited[9]	Dormant company	Ordinary	31-Dec	50.0
UKPIF Two Founder Partner LP	Limited partnership	Partnership	31-Dec	50.0
L&G Global Infrastructure Fund	Unit trust	Unit	31-Dec	40.6
New Bailey (East) Management Company Limited	Investment Company	Limited by guarantee	31-Dec	33.3

1. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
5. Registered office: 30 Finsbury Square, London, EC2P 2YU
6. Registered office: The Stanley Building, 7 St Pancras Square, London, N1C 4AG
7. Registered office: Electric Works, Concourse Way, Sheffield, England, S1 2BJ
8. Registered office: 6th Floor Lansdowne House, Berkeley Square, London, United Kingdom, W1J 6ER
9. Registered office: Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ

45 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
New Bailey (West) Management Company Limited	Investment Company	Limited by guarantee	31-Dec	33.3
L&G Future World Multi-Index 4	Unit trust	Unit	15-Aug	17.7
L&G Future World Multi-Index 5	Unit trust	Unit	15-Aug	14.1
L&G Mixed Investment 0-20% Fund	Unit trust	Unit	31-Dec	10.7
Sapphire Campus Management Company Limited	Investment vehicle	Ordinary	31-Dec	9.5
L&G Future World ESG Developed Index	Unit trust	Unit	31-Dec	9.4
Country of incorporation: Hong Kong				
Legal & General Investment Management Asia Limited[10]	Institutional fund management	Ordinary	31-Dec	100.0
Country of incorporation: Ireland				
Finovation Limited	Pension tracing and transfer service	Ordinary	31-Dec	100.0
L&G Future World Global Credit Fund - UK	QIAIF[11]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 20 Fund	ICAV[12]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 45 Fund	ICAV[12]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 75 Fund	ICAV[12]	Ordinary	31-Dec	100.0
Legal & General Fund Managers (Ireland) Limited[13]	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General ICAV	ICAV[12]	Ordinary	31-Dec	100.0
Legal & General UCITS Managers (Ireland) Limited[14]	Institutional fund management	Ordinary	31-Dec	100.0
LGIM (Ireland) Risk Management Solutions Plc[14]	Management company	Ordinary	31-Dec	100.0
LGIM 2024 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2025 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2025 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2025 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2030 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2030 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2030 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2030 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2034 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2035 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2035 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2035 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2037 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2038 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2040 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2040 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2040 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2040 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2042 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2042 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2045 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2045 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2045 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2047 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2049 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2050 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2050 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2050 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2050 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2055 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2055 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0

10. Room 902, 9th Floor, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong
11. Qualifying Investor Alternative Investment Fund
12. Irish Collective Asset-management Vehicle
13. Registered office: Grand Canal House, 1 Upper Grand Canal Street, Dublin 4, Ireland
14. Registered office: Dillon Eustace, 33 Sir John Rogerson's Quay, Dublin 2, Ireland

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM 2055 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2060 Fixed Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2060 Inflation Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2060 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2060 Real Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2062 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2068 Leveraged Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2068 Leveraged Index Linked Gilt Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Active Gilts All Stocks Fund AH	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Bespoke Active Credit Fund AM	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Bespoke Active Credit Fund BP	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Credit And Liquidity - Fund BN	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Credit And Liquidity - Fund BM	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM ETF Managers Limited[15]	Investment management	Ordinary	31-Dec	100.0
LGIM Fixed Long Duration Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Fixed Short Duration Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund A	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AC	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AK	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AN	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AO	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AP	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AQ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AR	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AS	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AU	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AV	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AW	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AY	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund AZ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund B	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BA	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BB	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BF	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BH	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BJ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund BR	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund C	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund DC	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund J	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund L	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund M	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund O	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund P	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund Q	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund R	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund V	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund WH	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund WS	QIAIF[11]	Ordinary	31-Dec	100.0

11. Qualifying Investor Alternative Investment Fund
15. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342

45 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM Hedging - Fund WT	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging - Fund ZZ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AE	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AI	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AT	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BG	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BI	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BL	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BT	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BU	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BV	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CI	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CJ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CK	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CL	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DJ	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DK	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DL	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Leveraged Gilt Plus Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Leveraged Index Link Gilt Plus Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Leveraged Synthetic Equity Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM LEVERAGED SYNTHETIC EQUITY FUND (GBP)	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Liquidity Funds plc	OEUIC[16]	Ordinary	31-Dec	100.0
LGIM Managers (Europe) Limited	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM MATURING BUY & MNTN CR FD 2020-2024	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM MATURING BUY & MNTN CR FD 2025-2029	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & MNTN CR FD 2030-2034	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Maturing BUY & MNTN CR FD 2035-2039	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM MATURING BUY & MNTN CR FD 2040-2054	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Real Long Duration Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Real Short Duration Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BY	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CA	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CB	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CC	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CD	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CE	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CF	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CG	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CH	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CP	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CR	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CT	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CU	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CW	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DB	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DD	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DE	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DF	QIAIF[11]	Ordinary	31-Dec	100.0

11. Qualifying Investor Alternative Investment Fund
16. Open Ended Umbrella Investment Company

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM Solutions Fund DG	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DH	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM Synthetic Leveraged Credit Fund	QIAIF[11]	Ordinary	31-Dec	100.0
LGIM 2045 INFLATION FUND	QIAIF[11]	Ordinary	31-Dec	100.0
L&G ESG China CNY Bond UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	91.1
L&G ESG GBP Corporate Bond 0-5 Year UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	90.1
L&G ESG GBP Corporate Bond UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	85.6
L&G Europe ex UK Equity UCITS ETF	Exchange Traded Funds	Ordinary	31-Dec	84.9
L&G UK Gilt 0-5 Year UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	82.1
L&G Global Equity UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	81.3
L&G ESG Emerging Markets Government Bond (USD) 0-5 Year UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	78.0
US Dollar Liquidity Fund	OEUIC[16]	Ordinary	31-Dec	57.1
L&G Frontier Markets Equity Fund	ICAV[12]	Ordinary	31-Dec	56.6
Sterling Liquidity Fund	OEUIC[16]	Ordinary	31-Dec	50.9
L&G Asia Pacific ex Japan Equity Index Fund	ICAV[12]	Ordinary	31-Dec	50.6
L&G Asia Pacific ex Japan Equity UCITS ETF	Exchange Traded Funds	Ordinary	30-Jun	49.7
Euro Liquidity Fund	OEUIC[16]	Ordinary	31-Dec	47.8
L&G Japan Equity UCITS ETF[17]	Exchange Traded Funds	Ordinary	31-Dec	42.9
Sterling Liquidity Plus Fund	OEUIC[16]	Ordinary	31-Dec	20.1
Country of incorporation: Japan				
Legal & General Investment Management Japan KK[18]	Investment management	Ordinary	31-Dec	100.0
Country of incorporation: Jersey				
Access Development General Partner Limited[19]	Fund general partner	Ordinary	31-Dec	100.0
Atlantic Quay Three Limited[20]	Investment vehicle	Ordinary	31-Dec	100.0
Bishopsgate Long-term Property Fund Nominees No 1 Limited[20]	Real estate operator	Ordinary	31-Dec	100.0
Bishopsgate Long-term Property Fund Nominees No 2 Limited[20]	Real estate operator	Ordinary	31-Dec	100.0
Canary Property Unit Trust[21]	Unit trust	Unit	31-Dec	100.0
Chineham Shopping Centre Unit Trust[22]	Unit trust	Unit	31-Dec	100.0
Gracechurch Property Limited[21]	Investment vehicle	Ordinary	31-Dec	100.0
Gresham Street Unit Trust[22]	Unit trust	Unit	31-Dec	100.0
Northampton Shopping Centre Unit Trust[22]	Unit trust	Unit	31-Dec	100.0
SCBD S6 Trust[21]	Unit trust	Unit	31-Dec	100.0
Senior Living (Liphook) Limited[23]	Investment vehicle	Ordinary	31-Dec	100.0
Sheffield Vulcan House SPV Limited[20]	Limited Company (Jersey)	Ordinary	30-Jun	100.0
Synergy Gracechurch Holdings Limited[21]	Investment vehicle	Ordinary	31-Dec	100.0
Vantage General Partner Limited[19]	Fund general partner	Ordinary	31-Dec	100.0
Stratford City Offices Jersey Unit Trust[21]	Unit trust	Unit	31-Dec	100.0
Bishopsgate Long-term Property Fund general Partner Limited[20]	Fund general partner	Ordinary	31-Dec	25.0
Country of incorporation: Luxembourg				
L&G UK Core Plus Bond Fund[24]	SICAV[25]	Ordinary	31-Dec	100.0
Legal & General SICAV[24]	SICAV[25]	Ordinary	31-Dec	100.0
L&G Buy & Maintain Credit Fund[24]	SICAV[25]	Ordinary	31-Dec	99.8

