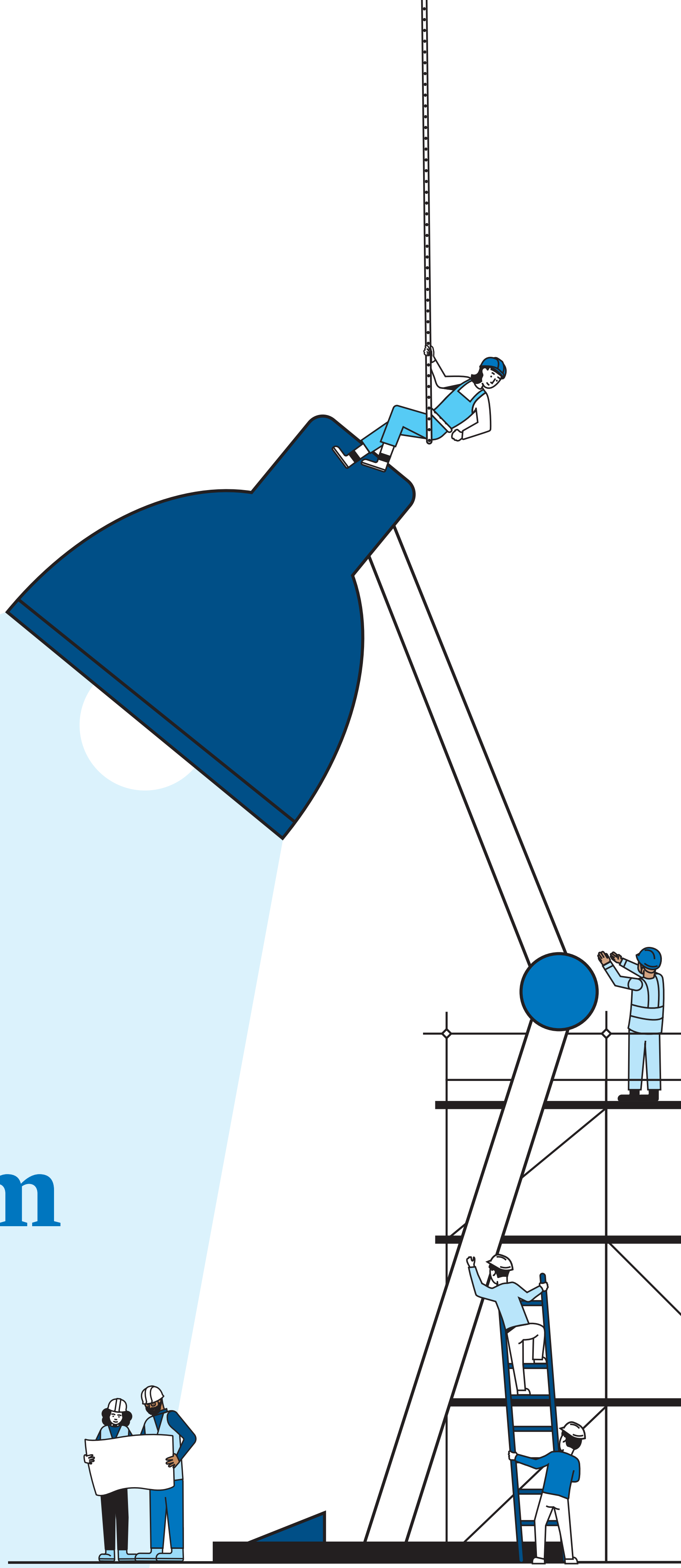
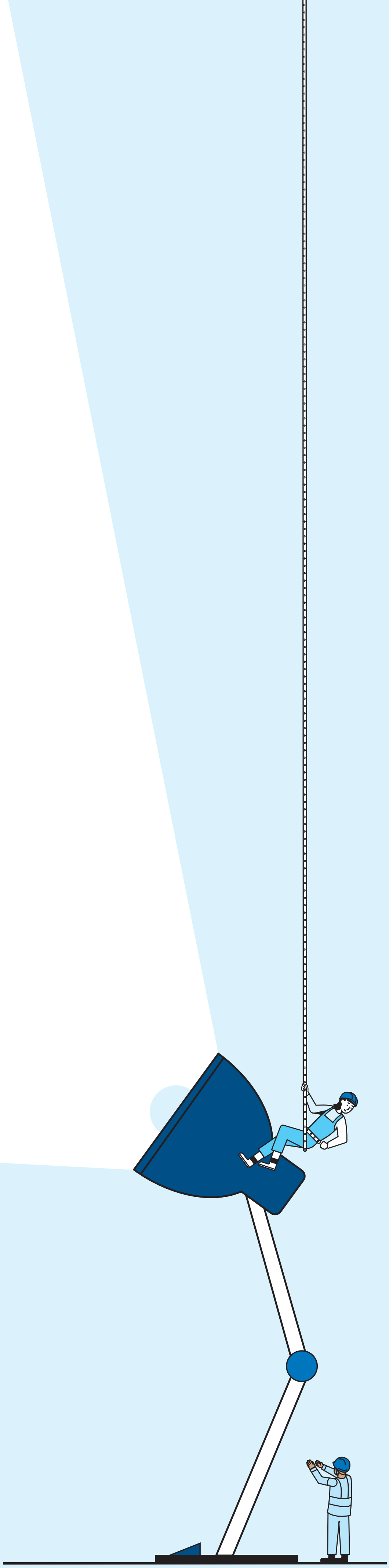
Legal & General Group Plc
Annual Report and Accounts 2022



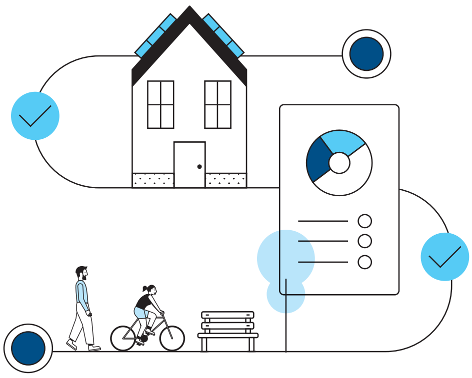
Inclusive capitalism in the spotlight

Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders – we call this inclusive capitalism.

We are taking action to tackle the climate crisis, rethinking retirement, and investing in long-term assets that benefit everyone from housing to renewable energy – this is inclusive capitalism's time in the spotlight.



Contents



Strategic report

How we bring our vision of inclusive capitalism to life

Governance

How we grow our business responsibly

Financial statements

Our financial statements for the year ended 31 December 2022

Other information

Annual report quick read
A summary of the annual report, highlighting strategy, performance and how the group is structured, is available online: group.legalandgeneral.com/annualreportsummary

Climate report
group.legalandgeneral.com/reports

Social impact report
group.legalandgeneral.com/reports

Tax supplement
group.legalandgeneral.com/reports

Risk supplement
group.legalandgeneral.com/reports

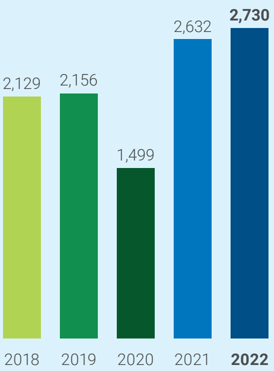
At a glance

> "Inclusive capitalism is exceptionally well-aligned to our long-term business model."

Sir Nigel Wilson
Chief Executive Officer

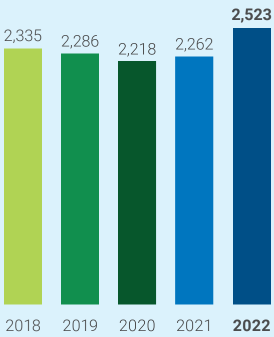
Financial measures

Profit before tax £m



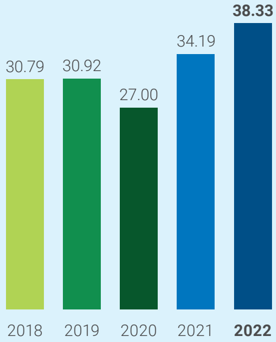
Profit before tax comprises all items of income and expense recognised in profit or loss (excluding tax).

Adjusted operating profit £m



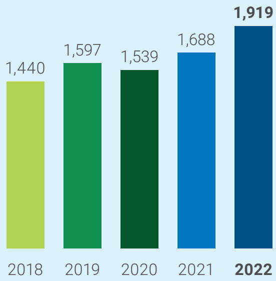
Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. The measure enhances the understanding of the group's operating performance over time by separately identifying non-operating items.

Earnings per share p



Earnings per share (EPS) measures the profitability and strength of a company over time. It is determined as total shareholder profit after tax divided by the number of shares outstanding.

Net release from operations £m



Net release from operations is the release from operations plus new business surplus/(strain). It includes the release of prudent margins from the back book and premiums received, less the setup of prudent reserves and associated acquisition costs for new business.

Throughout this report, all bar chart scales start from zero.

Solvency II capital coverage ratio

236%

(2021: 187%)

Solvency II capital coverage ratio, which shows own funds on a regulatory basis divided by the solvency capital requirement, is one of the indicators of the group's balance sheet strength and aligns to management's approach of dynamically managing its capital position.

Return on equity

20.7%

(2021: 20.5%)

Return on equity (ROE) is the return earned by shareholders on shareholder capital retained within the business. ROE is calculated as profit after tax divided by average shareholders' funds.

Non-financial measures

Employee satisfaction index

78%

(2021: 76%)

Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General.

Operational footprint (scope 1 and 2 (location))

30,062 tCO_2e[1]

(2021: 30,957 tCO_2e)

Measures the greenhouse gases (GHG) associated with our direct operations. Scope 1 emissions are direct GHG emissions occurring from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat or steam.

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). These are indicated with the icon: .

For more details, refer to pages 103 to 109 of the Directors' report on remuneration.

Alternative performance measures (APMs)
The group uses certain APMs to help explain its business performance, indicated with the icon: .

Further information on APMs, including a reconciliation to the financial statements (where possible), can be found on page 264.

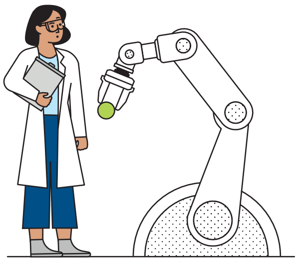
Full definitions of the financial metrics above are included in the glossary on page 265.

1. Our total scope 1 and scope 2 (location) emissions have been subject to independent limited assurance by Deloitte. The basis of preparation (or reporting criteria) for our group carbon footprint is available at group.legalandgeneral.com/en/sustainability/sustainability-reporting-centre and Deloitte's limited assurance report is available in our 2022 climate report at group.legalandgeneral.com/reports.

We aim to:

Be a leading provider of retirement and protection solutions

Be one of the world's largest asset managers

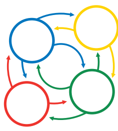


Be an innovative asset creator

Build a more sustainable society

Our businesses

We benefit from scale in each of our businesses. Our businesses work together to deliver on our purpose and to drive synergies across the group.



See more about our business model on pages 12 to 17

Institutional retirement ('LGRI')

See page 31

- 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 while providing guaranteed payments to individuals within their schemes.

£9.5bn
new business premiums

Capital investment ('LGC')

See page 34

- Our investments across specialist commercial real estate, clean energy, housing and SME finance generate attractive shareholder returns and create alternative assets which benefit society.
- We are one of the UK's top ten house builders by revenue.

>5,000
homes delivered

Investment management ('LGIM')

See page 37

- We are one of the world's leading asset managers, managing assets for internal and external clients.
- We are the market leader in UK defined contribution schemes.

£1.2tn
assets under management

Retail

- We help millions of people in the UK and US create brighter financial futures. We support their savings, protection, mortgage and retirement needs through our retail and workplace businesses.

c.13 million
people's needs met

Retirement

- We are a market leader in UK life insurance, workplace pensions and retirement income.

£954m
individual annuity sales

Insurance

- Operationally we are a centre of technology excellence, investing in several fast-growing fintech businesses and driving cross-group tech synergies.

See page 39

Chair's statement

We are purposeful and resilient.

Introduction

I should once again like to thank my colleagues for their dedication in striving for excellence in everything we do, even in demanding circumstances.

After 14 years with the company, 11 as Chief Executive Officer (CEO), Sir Nigel Wilson has announced his intention to retire and I should like to thank him for his immeasurable contribution to the group. Since Nigel joined Legal & General, the group has delivered a consistently strong financial performance with a total shareholder return of over 600%, driven by significant growth in dividends, EPS and ROE. He has led on ensuring our purpose and culture of inclusive capitalism is at the forefront of our business. He is a world-class leader who has worked with great passion and energy, and we have been very fortunate to have had his vision, drive and commitment. Nigel will continue in his post until his successor has been appointed.

In 2022, Legal & General customers and employees joined the world in mourning the death of Her Majesty Queen Elizabeth II, and in thanking her for a lifetime of service.

Towards the end of the year, higher energy prices, inflation and mortgage rates created challenges for millions of people. One company cannot provide all the answers, but these are circumstances in which Legal & General's resilience, values and commitment to our customers shine through.

Financial resilience

We are here, however difficult the external environment, to pay our customers' pensions, protect their income, and manage their assets, whilst investing for the long term and maintaining returns to our shareholders.

In 2022, our business continued to deliver balanced and profitable growth. Our adjusted operating profit was £2.5 billion and profit for the year of £2.3 billion was up 12.1% over 2021. EPS was 38.33 pence compared to 34.19 pence in 2021. We achieved a ROE of 20.7% and our Solvency II coverage ratio was 236%.

The volatility in the UK gilt market following the mini-budget caused significant disruption for UK institutions making use of liability driven investing (LDI), a risk-focused investment strategy that creates exposure to gilts, commonly used by defined benefit (DB) pension schemes. LGIM has for many years supported pension funds with a variety of solutions, including LDI, and continues to do so. Recent events have highlighted to DB pension funds the value of holding additional scheme assets with their LDI provider, enabling easier access to liquidity. We are well positioned to benefit from any potential consolidation of pension scheme assets, given our range of investment capabilities. LGIM acts as an agent between our LDI clients, their trustees, advisors, and market counterparties and therefore has no balance sheet exposure.

Against this backdrop, the Board remains confident in our ability to achieve our five-year ambitions, capitalising on growth opportunities and remaining vigilant in a fast-changing economic and market environment.

Climate in the spotlight

Taking action to address climate change is a core part of our business strategy. Following a year of extreme weather events, it was disappointing that COP 27 did not deliver the actions required to keep global warming on a 1.5ºC pathway. We were encouraged by world leaders reaffirming their commitment to this benchmark at the G20 summit in Indonesia, but are concerned that the world is still moving in the wrong direction.

Legal & General remains firmly resolved to meeting our climate pledges. We continue to make progress on decarbonising the assets on our balance sheet and our operations.

At our 2023 Annual General Meeting (AGM), we will, for the first time, present our net zero transition plan for approval by vote.

Stakeholders

Our engagement with stakeholders, and the outcome of such engagement on the Board's decisions and activities during the year, is detailed in our Section 172(1) statement in the governance section of this report on pages 78 to 81.

I was very pleased that the Board was able to undertake several on-site visits during 2022, including some development projects and to two of our US offices, where we were able to have first-hand engagement with a range of stakeholders.

Our hybrid AGM in May 2022 allowed both remote and in-person participation, and provided an important opportunity to re-engage with our shareholders. Attendees took the opportunity to ask questions during the meeting and Board members and senior management had the opportunity to meet shareholders after the formal proceedings.

The Board looks forward to welcoming shareholders with similar hybrid arrangements again in 2023. Full details of the AGM will be included in the Notice of AGM that will be sent to shareholders by their chosen communication means.

Our people

We know that our people are concerned for their own resilience during the cost of living crisis. To that end we took steps to help our employees out by making two payments totalling £1,500 to around a third of our workforce, and provided advice and resources to help them manage their financial wellbeing.

The Board

Laura Wade-Gery and Tushar Morzaria joined the Board in January and May 2022 respectively. Laura now chairs the Group Technology Committee. Tushar was appointed as Chair of the Audit Committee, succeeding Philip Broadley, as part of the Committee Chair succession planning process.

Carolyn Johnson was also appointed to the Board in June 2022. Carolyn brings with her a wealth of experience in insurance and in financial services more generally, particularly in the US.

Toby Strauss stood down from the Board in April 2022 and I should like to thank Toby for his years of service to the Board. George Lewis has succeeded Toby as Chair of the Risk Committee.

As a Board, we are very committed to promoting diversity. 42% of the Board is now female, and 25% is of minority ethnicity.

Sir John Kingman
Chair

Annual General Meeting 2023

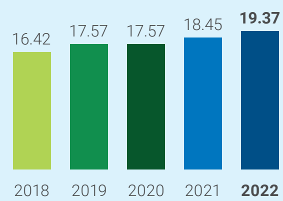
The AGM will be held on Thursday 18 May 2023 at the British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ, with additional facilities for shareholders to join and vote electronically.

Dividend policy

The Board has approved a slight amendment to the group's dividend policy to reflect the fact that we will no longer be reporting net release from operations under IFRS 17, the new accounting standard for insurance contracts which is effective from 1 January 2023. Accordingly, and to reflect the importance of solvency capital generation as a critical measure of dividend sustainability, the dividend policy will substitute net release from operations with capital generation.

Henceforth, the group's dividend policy states that 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 medium-term underlying business growth, including measurement of capital generation and adjusted operating profit.

Full year dividend p



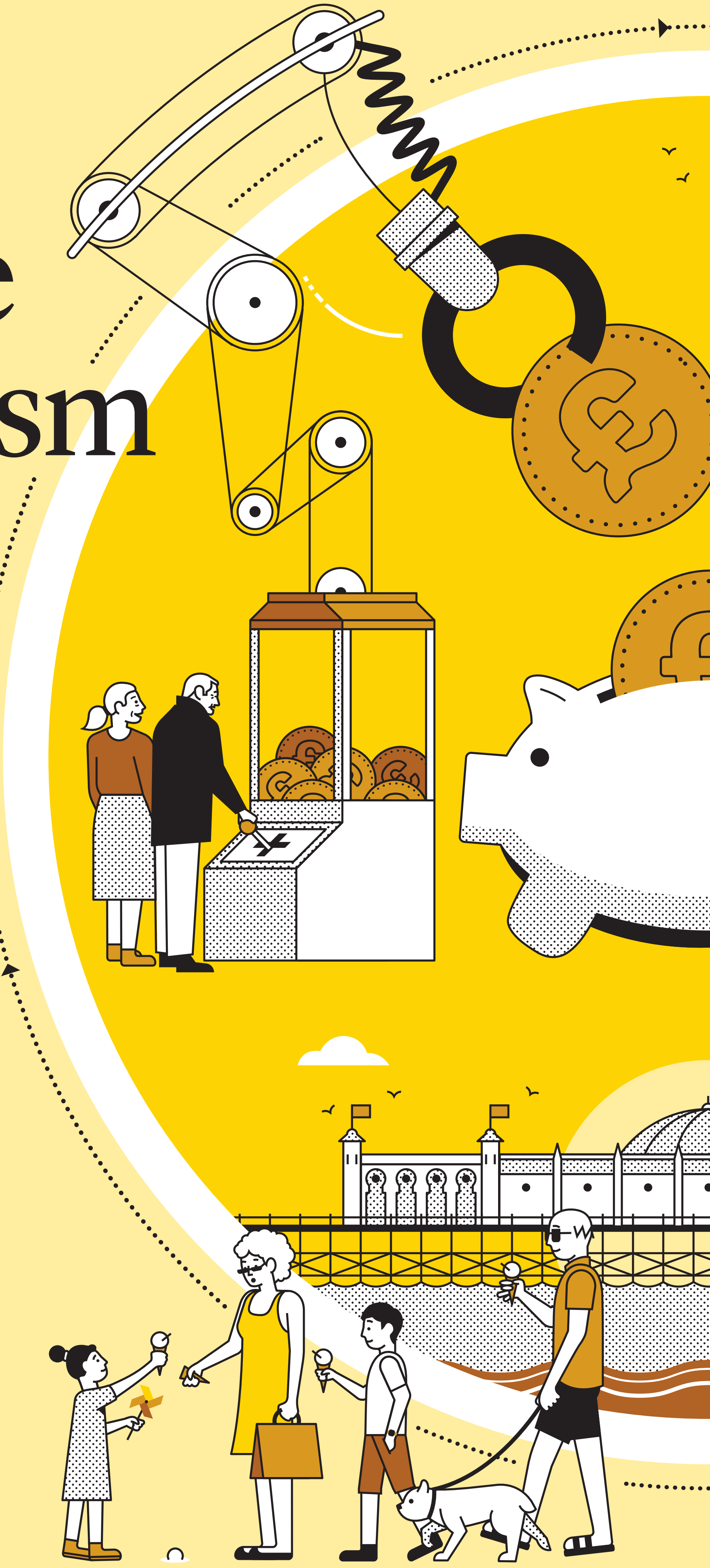
Final dividend to be paid on 5 June 2023

13.93p

(2021: 13.27p)

What are we investing in?

Our virtuous circle of inclusive capitalism



Inclusive capitalism is what sets Legal & General apart. It gives us purpose, underpinning what business we do, and how we do it. Put simply, it's investing capital for high return and the greatest social benefit.

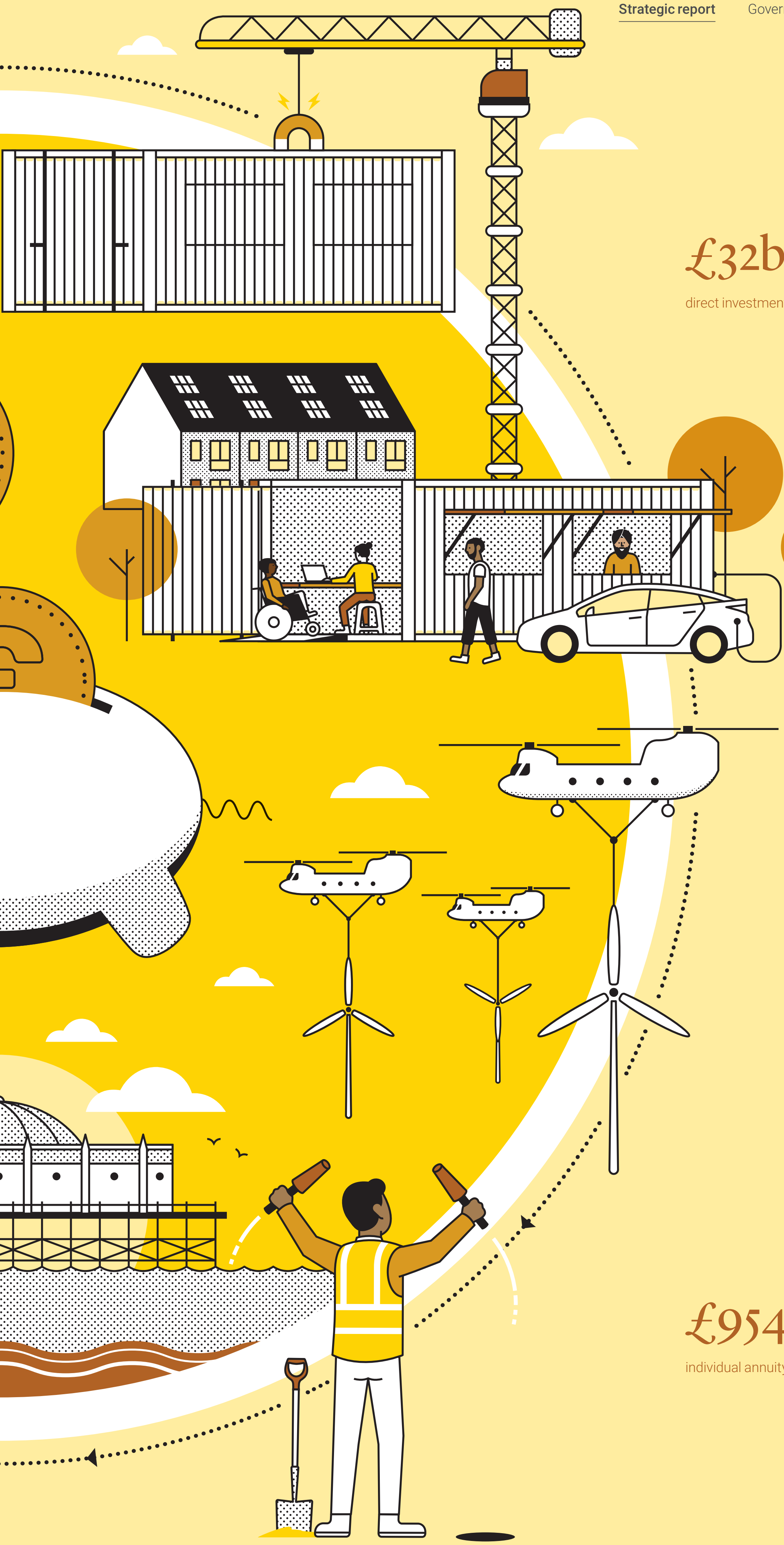
> "Inclusive capitalism empowers us to tackle societal challenges in such a way that differentiates us from the competition and secures our success long term."
>
> **Sir Nigel Wilson**
> Chief Executive Officer

1 Funding

We secure and safeguard our customers' pensions through our annuities businesses. They transfer or build up their pension pots with us and trust us to invest them responsibly.

See pages 31 to 33, 39 to 41

£9.5bn
new business premiums



£32bn

direct investments

2 Investing for good

We invest some of those premiums, along with our own capital, in the real economy. Our businesses work together to deliver and operate infrastructure, housing, SME finance and clean energy.

See pages 18 to 19, 22 to 23

£1.3bn

clean energy investments

3 Regeneration & future-proofing society

These investments regenerate towns and cities, help to future-proof the planet, and create jobs and opportunities for younger people.

See pages 34 to 36

£4bn

committed over seven years to support the West Midlands in levelling up, helping to deliver more housing of all tenures as well as widespread regeneration.

£954m

individual annuity sales

4 Reimagine retirement

The investments generate reliable returns which go towards paying the pensions of our customers and returns for shareholders.

See pages 31 to 33, 39 to 41

Chief Executive Officer's Q&A

Inclusive capitalism is in the spotlight.