11. Qualifying Investor Alternative Investment Fund
12. Irish Collective Asset-management Vehicle
16 Open Ended Umbrella Investment Company
17. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342
18. Registered office: 22F Toranomon Kotohira Tower, 1-2-8 Toranomon, Minato-ku, Tokyo, 105-0001, Japan
19. Registered office: 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
20. Registered office: 12 Castle Street, St Helier, Jersey, JE2 3RT
21. Registered office: Lime Grove House, Green Street, St Helier, JE1 2ST
22. Registered office: 44 – 47 Esplanade, St Helier, Jersey, JE4 9WG
23. Registered office: One, The Esplanade, St Helier, Jersey, JE2 3QA
24. Registered office: 2-4 Rue Eugene Ruppert, Luxembourg, L - 2453, Luxembourg
25. Societe d'investissement a capital variable

45 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
L&G Future World Global Credit Fund[24]	SICAV[25]	Ordinary	31-Dec	95.9
L&G Absolute Return Bond Fund[24]	SICAV[25]	Ordinary	31-Dec	91.6
L&G Commodity Index Fund[24]	SICAV[25]	Ordinary	31-Dec	78.4
L&G Future World Global Equity Focus Fund[24]	SICAV[25]	Ordinary	31-Dec	69.3
L&G Emerging Markets Bond Fund[24]	SICAV[25]	Ordinary	31-Dec	69.1
L&G Absolute Return Bond Plus Fund[24]	SICAV[25]	Ordinary	31-Dec	65.2
L&G Euro High Alpha Corporate Bond Fund[24]	SICAV[25]	Ordinary	31-Dec	63.4
L&G Emerging Markets Short Duration Bond Fund[24]	SICAV[25]	Ordinary	31-Dec	46.0
Country of incorporation: Scotland				
CALA 1999 Limited[26]	Holding company	Ordinary	31-Dec	100.0
CALA Group Limited[26]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (East) Limited[27]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (North) Limited[27]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Scotland) Limited[27]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (West) Limited[27]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes Limited[26]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Land Investments (Bearsden) Limited[26]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Land Investments Limited[26]	Development of building projects	Ordinary	31-Dec	100.0
CALA Limited[26]	Head office	Ordinary	31-Dec	100.0
CALA Management Limited[26]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Properties (Holdings) Limited[27]	Non-trading company	Ordinary	31-Dec	100.0
CALA Ventures Limited[26]	Domestic building construction	Ordinary	31-Dec	100.0
UK PIF FGP LLP[28]	Fund general partner	Partnership	31-Dec	100.0
UKPIF Two Founder GP Limited[28]	Fund general partner	Ordinary	31-Dec	100.0
Country of incorporation: USA				
Banner Life Insurance Company[29]	Long-term business	Ordinary	31-Dec	100.0
FBV Financing-1, LLC[30]	Reinsurance	Ordinary	31-Dec	100.0
FBV Financing-2, LLC[30]	Reinsurance	Ordinary	31-Dec	100.0
First British Vermont Reinsurance Company III, Limited[30]	Reinsurance	Ordinary	31-Dec	100.0
Global Index Advisors Inc.[31]	Investment advisory	Ordinary	31-Dec	100.0
Legal & General America Inc.[32]	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management America Inc[32]	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General Investment Management United States (Holdings), Inc[32]	Holding company	Ordinary	31-Dec	100.0
William Penn Life Insurance Company of New York Inc[33]	Long-term business	Ordinary	31-Dec	100.0
Country of incorporation: Bermuda				
First British Bermuda Reinsurance Company II Limited[34]	Reinsurance	Ordinary	31-Dec	100.0
First British Bermuda Reinsurance Company III Limited[34]	Reinsurance	Ordinary	31-Dec	100.0
Legal & General Reinsurance Company Limited[35]	Reinsurance	Ordinary	31-Dec	100.0
Legal & General Resources Bermuda Limited[35]	Provision of services	Ordinary	31-Dec	100.0
Legal & General SAC Limited[35]	Reinsurance	Ordinary	31-Dec	100.0
Country of incorporation: China				
Legal & General Business Consulting (Shanghai) Limited[36]	Business information consultancy	–	31-Dec	100.0

24. Registered office: 2-4 Rue Eugene Ruppert, Luxembourg, L - 2453, Luxembourg
25. Societe d'investissement a capital variable
26. Registered office: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU
27. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
28. Registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
29. Registered office: 1701 Research Boulevard, Rockville, Maryland 20850, U.S.A., United States
30. Registered office: 850 New Burton Road, Suite 201, Dover, Delaware 19904, USA
31. Registered office: 29 North Park Square, Ste.201, Marietta, Georgia 30060, United States
32. Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, United States
33. Registered office: 100 Quentin Roosevelt Blvd, PO Box 519, Garden City, New York 11530, United States
34. Registered office: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
35. Registered office: Crown House, 19 Par-la-Ville Road, Hamilton HM 08, Bermuda
36. Southwest ROOM, Floor 3, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone (Bonded Area), Pudong District, Shanghai

46 Associates and joint ventures

Associates are entities over which the group has significant influence but which it does not control. It is presumed that the group has significant influence where it has between 20% and 50% of the voting rights in the investee unless indicated otherwise. Joint ventures are entities where the group and other parties have joint control over their activities. The basis by which associates and joint ventures are consolidated in the group financial statements is outlined in the basis of preparation (Note 1).

The group has the following significant holdings classified as associates and joint ventures which have been included as financial investments, investments in associates or investments in joint ventures. The gross assets of these companies are in part funded by borrowings which are non-recourse to the group.

Company name	Country of incorporation	Accounting treatment	Investment type	Year end reporting date	Share class	% of equity shares held by the group
Bracknell Property Unit Trust[1,2]	Jersey	FVTPL	Joint Venture	31-Dec	Units	50.9
245 Hammersmith Road Limited Partnership[3]	England and Wales	FVTPL	Joint Venture	31-Dec	Partnership	50.0
Peel Holdings (Media) Limited[4]	England and Wales	Equity Method	Joint Venture	31-Mar	Ordinary	50.0
Access Development Limited Partnership[5]	Jersey	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Central St Giles Unit Trust[6]	Jersey	FVTPL	Joint Venture	31-Dec	Units	50.0
Bruntwood SciTech Limited[7]	England and Wales	Equity Method	Joint Venture	30-Sep	Ordinary	50.0
Oxford University Property Development Limited[8]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
CALA Evans Restoration Limited[9]	England and Wales	Equity Method	Joint Venture	30-Jun	Ordinary	50.0
Winchburgh Developments (Holdings) Limited[10]	Scotland	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Guild Living Limited[3]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	49.9
Kao Data Limited[11]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	49.5
Salary Direct Holdings Limited[12]	Jersey	FVTPL	Associate	31-Dec	Ordinary	45.4
Smartr365 Finance Limited[13]	England and Wales	Equity Method	Associate	31-Mar	Ordinary	42.5
Pemberton Asset Management Holdings Limited[14]	Jersey	FVTPL	Associate	31-Dec	Ordinary	40.0
Kensa Group Limited[15]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	36.0
English Cities Fund[3]	England and Wales	FVTPL	Associate	31-Dec	Units	35.4
Swandon Way Unit Trust[5]	Jersey	Equity Method	Associate	31-Dec	Units	33.0
Smugglers Way Unit Trust[5]	Jersey	Equity Method	Associate	31-Dec	Units	33.0
Newcastle Science Central Developments LLP[16]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	33.0
NTR Wind Management Limited[17]	Ireland	FVTPL	Associate	31-Mar	Ordinary	25.0
EDF Energy EV Limited[18]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	23.0
Caresourcer Limited[19]	Scotland	Equity Method	Associate	31-Dec	Ordinary	20.0
Household Capital Markets LLC[20]	Australia	Equity Method	Associate	31-Dec	Ordinary	20.0
Current Health Limited[21]	Scotland	Equity Method	Associate	31-Dec	Ordinary	13.6
Congencia Limited[22]	England and Wales	Equity Method	Associate	31-Dec	Ordinary	7.5
Sennen Finance Designated Activity Company[23]	Ireland	Equity Method	Joint Venture	30-Jun	–	–

1. Bracknell Property Unit Trust is classified as a Joint Venture because the group does not control the entity.
2. Registered office: 40 Esplanade, St Helier, Jersey, JE2 3QB
3. Registered office: One Coleman Street, London, EC2R 5AA
4. Registered office: Peel Dome Intu Trafford Centre, Traffordcity, Manchester, United Kingdom, M17 8PL
5. Registered office: 11-15 Seaton Place, St Helier, JE4 0QH, Jersey
6. Registered office: Lime Grove House, Green Street, St Helier, JE1 2ST
7. Registered office: Union, Albert Square, Manchester, England, M2 6LW
8. Registered office: University Offices, Wellington Square, Oxford, United Kingdom, OX1 2JD
9. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
10. Registered office: Marathon House Olympic Business Park, Drybridge Road, Dundonald, Kilmarnock, United Kingdom, KA2 9AE
11. Registered office: Kao Data Campus, London Road, Harlow, United Kingdom, CM17 9NA
12. Registered office: 35-37 New Street, St Helier, JE2 3RA, Jersey
13. Registered office: 1 Queen Caroline Street, Hammersmith, London, United Kingdom, W6 9YN
14. Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG
15. Registered office: Mount Wellington, Fernsplatt, Chacewater, Truro, Cornwall, TR4 8RJ
16. Registered office: Finance and Planning, Newcastle University, King's Gate, Newcastle Upon Tyne, United Kingdom, NE1 7RU
17. Registered office: Burton Court, Burton Hall Drive, Sandyford, Dublin, D18 Y2T8
18. Registered office: 28-42 Banner Street, London, England, EC1Y 8QE
19. Registered office: Citypoint, 3rd Floor, 65 Haymarket Terrace, Edinburgh, Scotland, EH12 5HD
20. Registered office: Level 12/1 Nicholson St, East Melbourne, VIC 3000
21. Registered office: 125 Princess Street, Edinburgh, EH2 4AD
22. Registered office: Biodata Innovation Centre, Wellcome Genome Campus, Hinxton, Cambridge, CB10 1DR
23. Registered office: 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland

46 Associates and joint ventures continued

(i) Financial information

Summarised financial information for associates and joint ventures accounted for under the equity method is shown below:

	Associates 2020 £m	Joint ventures 2020 £m	Associates 2019 £m	Joint ventures 2019 £m
Current assets	**7**	**213**	3	179
Non-current assets	**153**	**1,233**	125	1,260
Current liabilities	**51**	**145**	61	171
Non-current liabilities	**2**	**766**	–	702
(Loss) / Profit from continuing operations – total	**(20)**	**(44)**	(18)	43
(Loss) / Profit from continuing operations – group's share	**(4)**	**(24)**	(3)	20
Total comprehensive income – total	**(20)**	**(44)**	(18)	43
Total comprehensive income – group's share	**(4)**	**(24)**	(3)	20

The associates and joint ventures have no significant contingent liabilities to which the group is exposed. The group has no commitments to provide funding to associates and joint ventures other than the ones included in Note 41.

(ii) Other significant holdings

The group has the following other significant holdings which have been included as financial investments.

Company name	Country of incorporation	Year end reporting date	Share class	% of equity shares held by the group
Bishopsgate Long Term Property Limited Partnership[1]	Jersey	31-Dec	Limited Partner	25.0

1. The net asset value at 31 December 2020 was £87.4m (2019: £93.7m) and the registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT.

47 Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominating factor in deciding who controls the entity, such as when voting rights might relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement. The group has interests in investment vehicles which, depending upon their status, are classified as either consolidated or unconsolidated structured entities as described below:

- Debt securities, consisting of traditional asset backed securities, together with securitisation and debentures and Collateralised Debt.
- Obligations (CDOs).
- Investment funds, largely being unit trusts.
- Specialised investment vehicles, analysed between Irish Collective Asset-management Vehicles (ICAVs), Open Ended Investment Companies (OEICs), Societes d'Investissement a Capital Variables (SICAVs), Specialised Investment Funds (SIFs), Qualifying Investor Alternative Investment Fund (QIAIF) ICAVs, and Property unit trusts.

All of the group's holdings in the above vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle, including consideration of its strategy and the overall quality of the underlying investment vehicle's manager.

All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset based fee and a performance related incentive fee, and is reflected in the valuation of the investment vehicles.

(a) Interests in consolidated structured entities

The group has determined that where it has control over an investment vehicle, that investment is a consolidated structured entity. The group has not provided, and has no intention to provide, financial or other support to any other structured entities which it does not consolidate.

(b) Interests in unconsolidated structured entities

As part of its investment activities, the group also invests in unconsolidated structured entities. As at 31 December 2020, the group's interest in such entities reflected on the group's Consolidated Balance Sheet and classified as financial investments held at fair value through profit or loss was £16,230m (2019: £15,784m). A summary of the group's interests in unconsolidated structured entities is provided below:

	Financial investments 2020 £m	Financial Investments 2019[1] £m
Debt securities		
Analysed as:		
Asset backed securities	**2,801**	2,836
Securitisations and debentures	**130**	136
CDOs	**84**	95
Investment funds and Specialised Investment Vehicles		
Analysed as:		
Unit trusts	**11,520**	9,577
Property limited partnerships	**669**	589
Exchange traded funds	**27**	52
ICAVs	**85**	91
OEICs	**390**	2,297
SICAVs	**205**	262
QIAIF ICAVs	**3**	–
SIFs	**2**	2
Property unit trusts	**314**	175
Total	**16,230**	16,112

1. Following a change in accounting policy for LGIA universal life and annuities reserves, debt securities analysed as asset backed securities have been restated. Further details on the change in accounting policy are provided in Note 1 (iv).

47 Interests in structured entities continued
(b) Interests in unconsolidated structured entities continued

Management fees received for investments that the group manages also represent interests in unconsolidated structured entities, and the group always maintains an interest in those funds which it manages. Where the group does not manage the investments, its maximum exposure to loss is the carrying amount in the group Consolidated Balance Sheet. Where the group does manage these investments, the maximum exposure is the underlying balance sheet value, together with future management fees.

The table below shows the assets under management of those structured entities which the group manages, together with investment management fees received from external parties.

	AUM 2020 £m	Investment management fees 2020 £m	AUM 2019 £m	Investment management fees 2019 £m
Investment funds	**85,535**	**162**	61,161	137
Specialised Investment Vehicles				
Analysed as:				
OEICs	**487**	**1**	479	1
SICAVs	**1,158**	**2**	980	1
Property limited partnerships	**4,363**	**20**	4,149	21
Other	**13,213**	**16**	9,269	18
Total	**104,756**	**201**	76,038	178

No significant sponsorship has been provided to any of the above entities. The group has not, and has no intention, to provide any significant financial or other support to any other structured entities which it does not consolidate.

In addition to the above, the group has an exposure of £316m (2019: £269m) related to special purpose vehicles classified as joint ventures and accounted for using the equity method, with a carrying value on the group Consolidated Balance Sheet as at 31 December 2020 of £nil (2019: £nil).

Company financial statements

Company Balance Sheet

As at 31 December 2020	Notes	2020 £m	2019 £m
Non-current assets			
Investments in subsidiaries	7	**9,204**	8,950
Loans to subsidiaries	7	**702**	702
Current assets			
Receivables	8	**2,443**	1,538
Derivative assets	11	**25**	44
Other financial investments		**21**	25
Cash and cash equivalents		**11**	2
Total assets		**12,406**	11,261
Non-current liabilities			
Payables: amounts falling due after more than one year	9	**4,871**	4,404
Current liabilities			
Payables: amounts falling due within one year	10	**264**	188
Derivative liabilities	11	**114**	112
Total liabilities		**5,249**	4,704
Net assets		**7,157**	6,557
Equity			
Share capital	13	**149**	149
Share premium		**1,006**	1,000
Revaluation reserve		**2,459**	2,459
Capital redemption and other reserves		**153**	134
Retained earnings		**2,895**	2,815
Attributable to ordinary shareholders		**6,662**	6,557
Restricted tier 1 convertible notes	14	**495**	–
Total equity		**7,157**	6,557

The notes on pages 243 to 247 form an integral part of these financial statements.

The financial statements on pages 241 to 247 were approved by the directors on 9 March 2021 and were signed on their behalf by:

Sir John Kingman
Chairman

Nigel Wilson
Group Chief Executive Officer

Stuart Jeffrey Davies
Group Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December 2020	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Share-based payment reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity attributable to ordinary shareholders £m	Restricted tier 1 convertible notes £m	Total equity £m
As at 1 January 2020	**149**	**1,000**	**17**	**32**	**85**	**2,459**	**2,815**	**6,557**	**–**	**6,557**
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**1,122**	**1,122**	**–**	**1,122**
Net movement in cross-currency hedge	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**3**	**–**	**3**
Options exercised under share option schemes	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
Shares vested and transferred from share-based payment reserve	**–**	**–**	**–**	**–**	**(27)**	**–**	**12**	**(15)**	**–**	**(15)**
Employee scheme treasury shares: – Value of employee services	**–**	**–**	**–**	**–**	**43**	**–**	**–**	**43**	**–**	**43**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(1,048)**	**(1,048)**	**–**	**(1,048)**
Restricted tier 1 convertible notes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**495**	**495**
Coupon payable in respect of restricted tier 1 convertible notes net of tax relief	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**(6)**
As at 31 December 2020	**149**	**1,006**	**17**	**35**	**101**	**2,459**	**2,895**	**6,662**	**495**	**7,157**

For the year ended 31 December 2019	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Share-based payment reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity attributable to ordinary shareholders £m	Restricted tier 1 convertible notes £m	Total equity £m
As at 1 January 2019	149	992	17	20	81	2,459	2,866	6,584	–	6,584
Profit for the financial year	–	–	–	–	–	–	946	946	–	946
Addition to hedging reserve: cross-currency hedge	–	–	–	12	–	–	–	12	–	12
Options exercised under share option schemes	–	8	–	–	–	–	–	8	–	8
Shares vested and transferred from share-based payment reserve	–	–	–	–	(35)	–	1	(34)	–	(34)
Employee scheme treasury shares: – Value of employee services	–	–	–	–	39	–	–	39	–	39
Dividends	–	–	–	–	–	–	(998)	(998)	–	(998)
As at 31 December 2019	149	1,000	17	32	85	2,459	2,815	6,557	–	6,557

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss.