You recently announced your intention to retire – how do you feel about that?
It is with mixed emotions that I've taken the decision to step down, but for me the time is right. It has been an honour and a privilege to serve as Chief Executive Officer over the past decade and Chief Financial Officer before that. I am deeply proud of everything we have achieved together. I am leaving behind a company that has had a real and lasting societal impact, that I'm confident will go on to even greater success.

What has been the biggest challenge during your time at Legal & General?
Over my time as CFO and then CEO the company, the UK, and the world has had to deal with wide reaching challenges. From the global financial crisis when our share price fell to 20p in 2009, to Pensions Freedom in 2014, the introduction of Solvency II in 2016 which fundamentally changed the way our business is regulated, the Brexit referendum in 2016, Covid-19 and lockdowns in 2020 – 2022, and more recently the war in Ukraine, LDI and bond crises, and now the return to a high inflation, high interest rate economy. In addition, there is a climate crisis which may be the defining issue for the next 20 – 30 years. To date, we have played our part but there is so much more to do.

Traversing these issues has been extremely difficult at times but I am very proud of the way Legal & General came together to not only weather the storms but emerge stronger, making a real and positive difference to peoples' lives.

We have done this while delivering consistently strong results and growth in adjusted operating profits from divisions, earnings per share, dividends per share and the returns on our shareholder equity.

And what are you most proud of?
That we have turned inclusive capitalism into bywords for doing the right thing for society whilst delivering the right outcomes for our customers, our people, and our shareholders. We are a purpose-led company, with a strong culture that attracts superb people to work here in a very collaborative environment.

Securing the retirement income of millions and using the power of pensions to create socially useful and much needed infrastructure across the UK and beyond, thereby creating jobs and opportunities for the next generation, has taken imagination and drive, and I'm very proud of the way everyone at Legal & General has worked together to make this happen. We were doing 'levelling up' long before the phrase was invented, and in these uncertain times it has never been more meaningful and relevant. In fact, it's in the spotlight right now and the world is looking for positive outcomes. We were also one of the few large financial institutions to maintain our dividend throughout the pandemic, while taking no government help or furloughing any of our colleagues.

What would you like your legacy to be?
To have left the company poised and ready to continue to make even more progress and be more successful in the future. We should not underestimate the impact we can have on peoples' lives, so to see the company continue to deliver and expand on our strategy would give me immense satisfaction.

Turning to 2022, what have been the highlights of the year?
We have again delivered a strong set of results for our shareholders in 2022. Adjusted operating profit and cash and capital generation are up, return on equity is over 20%, and our Solvency II coverage ratio is very strong at 236%.

You will read on the following pages many examples of our purpose in action – investments, small and large, in infrastructure, housing, SME finance, and clean energy, all backed by both our own and our pensioners' capital. We have both delivered in 2022 and sown the seeds for future growth on a large scale.

We emerged strongly from the economic turbulence seen in 2022, having experienced both negative and positive impacts on our business from market and interest rate movements. We wrote record levels of pension risk transfer (PRT) business in the US and delivered more houses for sale and rent in the UK than ever before. Both of these are core elements in the virtuous circle of inclusive capitalism.

What is the outlook for 2023?
We start 2023 in good shape and looking forward to achieving many goals which build on last year's successes: we should expect continuing high volumes in a fast-growing global PRT market – in the UK, the US, Canada, and the Netherlands. The need to create high quality, investable assets should enable us to execute more city deals in both the UK and the US, contributing both economic and social levelling up based on our successful partnerships with cities and universities. We should continue to scale-up our successful start-ups: Pemberton, Salary Finance, our growing range of exchange-traded funds (ETFs) and in the climate space, investments including Kensa, Onto and Tokamak. In our mature businesses, we want to drive further internationalisation of LGIM, particularly in Europe and Asia; we want to sell more retail retirement products and solutions, and profitably grow our market share in insurance, both in individual and group protection.

2023 will also see the introduction of IFRS 17, which is a new accounting standard for the way companies account for and recognise profits from insurance contracts. While this does not alter the economic impact of what we do, it is a major change for us, and we have been working for several years to ensure a smooth transition to the new standard from 1 January 2023.

Any final thoughts?
I should like to thank all my fantastic colleagues and friends at Legal & General for their support, commitment and passion over the years. The company is uniquely well placed to rise to whatever challenges come next, and I am confident the business will continue to thrive.

Sir Nigel Wilson
Chief Executive Officer

"I am deeply proud of everything we have achieved together."

Areas of focus

Addressing climate change
We invest in technologies vital to fighting climate change, are a large-scale ESG investor and have set ourselves ambitious targets to reduce our carbon footprint.

See pages 18 to 19

Investing in the real economy
We create the assets that society needs, helping level up towns and cities in the UK and increasingly in the US, improving productivity and creating real jobs.

See pages 6 to 7

Accelerating our expansion into Europe and Asia
Replicate our highly synergistic UK business model in the US.

See pages 22 to 23

Building a globally trusted brand
Continue to use our expertise in execution and delivery to increase the power of our brand.

See page 13

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.

Short-term influences

Covid-19 recovery
2022 saw a gradual return to normality with focus moving to rebuilding from the economic impacts of the pandemic, including infrastructure development, house building and addressing the effects of ageing demographics, all of which are key parts of our strategy.

Geopolitical landscape
The war in Ukraine and wider geopolitical tensions have potential for further significant disruption to global economic activity. We are carefully monitoring the impacts for our businesses from a range of geopolitical scenarios and to ensure we remain financially and operationally resilient to adverse events.

Economic outlook
The global economic outlook is one of sustained inflation, higher interest rates and low growth. While this may impact consumer sentiment, we believe that our products and services are relevant across a range of economic scenarios helping our customers to achieve financial security.

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.

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

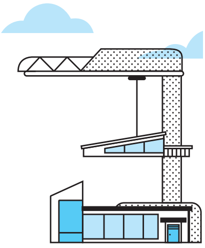
Market opportunity
The world population's average life expectancy is projected to reach 77 years by 2050 whilst the working-age population declines. We participate in the global PRT market, focusing on corporate DB pension plans in the UK, the US, Canada, Ireland and the Netherlands, which together have more than £6 trillion of pension liabilities. It is anticipated that there will be £200 billion of UK PRT demand over the next three years.

2 Globalisation of asset markets

Asset markets are increasingly globalised and growing. North America, Asia Pacific and Europe are all attractive markets which continue to expand. We look for selective opportunities to build and expand our successful UK business model abroad into markets where we believe we can thrive.

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

Market opportunity
As global assets under management are projected to increase from more than $112 trillion in 2021 to $149 trillion by 2026, we will continue to innovate in the US retirement income market, expand into European wholesale asset management and increase our presence in Asia Pacific.



3 Investing in the real economy

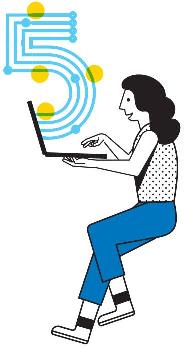
Throughout the UK and beyond, there has been a long-term trend of under-investment in major towns and cities, and we continue to experience a serious housing shortage, while small and medium enterprises can also struggle to achieve scale without access to long-term capital.

Strategic priority

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

Market opportunity

The UK's ambitious 'levelling up' programme includes leveraging private sector institutional capital to support regeneration of the built environment and business growth. By 2030, public investment in research and development (R&D) outside the south east will increase by at least 40%. Opportunities to add to and improve the UK's housing stock, create science parks, and invest in start-up and scale-up companies will be supported by regulatory reform enabling better deployment of pension funds to these growth areas.



5 Technological innovation

Consumers, clients and businesses look to digital platforms to help organise their finances and working lives. Technological solutions can increase security and improve the ways we work and 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 UK market leaders in the digital provision of insurance, growing in the US and expanding in adjacent markets.

Market opportunity

The individual term market is expected to increase to $30 billion in the US over the next three to five years. We anticipate continued premium growth across our UK and US protection businesses as technological innovation makes our products more accessible to customers and digital transformation creates competitive advantage in the US marketplace, while enabling further product and pricing enhancements.

4 Welfare reforms

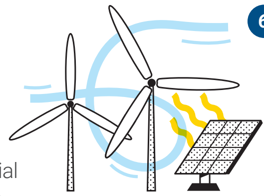
Changes to the state pension, the switch from defined benefit (DB) to defined contribution (DC) pensions and uncertainty over social care funding highlight the continued need to protect people from financial uncertainty. This includes helping people take personal responsibility for retirement savings, and safeguarding their financial wellbeing and resilience.

Strategic priority

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

Market opportunity

Fiscal pressures, inflation and an ageing population are placing the state pension and social security system under strain. This in turn increases the need for individuals to build and maintain their own financial wellbeing. UK DC assets are expected to grow from c.£600 billion to £1.2 trillion by 2031, with a growing need for pension decumulation solutions.



6 Addressing climate change

Scientists, policy-makers, markets and regulators increasingly agree that we must limit global warming to 1.5°C to avoid the potentially catastrophic impacts of climate change. This requires a transition to a low-carbon economy, which in turn creates risk management challenges but also substantial new growth opportunities, including in innovative technologies and clean energy.

Strategic priority

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

Market opportunity

As global finance supports the changes our planet needs to address climate change, this creates an important shift in investment allocation and the biggest investment opportunity of our lifetimes. Our hope is that, despite the short-term uncertainty, world events during 2022 focused leaders globally on the need to secure reliable and diverse sources of energy, driving greater investment in renewable energy supply for the longer term.

1 2 3

Resources

Our business model is underpinned by the depth and breadth of our resources, which allow us to execute our strategy.

Our resources and relationships are key to our success and we invest in them throughout the year. Here are some examples of how we added value in 2022.

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 and US economy in a way which benefits society as a whole.

Customer loyalty
We have been building customer relationships since 1836 and 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.

Culture
We have a culture where people are fulfilled at work and excited to be a part of our story.

Sustainability
Being a responsible and sustainable business remains at the heart of our agenda.

How we develop our people
We continually invest in resources to help our people feel supported in managing their wellbeing and be their best selves, in and out of work. With this focus, we held our first 'Legal & General Wellbeing Fortnight' in February.

Jan – Feb

How we build a sustainable business
We continued to support our transition to net zero across the residential housing sector, by investing £5.5 million into Sero Technology, an energy technology and services company, in January. Sero develops and delivers cost-effective low-carbon solutions for both new build and existing homes through their digital tools. The deal is the latest of our investments in clean energy, and will help landlords, mortgage lenders and housebuilders to plot a pathway to net zero for their homes.

Mar – Apr

How we strengthen our capital
We are the longest-standing UK provider of bulk annuities. In May, we celebrated 35 years since our first PRT business entered the market, changing the pension business forever.

May – Jun

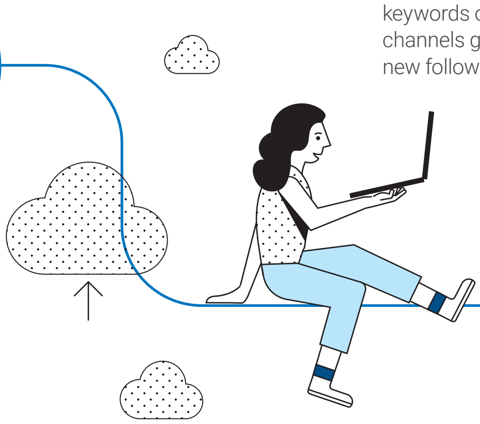
How we foster an inclusive culture
We want all our employees to feel recognised and valued for a job well done, and for their contribution towards our success. We launched 'Legal & General Shout Outs' in June, a digital peer-to-peer platform where employees can send recognition to someone who has gone above and beyond. In 2023, we will introduce a 'Special Thank You', a monetary recognition award that gives our managers the means and opportunity to recognise an individual's hard work and success.

Jul – Aug

How we strengthen our customer experience
LGRI agreed a £50 million buy-in for the Boots Supplementary Pension Plan, securing the benefits of scheme members in July. It demonstrates that we can help pension schemes throughout their de-risking journey to reach desired objectives.

How we strengthen our brand
We reinforce our brand with a recognisable visual identity and trusted tone of voice. We publish content in a variety of formats across our social channels and group website to bring our purpose to life. In 2022, we saw dwell time on our group website rise by 18% and over 20,000 more pageviews than in 2021, and our search engine optimisation (SEO) improvements led to a 367% increase in the number of ranking keywords on Google. We also saw our social channels grow by 24%, averaging around 2,000 new followers each month.

Sep – Oct

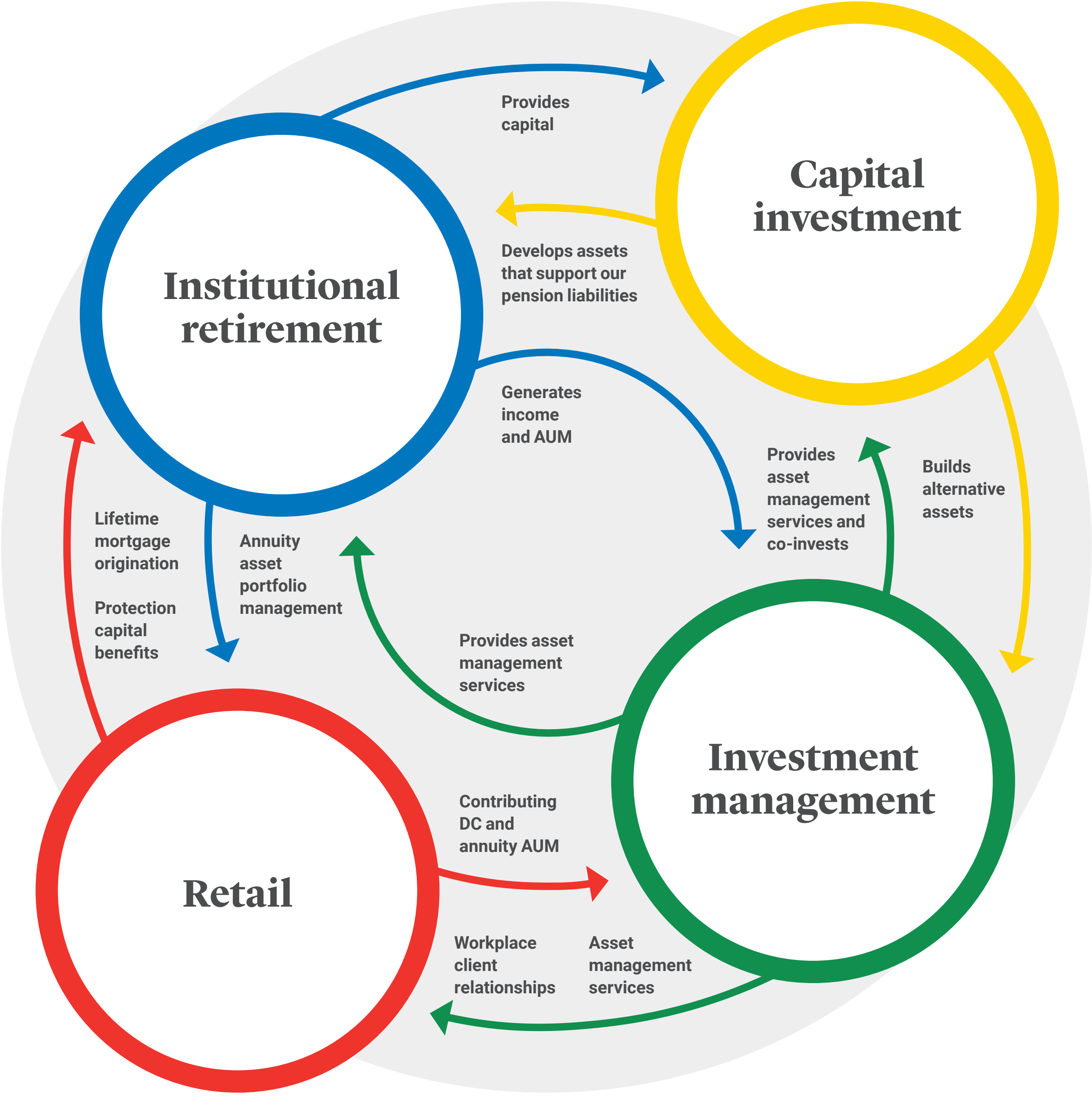


Nov – Dec

1 2 3

What we do

We aim to be leaders in retirement and protection solutions, investment management and capital investment. By taking a long-term approach to inclusive capitalism, our businesses work together to make a difference.



Institutional retirement
We provide institutional PRT solutions, guaranteeing the retirement income for corporate pension scheme members.

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 clean energy, housing and SME finance.

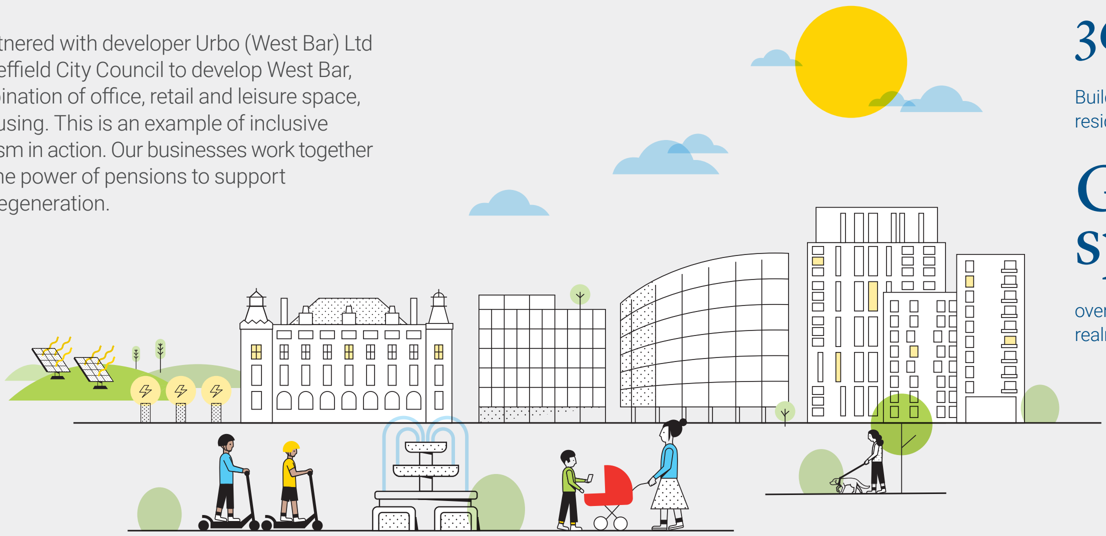
Investment management
We are one of the world's largest asset managers and a major global investor.

Retail
We are a leading provider of UK retail retirement and protection solutions and US brokerage term life insurance.

Inclusive capitalism in action

The Sheffield West Bar is a £300 million mixed-use regeneration scheme, making it the single largest private investment in Sheffield City Centre. Thanks to our partnerships, we are regenerating cities and supporting the UK's growth prospects, jobs and housing needs.

We partnered with developer Urbo (West Bar) Ltd and Sheffield City Council to develop West Bar, a combination of office, retail and leisure space, and housing. This is an example of inclusive capitalism in action. Our businesses work together using the power of pensions to support urban regeneration.



First phase of West Bar will deliver:

8,000
new jobs

368
Build to Rent (BTR) residential apartments

Green spaces
over an acre of public realm and green space

Grey to green transformation

By 2024, on completion of the whole seven-acre project, West Bar will provide up to one million square feet of mixed-use accommodation, consisting of 500,000 square feet of office and residential space, and car parking, with supporting amenities including over an acre of public realm and green space. We have committed £160 million of forward funding to Urbo, to deliver the first phase of development.

> "West Bar is a key site and an important part of the wider transformational plan for Sheffield City Centre. I am pleased to see that development is proceeding having secured very significant investment, creating new jobs, much needed new homes and economic prosperity."

Councillor Mazher Iqbal
Co-Chair of Transport, Regeneration and Climate Policy Committee of Sheffield City Council

Pictured: Andrew Kail (CEO, LGRI), Tom Swallow (Urbo) and Natalie Bentley (LGRI)

1 2 3

How we create value

The impact of our business is wide reaching and affects different stakeholder groups. We place great importance on considering the needs of all our stakeholders in our decision making, and actively encourage their participation.

Our stakeholders
In shaping our strategy, we consider the impact on our stakeholder groups. Below, we provide just a few examples of how stakeholder engagement influences our business and the associated growth drivers.

Growth drivers

1. **Ageing demographics**
2. **Globalisation of asset markets**
3. **Investing in the real economy**
4. **Welfare reforms**
5. **Technological innovation**
6. **Addressing climate change**

Shareholders

Our shareholders are institutional and individual investors. We provide them with honest and transparent information on our strategy, outlook and business performance and we generate value through share price appreciation and a progressive dividend.

1 2 3 4 5 6

We invest shareholder capital (targeting returns) and retirement capital (for long-term income streams to pay retirement benefits) into environmentally friendly and socially useful investments, including alternative assets such as urban regeneration, clean energy and affordable housing.

Our investment management business is continuing to expand into global markets, with 2022 international net flows of £21.4 billion and assets under management (AUM) of £441 billion, 37% of total AUM.

We delivered adjusted operating profit of £2.5 billion, up 12% on 2021 and earnings per share of 38.33 pence, with a return on equity of 20.7%.

Customers

Our customers include those saving for retirement, recipients of retirement income, insurance policyholders, 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.

1 4 5

Our Retail division has conducted customer segmentation research to provide a detailed understanding of each segment's needs, behaviours and attitudes.

We hosted various 'Pensions Made Easy' forums to provide members of our pension schemes with information and tools on saving and budgeting in today's economic climate, as well as the opportunity to ask questions in a live Q&A environment.

We launched our Retirement Planning Advice service for a number of our workplace customers. Expanding the remit of this service with a move into retirement planning enables us to create brilliant customer experiences and improve outcomes, supporting our customers as they navigate retirement options.

Employees

Our employees are based in the UK, US, Bermuda, Hong Kong, Japan, Ireland and other European countries. We're working to build a more diverse workforce and inclusive workplace, where care is taken to protect individuals' wellbeing.

3 5

Through our global Listening Project, we continued to gather insights into our employees' experience of working at Legal & General, supplementing the data gathered through our Voice surveys.

In the UK, we celebrated the 25th anniversary of our partnership with Unite, our recognised trade union, which represents employees individually and for collective bargaining.

We responded to the cost of living crisis with two payments totalling £1,500 to a third of our UK employees.

Our contribution to the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are focused on tackling the pressing social, economic and environmental issues that could threaten the livelihoods and wellbeing of people worldwide.

Contributing to the SDGs is integral to inclusive capitalism. It is important that our business priorities and strategy align with the goals and that we can demonstrate how the outcomes we are delivering contribute to specific SDGs. As our business grows and evolves, our approach to the SDGs will progress, too.

The following SDGs contribute to many of our key stakeholder engagements as they are most heavily aligned to our growth drivers:

3. Good health and wellbeing

4. Quality education

5. Gender equality

7. Affordable and clean energy

8. Decent work and economic growth

9. Industry, innovation and infrastructure

11. Sustainable cities and communities

13. Climate action

Regulators

We are subject to financial services regulations and approvals in all the markets in which we operate. We recognise that strong regulation ensures trust and confidence for our stakeholders. We maintain a proactive and constructive relationship with government and regulatory bodies to ensure regulation meets the needs of all stakeholders.

1 2 3 4 5 6

We have been active participants in the Bank of England and Prudential Regulation Authority (PRA) consultations on Solvency II reform.

Open engagement with our supervisors at the PRA and Financial Conduct Authority (FCA) has ensured timely progress with regulatory applications to support our business strategy.

We worked closely with regulatory and government bodies in the wake of the challenges presented by the Q4 2022 market volatility to ensure ongoing support for our customers, stakeholders and the economy.

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 the communities where we live, work and invest.

1 3 4 6

In 2022, our capital investment business made a new commitment of £5 billion in assets beneficial to communities, including new homes, offices, urban regeneration, and clean energy schemes, to drive regional growth and tackle the housing crisis.

We entered a partnership with the charity RedSTART to deliver age-appropriate financial education to primary age children in deprived areas of the UK.

We matched over £355,000 in employee charitable fundraising for a range of community causes. We also donated £1.5 million to the Disaster Emergency Committee's Ukraine appeal, made up of a corporate donation, employee fundraising and fund matching.

Suppliers

We have a broad range of suppliers, from services 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.

5 6

Our Sustainable Sourcing Principles help our buyers navigate the ethical and environmental considerations that are important to us, with climate change as one of our core principles. Our tender process includes a significant percentage of the scoring against a specific sustainability questionnaire.

Following continual engagement with key stakeholders, our purchase order system continues to be utilised to drive payment efficiencies and cost controls, and improve efficiency for all.

We are building more supplier diversity into our supply chain to create an equal marketplace, where opportunities are open to all.

Taking action to help protect our planet

To avoid the most extreme impacts of a changing climate, we must collectively limit global temperature rises to 1.5°C. Addressing climate change is one of our strategic priorities and we have identified six climate actions to achieve this.

Invest

1. Through reducing the intensity of our financed emissions
2. Through investing in the transition

Heat pump technology
We have invested a further £8 million in Cornwall-based Kensa Group, one of the UK's largest players in the ground source heat pump technology sector. This brings our total investment to £15.7 million over two years.

£15.7m

investment in the heat pump technology sector.

Enabling use of electric cars
We led fundraising for Onto, which enables people to subscribe to an electric car on a monthly contract basis, securing $60 million of funding to expand their business into Europe.

Powering homes with renewable energy
We provided £370 million in financing support for Hornsea, the world's largest offshore wind farm. Located off the north east coast of England, it will produce enough power for a million homes.

Influence

3. Through the products we offer our clients
4. Through our engagement with the real economy

ESG integrated investments
We launched new investment products for investors expressing conviction to environmental themes, expanding our Future World ESG fund range, to deliver capital growth whilst meeting our own climate commitments and those of our clients.

> "The demand for sustainable investment products is growing rapidly. These funds are designed for investors looking to grow their capital and receive income over time with a wide choice of risk profiles."

James Crossley
Head of UK Retail Sales at LGIM

Operate

5. Through our operations
6. Through the businesses we control

Net zero audit
All new acquisitions in our LGIM Real Assets business require a net zero audit and we have also initiated a roll out of audits across our existing assets.

Cardiff Interchange
In 2023, we will move into our new office in Cardiff which has been designed to align to net zero standards. This is a key milestone towards our commitment of achieving net zero carbon emissions in occupied offices and business travel by 2030.

Climate report
For our full list of commitments and our journey to net zero, see:
group.legalandgeneral.com/reports

Recognising stories and successes

Celebrating our winners at the Annual Awards

In 2022, we introduced our Annual Awards, an opportunity for us to celebrate the people that make Legal & General the best it can be for our customers, colleagues and wider society.

There were 11 awards to be won over three categories: Communities, Customers and People – with almost 500 nominations received from across the business.

The awards event took place in Brigade Bar + Kitchen, a social enterprise helping vulnerable people to forge careers in catering, which strongly aligns with our values.

The quantity, and quality, of winners and nominees, is demonstrative of our talent and passion.

"Legal & General has given me not just a voice, but a microphone."

Megan Davis
Inclusion award winner

Supporting our people with the rising cost of living

Our mission of inclusive capitalism focuses on the positive impact we have on society, but also closer to home, on our own people who are impacted by the cost of living increases. This is a challenging time, so working closely with our union partner, Unite, we were pleased to be able to make two payments totalling £1,500 to around a third of our UK workforce to help manage their day-to-day costs. We have recently announced a further third payment due in July 2023. Our businesses based outside of the UK have taken a localised approach to address this issue.

£1,500 payment

already made to help with the cost of living crisis.

Legal & General Life

In September 2022, we launched our Life month, where we celebrated all that is great about Legal & General.

Each week had a different focus, starting with being our best selves. Our wellbeing philosophy isn't just about helping employees when things get difficult, but rather providing continuous support to enable us to be at our best.

We continued Life month with understanding what we can all do a little bit differently to make Legal & General a more diverse and inclusive workplace – no matter who we are.

This was followed by a week focused on making an impact. The Just One Action campaign was launched, encouraging us to make a pledge that does good for the community or the environment.

We completed Life month by building on our inclusive learning culture, where everyone has access to experiences that help them perform today and grow for tomorrow.

Wellbeing Advisory Board launch

Our Group Protection business announced the formation of its new Wellbeing Advisory Board. This will bring together cross-sector wellbeing experts, some from within Legal & General, to provide simple, accessible, and practical health and wellbeing guidance.

The team of experts will work together to share insights and help companies navigate through the increasingly complex healthcare landscape impacting their employees, in terms of the many crossovers between the mental, physical, social and financial aspects of health and wellbeing.

Our people and networks

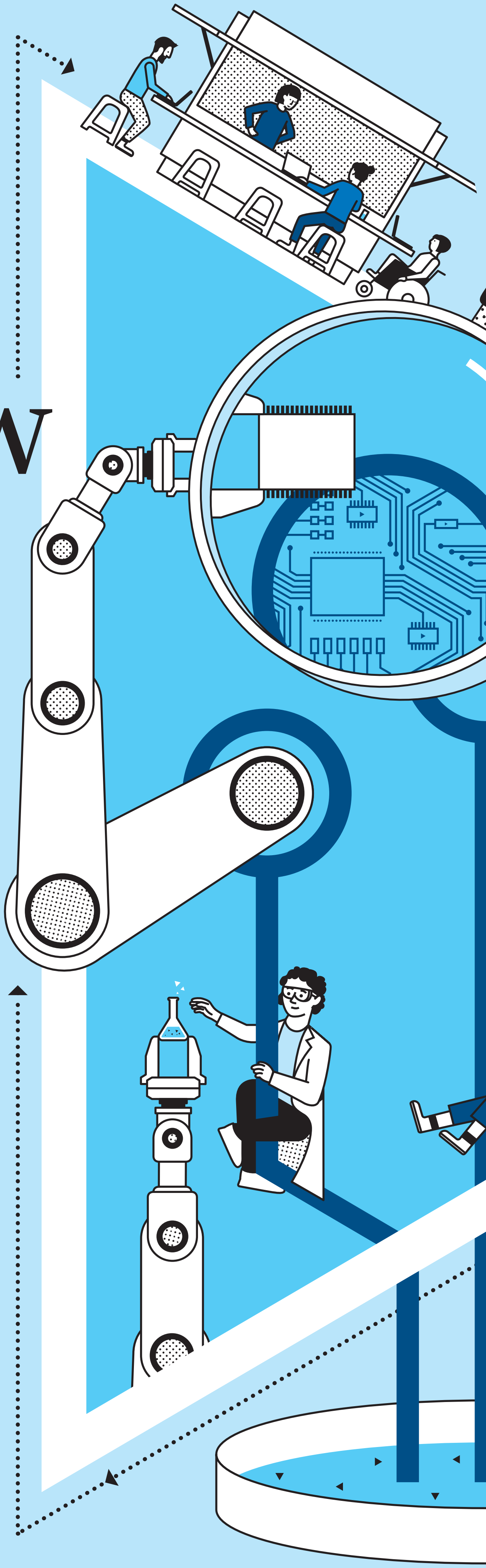
Our people and employee resource groups have been making an impact outwith the company: from the Women in Investment Awards to Investing in Ethnicity, our diversity and inclusion agenda has been acknowledged as fostering an inclusive workspace.

One highlight in 2022 was our LGBTQ+ staff network, L&GBT+Allies, being named Best Network Group at the British LGBT Awards in June. Alongside garlands at the Rainbow Honours awards and the British Diversity Awards, it demonstrates the excellence our networks strive for in visible role modelling and allyship. Three of our people were included in LGBT Great's Top 100 Gamechangers.

"It is fantastic to be recognised for the support our network provides to those still marginalised in our community."

Andrzej Pioch, Fund Manager
Gamechanger and L&GBT+Allies co-chair

Helping to fuel the growth of tomorrow



At Legal & General, we have a track record for investing in new areas of growth – from investment in small companies to technology and science partnerships. Our reach is expanding across UK regions and internationally.

Start-ups

Start-up businesses and venture capital
We invest in start-up businesses that have the potential to create high-quality jobs and develop important solutions for a better future.

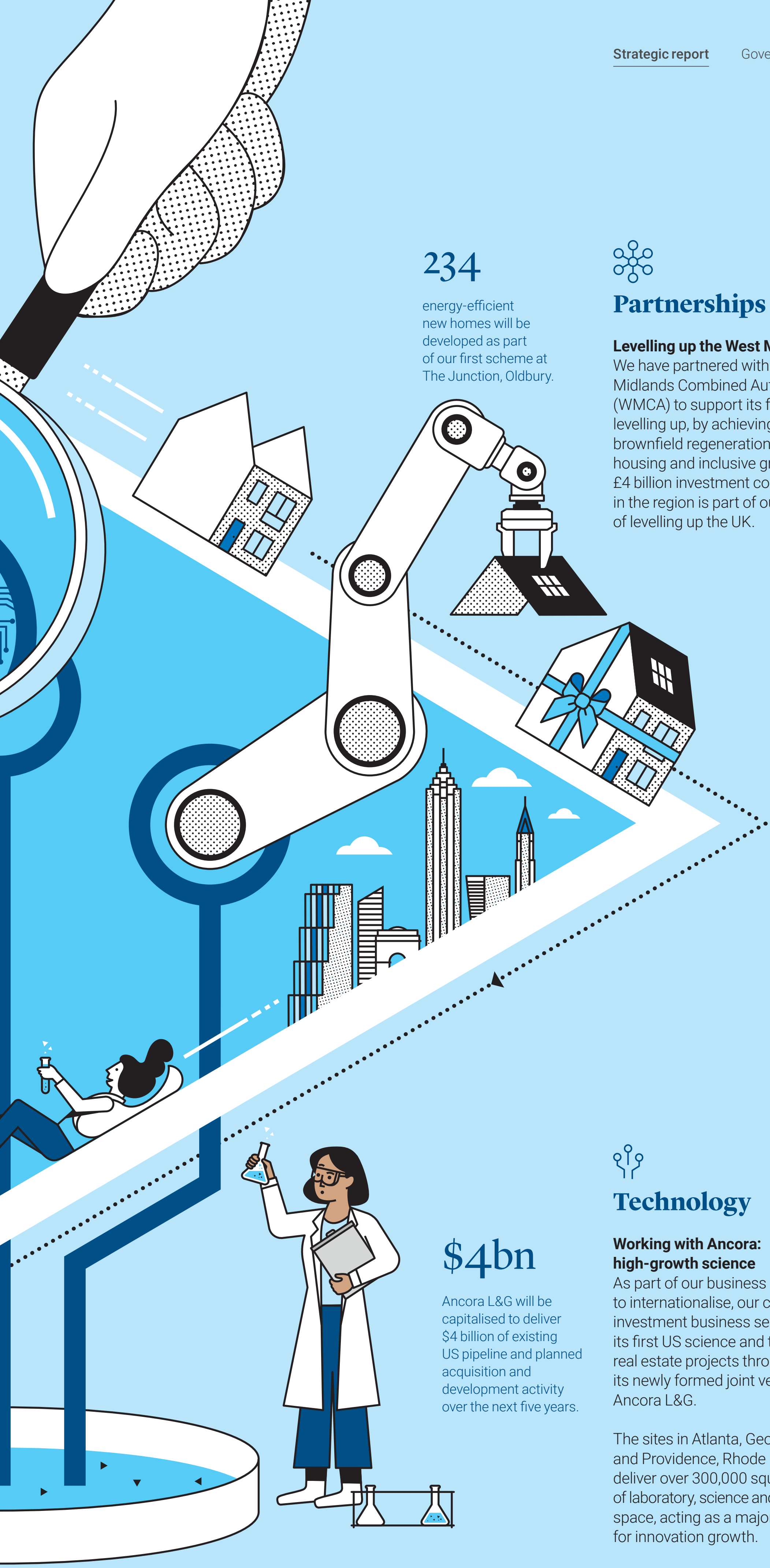
We launched FOUNDRY, a new business that reimagines and repurposes commercial and residential buildings to provide serviced office, co-working and micro retail space for early-stage and growing small companies. It will support over 400 SMEs in the first six months by promoting local skills and employment, grow resilient communities and support the growth of responsible, regional business.

“Investing long-term capital in what society needs has never been more important. For the past decade, Legal & General has brought partnership models, expertise and capital to stimulate mixed-use redevelopment – long before ‘levelling up’ was coined.”

Tom Roberts
Head of Strategic Investment at LGIM Real Assets

>400

small businesses supported by Legal & General with £600 million committed in SME finance.



234

energy-efficient new homes will be developed as part of our first scheme at The Junction, Oldbury.

Partnerships

Levelling up the West Midlands
We have partnered with the West Midlands Combined Authority (WMCA) to support its focus on levelling up, by achieving net zero, brownfield regeneration, affordable housing and inclusive growth. Our £4 billion investment commitment in the region is part of our strategy of levelling up the UK.

Global growth

Equity platform
Our Real Assets business launched a dedicated real estate equity platform in the US market, designed to deliver on significant investor demand for real estate equity exposure on behalf of Legal & General Retirement America (LGRA) and third-party US clients.

The new platform will facilitate growth opportunities in a real estate equity market that is significantly larger and more liquid than the UK market. It represents an opportunity to leverage our established and highly transferable competencies in urban regeneration, Build to Rent (BTR) and long-lease property.

> "The launch of our equity capabilities in the US represents a huge opportunity to mirror our success in the UK, investing in the real economy to improve lives and deliver positive social outcomes."

Bill Hughes
Global Head of LGIM Real Assets

$4bn

Ancora L&G will be capitalised to deliver $4 billion of existing US pipeline and planned acquisition and development activity over the next five years.

Technology

Working with Ancora: high-growth science
As part of our business plan to internationalise, our capital investment business secured its first US science and technology real estate projects through its newly formed joint venture, Ancora L&G.

The sites in Atlanta, Georgia and Providence, Rhode Island will deliver over 300,000 square feet of laboratory, science and technology space, acting as a major catalyst for innovation growth.

Investing in web technology
We have significantly expanded our technology offering in our Retail business, integrating all technology tools developed in the last three years within our affordability tool, SmartrFit.

SmartrFit is a comprehensive mortgage research and product sourcing platform.

This functionality is available for residential and buy-to-let (BTL) products.

Chief Financial Officer's Q&A

Our business is closely aligned to long-term growth drivers.

Jeff Davies
Chief Financial Officer

£2.5bn

adjusted operating profit

38.33p

earnings per share

How have you managed to navigate the volatile economic backdrop to deliver another strong set of results?
Our diversified business model helped us to remain resilient despite the volatile economic environment, with interest rates, credit spreads and inflation all moving significantly over the year.

The strength of the diversification benefit is best highlighted when considering interest rate movements over 2022, which have had the biggest impact on our businesses, both positive and negative.

The higher interest rate environment has created significant opportunity in the PRT and individual annuity businesses, demonstrated by the strong volume and associated profits. This was partially offset by adverse impacts in the investment management business, with lower fixed income asset values leading to lower associated asset management revenues and therefore lower year-on-year profit.

Despite the lower profit in our investment management division (LGIM), we still delivered a strong set of results, with profitable growth in our institutional retirement (LGRI), capital investment (LGC) and Retail businesses.

Overall, we grew adjusted operating profit by 12% to £2.5 billion, with earnings per share of 38.33 pence up 12% against 2021. We also delivered a strong IFRS return on equity of 20.7%, and £1.8 billion of Solvency II operational surplus generation from our growing back book, in line with our guidance.

How are you performing against your ambitions?
We are making good progress against our five-year (2020 – 2024) ambitions.

Against cumulative ambitions of £8 – £9 billion respectively, cash generation (net release from operations) stands at £5.1 billion and capital generation (Solvency II operational surplus generation) stands at £4.9 billion at the end of 2022[1]. We have seen growth of 14% in cash generation and 10% in capital generation over 2022.

Against cumulative dividend ambitions of £5.6 – £5.9 billion over the period, cumulative dividends declared stand at £3.3 billion at the end of 2022, with the 2022 interim and final dividend growing by 5%. The Board has recently declared that its aim is to continue to grow the dividend at 5% per annum out to financial year 2024.

We are also performing well against our ambition for Solvency II net surplus generation (which includes setting up capital for new business) to cumulatively exceed dividends paid over 2020 – 2024. We delivered a particularly strong result in 2022, creating £0.3 billion of surplus over the dividend. In total, we have created £0.7 billion surplus to the end of 2022. This has not been at the expense of ongoing investment in the business. For example, since 2020, we have written over £25 billion of PRT and individual annuities.

1. As indicated in our IFRS 17 presentation, we are retiring the cash metric in 2023 since net release from operations does not exist under IFRS 17.

A key driver of our progress in generating net surplus over the dividend has been the achievement of self-sustainability in our UK annuity portfolio for the third time in as many years – that is to say, the capital generation from the UK annuity portfolio has been sufficient to cover the cost of writing new business, whilst also delivering a growing contribution to cover the group's external dividend. We remain confident in achieving our ambitions, with our businesses closely aligned to long term and strategic growth drivers, which we expect to persist regardless of any short or medium-term market volatility.

The PRT market is accelerating given the higher interest rate environment – what is your outlook/ambition in this market over the medium term?

Over 2022, we have seen rapidly rising interest rates and widening credit spreads. As noted by market commentators, these two factors have led to materially improved funding positions for corporate pension funds, that is to say pension deficits have significantly reduced and in some cases have moved to a surplus position.

This means that a growing number of corporate pension schemes are able to consider undertaking a de-risking transaction with an insurer much sooner than they had anticipated.

Given the current market dynamics, Lane, Clark & Peacock, a leading pension consultant, has predicted an acceleration of UK market volumes over the next three years. Their latest estimate is for UK PRT of £30 – £60 billion in 2023, £35 – £80 billion in 2024 and £40 – £90 billion in 2025.

We are a leader in the UK PRT market, driven by our scale and competitive advantage in creating, sourcing and managing assets, complemented by a disciplined pricing approach.

With the acceleration of the UK PRT market, we increasingly consider our ambition of writing circa £8 – £10 billion of PRT a year as 'business as usual'. We have proved that this level of new business is self-sustainable and does not require additional capital.

We anticipate there may well be opportunity to bid on a number of additional large, or very large, PRT transactions over the next few years. We are well positioned and have appetite to write this business, subject to it delivering on our key new business metrics. We will treat this business as exceptional, akin to M&A activity.

We are also seeing similar PRT market dynamics internationally and remain committed to writing at least $10 billion of international PRT out to 2024.

Your Solvency II coverage ratio is very strong – how do you think about capital allocation?

Another outcome of the higher interest rate environment has been a reduction in our long-term liabilities and therefore a reduction in the corresponding solvency capital requirement (SCR), which is the capital we have to hold under Solvency II in respect of a one in 200 year event. Together with the ongoing growth in own funds that we are delivering as we continue to grow the business, this market impact has delivered, as noted, a Solvency II coverage ratio of 236% at year end 2022. This is the highest reported figure we have ever published.

The strength of our capital position provides us with both a significant buffer, should interest rates fall, and scope to continue to invest, so as to ensure the long-term growth profile of the group and to maintain a progressive dividend. We have a number of attractive growth opportunities in which we will continue to invest. These opportunities include the acceleration of the PRT opportunity for LGRI, building out our asset origination capability in LGC, continuing to diversify and internationalise our investment management offering in LGIM, and enhancing our accumulation and decumulation platforms and customer experience in Retail.

How will IFRS 17 impact Legal & General?

IFRS 17 is a new accounting standard effective from 1 January 2023. The standard impacts insurance contracts which, in our case, represents business written through our retirement and insurance businesses. LGIM and LGC are unaffected. As outlined in our presentation in November 2022, the introduction of IFRS 17 only impacts the timing of profit recognition – the economics of the contract remain the same. There is no change to dividend capacity (or appetite) and no change to Solvency II capital.

IFRS 17 introduces the balance sheet concepts of a contractual service margin (CSM) and risk adjustment (RA). These represent discounted, future value that will unwind into profits over time. We expect the CSM to be an important driver of insurance earnings. Upon transition, we expect to create a CSM and RA stock of around £13.7 billion – a significant store of future value. We expect equity to reduce by around £5.5 billion.

IFRS 17 also introduces a more stable and predictable profit profile through the CSM release. For us, this benefit emerges through the deferral of new business profit and demographic assumption changes to the CSM, which will then be spread and released into profit consistently over the lifetime of the contract. Historically, these two components have made a meaningful contribution to our group adjusted operating profit from divisions.

Indicatively, the removal of these two components, using an average over the last three years, with an adjustment to reflect the higher anticipated release from the in-force book, would reduce divisional adjusted operating profit by around 20 – 25%. We expect our insurance earnings to grow in a more stable and predictable way from this new base.

We are confident in our ability to continue to write profitable new annuity and protection business, and therefore to grow the CSM and related profits over time. Indicatively, writing £10 billion of UK PRT per annum would result in 6 – 7% compound annual growth in adjusted operating profit over five years. This would be higher if we wrote more than £10 billion per annum. As noted, we continue to see compelling investment opportunities across all our businesses, providing further scope to deliver growth.

Over the period 2020 – 2024, our cumulative ambition is for:

- capital generation to significantly exceed dividends
- earnings per share to grow faster than dividends
- net surplus generation (including new business strain) to exceed dividends.

£8 – £9bn

capital generation
(progress to date: £4.9 billion)

£5.6 – £5.9bn

dividends
(progress to date: £3.3 billion)

£0.7bn

net surplus generation over the dividend (2020 – 2022)

> "We are making good progress against our five-year (2020 – 2024) ambitions."

Key performance indicators (KPIs)

We consider that the measures presented on these pages are KPIs, some of which are also used for executive remuneration as explained below.

"Our synergistic business model and resilient balance sheet has delivered another great set of results, with a return on equity of 21%, and £1.8 billion of Solvency II operational surplus generation from our growing back book."

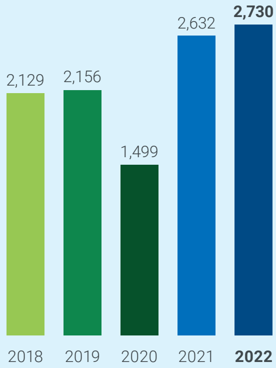
Jeff Davies
Chief Financial Officer

Guide to symbols used in these financial results

Alternative performance measure (APM), see page 264 for definitions

Key measure in the remuneration of executives, see pages 103 to 109 for definitions

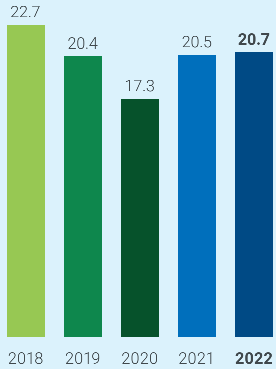
Profit before tax £m



Purpose: to measure the profit before tax of the group.

Profit before tax of £2,730 million is largely as a result of a strong adjusted operating profit of £2,523 million (up 12%) in addition to a positive investment variance of £137 million.

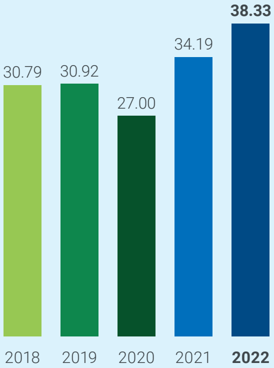
Return on equity (ROE) %



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

The return on equity of 20.7% reflects the impact of adjusted operating profit growth and underlying positive investment performance.

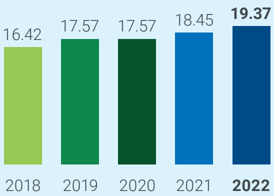
Earnings per share p



Purpose: to illustrate the profitability associated with each share owned by our investors.

EPS increased by 4.14 pence to 38.33 pence, representing a 12% increase on 2021.

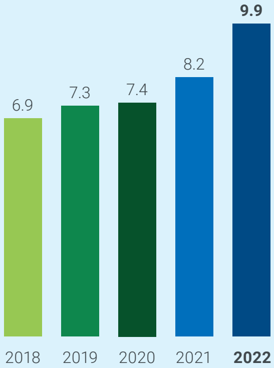
Full year dividend p



Purpose: to show the level of distribution to shareholders.

The Board has recommended to grow our final dividend by 5% to 13.93 pence. The cost of the full year dividend is £1,153 million (2021: £1,101 million) and is covered by Solvency II operational surplus generation 1.7 times. The Board has recently declared that its aim is to continue to grow the dividend at 5% per annum out to year end 2024.

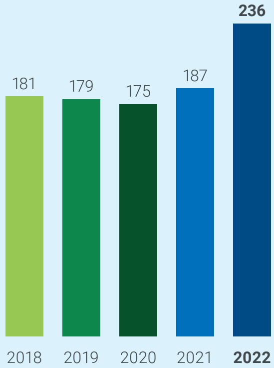
Solvency II surplus £bn



Purpose: to demonstrate the surplus capital position over the solvency capital requirement.

The group's capital position is strong, with a Solvency II surplus of £9.9 billion (2021: £8.2 billion) over its solvency capital requirement.

Solvency II coverage %

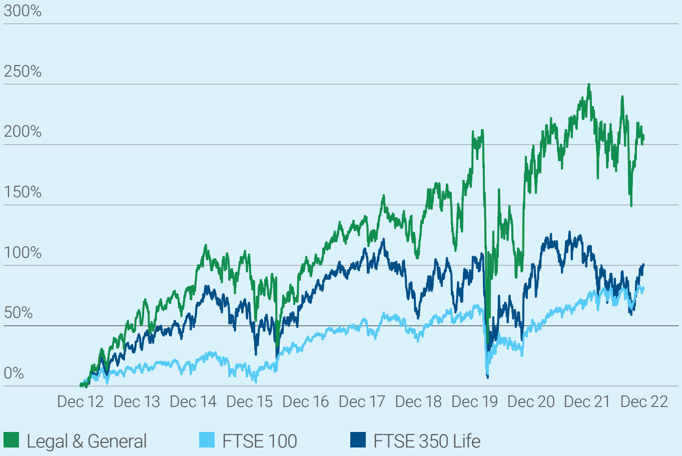


Purpose: to demonstrate the balance sheet strength of the group.

The Solvency II coverage ratio increased to 236% in 2022 (2021: 187%). The coverage ratio has increased over the year primarily due to rising interest rates, as well as contribution from our growing back book.

Total shareholder return %

As at 31 December 2022



-12%

(2021: 22%)

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

While the one year negative total shareholder return (TSR) is disappointing, 2022 was a volatile year for equity markets, impacted by the war in Ukraine and inflationary pressures, with the FTSE 100 index providing low returns of +3% and the FTSE 350 Life index providing negative returns of -7%. The chart indicates the TSR over the last 10 years which highlights our robust performance (+204%) against the FTSE 100 index (+80%) and FTSE 350 Life index (+100%).

Tax review

> We aim for our tax affairs to be well-governed, transparent, and fair to our customers, shareholders and the public."

By paying the right tax, at the right time, and in the right place, we will help build a better society for the longer term. This approach to tax is consistent with our tax strategy and is aligned with our purpose of inclusive capitalism.

We aim for our tax affairs to be well governed, transparent, and fair to our customers, shareholders and the public.

You can read more about our tax strategy and governance and what taxes we pay in our tax supplement, which is approved by the Board and can be found here: group.legalandgeneral.com/reports.

Grace Stevens
Chief Tax Officer

Our 2022 tax position

Our effective tax rate for the year is 13.9% (2021: 17.9%). This is lower than the headline UK corporate tax rate of 19% that applied for 2022, and lower than the prior year, due to the combined effect of the different rates of corporation tax that we pay on our overseas businesses and specific adjustments (for example, UK tax credits for tax we pay overseas). The effective tax rate on our adjusted operating profit has remained consistent at 16%.

The tax environment

2022 has seen a changing political and economic climate. This inevitably creates uncertainties in the wider tax environment in which Legal & General operates, and has prompted discussion of the role that tax should play in our society and the economy.

Governments are seeking to promote growth and fund increasing spending demands as well as tackling the impact of rising interest rates and inflationary pressures on wages.

We have already seen the introduction of windfall taxes, particularly in the energy sector, to address concerns on the contributions made by large businesses. In the UK, this debate has resulted in various policy changes during the year, although the planned increase in the rate of corporation tax to 25% from 1 April 2023 has been retained. For individuals, and as a sign of contrasting pressures on government policy, the income level at which the 45% additional tax rate becomes payable has been reduced, whilst the 1.25% social care levy has been abolished. These changes impact both our businesses, our employees and customers.