There were no material critical accounting estimates used or judgements made by management in the preparation of these financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based Payment' (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined).
- The requirement of paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement', where equivalent disclosures are included in the consolidated financial statements of the group.
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows)
  - 16 (a statement of compliance with all IFRS)
  - 38 in respect of paragraph 79(a)(iv) (outstanding shares comparative)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B to D (additional comparative information)
  - 111 (cash flow statement information)
  - 134 to 136 (capital management disclosures).
- IAS 7, 'Statement of Cash Flows'.
- IFRS 7, 'Financial Instrument Disclosures'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group and key management compensation.

The company's financial statements have been prepared in compliance with Section 394 and 396 of the Companies Act 2006 adopting the exemption of omitting the income statement conferred by Section 408 of that Act.

The company's financial statements have been prepared on a going concern basis. See Note 1 of the Group consolidated financial statements for further information on the directors' assessment of the going concern basis.

Financial assets

On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on two criteria:
(i) The business model within which financial assets are managed; and
(ii) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

A debt instrument is measured at amortised cost if it meets the following conditions:
(i) It is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and
(ii) The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt security is measured at FVOCI if it meets the following conditions:
(i) It is held for collection of contractual cash flows and for selling the financial assets; and
(ii) The asset's cash flows represent solely payments of principal and interest.

Movements in the carrying amount are recognised in other comprehensive income except for the recognition of impairment gains or losses and interest revenue which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

Assets that are held at FVTPL include derivative assets which are held for trading (HFT) and financial assets that fail both the business model and SPPI tests. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the income statement.

The company has no equity instruments other than investments in subsidiaries.

Loans and receivables are initially recognised at fair value and subsequently held at amortised cost using the effective interest method.

1 Accounting policies continued

Impairment

For financial assets held at amortised cost or FVOCI the company reviews the carrying value of its assets at each balance sheet date. For such assets, the company determines forward looking expected credit losses (ECL), based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The company measures loss allowance at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, ECLs are based on the 12-month ECL, which is the ECL that results from a possible default up to 12 months after the reporting date. The company uses relevant quantitative and qualitative information and analysis based on historical experience, and informed credit assessment including forward-looking information in order to evaluate the credit-worthiness of each security at each reporting date, to determine whether a significant increase in credit risk since origination occurred. Should this be the case, the allowance will be based on the lifetime ECL.

ECLs are calculated by considering the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The PD is determined by reference to third party information on available companies, or using qualitative information available to the company, and depends on whether a financial asset requires determination of a 12-month ECL or lifetime ECL. The LGD is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counterparty may have. The EAD is determined as the amount of the loan balance outstanding at the reporting date.

Investment income

Investment income includes dividends and interest. Dividends receivable from group companies are recognised in the period in which the dividends are declared and approved at the general meeting or paid. Interest income is recognised using the effective interest method.

Distributions

Dividend distribution to the company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the company.

Interest expense

Interest expense reflects the underlying cost of borrowing, based on the effective interest method and includes payments and receipts made under derivative instruments which are amortised over the interest period to which they relate.

Investment in subsidiary undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses.

Derivative financial instruments

The company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The company uses derivatives such as foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Changes in the fair value of any derivative instruments are recognised immediately in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary items are maintained at historic rates. Exchange gains or losses are recognised in the income statement.

Pension costs
The company participates in the group defined benefit schemes which are recognised on the Balance Sheet of Legal & General Resources Limited. These are multi-employer defined benefit schemes for which the company's share of the underlying assets and liabilities cannot be separately identified. Therefore the company's cost of participation has been treated as that of a defined contribution scheme for reporting purposes.

In addition to these schemes the company also contributes to defined contribution schemes. The company charges the costs of its pension schemes against profit as incurred. Any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a provision or prepayment in the balance sheet.

The assets of the defined benefit schemes and the defined contribution schemes are held in separate trustee administered funds, which have been subject to regular valuation every three years and updated by formal reviews at reporting dates by qualified actuaries.

Share-based payments
The company operates a number of share-based payment plans on behalf of its subsidiaries. The fair value of the equity instruments granted is spread over the vesting period of the instrument and treated as a capital contribution to the respective subsidiary. The total capital contribution is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions. The capital contribution to the subsidiaries is accounted for as an increase in the investment in the parent company's financial statements.

At each balance sheet date, the company revises its estimate of the number of equity instruments which are expected to become exercisable. It recognises the impact of the revision of original estimate, if any, in the cost of the investment in the subsidiary and a corresponding adjustment is made to equity over the remaining vesting period. On vesting or exercise, the difference between the accumulated capital contribution and the actual cost to the company is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium. Any capital contribution is subsequently recharged to the respective subsidiary as incurred and the corresponding cost of investment is reduced.

2 Dividends

	Dividend 2020 £m	**Per share 2020 p**	Dividend 2019 £m	Per share 2019 p
Ordinary dividends paid and charged to equity in the year:				
• Final 2018 dividend paid in June 2019	**–**	**–**	704	11.82
• Interim 2019 dividend paid in September 2019	**–**	**–**	294	4.93
• Final 2019 dividend paid in June 2020	**754**	**12.64**	–	–
• Interim 2020 dividend paid in September 2020	**294**	**4.93**	–	–
Total dividends	**1,048**	**17.57**	998	16.75
Ordinary share dividend proposed[1]	**754**	**12.64**	753	12.64

1. The dividend proposed has not been included as a liability in the balance sheet.

3 Directors' emoluments and other employee information
Full disclosures of Legal & General Group Plc directors' emoluments are contained within those parts of the Directors' Report on Remuneration which are described as having been audited. At 31 December 2020 there were no remuneration payments outstanding with directors of the company (2019: £nil). The company has no other employees (2019: nil).

4 Pensions
The company participates in the following pension schemes in the UK, which are operated by the group:

- Legal & General Group Personal Pension Plan.
- Legal & General Staff Stakeholder Pension Scheme.
- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020.
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020.

These schemes operate within the UK pensions' regulatory framework.

There were no contributions prepaid or outstanding at either 31 December 2020 or 31 December 2019 in respect of these schemes.

The Fund and Scheme were closed to future accrual on 31 December 2015. The sponsoring employer is Legal & General Resources Limited and a deficit in respect of these schemes for the year ended 31 December 2020 of £70m (2019: £115m) is recognised on that company's Balance Sheet. Further information is given in Note 24 of the group's consolidated financial statements.

5 Share-based payments
The full disclosures required by IFRS 2 'Share-based Payment' are provided in the group's consolidated financial statements (Note 35).

The total expense retained by the company in relation to share-based payments was £nil (2019: £nil).

6 Auditor's remuneration
Remuneration receivable by the company's auditor for the audit of the company's financial statements is not presented. The group's consolidated financial statements disclose the aggregate remuneration receivable by the company's auditor for the audit of the group's financial statements, which include the company's financial statements (Note 33).

The disclosure of fees payable to the auditor and its associates for other (non-audit) services has not been made because the group's consolidated financial statements are required to disclose such fees on a consolidated basis.

7 Non-current assets

	Investments in subsidiaries 2020 £m	Loans to subsidiaries 2020 £m	Total 2020 £m	Investments in subsidiaries 2019 £m	Loans to subsidiaries 2019 £m	Total 2019 £m
As at 1 January	**8,950**	**702**	**9,652**	8,465	714	9,179
Additions[1]	**254**	**–**	**254**	485	–	485
Transfer (to)/from current assets	**–**	**–**	**–**	–	(12)	(12)
As at 31 December	**9,204**	**702**	**9,906**	8,950	702	9,652

1. Additions represent capital injections into group undertakings.

Full disclosure of the company's investments in subsidiary undertakings is contained in Note 45 of the Group's consolidated financial statements.

8 Receivables

	2020 £m	2019 £m
Amounts owed by group undertakings[1]	**2,255**	1,372
Corporation tax	**75**	73
Deferred tax	**32**	9
Other debtors	**81**	84
Receivables	**2,443**	1,538

1. Amounts owed by group undertakings are repayable at the request of either party and include a £1,768m (2019: £1,100m) interest bearing balance with a current interest rate of LIBOR-12.5 bps, floored at zero.

9 Payables: amounts falling due after more than one year

	Note	2020 £m	2019 £m
Subordinated borrowings	12	**3,959**	3,492
Amounts owed to group undertakings[1]		**912**	912
Payables: amounts falling due after more than one year		**4,871**	4,404

1. Amounts owed to group undertakings falling due after more than one year are unsecured and include £901m (2019: £901m) of interest bearing balances with current interest rates between 2.39% and 6.12% (2019: 2.39% and 6.12%).

10 Payables: amounts falling due within one year

	Note	2020 £m	2019 £m
Amounts owed to group undertakings[1]		**140**	99
Accrued interest on subordinated borrowings	12	**41**	37
Other payables		**83**	52
Payables: amounts falling due within one year		**264**	188

1. Amounts owed to group undertakings falling due within one year are interest free and repayable at the request of either party.