New accounting standards, tax legislation and tax reporting requirements continue to add to the complexities that businesses face. We recognise that governments, investors and other stakeholders have justifiably high expectations of compliance, risk management and transparency.

Our approach remains consistent with a focus on engaging with all our stakeholders and supplementing our disclosures on tax where we believe these will add value.

The introduction of any new taxes or levies must be clear in their aims and what they are setting out to achieve. This is particularly important where 'green' taxes are being introduced to incentivise businesses and wider society to adopt environmentally friendly behaviours. We believe that paying tax is an important contribution to society, and that the tax regime should endeavour to balance the needs of all stakeholders across society, whilst ensuring that policies do not create unintended consequences.

We monitor risks and complexities across all the territories in which we operate, to ensure we pay the right tax, at the right time, in the right place, consistent with our tax strategy. Further detail on our four main risk areas – and how we manage those risks – can be found in our tax supplement.

The new global minimum tax regime

There has been significant progress in 2022 in the development of the Organisation for Economic Co-operation and Development (OECD)'s proposals for a global minimum tax rate of 15%. This is being introduced from 2024, by the UK, EU and other OECD members, as part of multi-national efforts to create a level playing field for tax collection on an international basis and to combat tax avoidance through artificially shifting profits to territories with lower tax rates. As part of these measures, the UK is also introducing a new domestic minimum tax to ensure that large businesses operating in the UK pay a minimum of 15% on those operations. These rules impose significant compliance obligations on large businesses, and we are monitoring developments closely.

Tax supplement
Our tax supplement is available on our group website. See: group.legalandgeneral.com/reports

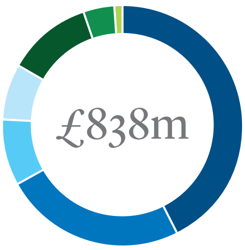
£1,838m

In 2022, our total tax contribution was £1,838 million (2021: £1,655 million) of which 94% (2021: 94%) arose in our UK businesses and 6% (2021: 6%) in our overseas businesses.

Total tax contribution
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 policyholders. We paid £838 million (2021: £835 million) of tax and collected £1,000 million (2021: £820 million).

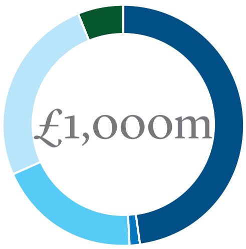
Total tax contribution in 2022

Total taxes paid



- **£358m** Profit taxes
- **£204m** Withholding taxes suffered in the UK
- **£74m** UK property and other taxes
- **£63m** UK irrecoverable VAT and premium taxes
- **£96m** UK payroll taxes
- **£35m** Other overseas taxes
- **£8m** Overseas profit tax

Total taxes collected

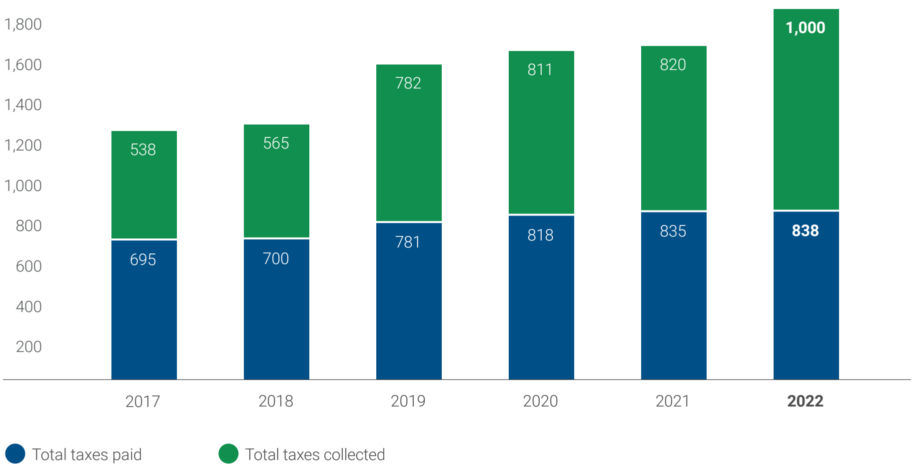


- **£480m** UK PAYE deducted from policyholders
- **£13m** UK property and other taxes
- **£193m** UK VAT and premium tax
- **£254m** UK payroll taxes
- **£60m** Overseas taxes

Our total tax contribution over the last six years

The table below shows our total taxes paid and collected over the past six years. For a breakdown of how we calculate these numbers, please refer to our tax supplement.

Total tax contribution £m



Our unique and highly synergistic business model allows us to build relationships which last.

£9.5bn

global PRT new business volumes

£332.2bn

assets managed for our clients are linked to ESG

21%

growth in our alternative asset portfolio

£3.1bn

insurance gross written premiums

2022 in review
Inclusive capitalism remains at the heart of everything we do. During 2022, we continued to demonstrate our commitment to improve the lives of customers, build a better society for the long term and create value for our shareholders across all of our divisions. In turn, we were able to maintain our position as a market leader across key markets and capitalise on a number of significant growth opportunities.

Our institutional retirement business (LGRI) remained disciplined on pricing and executed at higher volumes to address growing demand. Our capital investment (LGC) and investment management (LGIM) businesses worked together to meet the growing client demand for alternative assets. Retail continued to leverage technological innovation, operational strength and scale efficiencies to offer market-leading products.

Outlook
Our institutional retirement business maintained its position as the only global player in the direct PRT market. Being a top-tier provider in both the UK and US, we are increasingly enhancing our asset strategy and product innovation to develop a well diversified portfolio and generate self-sustaining new business. We uphold our ambition to write at least $10 billion of international PRT over the years 2020 – 2024, and increasingly regard our ambition of writing £8 – £10 billion of UK PRT each year as 'business as usual'.

As our capital investment business continues to scale and mature, we are well positioned to drive further meaningful growth in line with our medium-term ambitions. Building on our success to date, existing platforms such as Pemberton and NTR will continue to underpin our aims for third-party AUM as we look to grow contributions from clean energy and later living, and expand our international reach following our first investment in the US with Ancora L&G.

Our plan for LGC to deliver adjusted operating profit of £600 – £700 million in 2025 and increase third-party capital to £25 – £30 billion in line with the ambition set out in October 2021 remains unchanged.

The success of our investment management business remains centred around its three pillar strategy: modernise, diversify and internationalise. As a global leader in ESG, we are committed to creating a better future through responsible investing and deepening our strong client relationships through innovation. We are continuing to expand our investment offering by focusing on higher-margin product areas including Real Assets, and enhancing our distribution footprint, as seen by the launch of the Clean Power Fund in partnership with NTR.

The enduring ambition of our Retail business to be the UK's leading insurance, savings and retirement brand is reinforced by our strong distribution relationships, investment in our systems and platforms, and product enhancements. A steadfast focus on technological innovation enables our business to drive better customer outcomes and protect people from financial uncertainty throughout their lives. We continue to target mid single digit growth in revenues across our UK protection businesses, and double digit growth in new US business sales to 2025.

Capital markets event
For full details of our external ambitions, see our capital markets event: group.legalandgeneral.com/CME

Institutional retirement

CEO introduction

2022 has continued to build upon our market-leading expertise, long-standing relationships and execution ability with 47 transactions in the UK worth £7.3 billion, 12 transactions in the US for a record £1.8 billion and two transactions in the Canadian market worth £0.5 billion.

Following interest rate rises and market movements over 2022, many DB pension schemes have been able to accelerate their plans to fully insure their liabilities.

As the UK's longest standing bulk annuity provider, with a successful and growing US and international presence, we are well positioned to meet the widely anticipated increase in demand, having secured the benefits of more than half a million people around the world.

Growth drivers

- Ageing demographics.
- Investing in the real economy.
- Addressing climate change.

Andrew Kail
Chief Executive Officer,
Legal & General Retirement Institutional

2022 key activities

In 2022 we continued to use our global expertise in investment management, asset sourcing, mortality trends and longevity risk to deliver an excellent year in our global PRT business. We have remained disciplined in the deployment of our capital, selecting opportunities that allow us to invest in high credit quality assets, match our long-term liabilities and meet our return targets.

Excellence in customer service

Our excellence in customer service was recognised in this year's Customer Contact Association (CCA) Global Excellence awards. We were shortlisted for five awards and won two, in the Director and Team Leader of the Year categories.

Our Net Promoter Score (NPS) remains over +70 for the fifth year which is widely regarded as being at a 'world class' level and we have successfully attained the Customer Contact Association (CCA) Global Standard Accreditation for 2023, marking the fourth consecutive year that we have received this accreditation.

New business

In 2022 we have secured premiums of £9.5 billion across the UK, US and Canada, using our expertise to allow schemes to swiftly take advantage of improved funding positions arising from global increases in interest rates. We grew in all our markets, delivered innovation and growth in our small scheme presence, and demonstrated our capacity to transact on large schemes.

£4.3 billion over two buy-ins covering the majority of the British Steel Pension Scheme

Over 2022 we agreed two transactions with the new British Steel Pension Scheme (BSPS). These were our second and third transactions with the scheme and represent one of the largest de-risking arrangements we have ever implemented with a single partner in a calendar year. We have now insured 60% of BSPS liabilities, including an initial £0.5 billion transaction in 2021, when LGIM was first appointed to manage assets for the scheme. Working across LGIM and LGRI, we have been able to engage the scheme holistically and continue to support it reaching its ultimate goal of securing all scheme liabilities.

£400 million buy-in with the TT Group (1993) Pension Scheme

Demonstrating agility, we wrote a £400 million transaction with the TT Group (1993) Pension Scheme, closely linking the offered price to the scheme's existing assets. This quickly gave the Trustee price certainty, following favourable market movements, while the terms of the buy-in were being agreed. Our exceptional member experience capabilities were also cited as a deciding factor, demonstrating the value that schemes place on our holistic offer.

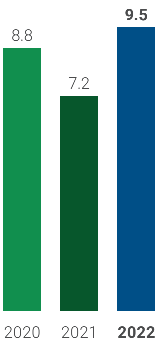
£430 million buy-in with the Tioxide Pension Fund

We agreed a £430 million buy-in with the Tioxide Pension Fund in November 2022, securing the benefits of around 2,700 retirees and deferred members. We had an established relationship with the fund, with LGIM managing part of the assets since 1995, and were able to provide the Trustee with price certainty to transact the deal during a period of high market volatility.

£225 million buy-in with Newell Rubbermaid

In February we signed a £225 million transaction with Newell Rubbermaid, the scheme's second buy-in with Legal & General. After being selected as preferred insurer in December 2021, we provided a tailored price lock to the value of the scheme's portfolio of gilts, in a second example of the benefit to schemes of our expertise in managing price outcomes during periods of high market volatility.

Institutional retirement sales £bn

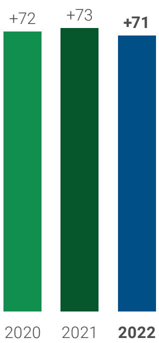


£9.5bn

Institutional retirement achieved strong sales of £9.5 billion. We transacted 61 deals globally, achieving £7.3 billion in premiums in the UK, whilst also growing our presence in the US market, writing premiums of £1.8 billion.

Our reinsurance hub also wrote £459 million of premiums. Premiums shown exclude longevity insurance.

Net promoter score



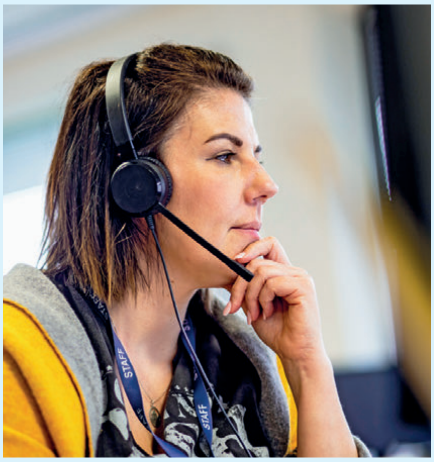
+71

NPS is a metric that is used to measure customer experience on a scale of-100 to +100. The average NPS in the financial services industry is around +44. Our average NPS over the past three years has consistently remained at above +70 which is regarded as a world-class level of service. We have managed to maintain a fantastic score whilst shifting to hybrid working demonstrating our operational resilience and how we have supported our customers.

Vulnerable customers

Providing proper support to our customers is vital for us and, with potentially 300,000 customers having at least one vulnerability, our expertise in providing additional care where customers need it is key to how we do business. Understanding this is a focus for the development of our people (vulnerable customer training starts in the first week of joining Legal & General) and we partner with multiple charities to ensure our training provides the skills they need. We enhance these skills by identifying gaps in provision and options to address them. This includes the 'Vulnerable Customer Toolkit', which helps our representatives decide what actions to take when we identify that a caller is vulnerable, and dedicate specialists to support them.

Pension schemes recognise the value this brings to their members, and our focus on customer service can be a key feature for pension schemes transacting with us.



Innovation in the market

We have continued to drive innovation in the PRT market to help schemes achieve de-risking throughout their buyout journey. While many schemes are now finding that they have reached full buyout, it is often earlier than planned and they may still have a significant illiquid asset holding. For these schemes' innovative solutions, which may include accepting assets in-specie or allowing schemes to defer part of the premium, may continue to be important parts of their buyout journey.

Opportunities for small and mid-sized pension schemes

73% of UK pension schemes have assets of less than £100 million and this market segment is important to us, ensuring that we provide opportunities for small and medium-sized pension schemes. Last year, we completed 35 sub-£100 million transactions, securing £889 million of members' benefits in the process including a £75 million transaction with Triplex Lloyd and a £50 million deal with the Boots supplementary scheme.

International pension de-risking

In a record year for the US PRT market, LGRI hit a historic milestone in US new business by completing more than $2 billion (£1.8 billion) of premiums over 12 transactions in 2022, including its two largest deals to date at over $500 million each. Globally we have written two further transactions in the Canadian market worth $722 miilion CAD (£0.5 billion).

US PRT deals

We wrote a $145 million transaction with Rolls-Royce North America Inc., covering approximately 1,200 participants and expanding our long-standing relationship with Rolls-Royce, for whom we provide both investment and pension de-risking support in the UK, with a £4.6 billion transaction in 2019. The deal highlights our position as a global PRT market leader and underscores why companies value our pension risk solutions.

Relationships

We want to build long-lasting and strong relationships with our clients, which are strengthened by our close relationship with our investment management business and allow us to support pension schemes at any stage of their lifecycle. Through developing these relationships, including the use of umbrella contracts, we support schemes through multiple transactions on their journey, which may end with full buyout.

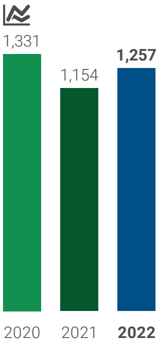
£370 million buy-in with BAA

In February, we agreed a £370 million transaction with London Heathrow's BAA Pension Scheme. This is the second transaction with the scheme, with an umbrella contract that enables the Trustee to potentially insure further liabilities quickly and easily. LGIM has managed the scheme's assets since 2020.

The power of pensions and ESG

We actively seek out opportunities to sustainably invest in a socially responsible way. We are passionate about the projects we undertake and believe in their transformative power to stimulate positive change in the world.

Adjusted operating profit £m



£1,257m

Institutional retirement achieved a strong adjusted operating profit of £1,257 million driven by the performance of our annuity portfolio and further bolstered by routine assumption updates. The figures shown include releases associated with changes to future mortality improvements.

Understanding the risks

Taking on the responsibility for pension scheme liabilities and providing income in retirement, exposes us to the risk that people may live longer than anticipated, or that we experience defaults in the investments backing our obligations. 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' credit and property experts, we continuously assess default risks in our investment portfolio, managing exposures to sectors that may be at risk in the prevailing economic environment and, where appropriate, trading out positions.

Contribution to society
The scale of investments in the LGRI portfolio provides real opportunity to be purposeful in the way we invest money so that we can both grow our profits and invest in projects that will do good. We are committed to part funding two such opportunities in Newcastle and Sheffield. In Newcastle we are investing in Helix, a £350 million innovation quarter in the city centre. Originally a coal mine, Helix is unique and purpose-built to enable the commercialisation of new ideas and to act as a springboard for spin-out companies from Newcastle University. In Sheffield we are supporting a mixed-use development combining retail, leisure and housing which will create 8,000 new jobs.

In Bermuda in 2022, we sponsored the Bermuda Zoological Society's (BZS) schools programme for the second year; environmental education is provided to thousands of children annually and encourages future generations to become stewards of the natural world. We also supported the development of young Bermudians by providing a scholarship via the Association of Bermuda International Companies' Education Awards programme, and through our summer internship programme.

Investing in the nation's homes
This year we continued our commitment to invest in and commit future funds to homes in the UK. These included affordable homes, which help to tackle the huge shortage of affordable housing in the UK, Build to Rent schemes and Lifetime Mortgages. As well as supporting the UK's housing needs, the home building we fund targets net zero carbon by 2030.

Our journey to net zero
We have one of the largest retirement annuity books in the UK and we recognise that our scale brings a responsibility to act decisively on matters such as climate change. We strongly support the stated aim of the 1.5°C 'Paris' objective and have made the following commitments: to reduce the 2019 portfolio carbon emission intensity by 18.5% by the start of 2025, 50% by 2030 and targeting net zero by 2050.

Outlook
The UK and US PRT markets have experienced rapid growth over the past decade, and we expect increased opportunity over the coming years. Legal & General is well placed to support our existing clients and pension schemes de-risking in greater volume, with strengths in asset sourcing, established and effective operations and strong long-term relationships, allowing us to support more DB pension schemes to achieve full buyout funding.

> "Our long-standing heritage and global capabilities, allied to the breadth of expertise we offer through our close relationship with LGIM, means we are uniquely placed to support pension schemes at every stage of their de-risking journey."

Andrew Kail
Chief Executive Officer,
Legal & General Retirement Institutional

Climate report
Our 2022 climate report is available on our group website. See: group.legalandgeneral.com/reports

Celebrating 35 years

As the longest serving active insurance provider in the UK market, we have experienced the evolution of PRT since our first transaction in January 1987. It started modestly with the creation of a small bulk purchase annuities team, but our business, and the whole industry, has grown significantly since then. Today, it is widely viewed as the gold standard for securing members' benefit promises for the long term.

We are proud of our achievements over those 35 years; from the success of the past decade in which we've secured more than £50 billion of pension scheme members' retirement income in the UK, to growing our international business in the US and Canada, and the £28 billion of direct investments we've made into areas like urban regeneration, transport, housing and clean energy.

We are excited to continue to evolve and drive innovation in the solutions we provide and the customer service we offer, supporting the pensions sector for the next 35 years and beyond.

Capital investment

CEO introduction
Our capital investment business (LGC) has three fundamental objectives: 1) profit and value generation within LGC for shareholders; 2) asset creation to back LGRI and Retail annuity liabilities and to meet demand from like-minded investors; and 3) a focus on ESG, securing long-lasting value for society.

We continue to deliver on our ambition to build LGC's diversified AUM to around £5 billion by 2025, with a blended portfolio target of 10% – 12%. Additionally, we plan to increase third-party capital to £25 – £30 billion (2022: £16.6 billion).

Growth drivers
- Ageing demographics.
- Globalisation of asset markets.
- Investing in the real economy.
- Welfare reforms.
- Technological innovation.
- Addressing climate change.

Laura Mason
Chief Executive Officer,
Legal & General Capital

2022 key activities

LGC continues to scale up in housing and had a landmark year, with over 5,000 homes delivered across affordable housing, later living, Build to Rent (BTR), Modular Housing and traditional Build to Sell, with a focus on creating sustainable homes.

The £4 billion agreement in the West Midlands, our first with a combined authority, demonstrates how our 'levelling up' agenda works in the real world. The seven-year investment commitment we have made will include major contributions into climate-friendly projects, local communities and social and affordable housing, alongside new commercial developments.

Another milestone achievement in 2022 was our first investment in the US. Our 50:50 partnership with US real estate developer and asset manager, Ancora, is building out a real estate business dedicated to driving life science, research and technology growth across the US.

In a new joint venture between LGIM and NTR, we participated as one of the cornerstone investors for the Clean Power (Europe) Fund, with the fund announcing its first asset acquisitions at the beginning of 2023.

LGC continues to invest in new and innovative sectors in the clean energy space, with Sero Technologies, SunRoof, Vaarst, Rovco and Brill Power.

Housing

Affordable Homes

Our Affordable Homes business continues to establish itself as one of the UK's leading institutional developers and managers of affordable housing. Our recent research suggested that an estimated 145,000 affordable homes are needed to meet demand, 98,000 greater than the recent annual delivery. We are playing our part in closing this gap with our ambition to deliver 3,000 new homes per year. In March, we announced a landmark partnership with Lovell Partnerships to deliver a target of 3,000 multi-tenure properties across a five-year period, with all new housing forming part of our joint commitments to deliver homes which are operationally net zero carbon from 2030.

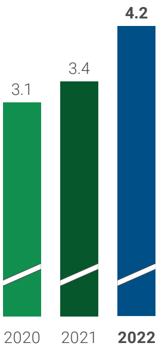
In September, we announced a joint venture with Metropolitan Thames Valley (MTVH) with the aim of delivering over 2,000 shared ownership, and 500 affordable rent homes over the next seven years.

Our Affordable Homes' offering highlights the synergies across Legal & General, with our institutional retirement business announcing a commitment to deliver £2 billion of pension funds into affordable homes over the next five years, which will help to create more than 10,000 new homes nationwide. We are also seeking alternative sources of financing to help deliver on our ambitions. A £150 million social loan, the first of its kind in the UK, will help to deliver 5,500 of our new affordable homes.

Build to Sell

Our Build to Sell business, CALA, delivered an excellent performance in 2022, with adjusted operating profit of £169 million (2021: £133 million) and delivering over 3,000 units (2021: 2,904 units). Despite a challenging second half of the year for the sector as a whole, our private average sale price increased to £492,000 (2021: 462,000). CALA's Sustainability Strategy aims to ensure all our new houses are operationally net zero by 2030. Our roadmap includes exploring new and pioneering technologies, such as solar PV with battery storage and air source heat pumps, in order to make an active contribution to the fight against climate change, while leveraging other LGC investments in these product areas.

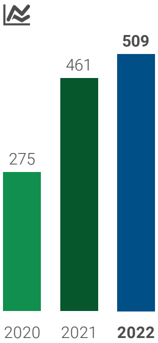
Direct investments £bn



£4.2bn

Our direct investment portfolio grew over 20% in 2022 to £4.2 billion (2021: £3.4 billion).

Adjusted operating profit £m



£509m

We delivered adjusted operating profit of £509 million in 2022, 10% higher than 2021 representing significant progress towards our 2025 ambition of £600 – £700 million.

The clean energy sector

We estimate that, in the UK alone, up to £80 billion will be needed for additional renewables infrastructure to support the transition to net zero, as well as at least £25 billion for new technologies and assets such as heat pumps and electric vehicle charging infrastructure.

Our clean energy business aims to support this investment and has gone from strength to strength since its inception in 2015. It is focused on investment opportunities in energy transition and invests in both renewable energy infrastructure and clean technology growth businesses including NTR (pan-European renewables), Brill Power, Oxford PV, Tokamak Energy, Kensa Group, Rovco-Vaarst and Sero Technologies.

Build to Rent

Our Urban Build to Rent (BTR) joint venture with PGGM has continued to make strong development progress across the UK's major towns and cities. We now have a £200 million portfolio of c.2,500 Urban BTR homes with seven schemes in operation or development, creating a strong pipeline of attractive, high-quality assets for LGIM clients.

In the first forward-funding transaction between Suburban Build to Rent (SBTR) and CALA Homes, they have agreed an exchange of 107 homes at Buckler's Park, Crowthorne, in the south east of England. The pipeline for our SBTR business now stands at over 1,200 homes throughout the UK, including over 200 homes currently under construction in Peterborough and Crowthorne, where the development will include electric vehicle charging (EVC) points and air source heat pumps.

Later Living

Our Inspired Villages Later Living business has continued to make great progress, driven by the 15-year partnership we began in 2021 with Natwest Group Pension Fund. During 2022, we opened the seventh and eighth operational villages at Ledian Gardens (Kent) and Elderswell Village (Bedfordshire) and secured four new sites, bringing our total to over 25 sites.

Modular Homes

Our Modular Homes business has delivered houses on multiple sites and continues to work towards profitability as it builds its pipeline.

SME Finance
Venture capital

Our venture capital platform, through both our Fund of Funds programme and our direct investment platform, Accelerated Digital Ventures (ADV), now backs around 600 start-up businesses across the UK and Europe. In 2022, we invested in an electric vehicle subscription service, Onto, and hold investments in similarly exciting, innovative and sustainable start-ups such as VanMoof and Smol.

General Partners (GP) investing

Through our 40% stake in leading European private credit manager, Pemberton, we continue to support UK and European mid-market lending. The Pemberton platform has raised over €16.5 billion (2021: €13.5 billion) across five strategies, since we first invested in 2014, with 180 investors globally.

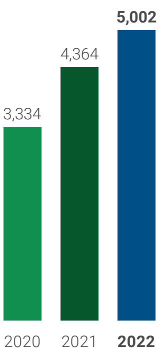
Special commercial real estate
Urban regeneration

We continue to support the 'levelling up' agenda in the UK, investing alongside public and private sector partners to drive forward large urban transformation schemes. In the coming months, our first BTR project in Wales, at Cardiff Interchange, will welcome its first tenants.

In May, SciTech, our joint venture with Bruntwood, announced its first investment in Scotland, a 14-storey office building in the heart of Glasgow city centre and innovation district. The acquisition brings Bruntwood SciTech's total portfolio to 11 UK sites across seven cities, with a portfolio of c.2.4 million square feet of science and technology specialist infrastructure.

We continued to deliver on our existing investments, with works underway to develop new postgraduate and family homes at Court Place Gardens as part of our £4 billion Oxford partnership, as well as the first phase of development at West Bar, the single largest private investment deal in Sheffield City Centre.

Homes delivered



5,002

Across our housing portfolio, we continue to deliver at pace to help address the UK's chronic under supply of housing. Across all tenures, we delivered 5,002 homes in 2022, an increase from 4,364 in 2021.

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 risks.

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.