11 Derivative assets and liabilities

	Fair values Assets 2020 £m	Liabilities 2020 £m
Currency swap contracts – held for trading	**25**	**114**
Derivative assets and liabilities	**25**	**114**

	Fair values Assets 2019 £m	Liabilities 2019 £m
Currency swap contracts – held for trading	44	112
Derivative assets and liabilities	44	112

The descriptions of each type of derivative are given in Note 13 of the group's consolidated financial statements.

12 Borrowings

	Carrying amount 2020[1] £m	Coupon rate 2020 %	Fair value 2020[1] £m	Carrying amount 2019[1] £m	Coupon rate 2019 %	Fair value 2019[1] £m
Subordinated borrowings[2]						
10% Sterling subordinated notes 2041 (Tier 2)	**313**	**10.00**	**329**	312	10.00	353
5.5% Sterling subordinated notes 2064 (Tier 2)	**589**	**5.50**	**813**	589	5.50	726
5.375% Sterling subordinated notes 2045 (Tier 2)	**604**	**5.38**	**714**	603	5.38	691
5.25% US Dollar subordinated notes 2047 (Tier 2)	**628**	**5.25**	**703**	648	5.25	704
5.55% US Dollar subordinated notes 2052 (Tier 2)	**369**	**5.55**	**411**	380	5.55	405
5.125% Sterling subordinated notes 2048 (Tier 2)	**400**	**5.13**	**484**	399	5.13	459
3.75% Sterling subordinated notes 2049 (Tier 2)	**598**	**3.75**	**662**	598	3.75	613
4.5% Sterling subordinated notes 2050 (Tier 2)	**499**	**4.50**	**587**	–	–	–
Total subordinated borrowings	**4,000**		**4,703**	3,529		3,951

1. Includes accrued interest on subordinated borrowings of £41m (2019: £37m).
2. Further details on the Subordinated borrowings of the company are provided in Note 23 of the group's consolidated financial statements.

13 Share capital and share premium

A summary of the company's ordinary share capital, share premium and options over the company's ordinary share capital are disclosed in Note 36 of the group's consolidated financial statements.

14 Restricted tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every five years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The tier 1 notes are therefore treated as equity and the coupon payment of £7m is recognised directly in equity. The notes rank junior to all other liabilities and senior to equity attributable to shareholders. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Issuer at the prevailing conversion price.

The notes are treated as restricted tier 1 own funds for Solvency II purposes.

Directors' report

The Directors' report required under the Companies Act 2006 comprises this Directors' report, and certain other disclosures in the Strategic Report and the Notes to the group consolidated financial statements, including:

- An outline of important events that have occurred during the year (pages 20 to 39).
- An indication of likely future developments (pages 20 to 39).
- Employee engagement (pages 53 to 54).
- Post-balance sheet events (Note 44).
- Directors' biographies (pages 58 to 59).
- Workforce engagement (page 69).
- Stakeholders (pages 10 to 11).
- Section 172 statement (pages 64 to 67).
- The Board's activities in relation to assessing and monitoring culture (page 76).

Articles of Association

The company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The Company's Articles of Association were last amended at its Annual General Meeting held on 26 May 2016.

Conflicts of interest

In accordance with the Companies Act 2006, the Board has adopted a policy and procedure for the disclosure and authorisation (if appropriate) of conflicts of interest, and these have been followed during 2020.

Powers of directors

The directors (as detailed on pages 58 and 59) may exercise all powers of the company subject to applicable legislation and regulation and the company's Articles of Association.

Appointment and replacement of directors

With regards to the appointment and replacement of directors, the company is governed by its Articles of Association, the Companies Act 2006 and related legislation. Directors may be appointed by an ordinary resolution of the company or by the Board, in each case subject to the provisions of the company's Articles of Association. The company may, by way of special resolution, remove any director before the expiration of his or her period of office. The company's Articles of Association (in line with the UK Corporate Governance Code) require all the directors to retire from office at each Annual General Meeting of the company.

Share capital

As at 31 December 2020, the company's issued share capital comprised 5,967,358,713 ordinary shares each with a nominal value of 2.5 pence. Details of the ordinary share capital can be found in Note 36 to the group consolidated financial statements.

At the 2020 AGM, the company was granted authority by shareholders to purchase up to 596,555,907 ordinary shares, being 10% of the issued share capital of the company as at 31 March 2020. In the year to 31 December 2020, no shares were purchased by the company. This authority will expire at the 2021 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

At the 2020 AGM, the directors were given the power to allot shares up to an amount of £49,712,992, being 33% of the issued share capital of the company as at 31 March 2020. This authority will also expire at the 2021 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

Further resolutions are proposed, as set out in the Notice of AGM, that will, if approved by shareholders, authorise the directors to issue shares up to the equivalent of 10% of the company's issued share capital as at 31 March 2021 for cash without offering the shares first to existing shareholders in proportion to their holdings.

Detailed explanatory notes to these resolutions are set out in the Notice of AGM.

Other than the above, the directors have no current intention of issuing further share capital and no issue will be made which would effectively alter control of the company without prior approval of shareholders in a general meeting.

Interests in voting rights

Information on major interests in shares provided to the company under the Disclosure Guidance and Transparency Rules (DTR) of the UK Listing Authority is published via a Regulatory Information Service and on the company's website: legalandgeneralgroup.com. As at 31 December 2020, the company had been advised of the following significant direct and indirect interests in the issued share capital of the company:

	Number of ordinary shares of 2.5p	% of capital[1]	Total interest in issued share capital
BlackRock Inc.	298,315,445	5.00	Indirect

1. Using the voting rights figure as at 31 December 2020, as announced to the London Stock Exchange on 4 January 2021, of 5,967,358,713.

No material changes to the interests have been disclosed between 31 December 2020 and 9 March 2021.

Dividend

The company may, by ordinary resolution in a general meeting, declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board. The directors propose a final dividend for the year ended 31 December 2020 of 12.64 pence per ordinary share which, together with the interim dividend of 4.93 pence per ordinary share paid to shareholders on 24 September 2020, will make a total dividend for the year of 17.57 pence (2019: 17.57 pence). Subject to shareholder approval at the AGM, the final dividend will be paid on 27 May 2021 to shareholders on the share register on 16 April 2021 provided that the Board of directors may cancel payment of the dividend at any time prior to payment in accordance with the Articles of Association, if it considers it necessary to do so for regulatory capital purposes.

Related party transactions

Details of related party transactions are set out in Note 41 to the group consolidated financial statements.

Rights and obligations attaching to shares

The rights and obligations relating to the company's ordinary shares are set out in the Articles of Association. A copy of the Articles of Association can be requested from the Company Secretary at the company's registered office.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings. In a vote on a show of hands, every member present in person or every proxy present, who has been duly appointed by a member, will have one vote and on a poll every member present in person or by proxy shall have one vote for every ordinary share held. These rights are subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of the company's Articles of Association. Under the Companies Act 2006 and the Articles of Association, directors have the power to suspend voting rights and, in certain circumstances, the right to receive dividends in respect of shares where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act 2006.

The Board can decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules and where the number of joint holders exceeds four. The Board may also refuse to register the transfer of a certificated share unless:

a) the instrument of transfer is duly stamped and is left at the company's registered office or such other place as the Board may from time to time determine, accompanied by the certificate for the share to which it relates and such evidence as the Board may reasonably require to show the right of the transfer or to make the transfer.
b) the instrument of transfer is in respect of only one class of share; and
c) the number of joint holders does not exceed four.

Subject to the provisions of the Companies Act 2006, all or any of the rights attaching to an existing class of shares may be varied from time to time, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Shares acquired through the employee share plans rank equally with all other ordinary shares in issue. Zedra Trust Company (Guernsey) Limited, as trustee of the Legal & General Employees' Share Ownership Trust, held 0.55% of the issued share capital of the company as at 8 March 2021 in trust for the benefit of the executive directors, senior executives and employees of the group. The trustee of Legal & General Employees' Share Ownership Trust has waived the right of that trust to receive dividends on unallocated shares it holds. The voting rights in relation to these shares are exercised by the trustee. The trustee may vote or abstain from voting, or accept or reject any offer relating to shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision. Under the rules of the Legal & General Group Employee Share Plan (the 'Plan'), eligible employees are entitled to acquire shares in the company. Plan shares are held in trust for participants by Link Market Services Trustees Limited, which held 0.26% of the issued share capital of the company as at 8 March 2021. Voting rights are exercised by the trustees on receipt of the participants' instructions. If a participant does not submit an instruction to the trustees, no vote is registered. In addition, the trustees do not vote on any unawarded shares held under the Plan as surplus assets.

The company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/or voting rights.

Change of control

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) in the event of a takeover bid, except for those relating to normal notice periods. The rules of the company's share plans contain provisions under which options and awards to participants, including executive directors, may vest on a takeover or change of control of the company or transfer of undertakings. The company has a committed £1 billion bank syndicated credit facility which is terminable if revised terms cannot be agreed with the syndicate of banks in a 30-day period following a change of control. As at 9 March 2021, the company has no borrowings under this facility. There are no change of control conditions in the terms of any of the company's outstanding debt securities. The terms of the company's agreements with its banking counterparties, under which derivative transactions are undertaken, include in some instances the provision for termination of transactions upon takeover/ merger depending on the rating of the merged entity. The company does not have any other committed banking arrangements, either drawn or undrawn, which incorporate any unilateral change of control conditions.

Use of financial instruments

Information on the group's risk management process is set out on pages 40 to 47. More details on risk management and the financial instruments used are set out in Notes 16 to 18 of the group consolidated financial statements.

Indemnities

The company has agreed to indemnify, to the extent permitted by law, each of the directors against any liability incurred by a director in respect of acts or omissions arising in the course of their office. Qualifying pension scheme indemnities (as defined in section 235 of the Companies Act 2006) apply, to the extent permitted by law, to certain directors of the companies of the company's pension schemes. The indemnities were in force throughout 2020 and remain so. Copies of the deeds containing the relevant indemnity are available for inspection at the company's registered office and will also be available at the AGM.

Requirements of Listing Rule 9.8.4

Information to be included in the annual report and accounts under Listing Rule 9.8.4 may be found as follows:

Relevant Listing Rule	Page
LR 9.8.4R (12)	249
LR 9.8.4R (13)	249

Political donations

No political donations were made during 2020.

Forward-looking statements

The Directors' report is prepared for the members of the company and should not be relied upon by any other party or for any other purpose. Where the Directors' report includes forward-looking statements, these are made by the directors in good faith based on the information available to them at the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties underlying such forward-looking statements.

Insurance

The company has arranged appropriate directors' and officers' liability insurance for directors. This is reviewed annually.

Directors' report
continued

Greenhouse gas disclosures (GHG)
Global GHG emissions data

tCO₂e Emissions from	Jan–Dec 2020	Jan–Dec 2019
Scope 1– Fuel	**15,163**	15,226
– UK	**15,121**	15,176
– International	**42**	50
Scope 2 – Location	**20,319**	23,716
– UK	**19,381**	22,866
– International	**938**	850
Of which, Scope 2 – Market	***1,122***	*3,015*
Scope 3 – Business travel	**3,045**	7,223
Scope 3 – Homeworking and serviced offices	**1,817**	n/a
Total CO_2e (Scope 1, 2 and 3)	**40,344**	46,165
Fugitive emissions	**188**	414
Intensity ratio: tCO_2e emissions per employee	**3.96**	5.09

Global energy data

Energy (MWh)	Jan–Dec 2020	Jan–Dec 2019
Electricity		
– UK	**75,793**	89,765
– International	**2,988**	3,186
Gas		
– UK	**53,694**	53,130
– International	**229**	274
Total energy use	**132,704**	146,335

Methodology
We have reported on the emission sources required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013 and have followed the requirements of the Streamlined Energy & Carbon Reporting (SECR) framework. We have used the GHG Protocol Corporate Accounting and Reporting Standard to calculate our GHG emissions and applied the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020.

Please refer to the Responsible Business section of this report, our accompanying TCFD report, as well as our Sustainability report and CDP Disclosure for an overview of the types of measures taken to manage and improve our management of energy.

Disability
We give full and fair consideration to applications for employment made by disabled persons. Our policies support the employment, promotion and career development of disabled persons, as well as supporting employees who become disabled during the course of their employment. We make reasonable adjustments, as required under the Equality Act 2010, for disabled employees, including seeking redeployment in the event that reasonable adjustments are not possible. We offer appropriate training, including training in relation to equality, and will make adjustments to this training where required.

Independent auditors
The company's auditors have expressed their willingness to continue in office and the Audit Committee has recommended their reappointment to the Board. Resolutions to reappoint KPMG LLP as auditor to the company and to authorise the directors to determine their remuneration are proposed for the forthcoming AGM.

Directors' interests
The Directors' report on remuneration on pages 88 to 113 provides details of the interests of each director, including details of current incentive schemes and long-term incentive schemes, the interests of directors in the share capital of the company and details of their share interests, as at 9 March 2021.

Annual General Meeting
The Company intends to hold this year's AGM on Thursday, 20 May 2021 at 10am at the Company's offices at One Coleman Street, London, EC2R 5AA. Full details of the business to be considered at the meeting and any special arrangements that will be in place in light of the UK government's prevailing restrictions regarding Covid-19 will be included in the Notice of Annual General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and Accounts (Group and parent company), including the Directors' report on remuneration and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the company financial statements in accordance with United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) (UK Accounting Standards, comprising FRS 101 'Reduced Disclosures Framework'), and applicable law. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").
- Make judgements and accounting estimates that are reasonable, relevant, reliable and prudent.
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements and the Directors' report on remuneration comply with the Companies Act 2006, as regards to the group financial statements and Article 4 of the IAS Regulation.

They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the group's and the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors who held office at the date this report was approved, whose names and functions are listed in the Board of directors section, confirm that, to the best of their knowledge:

- The company's financial statements, which have been prepared in accordance with UK GAAP (UK Accounting Standards, comprising FRS 101 'Reduced Disclosures Framework' and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company.
- The group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group.
- The Strategic report includes a fair review of the development and performance of the business and the position of the group and the company, together with a description of the principal risks and uncertainties that it faces.

Fair, balanced and understandable

In accordance with the principles of the 2018 UK Corporate Governance Code, we have processes and procedures in place to ensure that the information presented in the annual report is fair, balanced and understandable. We describe these processes and procedures on page 83.

On the advice of the Audit Committee, the Board considers that the annual report, as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the group position, performance, business model and strategy.

Critical accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates, key judgements and significant accounting policies conform with IFRS and are set out on page 135 of the consolidated financial statements. The directors have reviewed these policies and applicable estimation techniques and have confirmed them to be appropriate for the preparation of the 2020 consolidated financial statements.

Disclosure of information to auditors

As far as each of the directors in office at the date of this Directors' Report is aware, there is no relevant audit information (as defined by section 418 (3) of the Companies Act 2006) of which the company's auditors are unaware, and each such director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

The Strategic report on pages 1 to 55 of this report includes information on the group structure and business principles, the performance of the business areas, the impact of regulation and principal risks and uncertainties.

The Group performance detailed on pages 16 to 18 includes information on the Group financial results, financial outlook, cash flow and balance sheet position. The consolidated financial statements include information on the Group financial investments and investment property (Note 11), derivatives (Note 13), cash and cash equivalents (Note 15), asset risk (Note 7), market, credit and insurance risks (Notes 16 to 18) and borrowings (Note 23).

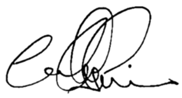
In line with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', and as set out in the Basis of preparation (Note 1), management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements when assessing the Group's ability to continue as a going concern.

Details of the main risks affecting the group and how we manage and mitigate them are set out in 'Managing risks' on pages 40 to 47.

Having assessed the main risks and other matters discussed in connection with the Group Board viability statement set out on page 43, in accordance with the 2018 UK Corporate Governance Code and the FRC guidance, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

The Directors' report and Strategic report were approved by the Board, and signed on its behalf.

By order of the Board



G J Timms
Company Secretary

Shareholder information

Annual General Meeting
The 2021 AGM will be held on Thursday, 20 May 2021 at 10am at the Company's offices, One Coleman Street, London, EC2R 5AA. The AGM provides the Board with the opportunity to engage with shareholders. The Board regards the AGM as an important opportunity to communicate directly with private investors. Full details of the business to be considered at the meeting and any special arrangements that will be in place in light of the UK government's prevailing restrictions regarding Covid-19 will be included in the Notice of Annual General Meeting. The Notice of Meeting and all other details for the AGM will be available at: legalandgeneralgroup.com (the website).

Dividend information
Dividend per share
This year the directors are recommending the payment of a final dividend of 12.64 pence per share. If you add this to your interim dividend of 4.93 pence per share, the total dividend recommended for 2020 will be 17.57 pence per share (2019: 17.57 pence per share). The key dates for the payment of dividends are set out in the important dates section on page 253.

Communications
Internet
Information about the company, including details of the current share price, is available on the website, legalandgeneralgroup.com.

Investor relations
Private investors should contact the Registrar with any queries. Institutional investors can contact the investor relations team by email: investor.relations@group.landg.com.

Financial reports
The company's financial reports are available on the website. The Annual Report and Accounts are sent to those shareholders who have elected to receive paper copies. Alternatively, shareholders may elect to receive notification by email by registering on landgshareportal.com. If you receive more than one copy of our communications, it could be because you have more than one record on the share register. To avoid duplicate mailings, please contact the Registrar, who can arrange for your accounts to be amalgamated.

Registrar
Link Group is the Registrar and offers many services to make managing your shareholding easier and more efficient.

Share Portal – www.landgshareportal.com
The Share Portal is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation.
- Change your address.
- Arrange to have dividends paid into your bank account.
- Request to receive shareholder communications by email rather than post.
- View your dividend payment history.
- Make dividend payment choices.
- Buy and sell shares and access a wealth of stock market news and information.
- Register your proxy voting instruction.
- Download a stock transfer form.

To register for the Share Portal just visit www.landgshareportal.com. You will need your Investor Code, which can be found on your share certificate or by contacting Link.

Customer support centre
Alternatively, you can contact Link Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone – 0371 402 3341*
By email – landgshares@linkgroup.co.uk
By post – Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Sign up to electronic communications
Help us save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email.