Climate report
Our 2022 climate report is available on our group website. See: group.legalandgeneral.com/reports

LGC capital markets event
group.legalandgeneral.com/CME

Capital investment
continued

> 2022 has been a landmark year for Legal & General Capital as we have made major commitments to deliver transformational schemes in all our alternative asset specialisms across both the UK and, for the first time, the US."

Laura Mason
Chief Executive Officer,
Legal & General Capital

In 2022, we achieved the milestone of our first investment in the US with a 50:50 partnership with real estate developer, Ancora. The partnership aims to deliver $4 billion (£3.2 billion) of existing pipeline and planned acquisition and development activity over the next five years. Our first projects in Atlanta, Georgia, and Providence, Rhode Island, are set to deliver over 300,000 square feet of laboratory, science and technology space.

Digital infrastructure

Our investment in WiredScore, an early-stage real estate digital connectivity accreditation business, has continued to grow and successfully completed a fundraise of $15 million to fund further expansion. Kao Data, a specialist developer and operator of high performance data centres, acquired two additional sites in early 2022, bringing its total available capacity across wider London to around 55MW. The sites are powered by 100% renewable energy and use hydro-treated vegetable oil instead of fossil fuels in the backup power supply.

Clean energy

We are focused on investing selectively into attractive growth equity and low-carbon infrastructure opportunities. Our new investments include SunRoof, a Swedish start-up revolutionising the solar roof sector with the most powerful building-integrated solar roof on the market and Brill Power, which optimises battery performance through its intelligent battery management system.

We led a £15 million Series B raise, and invested in Rovco and its sister company, Vaarst. Vaarst is a leading provider of subsea 3D computer vision technologies supporting the offshore wind, wave and tidal, scientific, maritime security, and civil industries. It is bringing forward ground-breaking AI-based technology, seeking to revolutionise how energy companies manage subsea infrastructure and improve asset integrity. Rovco delivers this technology into the energy transition space, mainly focused on its use for subsea surveys in offshore wind and oil field decommissioning.

We have boosted our investment in Kensa with a further £8 million, bringing our total investment to just under £16 million over two years. We also celebrated the official factory opening of the UK's largest production facility dedicated to ground source heat pumps, which will help Kensa rapidly increase output by a further 50%.

Traded portfolio

Our diversified traded portfolio has been negatively impacted by adverse market performance in 2022. The traded portfolio also supports wider group objectives, including helping LGIM launch new products and delivering our sustainability objectives. Over the year we continued to deliver into these objectives and transitioned a significant proportion of our listed equities to lower carbon emission products, which benefit from LGIM's index construction and stewardship. We maintain a diversified portfolio of traded assets as we continue our strategy to shift LGC's asset mix towards alternative assets.

Outlook

We are confident in our ability to deliver on our previously stated ambitions, and believe that LGC continues to be well positioned to drive further meaningful growth as our businesses continue to scale and mature. While short-term market volatility may temporarily impact some of our investment valuations, we will leverage our strong balance sheet to invest for the long term and deploy capital to attractive high-yield opportunities.

A core component of our future vision is our ability to attract third-party capital to our strategies. We are confident that there is significant third-party appetite for the assets we create. We are actively working to explore routes to market for LGC's investment capabilities, to deliver against previously stated ambitions of achieving £25 – £30 billion of committed third-party capital by 2025.

Whilst we expect our existing platforms (Pemberton, NTR) to continue to manage the majority of third-party AUM, our ambition also reflects incremental opportunities in clean energy, later living, data centres and US science and technology. Excluding assets originated to back our annuity liabilities, LGC expects to invest and manage over £30 billion of alternative AUM by 2025. As part of the ambition, we will also target international opportunities, with a primary focus on the US.

Investment management

CEO introduction

We are a global asset manager that benefits from scale, a diversified client base and structural demand for its capabilities. In 2022, the market environment in which we operate changed fundamentally: inflation and interest rates moved materially higher, while most asset classes declined in value.

However, we demonstrated resilience against this backdrop, generating external net flows of £49.6 billion. We also continued to pursue our ambitious five-year growth strategy to modernise, diversify and internationalise our business.

The events of last year reinforced the importance of our purpose: to create a better future through responsible investing.

Growth drivers

- Globalisation of asset markets.
- Investing in the real economy.
- Addressing climate change.
- Welfare reforms.
- Ageing demographics.

Michelle Scrimgeour
Chief Executive Officer,
Legal & General Investment Management

2022 key activities

The conflict in Ukraine prompted widespread disruption in energy supplies, contributing to spiralling inflation. This, in turn, weighed on both fixed income and equity markets, as central banks tightened monetary policy.

Given the market environment, short-term performance across some of our multi-asset strategies has been challenging, especially for those seeking a 'cash plus' outcome. In Solutions and Index, our investment success was driven by asset-liability matching or by tracking indices predefined by our clients.

The relative performance of our UK-managed active fixed income strategies remained strong with 82% of strategies outperforming over three years and 83% over five years. Our US-managed active fixed income strategies have also performed strongly. Within private markets, 67% of our real estate equity funds outperformed over three years, while our private credit performance remained strong.

Liability-driven investment (LDI)

In the second half of 2022, the gilt market experienced unprecedented volatility. This posed challenges to LDI strategies for DB pension schemes in terms of liquidity and the need for collateral. Throughout this period, we remained focused on managing risk to achieve our clients' long-term objectives. Despite this volatility, the move in gilt yields improved the funding position for most DB schemes, making them better positioned to plan for their 'endgame', which we are well placed to help them achieve.

Responsible investing

We remain committed to leading the asset management industry in addressing the environmental and social challenges arising from a rapidly changing world.

To this end, we continued to work in partnership with our clients to align 70% of eligible assets to net zero carbon emissions by 2030, and reach net zero GHG emissions by 2050 or sooner across all eligible AUM. Meanwhile, following Russia's invasion of Ukraine, we divested from Russian securities of which our total exposure was small at 0.1% of AUM and mainly held in index funds and exchange traded funds (ETFs).

Our Investment Stewardship team worked with companies, regulators, policymakers and peers around the world to tackle systemic issues, material risks and opportunities. During the year, they engaged with around 900 companies. We also demonstrated innovation in designing products to meet environmental, social and governance (ESG) objectives, including the launch of a net zero corporate bond fund. As at 31 December 2022, LGIM managed £332.2 billion (2021: £290.0 billion) of AUM in responsible investment strategies explicitly linked to ESG criteria.

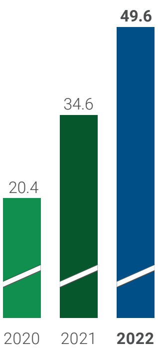
Michelle Scrimgeour, continued to serve as COP 26 Business Leaders Group co-chair, ahead of COP 27 and joined the steering group for the UK's Transition Plan Taskforce.

Modernising

We are laying the foundations for continued global growth by investing in our people, our operating platform and our data capabilities.

We continue to deliver on the implementation of our strategic operating model to create a globally scalable platform with State Street, using their Charles River technology to help deliver a best-in-class client service. The use of this technology across our investment management services in the UK, America, Asia, and Europe will enable us to offer a more automated, consistent and seamless experience for all of our clients based around the world.

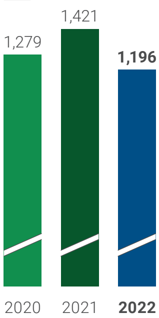
External net flows £bn



£49.6bn

External net flows of £49.6 billion are 43% higher than 2021, driven by strong performance internationally, especially in the US, Asia and Japan.

Assets under management (AUM) £bn



£1.2tn

Our AUM reduced by 16% to £1.2 trillion in 2022 as a result of adverse market conditions. As at 31 December 2022, £332.2 billion of the AUM we manage for our clients is in responsible investment strategies explicitly linked to ESG criteria.

Partnership with Lewis Pugh

Biodiversity is essential to life on this planet, yet biodiversity loss due to the climate crisis is one of the greatest challenges we face.

That's why we continued our global partnership with Lewis Pugh, UN Patron of the Oceans, who swam across the Red Sea to raise awareness of the rising water temperatures starving coral reefs that support essential biodiversity.

This swim was timed to take place ahead of the COP 27 climate summit in November 2022 which representatives from LGIM attended alongside government officials, policymakers and businesses, in Sharm El-Sheikh, Egypt.

Diversifying

We are leveraging opportunities that complement our existing core capabilities, whilst innovating and creating more solutions for our partners. To this end, we are continuing to expand our investment offering, with a focus on higher-margin product areas such as real assets, ETFs, multi-asset and fixed income. Around 95% of our recent product launches have been in ESG-specific areas.

Real Assets

Our Real Assets business experienced continued success in 2022 following further commitment to the BTR strategy, with £2.5 billion committed to the sector in 2022. This includes the development of the Wandsworth BTR scheme for which we have secured a four-year £270 million green debt facility to finance green buildings which meet regional and internationally recognised standards for sustainability.

We are continuing to build on our partnership with NTR, a leading renewable energy specialist, to provide institutional investors in the UK, Europe and Asia access to the €1 trillion European energy transition. In 2022 we launched our Clean Power (Europe) Fund with initial capital raising of €200 million.

ETFs

Our ETF business continues to grow strongly, following our acquisition of the Canvas platform in March 2018. Over this period, we have more than tripled revenue. The business has shown resilience in 2022, against a challenging backdrop, with $1.3 billion of external net flows delivering an annualised net new revenue of $3.8 million, supporting our growth strategy into higher margin areas.

We launched four new thematic ETFs over the second half, covering Emerging Cyber Security, Optical Technology and Photonics, Global Thematics, and the Metaverse.

UK Defined Contribution

Our UK DC products enjoyed further success in 2022, generating £11.6 billion of external flows. Our Mastertrust recently reached £20 billion in AUM with 1.7 million members, making it the largest commercial Mastertrust on the market.

The development of our 'Expression of Wish' digital service in partnership with Tumelo, allows DC scheme trustees to identify the ESG issues that matter most to their members and have a dialogue with our Investment Stewardship team. This is now available to LGIM's DC trustee client base which represents 2.3 million scheme members in the UK, as well as other LGIM clients.

Internationalising

We seek selective opportunities in new markets and channels, where we see scope to innovate or disrupt, and where our strengths align to client needs. Over the last five years LGIM's international AUM has more than doubled to reach £441 billion – 37% of our total AUM. Our ambition is to continue to grow international AUM profitably, and at pace, in the US, Europe and Asia.

US

In the US, we continue to build on our leadership in DB solutions, and we are deepening our strong client relationships through innovation in DC retirement income and leadership in responsible investing.

Europe

In Europe, we are building on our recent success, aiming to penetrate new markets and grow AUM across a broader range of investment capabilities. Over the second half, we expanded our European footprint by opening a branch in Switzerland.

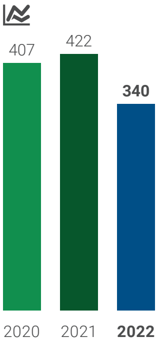
Asia Pacific

We are also well placed to realise growth in Asia, where we are expanding our distribution footprint across key markets and channels, recently making our first hires in Singapore.

Outlook

2022 was a profoundly challenging year for all asset managers. Our AUM declined with closing AUM of £1,196 billion. Looking into 2023, we will continue to adopt a disciplined approach to cost management and will continue to focus on: increasing AUM in international and higher-margin areas; diversifying AUM by client, channel, and geography; and investing in the business to increase operational leverage. We remain confident that LGIM will make an important profit and cash contribution to the group, despite the more challenging environment.

Adjusted operating profit £m



£340m

Our adjusted operating profit decreased by 19% to £340 million in 2022. Revenue decreased by 4% to £970 million, however we maintain a disciplined approach to cost management taking expense actions over 2022, including on recruitment and variable compensation, to combat the impact of higher expense inflation and market movements on revenue.

Understanding the risks

We maintain robust internal controls to ensure funds are managed in line with client mandates, fund performance is consistently delivered, and operational errors are minimised. These are integral to attracting new funds under management, minimising fund outflow and managing regulatory and reputational risks. Our continued investments in systems, processes and people ensures our control environment aligns with risk exposures across our global operating model. Our income is related to funds under management, so we are exposed to changes in the value of assets underlying our funds.

> "As a long-term investor, we have a responsibility to use our voice consistently on the critical issues that will protect the integrity of global markets and foster sustainable and resilient economic growth."

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Retail

CEO introduction

On 1 January 2022, we merged the Insurance and Retail Retirement divisions to form Legal & General Retail, with a mission to reimagine our world to create brighter financial futures. The new division covers the savings, protection and retirement needs of around 13 million people through our portfolio of retail and workplace businesses in the UK and US.

We first sold Life Cover in 1836, and are a UK market leader in life insurance, workplace pensions and retirement income. Our US businesses have been protecting our US customers for over 70 years.

By harnessing data, innovation and technology, and working as one Retail team, the merger delivers better financial outcomes for our customers, value for our partners and returns for our shareholders.

Growth drivers

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

Bernie Hickman
Chief Executive Officer,
Legal & General Retail

UK Retail Protection

Our protection businesses help our customers plan for the unexpected. During 2022, we gave peace of mind to more than 6.3 million UK life insurance customers, maintaining our market leader position, winning eight industry awards, and retaining all existing sole tie partners in the face of challenging market conditions. Our advanced digital underwriting processes help us offer immediate terms to over 80% of our applicants.

We focused on product and service innovation. For example, we launched our Whole of Life Protection Plan on our digital platform. We also extended the coverage of our Waiver of Premium option, recognising that our customers are working to older ages. These initiatives were warmly received, with customers benefitting from excellent value and service.

UK Group Protection

2022 saw more innovation and growth, serving our 1.8 million customers, and gaining new business with large corporates employing thousands and small and medium-sized businesses with 10 or more employees. These wins included a single £11 million premium income protection scheme with a significant FTSE 100/financial services customer, and growth through our intermediary distributed channels. Over 600 new SME customers joined us through our Onix ('online quote and buy') self-service platform.

We further embedded our health and wellbeing framework: 'Be Well, Get Better, Be Supported'. As part of this, we launched a unique 'value of wellbeing' platform in exclusive partnership with Fruitful Insights, which provides clients with an indication of the costs associated with impaired wellbeing and productivity. We also launched our new Virtual Clinic; a 24/7/365 virtual GP, which includes mental wellbeing support, as well as child mental health consultations.

US Protection

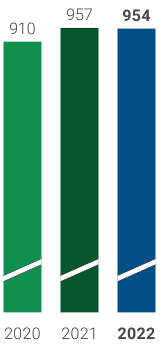
With over 1.5 million customers, as the market recovered after the pandemic, our digital strategy enabled us to expand beyond our core broker distribution channel to capture market share. In 2022, our new business grew by 4%, despite the US term market declining. This helped us to become the fifth largest writer of term insurance in the US.

The success of our digital strategy implementation saw over 97% of eligible business written through our new Horizon platform. Through further digital underwriting enhancements for our core term life product, we reduced the need for physical medical assessments from 85% to 30% of all our applicants, saving our customers time, and enabling them to benefit from cover quicker.

Fintech solutions

In 2022, we continued to invest in leading new start-up and growing scale-up businesses in market segments adjacent to our core businesses (such as clean energy, mortgage services, open finance and workplace benefits), helping these fintech firms grow and succeed. We expanded our portfolio of direct investments through new investments in three businesses: Onto, Moneyhub and Generation Home.

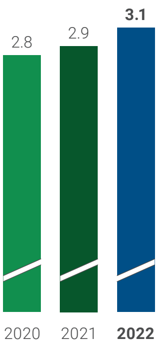
Individual annuity sales £m



£954m

We had a positive year with new business volumes of £954 million despite the volatile macroeconomic environment impacting the timing of retirement. The rise in interest rates in the second half of the year has led to increased annuity sales and we see this continuing in 2023.

Insurance gross written premiums £bn



£3.1bn

Gross written premiums grew by 8% to £3.1 billion, reflecting robust new business volumes across all our Retail businesses in a challenging market. Our longer-term focus remains on enhancing competitive advantage through effective use of data and technology.

Midlife MOT

The Legal & General Midlife MOT is a free online course that helps people aged 40 to 60 check up on their wealth, work and wellbeing. We created our Midlife MOT in partnership with The Open University and it has also been positively supported by the Department for Work and Pensions. It forms part of our work to encourage financial engagement.

70% of the course's pre-launch testers said it changed their approach to their later lives. Since launch, the course has had over 16,000 unique visitors, with over 2,250 people enrolling on it. We're now working with key workplace clients to bring it directly to their members.

Onto
Legal & General Retail led an investment round for Onto which raised $60 million in new equity funding. Onto is the UK's leading car subscription service. It will use the investment to expand into Europe as it seeks to accelerate electric car adoption across the continent and secure its position as the go-to brand for customers switching to electric vehicles. Consumers and businesses are choosing carbon-free mobility options, as pace accelerates in the journey to net zero.

Moneyhub
Moneyhub is a leading provider of open data solutions for the UK financial services market. We led a £40 million round to fund the expansion of Moneyhub's core offer for its pensions and wealth clients, and to expand their innovative service range to improve customers' financial wellbeing. Moneyhub currently has over 30 high-profile enterprise clients within financial services, retail and telecoms, including Aon, Mercer, Nationwide Building Society, Samsung and Vodafone, reaching 150 million end users across the UK and worldwide.

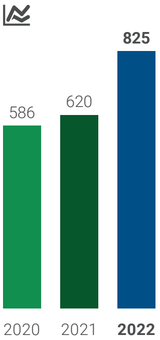
Generation Home
We invested in an innovative mortgage lender and mortgage technology solutions business, Generation Home, that helps first-time buyers get onto the property ladder by allowing family and friends to contribute towards the deposit and the mortgage.

Mortgage services
In September 2022, we announced the formation of Legal & General Mortgage Services, set up to align to our established Legal & General Mortgage Club and Legal & General Surveying Services, alongside the newly created Legal & General Mortgage Technology team.

Mortgage club
Our mortgage club continues to be the largest and longest running mortgage club in the UK, facilitating around one in five of all mortgages, and one in three of all intermediated mortgages. Since 1995, we have completed £700 billion of mortgages. We work closely with a broad range of lenders and in 2022, we transacted £110 billion of lending, up 12% on 2021, a new record for the Legal & General Mortgage Club.

> "Our mission is to reimagine our world to create brighter financial futures."
>
> **Bernie Hickman**
> Chief Executive Officer, Legal & General Retail

Adjusted operating profit £m



£825m

Adjusted operating profit increased by 33% driven by the ongoing release from operations, routine updates to the valuation assumptions for our annuity business and valuation uplifts within our Fintech portfolio.

This includes £168 million (2021: £(52) million) related to the US insurance business, which includes the benefits from reinsuring the in-force universal life book of the protection business.

Understanding the risks
As a provider of life insurance, workplace pensions, retirement income and lifetime mortgage products, we make assumptions around changing customer health profiles, consumer behaviours, distribution dynamics and forecast lifespans, as well as economic factors including long-term housing market performance. We use our expertise to understand these risks, and price and underwrite our products to take account of them, where appropriate using reinsurance to manage significant exposures.

Mortgage technology

We have established a strong market position as a core provider of research technology through our mortgage platform, SmartrFit, providing advisors with access to information on lender affordability, criteria, products and property to help brokers better advise their customers.

Surveying services

In 2022, as one of the largest market participants, managing over 500,000 valuations, we invested in new technology and in refining our digital valuation proposition.

Workplace pensions

Throughout 2022, despite external challenges, our Workplace Savings business performed strongly, growing to around five million members saving for their retirement. Legal & General remains the largest commercial Mastertrust in the UK market, offering members value for money with best-in-class governance. We have enhanced our financial wellbeing offering for members, launching our Midlife MOT and enhancing our retirement advice service.

In 2021, we published the Legal & General Mastertrust roadmap to achieving net zero across auto-enrolment default investment options by 2050. In 2022, we updated customers and investors, publishing a report on our positive progress towards delivering this target. This is a positive step consistent with our group commitment to climate change.

Retirement income

In 2022, we further invested in our pricing and underwriting capability. We were named the Best Annuity Provider in the Investment Life & Pensions Moneyfacts Awards for the third year in a row, highlighting our commitment to providing excellent service and value.

We recognise that our customers are seeking greater flexibility in retirement and continue to enhance our drawdown proposition, which was launched in the second half of 2020. We appreciate that customers will have different retirement plans, and we want to provide appropriate guidance and the right range of products to support them at this important stage of their lives.

We have seen a shift towards pre-retirees taking a phased approach to retirement, rather than retiring altogether. We remain flexible to customer needs and provide products such as fixed term annuities, which can play an important role in bridging any potential income gap.

Retirement lending

Following several years of strong growth, we have established ourselves as one of the largest lifetime mortgage lenders, supporting over 110,000 customers. During 2022, we enhanced our product features and underwriting criteria, improving our affordability. Despite challenges with recent economic conditions, we maintained our pricing discipline and continued to deliver incremental value to the wider group by sourcing high-quality assets utilised by both Retail and LGRI.

Throughout 2022, Home Finance continued to deliver great service to partners, winning Best Later Life/Equity Release Lender at the Mortgage Solutions, TMA Mortgage Club and Moneyfacts awards. The expansion of our existing partnerships with Santander Wealth and the Cooperative Bank reflect the value we offer to our partners, and through them, to their customers.

Outlook

We plan to sustain our market position, and grow across our core markets, with a continued focus on digital transformation, and harnessing data and technology to deliver excellent customer outcomes.

We will grow our Fintech portfolio, to help accelerate the delivery of our strategy and explore innovation across our businesses, to meet the evolving demands of our customers, clients and partners.

By expanding and deploying our financial wellbeing proposition, we can be there when it matters most to all our Retail customers, helping them navigate through challenging economic times and ultimately providing them with peace of mind that they are being looked after by a trusted brand and market leader, that will help them secure a brighter financial future.

Climate report
Our 2022 climate report is available on our group website. See: group.legalandgeneral.com/reports

Deadline to Breadline

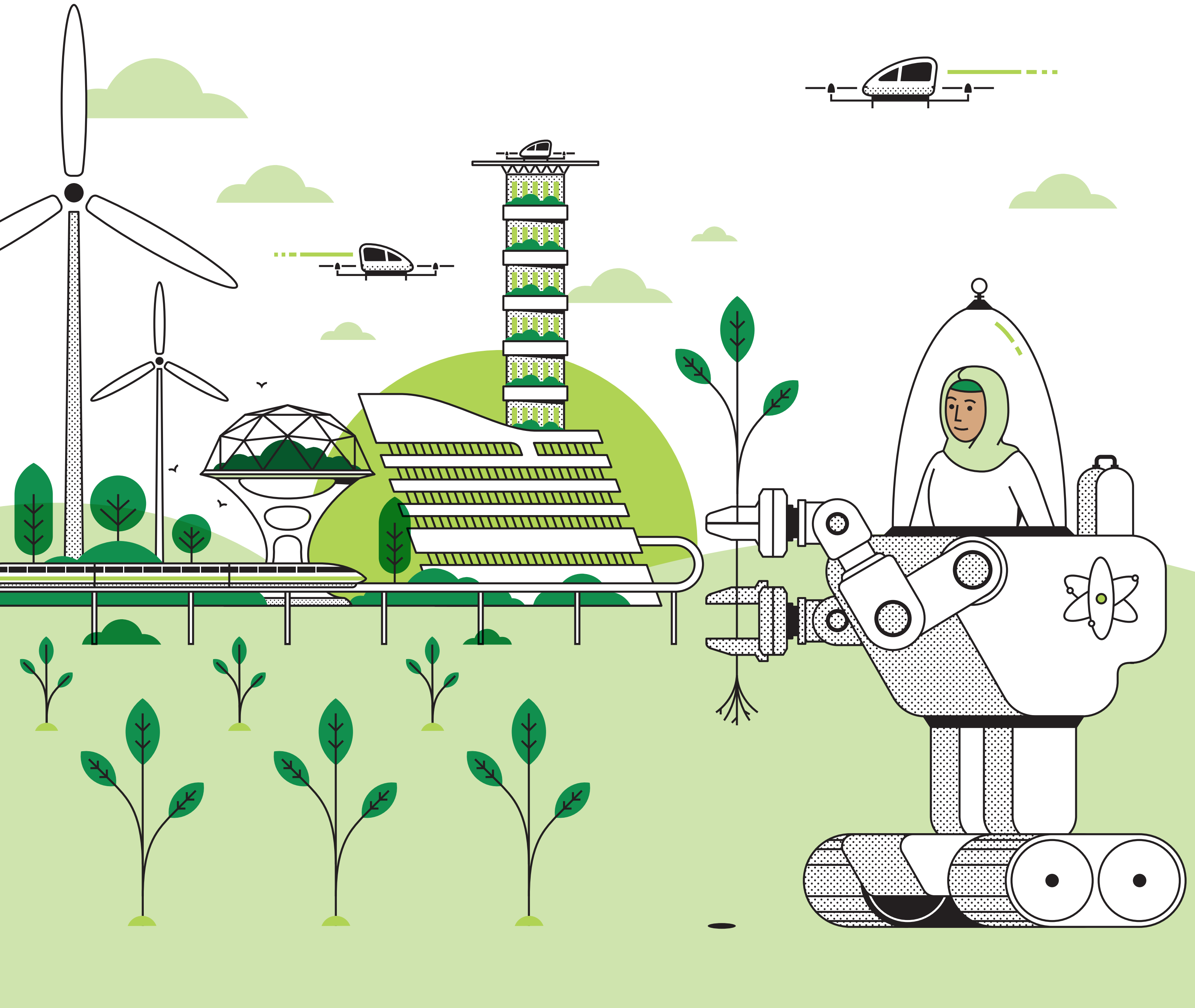
In 2022, we carried out extensive research to understand how the cost-of-living crisis has impacted the UK's adult population.

Our 2022 Deadline to Breadline report showed exactly how much their financial resilience has shrunk. If the average UK working household loses its income, that household is only 19 days from running out of money – that is a five-day reduction in resilience since 2020.

Building consumer engagement is key to our aspiration to help people have brighter financial futures. We shared the report with our advisors' community also, to support them in their client conversations.

A sustainable business

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



A sustainable business

For over a decade, Legal & General has been delivering inclusive capitalism at scale. This guiding principle remains at the heart of the way we make decisions and run our business, as well as the impact we want to have on the society we are here to serve.