Registering for electronic communications is very straightforward. Just visit www.landgshareportal.com. All you need is your Investor Code, which can be found on your share certificate or by contacting Link.

Corporate sponsored nominee
The corporate sponsored nominee allows you to hold shares in the company without the need for a share certificate and enables you to benefit from shorter market settlement periods. Individual shareholders hold their Legal & General shares in a nominee holding registered in the name of Link Market Services Trustees Limited. To join or obtain further information, contact the Registrar. You will be sent a booklet outlining the terms and conditions under which your shares will be held.

Dividend payment options
Re-invest your dividends
Link's Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. The plan is provided by Link Group, a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack, please call 0371 402 3341.* Alternatively you can email landgshares@linkgroup.co.uk or log on to www.landgshareportal.com.

It is important to remember that the value of shares and income from them can fall as well as rise and you may not recover the amount of money you invest. Past performance should not be seen as indicative of future performance. This arrangement should be considered as part of a diversified portfolio.

Have your dividends paid to your bank account
Once registered on the share portal, you can choose to receive your dividends directly to your bank account. Just select 'dividend options' and follow the simple instructions. By opting to receive your dividends electronically, your dividend will reach your bank account on the payment date and you won't have the inconvenience of depositing a cheque.

For further information contact Link
By phone – UK – 0371 402 3341*
By email – landgshares@linkgroup.co.uk

Buy and sell shares
A simple and competitively priced service to buy and sell shares is provided by Link Group. There is no need to pre-register and there are no complicated application forms to fill in. By visiting www.linksharedeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares, visit linksharedeal.com or call 0371 664 0445.**

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply.

Link Group is a trading name of Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority.

* Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 9am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.
** Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 8am to 4.30pm Monday to Friday excluding public holidays in England and Wales.

Important dates:

15 April 2021	• Ex-dividend date (final dividend)
16 April 2021	• Record date
6 May 2021	• Last day for DRIP elections
20 May 2021	• Annual General Meeting
27 May 2021	• Payment of final dividend for 2020 (to members registered on 16 April 2021)
4 August 2021	• Half-year results 2021
12 August 2021	• Ex-dividend date (interim dividend)
13 August 2021	• Record date
20 September 2021	• Payment of interim dividend for 2021 (to members registered on 13 August 2021)

Share fraud warning
Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud
Have you been:

- Contacted out of the blue.
- Promised tempting returns and told the investment is safe.
- Called repeatedly; or
- Told the offer is only available for a limited time? If so, you might have been contacted by fraudsters.

1. **Reject cold calls**
   If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the firm on the FS register at fca.org.uk/register**
   The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

3. **Get impartial advice**
   Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at fca.org.uk/scamsmart where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at actionfraud.police.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. Find out more at fca.org.uk/scamsmart.

General information
Capital gains tax: for the purpose of calculating UK capital gains tax, the market value on 31 March 1982 of each share was 7.996 pence after adjusting for the 1986 capitalisation issue and the 1996 and 1999 sub-divisions, but not reflecting any rights taken up under the 2002 rights issue.

Close company provisions: The company is not a close company within the terms of the Corporation Tax Act 2010.

Registered office: One Coleman Street, London EC2R 5AA. Registered in England and Wales, No. 01417162.

Shareholder offer line: For details of shareholder offers on Legal & General products, call 0800 107 6830.

Alternative Performance Measures

An alternative performance measure (APM) is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II. APMs offer investors additional information on the company's performance and the financial effect of 'one-off' events and the group uses a range of these metrics to provide a better understanding of its underlying performance. The APMs used by the group are listed in this section, along with their definition/explanation, their closest IFRS measure and reference to the reconciliations to those IFRS measures.

Group adjusted operating profit

Definition

Group adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items. It therefore reflects longer term economic assumptions for the group's insurance businesses and shareholder funds, except for LGC's trading businesses (which reflects the IFRS profit before tax). Variances between actual and long-term expected investment return on traded and real assets are reported below group adjusted operating profit, as well as economic assumption changes (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business.

Group adjusted operating profit also excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate. Exceptional income and expenses which arise outside the normal course of business in the period, such as mergers and acquisitions, disposals and start-up costs, are also excluded from group adjusted operating profit.

Group adjusted operating profit was previously described as 'operating profit'. In order to maintain a consistent understanding of the group's performance the term 'operating profit' will continue to be used throughout the annual report and accounts as a substitute for group adjusted operating profit.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary operating profit information – section (i).

Return on Equity (ROE)

Definition

ROE measures the return earned by shareholders on shareholder capital retained within the business. ROE is calculated as IFRS profit after tax divided by average IFRS shareholders' funds (by reference to opening and closing shareholders' funds as provided in the IFRS Consolidated Statement of Changes in Equity for the year).

Closest IFRS measure

Calculated using:
- Profit attributable to equity holders
- Equity attributable to owners of the parent

Reconciliation

Calculated using profit attributable to equity holders of £1,607m (2019: £1,834m) and average equity attributable to the owners of the parent of £9,270m (2019: £8,974m).

Assets under Management

Definition

Funds which are managed by our fund managers on behalf of investors. It represents the total amount of money investors have trusted with our fund managers to invest across our investment products.

Closest IFRS measures
- Financial investments
- Investment property
- Cash and cash equivalents

Reconciliation

Note 40- Reconciliation of Assets under management to Consolidated Balance Sheet financial investments, investment property and cash and cash equivalents.

Net release from operations

Definition

Release from operations plus new business surplus/(strain). Net release from operations was previously referred to as net cash, and includes the release of prudent margins from the back book, together with the premium received less the setup of prudent reserves and associated acquisition costs for new business.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary operating profit information – sections (i) and (ii).

Adjusted profit before tax attributable to equity holders

Definition

The APM measures profit before tax attributable to shareholders incorporating actual investment returns experienced during the year and the pre-tax results of discontinued operations.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary operating profit information – section (i).

Glossary

* These items represent an alternative performance measure (APM)

Ad valorem fees
Ongoing management fees earned on assets under management, overlay assets and advisory assets as defined below.

Adjusted profit before tax attributable to equity holders*
Refer to the alternative performance measures section.

Advisory assets
These are assets on which Global Index Advisors (GIA) provide advisory services. Advisory assets are beneficially owned by GIA's clients and all investment decisions pertaining to these assets are also made by the clients. These are different from Assets under Management (AUM) defined below.

Alternative performance measures (APMs)
An alternative performance measure is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II.

Annual premium
Premiums that are paid regularly over the duration of the contract such as protection policies.

Annuity
Regular payments from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

Assets under administration (AUA)
Assets administered by Legal & General which are beneficially owned by clients and are therefore not reported on the Consolidated Balance Sheet. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sales transactions and record keeping.

Assets under management (AUM)*
Refer to the alternative performance measures section.

Back book acquisition
New business transacted with an insurance company which allows the business to continue to utilise Solvency II transitional measures associated with the business.

Bundled DC solution
Where investment and administration services are provided to a scheme by the same service provider. Typically, all investment and administration costs are passed onto the scheme members.

Bundled pension schemes
Where the fund manager bundles together the investment provider role and third-party administrator role, together with the role of selecting funds and providing investment education, into one proposition.

CAGR
Compound annual growth rate.

Credit rating
A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA and the lowest Unrated. Ratings are usually issued by a credit rating agency (e.g. Moody's or Standard & Poor's) or a credit bureau.

Deduction and aggregation (D&A)
A method of calculating group solvency on a Solvency II basis, whereby the assets and liabilities of certain entities are excluded from the group consolidation. The net contribution from those entities to group Own Funds is included as an asset on the group's Solvency II balance sheet. Regulatory approval has been provided to recognise the (re)insurance subsidiaries of LGI US on this basis.

Defined benefit pension scheme (DB scheme)
A type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Defined contribution pension scheme (DC scheme)
A type of pension plan where the pension benefits at retirement are determined by agreed levels of contributions paid into the fund by the member and employer. They provide benefits based upon the money held in each individual's plan specifically on behalf of each member. The amount in each plan at retirement will depend upon the investment returns achieved and on the member and employer contributions.

Derivatives
Derivatives are not a separate asset class but are contracts usually giving a commitment or right to buy or sell assets on specified conditions, for example on a set date in the future and at a set price. The value of a derivative contract can vary. Derivatives can generally be used with the aim of enhancing the overall investment returns of a fund by taking on an increased risk, or they can be used with the aim of reducing the amount of risk to which a fund is exposed.

Direct investments
Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.

Dividend cover
Dividend cover measures how many times over the net release from operations in the year could have paid the full year dividend. For example, if the dividend cover is 3, this means that the net release from operations was three times the amount of dividend paid out.

Earnings per share (EPS)
EPS is a common financial metric which can be used to measure the profitability and strength of a company over time. It is the total shareholder profit after tax divided by the number of shares outstanding. EPS uses a weighted average number of shares outstanding during the year.

Eligible Own Funds
Eligible Own Funds represents the capital available to cover the group's Solvency II Capital Requirement. Eligible Own Funds comprise the excess of the value of assets over liabilities, as valued on a Solvency II basis, plus high quality hybrid capital instruments, which are freely available (fungible and transferable) to absorb losses wherever they occur across the group. Eligible Own Funds (shareholder view basis) excludes the contribution to the group's solvency capital requirement of with-profits funds and final salary pension schemes.

Employee satisfaction index
The Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General. It is measured as part of our Voice surveys, which also include questions on commitment to the goals of Legal & General and the overall success of the company.

ETF
LGIM's European Exchange Traded Fund platform.

Euro Commercial paper
Short-term borrowings with maturities of up to 1 year typically issued for working capital purposes.

FVTPL
Fair value through profit or loss. A financial asset or financial liability that is measured at fair value in the Consolidated Balance Sheet reports gains and losses arising from movements in fair value within the Consolidated Income Statement as part of the profit or loss for the year.

Full year dividend
Full year dividend is the total dividend per share declared for the year (including interim dividend but excluding, where appropriate, any special dividend).

Generally accepted accounting principles (GAAP)
These are a widely accepted collection of guidelines and principles, established by accounting standard setters and used by the accounting community to report financial information.

Gross written premiums (GWP)
GWP is an industry measure of the life insurance premiums due and the general insurance premiums underwritten in the reporting period, before any deductions for reinsurance.

Group adjusted operating profit*
Refer to the alternative performance measures section.

ICAV – Irish Collective Asset-Management Vehicle
A legal structure investment fund, based in Ireland and aimed at European investment funds looking for a simple, tax-efficient investment vehicle.

Index tracker (passive fund)
Index tracker funds invest in most or all of the same shares, and in a similar proportion, as the index they are tracking, for example the FTSE 100 index. Index tracker funds aim to produce a return in line with a particular market or sector, for example, Europe or technology. They are also sometimes known as 'tracker funds'.

International financial reporting standards (IFRS)
These are accounting guidelines and rules that companies and organisations follow when completing financial statements. They are designed to enable comparable reporting between companies, and they are the standards that all publicly listed groups in the UK are required to use.

Key performance indicators (KPIs)
These are measures by which the development, performance or position of the business can be measured effectively. The group Board reviews the KPIs annually and updates them where appropriate.

LGA
Legal & General America.

LGAS
Legal and General Assurance Society Limited.

LGC
Legal & General Capital.

LGI
Legal & General Insurance.

LGI new business
New business arising from new policies written on retail protection products and new deals and incremental business on group protection products.

LGIA
Legal & General Insurance America.

LGIM
Legal & General Investment Management.

LGR
Legal & General Retirement, which includes Legal & General Retirement Institutional (LGRI) and Legal & General Retirement Retail (LGRR).

LGR new business
Single premiums arising from annuity sales and back book acquisitions (including individual annuity and pension risk transfer), the volume of lifetime mortgage lending and the notional size of longevity insurance transactions, based on the present value of the fixed leg cash flows discounted at the LIBOR curve.

Liability driven investment (LDI)
A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose liabilities can often reach into billions of pounds for the largest of plans.

Lifetime mortgages
An equity release product aimed at people aged 60 years and over. It is a mortgage loan secured against the customer's house. Customers do not make any monthly payments and continue to own and live in their house until they move into long-term care or on death. A no negative equity guarantee exists such that if the house value on repayment is insufficient to cover the outstanding loan, any shortfall is borne by the lender.

Matching adjustment
An adjustment to the discount rate used for annuity liabilities in Solvency II balance sheets. This adjustment reflects the fact that the profile of assets held is sufficiently well-matched to the profile of the liabilities, that those assets can be held to maturity, and that any excess return over risk-free (that is not related to defaults) can be earned regardless of asset value fluctuations after purchase.

Mortality rate
Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

Net release from operations*
Refer to the alternative performance measures section.

New business surplus/strain
The net impact of writing new business on the IFRS position, including the benefit/cost of acquiring new business and the setting up of reserves, for UK non profit annuities, workplace savings, protection and savings, net of tax. This metric provides an understanding of the impact of new contracts on the IFRS profit for the year.

Open architecture
Where a company offers investment products from a range of other companies in addition to its own products. This gives customers a wider choice of funds to invest in and access to a larger pool of money management professionals.

Overlay assets
Overlay assets are derivative assets that are managed alongside the physical assets held by LGIM. These instruments include interest rate swaps, inflation swaps, equity futures and options. These are typically used to hedge risks associated with pension scheme assets during the derisking stage of the pension life cycle.

Pension risk transfer (PRT)
PRT represents bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

Platform
Online services used by intermediaries and consumers to view and administer their investment portfolios. Platforms usually provide facilities for buying and selling investments (including, in the UK products such as Individual Savings Accounts (ISAs), Self-Invested Personal Pensions (SIPPs) and life insurance) and for viewing an individual's entire portfolio to assess asset allocation and risk exposure.

Present value of future new business premiums (PVNBP)
PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the new business value at the end of the financial period. The discounted value of longevity insurance regular premiums and quota share reinsurance single premiums are calculated on a net of reinsurance basis to enable a more representative margin figure. PVNBP therefore provides an estimate of the present value of the premiums associated with new business written in the year.

Purchased interest in long-term business (PILTB)
An estimate of the future profits that will emerge over the remaining term of life and pensions policies that have been acquired via a business combination.

Real assets
Real assets encompass a wide variety of tangible debt and equity investments, primarily real estate, infrastructure and energy. They have the ability to serve as stable sources of long-term income in weak markets, while also providing capital appreciation opportunities in strong markets.

Release from operations
The expected release of IFRS surplus from in-force business for the UK non profit Insurance and Savings and LGR businesses, the shareholder's share of bonuses on with-profits business, the post-tax operating profit on other UK businesses, including the medium term expected investment return on LGC invested assets, and dividends remitted from LGA. Release from operations was previously referred to as operational cash generation.

Retirement Interest Only Mortgages
A Retirement Interest Only (RIO) mortgage is a standard retirement mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- The loan is usually only paid off on death, move into long-term care or sale of the house
- The borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term

No repayment solution is required as repayment defaults to sale of property.

Return on Equity (ROE)*
Refer to the alternative performance measures section.

Risk appetite
The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

Single premiums
Single premiums arise on the sale of new contracts where the terms of the policy do not anticipate more than one premium being paid over its lifetime, such as in individual and bulk annuity deals.

Solvency II
The Solvency II regulatory regime is a harmonised prudential framework for insurance firms in the EEA. This single market approach is based on economic principles that measure assets and liabilities to appropriately align insurers' risk with the capital they hold to safeguard the policyholders' interest.

Solvency II capital coverage ratio
The Eligible Own Funds on a regulatory basis divided by the group solvency capital requirement. This represents the number of times the SCR is covered by Eligible Own Funds.

Solvency II capital coverage ratio (proforma basis)
The proforma basis Solvency II SCR coverage ratio incorporates the impacts of a recalculation of the Transitional Measures for Technical Provisions and the contribution of with-profits funds and our defined benefit pension schemes in both Own Funds (2019 only) and the SCR in the calculation of the SCR coverage ratio.

Solvency II capital coverage ratio (shareholder view basis)
In order to represent a shareholder view of group solvency position, the contribution of with-profits funds (2019 and prior years) and our defined benefit pension schemes are excluded from both, the group's Own Funds and the group's solvency capital requirement, by the amount of their respective solvency capital requirements, in the calculation of the SCR coverage ratio. This incorporates the impacts of a recalculation of the Transitional Measures for Technical Provisions based on end of period economic conditions. The shareholder view basis does not reflect the regulatory capital position as at 31 December 2020. This will be submitted to the PRA in May 2021.

Solvency II new business contribution
Reflects present value at the point of sale of expected future Solvency II surplus emerging from new business written in the period using the risk discount rate applicable at the end of the reporting period.

Solvency II risk margin
An additional liability required in the Solvency II balance sheet, to ensure the total value of technical provisions is equal to the current amount a (re)insurer would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another (re)insurer. The value of the risk margin represents the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement (relating to non-market risks) necessary to support the insurance and reinsurance obligations over the lifetime thereof.

Solvency II surplus
The excess of Eligible Own Funds on a regulatory basis over the SCR. This represents the amount of capital available to the company in excess of that required to sustain it in a 1-in-200 year risk event.

Solvency Capital Requirement (SCR)
The amount of Solvency II capital required to cover the losses occurring in a 1-in-200 year risk event.

Total shareholder return (TSR)
TSR is a measure used to compare the performance of different companies' stocks and shares over time. It combines the share price appreciation and dividends paid to show the total return to the shareholder.

Transitional Measures on Technical Provisions (TMTP)
This is an adjustment to Solvency II technical provisions to bring them into line with the pre-Solvency II equivalent as at 1 January 2016 when the regulatory basis switched over, to smooth the introduction of the new regime. This will decrease linearly over the 16 years following Solvency II implementation but may be recalculated to allow for changes impacting the relevant business, subject to agreement with the PRA.

Unbundled DC solution
When investment services and administration services are supplied by separate providers. Typically the sponsoring employer will cover administration costs and scheme members the investment costs.

With-profits funds
Individually identifiable portfolios where policyholders have a contractual right to receive additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. An insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits.

Yield
A measure of the income received from an investment compared to the price paid for the investment. It is usually expressed as a percentage.

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