Through the investments we make and the economic activities we fund, we play a proactive role in the social and environmental development of the markets where we work. We influence public debate and corporate actions by engaging with stakeholders across our value chain, from policymakers to investee firms to community groups. We run our business in a manner consistent with both our expectations of how other companies should be run and the markets' demand for transparency and good governance.

We see our social and environmental impact as going beyond simple adherence to the requirements of ESG considerations. We also see the sustainability agenda and its components as a source of commercial potential for the group. The transition to net zero, the housing crisis and the need to invest in healthcare and other infrastructure all present opportunities for the long-term investment of capital against our future pension liabilities.

Therefore, being a sustainable business is central to our approach to doing business.

Our sustainability strategy

During 2021 and 2022, we reviewed our approach to sustainability. In October 2022, the new strategic intention for the sustainability agenda was presented to our Group Board.

"We are uniquely placed to make a difference on a range of social issues. At its heart, our business is geared around doing precisely this. It is summed up in our ethos of inclusive capitalism."

Sir Nigel Wilson
Chief Executive Officer

On each page of this section we show which UN Sustainable Development Goals our work supports.

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION

Our sustainability strategy areas of focus

We will promote long-term financial wellbeing

We will promote people's long-term and lifelong financial security by providing good value, simple, inclusive, accessible products and education.

Growth driver alignment:

1. Ageing demographics
4. Welfare reforms
5. Technological innovation

We will create better communities in which to live and work

We will build better communities by delivering socially and environmentally positive housing and workplaces at scale. We will create long-term economic prosperity by engaging thoughtfully with communities to meet their needs.

Growth driver alignment:

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms

We will invest in game changing environmental solutions

We will play our part in tackling the climate and biodiversity crisis by investing in leading-edge environmental technology and solutions. We will continue delivering low-carbon energy and environmentally beneficial infrastructure and housing, while reducing environmental harm.

Growth driver alignment:

2. Globalisation of asset markets
5. Technological innovation
6. Addressing climate change

We will engage our customers and employees with our impact

We will make sure our customers and employees know that, by being part of Legal & General, they have a positive social and environmental impact. We will meet demand for positive social and environmental impacts by placing these at the centre of how we do business and design more of our products.

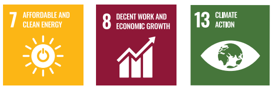
Growth driver alignment:

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

We will role model what it means to be a responsible business

Supporting our work in these four areas is our commitment to run our business in a responsible way. This includes supporting mental and physical health and wellbeing, promoting diversity and inclusion, and enabling social mobility – both in our own business and in how we influence and interact with others.

SDG contribution



Climate and social impact reports
Our 2022 climate and social impact reports are available on our group website.
See: group.legalandgeneral.com/reports

Reporting our progress

For the 2022 reporting year, we have taken a different approach to reporting our progress on sustainability issues than in previous years. In the past, we have published a separate corporate social responsibility (CSR) or sustainability report outside the formal reporting cycle. Since the introduction of Task Force on Climate-related Financial Disclosures (TCFD) reporting, we have published a separate climate report as a supplement to our annual report and accounts. We are now bringing our reporting on social and governance issues in line with our approach to reporting on climate and environmental issues. This year, we have published the following sustainability-related supplements alongside this report:

- our climate report, in line with the requirements of TCFD
- a new social impact report, which covers the non-environmental aspects of our sustainability agenda and contains the statutory disclosure of our gender pay gap alongside other people-related data.

In this section of the annual report and accounts, we set out some of the basic reporting that is required under regulation and legislation, but it should be read in conjunction with the supplements listed above to get a full understanding of our activities in these areas.

Long-term financial wellbeing

The UK's Money and Pensions Service defines long-term financial wellbeing as being 'financially resilient, confident and empowered'. While life can be unpredictable, understanding and being in control of personal financial matters can help people feel secure because they know that, if the unexpected happens, they are as well prepared as they can be.

Financial wellbeing issues can harm every part of an individual's health. Cost of living pressures affect those who might never before have felt financially stressed. Whatever someone's age, life stage or financial position, it is vital that they are money confident: that they understand their finances and are taking steps to meet their future financial needs.

At Legal & General, we are committed to creating a better financial future for our customers and the communities we serve. We offer a range of products and services that help people both better manage their current financial situation and plan effectively for secure financial futures.

Better communities in which to live and work

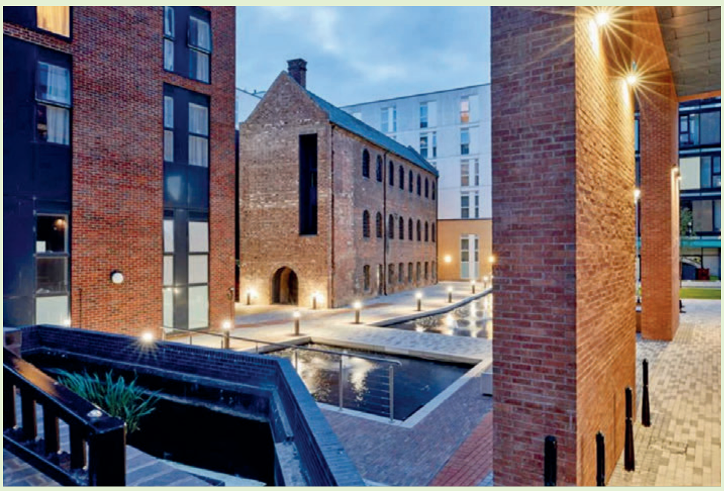
The UK's under-investment in housing and infrastructure has far-reaching impacts. Building better communities in which to live and work is our response to the lack of historical investment. This means creating accessible, affordable, sustainable housing stock and working with government and local authorities to target investment in the places which need it most.

Our quarterly Rebuilding Britain Index (RBI) survey, which measures the UK's progress in levelling up, tells us that while the Jobs & Economy index score has risen for the third successive quarter, both the Health and Housing index scores declined year-on-year.

Our research shows there is a clear link between infrastructure – built and economic – and health outcomes, as well as wellbeing and happiness.

Levelling up in the West Midlands

We formed a partnership with the West Midlands Combined Authority to commit £4 billion to regeneration, housing, and levelling up across the West Midlands. This landmark agreement is our first with a combined authority, and it sets out a commitment to a seven-year programme of investment.



Those satisfied with their local area as a place to live are likely to rate their perceptions of health, housing and environment more highly, too. The most important measure impacting levels of satisfaction with people's local area is access to high quality primary care.

As an investor, asset manager, and housebuilder, we can make a significant difference on these issues. Our aim is to support the regeneration of the whole country, and not just already affluent areas. This means working with communities to give them what they need, rather than what we want them to have, in an effort to build and invest in ways that make a positive impact on people across the world.

Game-changing environmental solutions

Climate change is the defining issue of our time, and our response to the climate crisis is one of the six growth drivers which underpin our commercial strategy. This is because we see climate change as not only a risk to be managed, but also an opportunity to invest in the solutions that society needs to manage the transition to net zero.

To do this, we identify ways in which we can invest capital, influence other actors, and run our operations, from building sites to commercial property to our own offices, in service of a future net zero economy. We map out the short, medium and long-term risks and opportunities with which we are faced, allowing us to focus capital in ways which will 'change the game' in favour of a low-carbon future.

We seek to do business in ways which reduce wider environmental harms, both through our investment policies and strategies on topics such as deforestation and coal, and through the ways in which we save water and reduce waste.

Engaging customers and employees with our impact

The positive impact companies have on the world is increasingly important for our stakeholders: customers, clients, employees and investors, among others.

Our guiding principle is to create a more inclusive form of capitalism. The desire to create long-term assets that benefit everyone, from housing to renewable energy, shapes the way we invest, plan, hire and do business. It is important that our customers and employees know that, by being part of Legal & General, by working with us, they can play a role in driving a positive social and environmental impact.

Legal & General customers and employees are from all walks of life and many different backgrounds, and some need our support more than others. As a business whose products are so connected to the way people live, we can have a material impact on looking after our vulnerable customers and supporting them during the cost of living crisis.

Over time, our aspiration is that our reputation for creating these positive outcomes for society and the environment will create additional demand for products with social and environmental good at their heart.

About our climate and environment strategy

Addressing climate change is one of our six strategic growth drivers and is a key element of our vision of inclusive capitalism. The scale of change needed is unprecedented, and whilst we do not expect it to disrupt our robust business model, it will impact how we execute our strategy. Any success in the transition to a low-carbon economy will also be underpinned by careful risk management.

There are a broad range of climate risks and opportunities across our balance sheet. Our focus is currently on the transition risk of our assets, as this risk is more imminent and certain, whilst also bearing the greatest potential impact on our business.

By investing our long-term assets to support decarbonisation, we are working to protect our shareholders' and customers' returns whilst helping to create a more sustainable future.

Our approach to climate change is built on three strategic pillars:

- **invest**: through reducing the intensity of our financed emissions and through investing in the transition
- **influence**: through the products we offer our clients and our engagement with the real economy including through investment stewardship
- **operate**: through the businesses we control and through our direct operations.

We believe our strategic response to climate change, which is set out in full detail in our climate report and our climate transition plan (to be published later in 2023), will support our resilience and allow us to take advantage of the opportunities presented by the transition to a net zero economy.

"World events in 2022 have served to reaffirm our approach to addressing climate change. It is a core element of our commitment to inclusive capitalism and a just transition."

Sir John Kingman
Chair

SDG contribution

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

For more on our approach to addressing climate change, read our 2022 climate report.

More information about our environmental KPIs and reporting

FCA Listing Rule 9.8.6R(8)
A summary of our climate-related financial disclosures is set out on page 47. Our disclosures are consistent with the recommendations by the Task Force on Climate-related Financial Disclosures and can be found in full in our separate climate report.

Transition plan: response to FCA requirement 2021/61 9.8.6FG
We have drafted a transition plan, which will be presented to the 2023 Annual General Meeting of Legal & General plc shareholders. The plan assumes, and sets out our proposed role in bringing about, the economy reaching net zero carbon emissions by 2050 in line with the UK Government's Climate Change Act 2008 (2050 Target Amendment) Order 2019.

Companies Act 2006 and SECR
In building our footprint, we have reported on the emission sources for January to December 2022 required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013 and have followed the requirements of the Streamlined Energy and Carbon Reporting (SECR) framework.

We have included within scope 1 and scope 2 the energy from offices where we are sole occupants, where we directly procure the utilities or have a separate meter feed. Offices where we do not have access to our energy consumption data are included within scope 3, as per greenhouse gas reporting guidance.

Environmental system management
We manage our business in accordance with ISO14001 certification.

Our sustainability KPIs

Operational footprint (scope 1 and 2 (location))

30,062 tCO_2e[1]

(2021: 30,957 tCO_2e)[2]

Measures the greenhouse gases (GHG) associated with our direct operations. Scope 1 emissions are direct GHG emissions occurring from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat or steam.

Investment portfolio economic carbon intensity

73 tCO_2e/£m

(2021: 76 tCO_2e/£m)[3]

This is made up of our ownership share of the emissions related to the assets we invest in within the group proprietary asset portfolio, as explained on page 11 of the 2022 climate report. It includes equities and bonds, but not cash, derivatives, or any assets already covered in our operational footprint. It is measured per unit of investment.

Employee satisfaction index ('eSat')

78%

(2021: 76%)

Measures the extent to which employees report that they are happy working at Legal & General (or their named employing entity).

Women in management roles

38%

(2021: 36%)

Measures overall representation of women in management grade roles. We have set the objective of 40% of such roles being held by women by 2025.

Median gender pay gap

22.4%

(2021: 24.1%)

Measures the difference between median pay per hour for women and men, expressed as a percentage of the latter. This KPI relates to UK-based employees only.

For further information on our greenhouse gas emissions, and steps taken to reduce them, please see our separate climate report.

For more information on our employee satisfaction index, representation data and pay gap, please see pages 49 to 50 of this report and our social impact report.

1. Carbon dioxide (CO_2) is the most significant contributor to global anthropogenic GHG emissions, which also includes other gases such as methane and nitrous oxide. The equivalent warming impact of non-CO_2 GHG emissions are measured as tonnes of CO_2 equivalent (tCO_2e).
2. Due to improvements in data collection and assessment methods, the 2021 data for Inspired Villages Group (IVG) and Affordable Homes has been restated.
3. Metrics have been re-baselined through a combination of methodology and data sourcing changes. Figures from the 2021 report, with an associated impact assessment, are provided in the 2022 climate report on page 49.

Summary disclosure against TCFD recommendations

We have continued to disclose in line with the TCFD recommendations. We have complied with the FCA listing rule 9.8.6R(8) and have considered relevant and material elements of the recommended TCFD disclosures. The table below gives a high level summary and directs readers to the relevant section of our climate report (TCFD) 2022. This standalone report provides us with the space we require to provide sufficient detail of our exposure to and approach to addressing climate-related issues, as we do with our detailed disclosures on risk, tax and social issues. In response to FCA guidance 9.8.6FG, we have also produced a standalone climate transition plan which will be published with the notice of meeting for our AGM, where it will be presented to shareholders for an advisory vote. Our plan sets out our role in aligning our company with a 1.5°C net zero outcome, consistent with the UK government's targets.

Strategy	Further details are disclosed in our climate report (TCFD) pages 7 to 21
Climate-related risks and opportunities	Our climate-related risks and opportunities are on page 8 of our climate report. We have integrated climate risk management into our overall risk management framework and are well placed to play a role in the decarbonisation of the economy.
Impact on our businesses, strategy and financial planning	Our business model is not expected to be significantly disrupted by climate change, however it does impact how we execute our strategy. Our climate strategy is on pages 7 to 16 of our climate report. We also disclose results of our scenario analysis, which quantifies potential impacts of different climate scenarios on pages 17 to 21 of our climate report. As one of our six strategic growth drivers, we have built a three-pillar approach to address climate change: how we invest our assets, how we influence as an asset manager and how our businesses operate. Our proprietary model on climate change is used to quantify the potential impacts of climate change on our portfolio.
Resilience based on scenarios, including a 2°C or lower scenario	Our climate scenario analysis provides comfort that our businesses will remain resilient despite the scale of adjustment needed to transition to a low-carbon economy. These scenarios, including a 2°C or lower scenario, are covered on pages 17 to 21 of our climate report.

Governance	Further details are disclosed in our climate report (TCFD) pages 22 to 24
The Board's role in oversight	The Board is accountable for the long-term stewardship of the group. It has delegated oversight of the management of climate-related risks to the Group Environment Committee (GEC). The structure, roles and responsibilities, and key decisions and discussions, are on pages 22 to 23 of our climate report.
Management's role in assessing risks and opportunities	We have appointed a Group Climate Change Director, who chairs the GEC, and we set out some of our senior managers' responsibilities through the committees and overall risk and governance framework on pages 22 to 24 of our climate report. The link between executive remuneration and progress against climate commitments is set out on page 36 of our climate report.

Risk management	Further details are disclosed in our climate report (TCFD) pages 25 to 30
Processes for identifying and assessing climate-related risks	Climate risk management has been integrated into our risk and governance framework, as seen on pages 25 to 26 of our climate report. As mentioned, we also use scenario analysis to carry out a detailed assessment of the potential impacts from climate risk.
Processes for managing climate-related risks	Our range of actions in meeting our climate risk management objectives are set out on pages 27 to 30 of our climate report. These include our active engagement, exclusion policy, and high carbon escalation process.
How we integrate these risks into our overall risk management	The group's climate governance has been designed to ensure that the management of the financial risks from climate change are integrated across the whole governance system and embedded into the existing risk management framework.

Metrics and targets	Further details are disclosed in our climate report (TCFD) pages 31 to 39
Internal metrics	Our metrics support our commitment to align with the 1.5°C 'Paris' objective. We focus on our investment portfolio economic carbon intensity, implied portfolio temperature alignment and operational carbon footprint. We also measure our engagement with investee companies. Further details are in the metrics and targets chapter on pages 31 to 39 of our climate report.
Greenhouse gas emissions	Our scope 1 and 2 (location) operational emissions were 12,506 tCO_2e and 17,556 tCO_2e, respectively. Our scope 3 non-investment emissions (fuel and energy-related activities, waste, business travel, working from home and serviced offices) were 19,213 tCO_2e. Our scope 3 investment emissions were 5.8 million tCO_2e.
Targets	We have set our climate targets across our three pillar climate strategy to align with the 'Paris' 1.5°C objective. A detailed list of our climate commitments is set out in the additional information chapter on pages 44 to 45 of our climate report.

Climate report
Our 2022 climate report is available on our group website. See: group.legalandgeneral.com/reports

Climate-related opportunities and risks

While there are manifestly risks from climate change, the transition to net zero also creates opportunities. This table highlights key examples of both the opportunities and risks that Legal & General has identified.

The impacts of climate change are different across our businesses, reflecting the nature of each business. They are also likely to shift over time and we have used a heat map approach to try to illustrate this.

Opportunities

Strategic pillar	Potential opportunities	Business area most impacted	Horizon term: Short	Horizon term: Med	Horizon term: Long
Invest	Investing in the technology and infrastructure needed to transition away from carbon emissions, such as renewable energy sources, low-carbon properties, low-carbon heating, electrification of transport and nature-based solutions	LGRI, LGIM, LGC, Retail	Medium	High	High
Influence	Attract and retain clients by supporting their needs to decarbonise their investment portfolios, for example through net zero-aligned investment products and funds, and provision of data and analytical tools	LGIM	High	High	High
Influence	Manage funds that provide clients with access to financing opportunities in transition technologies and infrastructure	LGIM	High	High	High
Influence	Engage with companies and governments to encourage a fast and orderly 'just transition', which also enhances trust in our brand	LGIM	High	High	Medium
Operate	Enhance returns from investing in homes and commercial properties by enabling them to operate with net zero carbon emissions	LGRI, LGIM, LGC	High	High	Medium
Operate	Increase our market differentiation through reduced embodied carbon in construction	LGRI, LGIM, LGC	High	Medium	Low
Operate	Protect our long-term returns by developing real assets with high levels of climate resilience	LGRI, LGIM, LGC	Low	Medium	High

Risks

Strategic pillar	Potential risks	Business area most impacted	Horizon term: Short	Horizon term: Med	Horizon term: Long
Invest	Investments in sectors or companies which are adversely exposed to a transitioning economy lose value or are downgraded	LGRI, LGIM, LGC, Retail	Medium	High	High
Invest	Disruptive technology may affect the value of our investments	LGRI, LGIM, LGC, Retail	Medium	High	High
Invest	Increased frequency or severity of extreme weather events may impact on the value of physical assets or the value of companies with high exposures to these risks	LGRI, LGIM, LGC, Retail	Low	Medium	High
Influence	Loss of market share should investment solutions be perceived as not meeting rapidly evolving client needs	LGIM, LGC	Low	Medium	Medium
Influence	A breach of evolving legislative or regulatory requirements may expose us to litigation, regulatory sanction and damage to our brand	LGIM, LGC	Low	High	Medium
Influence	Reputational risk from not meeting our own commitments, or if activities across the group are not aligned	LGIM, LGC	Medium	Medium	Medium
Operate	High delivery costs of low-carbon solutions for residential and commercial properties may impact viability	LGRI, LGIM, LGC, Retail	High	Medium	Low
Operate	High delivery costs due to changing weather patterns disrupting our supply chain, leading to increased costs and material shortages	LGRI, LGIM, LGC, Retail	Low	Medium	High
Operate	Property values fall due to increased risk of extreme weather impacts, higher insurance costs or poor energy efficiency	LGRI, LGIM, LGC, Retail	Low	Medium	High
Operate	We are inherently exposed to the risk that key personnel may leave the group, with an adverse effect on performance	LGRI, LGIM, LGC, Retail	Low	Low	Low

Key
High impact · Medium impact · Low impact

Short, medium and long term
- Our **short-term** horizon looks at a three-year period.
- Our **medium-term** horizon looks forward up to 10 years.
- Our **long-term** horizon looks at the time horizon up to 2050. This strives to challenge and shape the very nature of our business as well as the overall strategy.

A responsible business

Our commercial success depends on a strong and economically resilient society in which companies act with integrity and responsibility. Legal & General is no exception. Our impact is far reaching, and strong business ethics are central to making that impact positive.

Governing our business in a responsible manner is part of what we promise to stakeholders, including our employees. Therefore, we hold ourselves and our employees to high standards of conduct. Our culture is all-important, and it plays a role in attracting and retaining employees who have the skills and motivation to do excellent work for our stakeholders.

Diversity and inclusion (D&I)

Our strategy

We are working to build a workplace where we can all perform at our best, no matter who we are. Creating a diverse workforce and an inclusive workplace is a key strategic priority for us. Doing so has a clear commercial logic and is the right thing to do.

Our action plan focuses on two outcomes: a more diverse workforce and a more inclusive culture. We have clear ways to measure both of these outcomes as well as clarity on the specific actions we are taking to deliver these outcomes.

Our goals

We have set ourselves ambitious goals for workforce representation:

- a 50% female workforce by 2025 – currently 45%
- 40% of our management roles being held by women by 2025 – currently 38%
- 40% of our Group Board positions being held by women – currently 42%.

Legal & General's workforce	Female	Male
Board directors	42%	58%
Executive Committee	25%	75%
Management	38%	62%
All employees	45%	55%

As at 31 December 2022

We have also set new goals for the representation of minority ethnicities on our Board, in our senior management population and across our workforce as a whole.

On page 46 of our social impact report, you can find more information about our strategy, our progress towards realising it, and our current representation statistics.

Our focus

To achieve our goals and create the diverse and inclusive culture we want, we are focusing on early careers, mentoring and sponsorship, and line manager capability.

In 2022, we took steps to:

- encourage greater diversity in early careers cohorts, to build a pipeline for future senior talent
- make mentoring and sponsorship more widely used as methods of promoting access to opportunities
- strengthen line manager capability in inclusive leadership
- involve our employees, through employee resource groups, in shaping our thinking
- listen to employees' lived experience.

"Mental health in the workplace is a critical issue, and we are committed to supporting our people and normalising open discussion. We help our employees to look after their mental wellbeing in many ways, from training over 100 mental health first aiders to providing access to Unmind."

Sir Nigel Wilson
Chief Executive Officer

Designing inclusive workplaces

In our vision of the future of work, we want our office designs to be as inclusive as possible. Working with our people and our networks, we have looked at the elements of the workplace that have the most impact on people with diverse needs: noise, lighting, access to nature, quiet, and accessibility.

Reporting our gender pay gap
In previous years we have published a standalone gender pay gap report. This year, our statutory gender pay gap disclosure, along with full data and commentary, has been integrated into our 2022 social impact report.

It is important to understand the gender pay gap and our commentary and actions in the context of our wider diversity and inclusion agenda. By including it in the social impact report, we give readers an opportunity to see the full breadth of the actions we are taking.

SDG contribution

5 GENDER EQUALITY

Gender pay gap
In 2022, we saw a further narrowing of our median gender pay gap from 24.1% to 22.4%. We are pleased to see our ongoing efforts reflected in the data, but we acknowledge that more work is required to close this gap.

Gender pay gap	2022 Mean	2022 Median	2021 Mean	2021 Median
Hourly pay	20.9%	22.4%	26.3%	24.1%
Bonus	48.5%	37.6%	53.1%	42.1%

Our statutory gender pay gap disclosure, along with full data and commentary, can be found on pages 49 to 55 of our 2022 social impact report.

Engaging and developing our people
Engagement
During 2022, we continued to engage with our people through employee communications, surveys, and representative mechanisms. In the UK, we recognise Unite as our trade union for collective bargaining, and in 2022 we celebrated the 25th anniversary of our partnership agreement.

Also in 2022, the role of designated workforce director, with accountability for representing employees to the Board, passed from Lesley Knox to Nilufer von Bismarck. A summary of her activities in this role can be found on page 76.

Our October 2022 Voice survey, which measures a range of cultural indicators, found that employee satisfaction rose by two points to 78%. The survey results revealed strengths in employees' understanding of our expectations about day-to-day behaviour, as well as the extent to which they felt supported in adapting to changes. Meanwhile, lower scores were registered for questions on balance and wellbeing, as well as the extent to which employees collaborate across business lines and departments.

These insights seem to provide reassurance that our efforts to protect company culture have had positive effects, while underlining the need to provide for our employees' wellbeing and create opportunities for meaningful collaboration.

Please see the employee wellbeing section below for more information on how we are promoting our employees' wellbeing.

Development
Focusing on our employees' personal development enables each of them to deliver better outcomes for stakeholders. We take the view that employees should individually own their personal development.

Therefore, personal development at Legal & General focuses on helping our employees to 'perform, develop and connect':

- perform: access experiences and tools to deliver a great performance today
- develop: build the skills and capabilities needed for the future
- connect: signpost the people, content and experiences that help employees' skills to stay relevant.

We offer development opportunities for all employees (through our 'leading self' curriculum); managers (through our 'leading others' curriculum); and senior leaders (through 'leading leaders').

During 2022, we created learning and development opportunities to meet these objectives. We invested over £5.2 million in people development, with over 1,800 learning bookings made in the year. We:

- launched data, technology, agile and ESG curricula, including use of the apprenticeship levy to build future data talent
- developed leadership and line manager capability through development programmes, a new toolkit and coaching
- developed online content for behavioural and technical skills.

To ensure that our strategic workforce needs are being met, our people development teams work closely with teams in workforce data and analytics, talent management, executive hiring, diversity and inclusion and wellbeing disciplines.

We keep our people's technical and regulatory knowledge up to date with a rolling programme of annual online training on business-critical topics such as data privacy and protection, whistleblowing and financial crime prevention.

See page 41 of our social impact report for further information.

Employee wellbeing
We aim to create a healthy organisation that brings together healthy people, healthy work and a healthy culture. We take our employees' safety, wellbeing and ability to thrive at work extremely seriously. We recognise the importance of 'psychological safety' – creating a safe and open environment where people can be themselves – in achieving this.

During 2022, we continued to encourage our people to speak up about their wellbeing experience and challenges: both anonymously, through our regular employee surveys, and publicly, for example through our internal communication channels.

We offered:

- mental health awareness training to help employees support each other
- access to Unmind, a mental health app with tools and training
- 120 mental health first aiders: employees who have undertaken specialist training
- enhanced mental wellbeing support, through our private medical insurance plan, which now covers children.

We use insights from sources including employee surveys and data on sickness to inform our strategies and policies on wellbeing topics, including stress, flexible working and diversity and inclusion. In October 2022, in our Voice survey, 72% of employees said they either agreed or strongly agreed with the statement: "My overall level of personal wellbeing is good". In addition, 83% of employees either agreed or strongly agreed with the statement: "I can get the support I need from my line manager". 69% said that they see Legal & General taking wellbeing as a top priority.

Our efforts to support employee wellbeing have been recognised by the City Mental Health Alliance's award of an 'achieving' accreditation mark in its annual thriving at work assessment.

Please see page 56 of our social impact report for further information about our approach to supporting employee wellbeing.

Health and safety

The operation of our core offices is managed through a health and safety system aligned with ISO45001 and our offices are audited by a leading health and safety consultancy.

We have a well established and documented process for identifying health and safety hazards, risks and responding to incidents and near misses. We continue to review and update our risk assessments, which are the cornerstone of our management system.

All employees benefit from a range of occupational health services and individual occupational health assessments tailored to specific needs. All employees are required to complete a group-wide health and safety computer-based training module.

Modern slavery, human rights and our supply chain

Understanding the sustainability of our supply chains goes beyond risk avoidance: it is also about positive impact, for people and the planet. Deepening our understanding of the impacts that our supply chain can have, as well as improving procurement professionals' knowledge of sustainability, is important to us.

In 2022, our suppliers continued to feel the pressures of volatile trading conditions brought on by the continued impact of external factors. We introduced methods to monitor, escalate and mitigate risks to build a more resilient supply chain, working with suppliers to do so.

We continued to improve our supply chain governance, for example, finalising sustainability sourcing principles which are now in place for all our procurement and cover our expectations of suppliers in key areas such as diversity and inclusion, carbon emissions and the living wage.

We are committed to playing our part in helping to eradicate modern slavery, understanding our responsibility to prevent, mitigate and remediate, where appropriate, the risks of human trafficking, forced, bonded and child labour; and to respect human rights in our operations and our supply chain. We will not tolerate a culture that does not take these potential impacts seriously. A training module educating employees on the risk of modern slavery in workplaces, how to identify risks and how to report any instances was made available to UK employees in 2022. Our modern slavery strategy is aligned with the United Nations Guiding Principles on Business and Human Rights. Our supplier code of conduct and human rights policies, which apply across the Legal & General group and its subsidiaries, set out our obligations to customers, employees and communities in our own operations and supply chain. For further information please see our modern slavery statement.

Anti-bribery and corruption

We will not tolerate any person acting on behalf of the group participating in any form of corrupt practice including the acceptance, promise, offer or giving of anything that may be considered a bribe. Our financial crime risk policy applies across the group and mandates that controls are put in place to prevent and detect such activity. Controls include an annual bribery and corruption risk assessment; regular training; due diligence measures; reporting of suspicions of bribery and corruption; and the control and approval of giving and receiving of gifts and hospitality, political and charitable donations, and corporate sponsorship.

Non-financial and sustainability reporting 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 42 to 51) 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 17)
- principal risks and how they are managed (pages 52 to 59)
- non-financial key performance indicators (page 46).

Details of relevant policies, due diligence processes and the outcome of these policies and processes, are contained throughout the strategic report.

Our non-financial and sustainability reporting statement focuses on the stakeholders and issues that are important for us to deliver on our purpose of inclusive capitalism.

Modern slavery statement
Our modern slavery statement is available on our group website. See: group.legalandgeneral.com/ModernSlavery2022

Managing risk

> “Our risk management approach supports informed risk taking by our businesses.”

Chris Knight
Group Chief Risk Officer

Overview

Understanding the risks that we are exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business. Our risk management approach supports informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to, together with risk limits and required standards of internal control to ensure exposures remain within our overall risk appetite.

As well as managing financial and operational risks to our businesses, our risk framework considers broader factors including the delivery of good customer outcomes and the threats from climate change. In focusing beyond pure financial measures of risk, we enable our businesses to fulfil their social purpose.

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, and support a culture of openness and transparency in how we make decisions and manage risks, balancing performance with principles to do what is right.

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

Please visit:
group.legalandgeneral.com/reports

Our risk section is organised into the following subsections:

Our risk landscape

The risks that are inherent in our business arising from:

- the products we write
- the investments we hold to meet our obligations
- the business environment in which we operate.

Risk appetite

Our quantitative and qualitative expressions for the types of risk to which we are prepared to be exposed.

Alongside the minimum capital requirements that we wish to maintain and the degree of volatility of earnings we wish to avoid, we set a range of tolerances and limits for our material financial and other risk exposures.

Risk management framework

Our formal framework for monitoring our risk landscape and ensuring that we are only exposed to those residual risks for which we have an appetite.

Our framework seeks to reinforce the parameters of acceptable risk taking, allowing business managers to make decisions and take opportunities that are consistent with our risk appetite.

Our risk landscape

Our risk landscape comprises asset, insurance, operational and business-related risks. Our largest risk exposures are to credit and longevity.

Asset risks
Market, credit and counterparty risks arise from holding portfolios of assets, including property, to meet our obligations to our customers and to deliver returns to shareholders. Liquidity risks also arise from holding illiquid assets and from investment market conditions. Interest rates and inflation are also risk factors.

Credit risk largely arises in our portfolio of corporate bonds and 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.

Insurance risks
Longevity, mortality and other insurance risks are transferred to us by the customers of our PRT, annuities and protection businesses. The period that customers continue their policies is also important for profitability, as is our ability to control product expenses in line with pricing assumptions.

Longevity risks arise in our PRT and retail annuity businesses. Over the years we have built significant expertise in understanding and pricing for longevity, with a range of disciplines including actuarial, medical, public health, statistical analysis and modelling. Mortality, morbidity and policy lapse are inherent risks to our protection businesses, which we assess and price for.

Our risk management approach

See page 54

Operational and business risks
Operational risks arise 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, reputational 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 opposite.

We set further risk tolerances covering our specific exposures to market, credit, 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 PRT deal, we use our risk management 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.

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.
	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.
Capital	We aim to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. Monitoring metrics: capital coverage ratios.
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.
Customer and reputation	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.
Climate	We manage our businesses to align with the mitigation of climate change and to be resilient to the risk of different climate outcomes. Monitoring metrics: investment portfolio decarbonisation and operational footprint decarbonisation.
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.

Risk management framework

Our risk management framework is summarised below.

Risk appetite	The documenting of 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 Risk Committee is set out on pages 94 and 95.
Culture and reward	Performance measures that focus on the delivery of effective risk management, business and customer strategy, and culture.

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 PRT 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.

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 process. 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 PRT deals.

Our principal risks

Our principal risks and uncertainties reflect those factors that may threaten the group's business model, future performance, solvency or liquidity.

Our risk landscape	Principal risks and uncertainties	Growth drivers
Asset risks	Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital.	1, 2, 3
	In dealing with issuers of debt and other types of counterparty, the group is exposed to the risk of financial loss.	1, 2
	We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses.	3, 6
Insurance risks	Reserves and our assessment of capital requirements may require revision as a result of changes in experience, regulation or legislation.	1, 4
	Changes in regulation or legislation may have a detrimental effect on our strategy.	1, 2, 4
Operational and business risks	New entrants or other players may disrupt the markets in which we operate.	1, 3, 5
	A material failure in our business processes or IT security may result in unanticipated financial loss or reputational damage.	5
	The success of our operations is dependent on the ability to attract and retain highly qualified professional people.	5

Growth drivers

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

See pages 10 to 11 for further details.

Group Board viability statement

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 against 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 the strategic growth drivers detailed on pages 10 and 11, and 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 prospect assessment is over a longer period than that over which the Board has assessed the group's viability.

Period of viability assessment

While the Board has considered adopting a longer period, it believes that five years is the most appropriate time frame over which they should assess the long-term 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
- 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 economic environment and evolving political and regulatory landscape during the relevant period.

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 during 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 2022, 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 56 to 59) on our ability to deliver the business plan. We regularly review and refresh our principal risks to reflect current market conditions and changes in our risk profile, and as a result we now separately identify the impact of climate change as one of our principal risks. In its assessment of viability, not just long-term prospects, the Board has taken into consideration all of the group's principal risks, as any significant change in the risk profile or outlook of those principal risks, or inadequate mitigation, could have a significant impact on the group's viability over the assessment time frame.

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 2022, the Board considered the impacts of higher inflation and interest rates, as well as a severe market event. The severe market event was 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 Crisis of 2008 for market risks exposures and 2002 experience for rating transitions (downgrades and spreads).

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. The group maintains buffers and a suite of management actions to maintain resilience to adverse scenarios 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.

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, including raising of capital or reduction in the level 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 it has 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 emerging and principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

Growth drivers
1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

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 15 to 17 of the financial statements.

Risks and uncertainties	Link to strategy	Risk management	Outlook
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital. The performance and liquidity of financial and property markets, interest rate movements and inflation impact the value of investments we hold in shareholders' funds 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 and although we seek to match assets and liabilities, losses can still arise from adverse markets. 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	We cannot eliminate the downside impacts on our earnings, profitability or surplus capital from investment market volatility and adverse economic conditions, although we seek to position our investment portfolios 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 setting risk limits on exposures to different asset classes and where hedging instruments exist, we seek to remove interest rate and inflation risk on a financial reporting basis. Our ORSA is integral to our risk management approach, supporting assessment of the financial impacts of risks associated with investment market volatility and adverse economic scenarios for our Solvency II balance sheet, capital sufficiency, and liquidity requirements. We seek to remain resilient to a wide range of modelled scenarios that go well beyond consensus forecasts, accepting that some market movements, including for example those observed in the recent UK mini-budget crisis, fall outside the range of past experience.	Although global economic activity has broadly returned to pre-pandemic levels, the immediate outlook remains uncertain with potential for a sustained period of very low growth and elevated levels of inflation, particularly in the UK. Financial markets, whilst experiencing volatility over 2022, have similarly shown a recovery; however, asset values remain susceptible to reappraisal should the current economic outlook deteriorate, as well as from a range of geopolitical factors including the ongoing war in Ukraine and potential further ruptures in the US-China relationship. Over 2022, UK commercial property markets saw a decline in valuations, and uncertainty persists in certain sectors reflecting the broader economic outlook. Within our construction businesses' supply chain, cost inflation and labour shortages also continue to present risk. Pages 192, 195 and 201 respectively provide exposures to worldwide equity and property markets, currencies and sensitivities to interest rates.
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 having set 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. 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	We manage our exposure to downgrade and default risks within our bond portfolios through setting selection criteria and exposure limits, and using LGIM's global credit team's capabilities to ensure risks are effectively controlled, where appropriate trading out to improve credit quality. 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 with the vast majority of our reinsurers having a minimum A- rating, setting rating-based exposure limits, and where appropriate, taking collateral. Similarly, we seek to limit aggregate exposure to banking, money market and service providers. 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.	The risk of credit downgrades and defaults increases in periods of low economic growth, and we are closely monitoring factors that may lead to a widening of credit spreads including the outlook for interest rates. A sustained period of elevated inflation, reducing real incomes, will particularly impact economic activity in sectors reliant on discretionary spending. The UK residential property market is also showing signs of slowing confidence, and we continue to carefully monitor the medium to long-term outlook. Details of our credit portfolios are on pages 196 to 197.

Growth drivers
1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

Risks and uncertainties	Link to strategy	Risk management	Outlook
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 and the impact this has on asset valuation and the economy Our interests in property assets may also expose us to physical climate change-related risks, including flood risks. We are also exposed to reputation and climate-related litigation risks should our responses to the threats from climate change be judged not to align with the expectations of environment, social and governance (ESG) groups. Our risk management approach is also reliant upon the availability of verifiable consistent and comparable emissions data.	3, 6	We recognise that our scale brings a responsibility to act decisively in positioning our balance sheet to the threats from climate change. We continue to embed the assessment of climate risks in our investment process. We measure the carbon intensity targets of our investment portfolios, and along with specific investment exclusions for carbon-intensive sectors, we have set overall reduction targets aligned with the 1.5°C 'Paris' objective, including setting near-term science-based targets to support our long-term emission reduction goals. Alongside managing exposures, we monitor the political and regulatory landscape, and as part of our climate strategy we engage with regulators and investee companies in support of climate action. As we change how we invest, the products and services we offer, and how we operate, we are also mindful of the need to ensure that we have the right skills for the future.	Over the next decade, the change necessary to meet global carbon reduction targets will require societal adjustments on an unprecedented scale. A failure by governments to ensure an orderly transition to low carbon economies increases the risk for sudden late policy action and large, unanticipated shifts in the asset values of impacted industries. Whilst our transition plans seek to minimise our overall exposure to this risk, their execution is dependent on the delivery of the policy actions and the climate reduction targets of the firms we invest in. The actions that the governments take will also to some extent inform how we can deliver upon the commitments we have made, and as the science of climate change evolves, we may need to adapt our actions. Anti ESG sentiment, particularly within countries with a high dependency on fossil fuel-related industries, may also constrain global ambition in addressing climate change as well as limiting investment opportunities.
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 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 reported 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. Forced changes in reserves can also arise from regulatory or legislative intervention impacting capital requirements and profitability.	1, 4	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 aim to pre-fund and warehouse appropriate investment assets to support the pricing of long-term business. We seek to have a comprehensive understanding of longevity, mortality and morbidity risks, and we continue to evaluate wider trends in life expectancy as a result of Covid-19 and the associated impacts of the pandemic on healthcare systems. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impacts to us of significant variations in life expectancy and mortality.	Whilst the global vaccine rollout has had a significant effect in reducing mortality rates from Covid-19, there remains a degree of risk to the emergence of new variants of the disease. We also continue to see a slowing in the rate of mortality improvement in both the UK and the US, reflecting the direct impacts of Covid-19 related illness as well as potentially the deferral of diagnostics and medical treatments for other conditions, and there remains uncertainty as to the impacts of 'long Covid'. Along with the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions, other risk factors that may impact future reserving requirements include a dramatic advance in medical science, beyond that anticipated, requiring adjustment to our longevity assumptions. Whilst at present we do not believe climate change to be a material driver for mortality and longevity risk in the medium term, we continue to keep this under review.

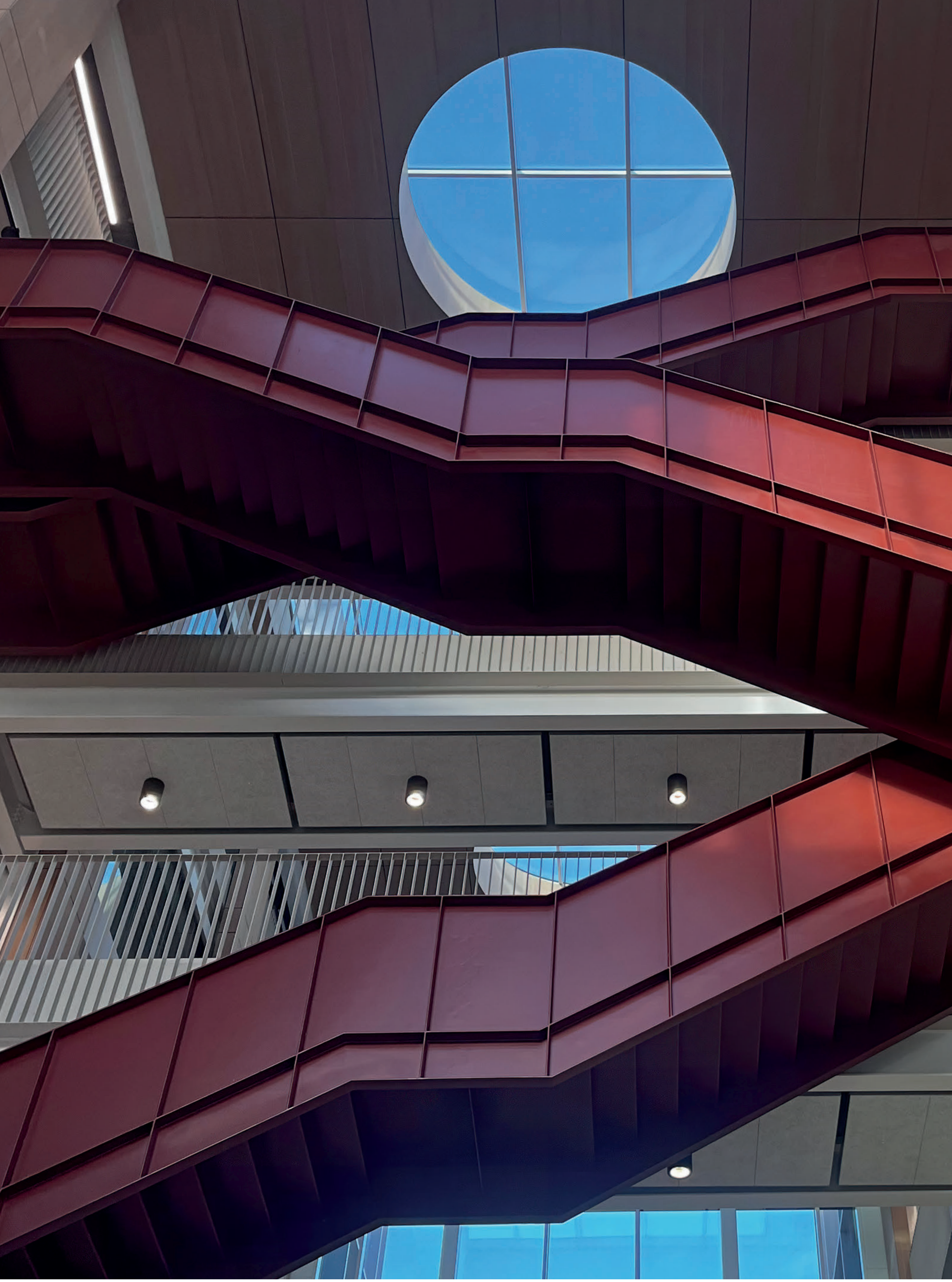
Principal risks and uncertainties
continued

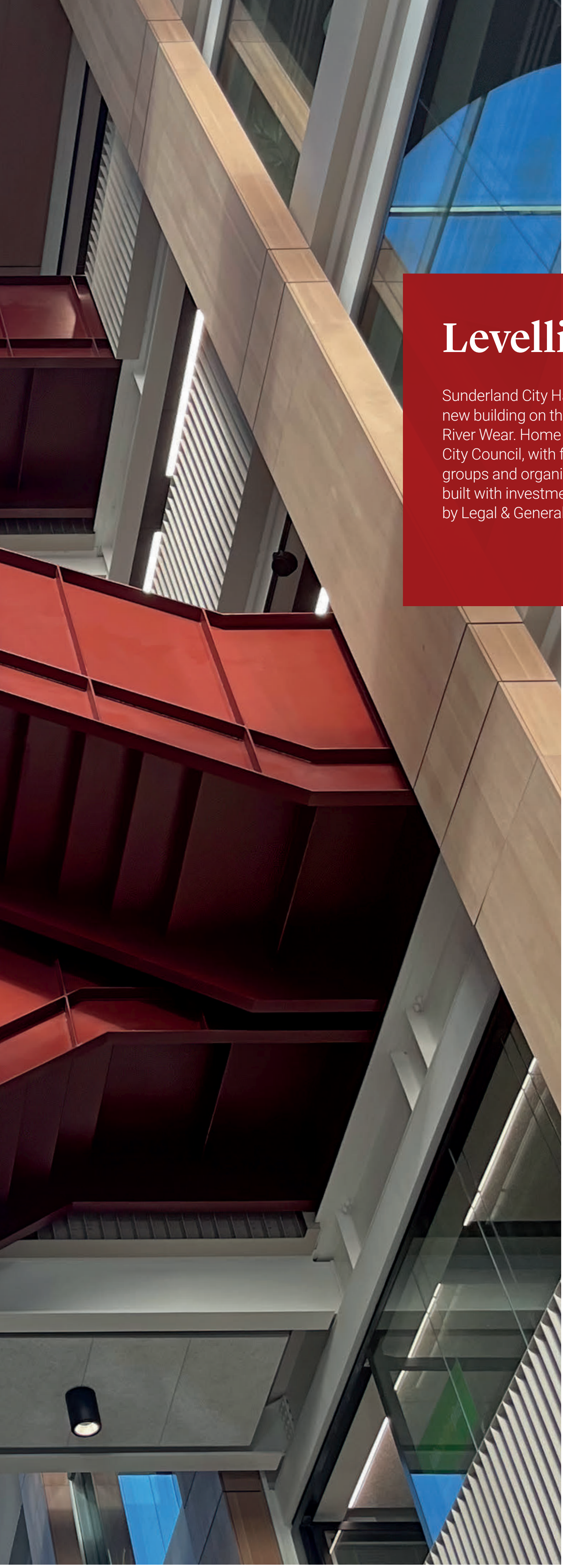
Growth drivers
1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

Risks and uncertainties	Link to strategy	Risk management	Outlook
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 reinterpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation.	1, 2, 4	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 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 internal control framework seeks to ensure ongoing compliance with relevant legislation and regulation. Residual risk remains, however, that controls may fail or that historical financial services industry accepted practices may be reappraised by regulators, resulting in sanctions against the group.	Whilst we are supportive and welcoming of large parts of the regulatory agenda, regulatory-driven change remains a significant risk factor across our businesses. Key areas of change include HM Treasury's consultation on Solvency II, with potential reforms to areas such as the risk margin and matching adjustment, albeit the outcome remains uncertain; the UK's financial conduct regulator's new consumer duty, which places obligations on us to evidence the delivery of good customer outcomes; and regulatory frameworks for the governance of pensions dashboard services. Regulatory focus also continues on the operational resilience of financial services firms; the management of third parties; and approaches being taken in response to the threats from climate change, including most recently proposed sustainability labelling for investment funds. We are also monitoring changes in UK fiscal policy and global minimum tax environment, and within our property construction businesses we are implementing relevant requirements of the Building Safety Bill and the Environment Act 2021.
New entrants or other players 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 disrupt the current competitive landscape. We are also cognisant of competitors who may have lower return on capital requirements or be unconstrained by Solvency II.	1, 3, 5	We continuously monitor the factors that may impact the markets in which we operate, including evolving domestic and internal capital standards, and are maintaining our focus on developing our digital platforms. On page 39 we outline how we are innovating our Retail business with digital solutions that support our customer journeys; and as set out on page 37, within LGIM we continue the implementation of our strategic operating model to create a globally scalable platform. Within LGRI, our continued ability to source direct investments that provide strong risk-adjusted returns is an important source of competitive advantage.	We observe a continued acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. The post pandemic operating environment has also seen businesses like ours transform working practices, and we expect to continue to invest in automation, using robotics and data science to improve business efficiency. Our businesses are also well positioned for changes in the competitive landscape that may arise from the roll out of DB 'superfund' consolidation schemes, pension dashboards and 'collective' pension scheme arrangements. We will continue to strengthen the connections between LGRI, LGIM and LGC to create assets that meet annuity liability profiles in accordance with evolving Solvency II rules.

Growth drivers
1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

Risks and uncertainties	Link to strategy	Risk management	Outlook
A material failure in our business processes or IT security may result in unanticipated financial loss or reputational 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 cyber threats including the risks of data theft and fraud. There is also strong stakeholder expectation that our core business services are resilient to operational disruption and that we protect customer data throughout our operations.	5	Our risk governance model, outlined on page 54, 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 88 to 93. 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 and maintain response plans so that when adverse events occur, appropriate actions are deployed.	Although Covid-19 related lockdowns in 2021 had some impact on our business operations, our business services have returned to normal levels, where required adjustment has been made to our control environment for hybrid working models. We remain alert to evolving operational risks and continue to invest in our IT and data capabilities, particularly those related to the management of cyber risks, to ensure that our business processes are resilient. We also remain cognisant of the risks associated with the implemention of a new global operating model and IT platform for LGIM, and have structured the migration in phases to minimise change risks. While not a source of principal risk to the group, the Group Risk Committee, together with the LGIM(H) board, is conducting a 'lessons-learned' review of the challenges experienced in managing LDI solutions in September 2022.
The success of our operations is dependent on the ability to attract and retain highly qualified professional people. The group aims to recruit, develop and retain high-quality individuals. We are inherently exposed to the risk that key personnel or teams of expertise may leave the group, with an adverse effect on the group's businesses. As we increasingly focus on the digitalisation of our businesses, we are also competing for data and digital skill sets with other business sectors as well as our peers.	5	We seek to ensure that key personnel dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. Our processes include the active identification and development of talent within our workforce, and by highlighting our values and social purpose, promoting Legal & General as a great place to work. As well as investing in our people, we are also transforming how we engage and develop capabilities, with new technologies and tools to support globalisation, increase productivity and provide an exceptional employee experience.	Competition for talent remains strong with skills in areas such as technology and digital, particularly sought after across many business sectors, including those in which we operate. We also recognise the risks posed by the outlook for inflation in salary expectations across the wider employment market, and internally we have taken steps to help our employees through direct financial support and by providing advice and resources to help them manage their financial wellbeing.





Levelling up

Sunderland City Hall is a striking new building on the banks of the River Wear. Home to Sunderland City Council, with facilities for local groups and organisations, it was built with investment provided by Legal & General.

Already winner of the BCO 'Best Corporate Workplace' and 'Best of the Best' awards, the building is also shortlisted for the 2023 RIBA North East Awards. The maroon steel staircase was inspired by the hull of a ship in a nod to the city's former shipbuilding industry.

Governance

Letter from the Chair

Sir John Kingman
Chair

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 we make decisions in the right way across the group.

Dear Shareholders,

Introduction
2022 has been a year in which the Group Board's role in monitoring and managing emerging risks in the macro-economy, and in markets, has been even more important than usual. Having weathered Covid-19, we faced new challenges and headwinds, which included the war in Ukraine, and an inflationary environment which drove sharp changes in monetary and fiscal policy, alongside a higher than usual level of political instability and market volatility in the UK. The Board therefore met a number of times outside of its usual meeting cycle to consider carefully the group's financial position in light of volatile market conditions and the general economic outlook for the UK and the other countries in which we operate. Despite the prevailing macro conditions experienced throughout the year, Legal & General has remained robust and resilient.

This resilience during tough times is fundamental and underscored the Board's ability to reiterate its ambition to deliver full year adjusted operating profit growth and capital generation in line with guidance given at the interim results. In addition, our confidence in achieving our five-year ambitions remains unchanged. Our solvency position provides a significant buffer and attractive optionality to capitalise on our growth opportunities, even as we remain vigilant in a fast-changing economic and market environment.

Legal & General has three outstanding qualities. The first is strategic clarity across our four business divisions which variously serve institutional and retail customers; create assets; manage assets and individual pensions; and provide insurance solutions. Our four divisions work well and collaborate together – this is a big part of our success.

As a Board we are involved in overseeing and testing the company's strategy. The development and delivery of that strategy falls to our executive colleagues, led by Sir Nigel Wilson, Jeff Davies and the heads of our four business divisions: Laura Mason, Andrew Kail, Michelle Scrimgeour and Bernie Hickman, each in turn supported by their management teams. They are highly effective, individually and collectively, and this is our second outstanding quality. We get things done, and done well, whether that is managing assets, de-risking pensions, creating new real assets or servicing around 13 million retail policyholders and workplace members.

The third quality is our culture – our values. You will see the emphasis on what we call inclusive capitalism throughout this annual report, and in our social impact and climate reports. But it is not just part of the reporting cycle: we live by this every day, and it informs our business decisions and our working practices. We see no contradiction between doing well financially and doing good socially: that is the combination that drives long term, sustainable success – it explains why we are a trusted partner for our clients and customers.

Shareholders will have seen our announcement in January 2022 that Sir Nigel Wilson has decided to retire from executive life after over a decade as your Chief Executive Officer. I would like to take this opportunity to pay tribute to the outstanding contribution Nigel has made to the group for almost 14 years. Nigel has agreed to continue as Chief Executive Officer until a successor is found and will support a smooth transition following their appointment. In the meantime, Nigel will continue to focus on delivering the current strategy of the group, supported by the executive team.

We were very sorry to learn that our former Chair, my predecessor John Stewart, sadly passed away in July 2022 at the age of 73. John was Chair from 2010 – 2016, during which time he was a firm friend to many, and will be remembered for his kindness and generosity. John was instrumental in appointing Nigel, and very much believed in Legal & General having a social purpose, sharing with Nigel the belief that the group could, and should, benefit wider society through its investments. John will be remembered for his positivity, his enduring focus on improving society and the kindness he showed to so many. On behalf of Legal & General, I would like to share our condolences with John's family.

Finding what you need online
group.legalandgeneral.com/AGM

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 we make decisions in the right way across the group. The Board has worked closely with the executive team throughout this year as the business has continued to navigate the challenges presented by volatile market conditions and geopolitical events to ensure our business can continue to flourish.

For the year ended 31 December 2022, we were required to measure ourselves against the 2018 UK Corporate Governance Code (the 'Code'). The Board has carefully considered 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 details on our compliance with the Code and how we have applied the various principles can be found on pages 74 to 75.

Stakeholder engagement

As a Board, we are very focused on the impact that our business and decisions have on our stakeholders, as well as our wider societal impact. Our stakeholders are key to our decision making and it is hugely informative for us to hear the viewpoints from a variety of parties with an interest in the company. The gradual lifting of lockdown restrictions allowed us to conduct more face-to-face interactions this year. The Board conducted a number of site visits, which included our investments in Manchester and two of our offices in the US, to meet with our partners and employees and experience Legal & General's culture first hand.

We are acutely aware of the financial challenges our people have faced throughout the year as a result of the rising cost of living and inflation. Working closely with our union partner Unite, we were pleased to be able to make two payments, totalling £1,500, to around a third of our workforce to help them to manage their day-to-day costs. We have also recently announced a further third payment due in July 2023. Additional support, including access to a hardship fund, has also been made available to all employees who may be facing financial hardship. I would like to extend my thanks to all our valued colleagues for their continued hard work and commitment to doing the right thing for our customers.

Diversity and inclusion (D&I)

Diversity, equity and inclusion play an increasingly important role in shaping our business and continued to be a particular focus for the Board in 2022. It is critical to keep building on our D&I strategy if we want to have an organisation that truly reflects our society and attracts the most talented people. A key focus of the Nominations and Corporate Governance Committee this year has been on D&I, and we were pleased in September to announce new group-wide, deliberately challenging, diversity goals. In addition, the Board has its own goals for D&I and I am pleased to report that the Board already meets these goals. The Board also meets the Hampton-Alexander Review's targets of 40% female representation and exceeds the Parker Review's target for at least one director of an ethnic minority background. We believe that the tone on D&I, as on other such important topics, should be set from the top, and we are actively overseeing the progress being made within the workforce. You can read more about our work on D&I in the Nominations and Corporate Governance Committee report on pages 84 to 87.

Board changes and succession planning

Legal & General continues to benefit from an outstanding Board with a diverse range and depth of expertise and skills. In April 2022, Toby Strauss stood down as a non-executive director of the company after more than five years of service, and George Lewis has since been appointed as the Chair of the Risk Committee. I would like to thank Toby for his contribution to the Board during his tenure. During the year we were delighted to welcome Laura Wade-Gery, Tushar Morzaria and Carolyn Johnson to the Board as independent non-executive directors. Laura's extensive knowledge of digital transformation and customer experience has further bolstered the Board as the company seeks to become a market leader in the digital provision of insurance and other financial solutions. Laura assumed the role of Chair of the Technology Committee on 1 September 2022 and was appointed as the group's Consumer Duty Champion in October. Tushar brings extensive financial services experience to the Board, including most recently as the Group Finance Director of Barclays PLC. Tushar succeeded Philip Broadley as the Chair of the Audit Committee on appointment. Carolyn has significant experience in insurance and financial services, particularly in the US, and her appointment has strengthened the Board's oversight of our successful and growing US businesses.

In addition to these non-executive changes, and following Nigel's announcement of his intention to step down as Group CEO, the Board has commenced a rigorous process to appoint a successor for Nigel, considering both internal and external candidates.

Subsidiary boards

At Legal & General we have benefited from a strong governance framework operating at subsidiary level for many years now. 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 and General Assurance Society Limited (LGAS), respectively. George Lewis was also appointed as a non-executive director of Legal and General Assurance (Pensions Management) Limited on 5 April 2022. This crossover of directors on our Group Board and principal subsidiary boards allows greater interactions, information flows and promotes enhanced collaboration.

Annual General Meeting (AGM)

We were delighted to be able to welcome shareholders back in person for our 2022 AGM. The Board regards the AGM as a key event to enable engagement with our shareholders and we firmly believe that in-person interaction is critical to meaningful engagement. For those unable to attend in person, a virtual stream of the event was made available and shareholders attending virtually were able to vote in real-time using the hybrid facilitator. We were pleased that attendance was back to pre-Covid-19 levels and I hope shareholders gained value in being back in the room with us. I would like to thank those who participated in our live Q&A session or who submitted questions in advance.

The 2023 AGM will be held on Thursday 18 May 2023 at 11am at the British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ, once again in a hybrid format, with facilities for shareholders to join and vote electronically. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting which will be sent to shareholders by their chosen communication means and published on our website: group.legalandgeneral.com/AGM.

Board effectiveness

The Board conducted an internal board review in 2022, which was externally facilitated by the board evaluation specialists, Independent Board Evaluation, and included a review of the effectiveness of the Board and its Committees. The conclusion was that the Board and its Committees continue to operate effectively. Further details of the process and outcome of this evaluation can be found on page 73.

Sir John Kingman
Chair

Board of directors

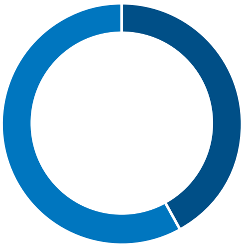
Committee membership key

- A Audit
- N Nominations and Corporate Governance
- R Remuneration
- Ri Risk
- T Technology
- Committee Chair

Other Board members during the year were:

Toby Strauss (retired from the Board on 29 April 2022).

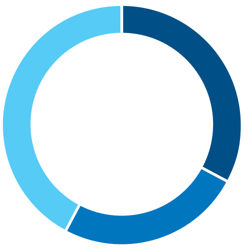
Gender



As at 31 December 2022 the Board comprised:

- **42%** Women
- **58%** Men

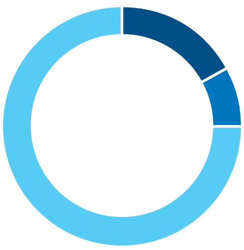
Tenure



As at 31 December 2022 the length of tenure of the Board varied:

- **33%** Over 6 years
- **25%** Between 3 – 6 years
- **42%** Between 0 – 3 years

Ethnicity



As at 31 December 2022 the Board comprised individuals from the following ethnic groups:

- **17%** South Asian
- **8%** Black
- **75%** White

Sir John Kingman
Chair

Appointed October 2016

N

Skills and experience:
John brings financial sector, government and regulatory experience to the Board. John previously served as Second Permanent Secretary to HM Treasury, where he was closely involved in the UK response to the 2007 – 2008 financial crisis. He was the first Chief Executive of UK Financial Investments Ltd; and from 2010 – 2012, John was Global Co-Head of the Financial Institutions Group at Rothschild. From 2016 – 2021 he was the first Chair of UK Research & Innovation, which oversees government science funding of around £8 billion a year. In 2018, John undertook a highly critical independent review for the UK government of the Financial Reporting Council.

Other appointments:
- National Gallery (Deputy Chair and Trustee)
- Barclays Bank UK PLC (Chair) and Barclays PLC (Non-Executive Director) (from June 2023, pending regulatory approval)

Sir Nigel Wilson
Group Chief Executive Officer

Appointed CFO September 2009; appointed CEO June 2012

Skills and experience:
Nigel brings strong leadership skills to the Board. He was knighted for services to finance and regional development in the 2022 New Year's Honours List. He was a member of the government's Patient Capital Review Industry Panel and a commissioner in the Resolution Foundation's Intergenerational Commission (both 2017 – 2018).
He was a member of the Prime Minister's Business Advisory Group and Build Back Better Council and is currently a member of the Levelling Up Council and the Investment Council. Nigel is also a member of the expert groups advising on the government's Social Care Green Paper and the Life Sciences Industrial Strategy Implementation Board and also chairs the Bank of England's Climate Financial Risk Forum, Innovation Working Group.

Other appointments:
None

Jeff Davies
Group Chief Financial Officer

Appointed March 2017

Skills and experience:
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. Jeff is a Fellow of the Institute of Actuaries.

Other appointments:
- Ethniki Hellenic General Insurance Company S.A. (Non-Executive Director)

Philip Broadley
Senior Independent Director

Appointed July 2016; Senior Independent Non-Executive Director from March 2021

A N R Ri T

Skills and experience:
Philip has extensive experience having spent over 14 years 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 a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments:
- AstraZeneca PLC (Senior Independent Director)
- Eastbourne College (Chair of Governors)
- London Library (Treasurer and Trustee)

Henrietta Baldock
Independent Non-Executive Director

Appointed October 2018

N R Ri

Skills and experience:
Henrietta has extensive knowledge of the financial services and insurance sectors through her 25 years' experience in investment banking, most recently as Chair of European Financial Institutions at Bank of America Merrill Lynch. Henrietta is currently the Chair of one of the group's principal operating subsidiaries, Legal and General Assurance Society Limited.

Other appointments:
- Investec Plc (Non-Executive Director)
- Investec Limited (Non-Executive Director)
- Investec Bank Plc (Non-Executive Director)
- Investec Wealth & Investment Limited (Chair)
- Hydro Industries Limited (Non-Executive Director)

Nilufer von Bismarck OBE
Independent Non-Executive Director

Appointed May 2021

A N Ri T

Skills and experience:
Nilufer was previously the 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. As well as a deep and extensive understanding of the financial services sector, Nilufer has considerable experience across a range of other industries and sectors, including real estate, green infrastructure and fintech. Nilufer was appointed as the designated Non-Executive Director for Climate in January 2022 and as the Designated Workforce Director in April 2022.

Other appointments:
- IntoUniversity (Trustee)

Carolyn Johnson
Independent Non-Executive Director
Appointed June 2022
A N Ri

Skills and experience:
Carolyn has extensive knowledge of the insurance and financial services industries following a 30-year executive career in the United States. Carolyn has deep experience in the life insurance market and is an accomplished business leader and experienced board member. She has previously held senior roles at AIG, Voya Financial and Protective Life Corporation.

Other appointments:
- Kuvare Holdings (Director)

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

Skills and experience:
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, the Bank of Scotland and British Linen Advisors. Lesley previously served as Chair of Alliance Trust Plc and as Senior Independent Director at Hays Plc. Lesley is currently the Chair of one of the group's principal subsidiaries, Legal & General Investment Management (Holdings) Limited.

Other appointments:
- 3i Group Plc (Senior Independent Director)
- Genus Plc (Senior Independent Director)
- Dovecot Studios Limited (Non-Executive Director)
- Grosvenor Group Limited Pension Fund (Trustee)
- The National Galleries of Scotland Foundation (Trustee)

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

Skills and experience:
George has significant executive and professional experience in financial services, with a strong focus on global asset management from experience in Canada, Asia, the US and UK. 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 – 2015, with responsibility for RBC's wealth, asset management and insurance segments.

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

Skills and experience:
Ric has significant experience in investment management and, in particular, a focus on the real estate sector where he has more than 25 years of experience, including as the founder and Executive Chair of Tristan Capital Partners, an investment manager specialising in real estate investment strategies across the UK and continental Europe. This experience and perspective will bring further expertise to Legal & General as we continue to invest in the real economy.

Other appointments:
- Dartmouth College (Trustee)
- Royal National Children's SpringBoard Foundation (Director)
- Black Heart Foundation (UK) Limited (Trustee, Chair and Founder)
- Black Equity Organisation (BEO) (Trustee)
- Tappit Technologies (UK) Limited (Non-Executive Director)

Tushar Morzaria
Independent Non-Executive Director
Appointed May 2022
A N R Ri

Skills and experience:
Tushar is a chartered accountant and brings a wealth of financial services experience to the Board and has extensive knowledge of strategic financial management, investment banking and operational and regulatory relations. Tushar was previously Group Finance Director at Barclays PLC for eight years and prior to this, he was the Chief Financial Officer of Global Investment Banking at JP Morgan Chase & Co.

Other appointments:
- BP plc (Non-Executive Director)
- Barclays PLC (Chairman of Global Financial Institutions Group)

Laura Wade-Gery
Independent Non-Executive Director
Appointed January 2022
N R Ri T

Skills and experience:
Laura has extensive knowledge of digital transformation, business strategy and customer experience transformation. Her previous executive roles include her position as Director of Multi-Channel, a main board member at Marks and Spencer Group Plc and as Chief Executive Officer of Tesco.com and Tesco Direct. Laura was also previously an advisor to the Government Digital Service from 2012 – 2016 and a Non-Executive Director of the John Lewis Partnership from 2017 – 2021.

Other appointments:
- The British Land Company PLC (Non-Executive Director)
- Moorfields Hospital Foundation Trust (Chair)
- NHS England (Non-Executive Director)

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.

Executive Committee

Sir Nigel Wilson
Group Chief Executive Officer
See Board of directors, page 64.

Jeff Davies
Group Chief Financial Officer
See Board of directors, page 64.

Geoffrey Timms
Group General Counsel and Company Secretary
See Board of directors, page 65.

Business Division Chief Executive Officers (CEOs) and Presidents

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Michelle was appointed as CEO of LGIM in July 2019. Michelle has spent her career at major global firms and has extensive asset management experience across investments, distribution, product, operations and risk. Before joining LGIM, Michelle was Chief Risk Officer, EMEA, at Columbia Threadneedle Investments and a member of the executive leadership team of Ameriprise Financial. Prior to that, she was Chief Risk Officer at M&G Investments and a director of M&G Group Limited. Michelle held a number of leadership positions at BlackRock, Merrill Lynch Investment Managers and Mercury Asset Management. Michelle is Deputy Chair of the Investment Association and a member of the FCA's Practitioner Panel; she co-chaired the COP26 Business Leaders Group. Michelle holds a BA (Hons) in French from the University of Sheffield.

Kerrigan Procter
President of Asia-Pacific, Legal & General Group

Kerrigan has been President of Asia-Pacific, Legal & General Group since July 2021. He was previously CEO of Legal & General Capital from January 2018 to June 2021. 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 LGIM from 2006 to 2012, where he was responsible for asset-liability management solutions for pensions and insurance companies, together with multi-asset funds for DC pension schemes. Prior to joining the group, he worked at NatWest 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.

Laura Mason
Chief Executive Officer, Legal & General Capital

Laura has been CEO of Legal & General Capital, the group's alternative asset business, since July 2021, creating assets for both the Legal & General Retirement business and third-party clients in order to achieve improved risk-adjusted returns for shareholders. She was previously CEO of Legal & General's institutional retirement business division from January 2018 to June 2021. Laura joined Legal & General in 2011 and has had several roles since then, including as 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 and a PhD in Engineering Science (Neural Networks and Signal Processing), both from the University of Oxford.

Bernie Hickman
Chief Executive Officer, Legal & General Retail

Bernie is the CEO of Legal & General Retail, responsible for all the savings, protection, mortgage and retirement needs of around 13 million retail policyholders and workplace members. Bernie joined Legal & General in 1998 from Commercial Union (now Aviva). Between 2005 and 2010 he was the Managing Director (MD) of Retail Protection. He 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. Between 2017 and 2021, Bernie was CEO of Legal & General Insurance, responsible for the insurance and fintech businesses in the UK and US. He has also held the positions of Group Financial Controller and Investor Relations Director.

Andrew Kail
Chief Executive Officer, Legal & General Retirement Institutional

Andrew has been the CEO of Legal & General Retirement Institutional since January 2022. He leads our work with trustees and sponsoring companies of DB pension schemes of all sizes to settle their pension obligations and secure scheme members' benefits, through a full range of buy-ins, buyouts and other de-risking solutions. In addition, he is the Non-Executive Chair of Legal & General America. Andrew joined Legal & General in March 2021 as the CEO of Legal & General Retail Retirement. Prior to this, he was at PricewaterhouseCoopers (PwC) where he held the role of Head of Financial Services and was a senior partner. Andrew is a chartered accountant and an Economics graduate from the University of Manchester.

Additional Executive Committee members

John Godfrey
Corporate Affairs and Levelling Up Director

John has worked in the City of London for over 37 years, providing advice on corporate affairs and communications to US, European and Japanese financial institutions. He joined Legal & General in 2006, and over the following decade was responsible for group communications, public policy issues and the group brand. In 2016, John left the group to work as Head of Policy for then Prime Minister Theresa May, where his team was responsible for advice on a broad range of UK domestic issues, before returning to the group in September 2017 as Corporate Affairs Director following the 2017 general election. John was educated at Lochaber High School and Oxford University and has also served as a special advisor to the Home Secretary.

Emma Hardaker-Jones
Group Human Resources Director

Emma joined Legal & General as Group HR Director in 2017. Her responsibilities include leading on the group's culture, diversity and inclusion and leadership strategies, as well as operational accountability for property and workplaces, employee communications and sustainability. Emma sits on various subsidiary boards within the group. Her interest in social inclusion is reflected in her membership of the board of Salary Finance. Emma also sits on the board of CALA Homes and chairs the board of Legal & General Resources, the group's principal UK services entity. Emma's previous role was as Global HR Director and Board Director at PA Consulting, before which she was at BP, Prudential and the Bank of England. She also co-founded a dotcom start-up. Emma has significant international experience having worked in Europe, North America, Asia and Africa.

Chris Knight
Group Chief Risk Officer

Chris has been the Group Chief Risk Officer since May 2021. Chris was previously the Chief Executive Officer of Legal & General's Retail Retirement business where he led the expansion of our annuity propositions, developed one of the leading providers of lifetime mortgages and established our Financial Advice and Health & Care businesses. Chris has also held the roles of Chief Financial Officer of the Retirement division, Finance Director of the group's UK Savings and Protection businesses, as well as having been our Customer Champion, where he represented our Retail customers' interests across the whole product range, enabling him to bring an informed perspective to his current role. He has a first-class honours degree in Economics from King's College, Cambridge.

The role of the Executive Committee

The Group Executive Committee (Exco), chaired by the Group Chief Executive Officer, brings together the heads of Legal & General's business divisions with the Executive Committee members shown on these pages. Exco is the forum through which the CEO exercises the authority delegated to him by the Board, including the day-to-day implementation of strategy. The Exco meets regularly to ensure continued cooperation between the business divisions and the effective adoption of our culture, a key focus for the group. Exco also ensures efficient operational management and addresses key issues such as diversity, the environment and corporate social responsibility. Exco has regular updates from relevant external advisors and partners to develop its knowledge and outlook.

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 extensive internal audit experience has included life, general and healthcare insurance in both Legal & General and the Lloyd's of London market. He was also previously an audit consultant at the London Stock Exchange Group. Stephen is a chartered member of the Institute of Internal Auditors.

Governance report

The UK Corporate Governance Code

The 2018 UK Corporate Governance 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. Each year, the Board reviews the group's governance framework and compliance with the Code. Pages 74 and 75 set out at high level how we have complied with each of the principles in 2022. The information required under Disclosure Guidance and Transparency Rule 7.2.6 can be found in the directors' report on pages 234 to 237.

Board governance

The Board is responsible for the overall leadership of the group and for setting the tone from the top for the group's values and standards and ensuring this permeates throughout the group. The Board is led by the Chair, Sir John Kingman, who is pivotal in creating the conditions for overall board and individual director effectiveness, both inside and outside of the boardroom. The Senior Independent Director, Philip Broadley, acts as a sounding board for the Chair, as well as being available as an intermediary between the independent non-executive directors and shareholders when necessary.

The independent non-executive directors support the governance framework by scrutinising and holding to account the performance of management and individual executive directors against agreed performance objectives. They play a key role in our governance framework and culture and their roles are not restricted to the boardroom. Examples of some of the activities they have undertaken during the course of the year are set out on page 69. The Board is committed to maintaining the highest standards of corporate governance across the group to support the delivery of our strategy, the fostering of positive stakeholder relationships and the creation of long-term sustainable value for our shareholders. The matters reserved for the Board provide the foundations of the group's corporate governance framework and specifically outline the sole decision-making power reserved for the Board. The Board has delegated the day-to-day management, and the responsibility of the successful execution of the strategy, to the Group Chief Executive Officer, Sir Nigel Wilson.

The Board is accountable for the long-term sustainable success of the company by overseeing 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, material transactions and critical projects 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 the boards of the group's 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 oversight of, and contribution to, 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.

The Board is supported in its work by its Committees, each of which is governed by its own terms of reference which clearly outline its remit and decision-making powers. The Committees of the Board and their core responsibilities are set out in the governance framework below, and in each of the respective Committee reports on pages 83 to 125.

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

Toby Strauss stood down as a non-executive director of the company and as Chair of the Risk Committee after more than five years of service. George Lewis has now succeeded Toby as Chair of the Risk Committee.

We were pleased to welcome Laura Wade-Gery, Tushar Morzaria and Carolyn Johnson to the Board as independent non-executive directors as part of planned succession changes during the year. The Nominations and Corporate Governance Committee leads the process for all board appointments and further details on these appointments can be found in the Committee's report on page 84.

Following the announcement of Sir Nigel Wilson's intention to retire as Group Chief Executive Officer, a rigorous process to appoint a successor has commenced.

When considering the appointment of new directors, the Board is 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.

Our governance framework

Board of Legal & General Group Plc
The Board is collectively responsible for the strategic direction and overall leadership of the group and for ensuring that the company's values support its long-term sustainable success.

Audit Committee	Nominations and Corporate Governance Committee	Remuneration Committee	Risk Committee	Technology Committee
Responsible for oversight of the group's financial statements/reporting and the adequacy/effectiveness of the internal control environment, including financial control. Oversees the relationship with the external auditor and the activities of the Internal Audit function.	Responsible for the overall composition of the Board and succession planning and recommends appointments to the Board. Responsible for overseeing the group's corporate governance framework.	Responsible for recommending the remuneration of executive directors and other designated individuals and the remuneration policy for the group to the Board.	Advises the Board on risk appetite, oversees the management of risk and the operation of the risk management framework.	Responsible for oversight of all aspects of information technology, cyber security (including IT and information security) and data and analytics across the group.

Group Chief Executive Officer
Responsible for the day-to-day management of the group and implementation of the strategy.

Group Executive Committee	Group Capital Committee
Details of the Group Executive Committee can be found on pages 66 to 67.	The Group CEO has delegated responsibility for material decisions in relation to capital management and allocation to this Committee. Decisions of the Committee require the approval of the Group CEO and the Group CFO.

For more information on the Committees listed above, please see pages 83 to 125.

How the Board spent its time in 2022

The Board held eight board meetings during 2022, including two off-site strategy events. The Board also held a number of board calls between formal meetings to keep abreast of business developments and market updates. Board sub-committees were 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 71. The non-executive directors have a private meeting without the executives present after each board meeting and otherwise when required. The non-executive directors, led by the Senior Independent Director, meet without the executive directors and the Chair annually to review the Chair's performance. Board members also meet informally with the executive directors and senior management on a regular basis outside of the formal meeting schedule.

The board agenda is set by the Chair, with input from the Board, and consists of the following broad discussion areas:

- updates from the Group Chief Executive Officer and 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, the control environment and culture
- regular updates from the Chair of each of the Committees and Designated Workforce Director
- discussions on strategic ambitions, material transactions and other material initiatives
- risk and compliance matters
- legal and governance matters
- people and employee engagement matters
- ESG, climate and sustainability considerations.

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 initiatives directly with the senior management team along with the executive directors.

Key board activities and areas of focus throughout the year

Area of focus	Key discussions, considerations and activities
Strategy	• Two off-site strategy events were held, one in the UK (Manchester) and one in the US (Stamford and Frederick). • Review of proposed transactions to ensure alignment with strategic objectives. • Approval of remuneration policy and strategy. • Consideration of US growth options and market perceptions. • Endorsement of proposed strategic opportunities in Asia and more precise defining of focus in the region. • Support of our capital business' investment in an early-stage business focused on energy efficiency in homes. • Endorsement of a new development in our Retirement Institutional business to enable effective collaboration with other divisions and external partners.
Governance and risk management	• Approved an internal board evaluation for 2022 and the appointment of Independent Board Evaluation who externally facilitated the evaluation. • Oversight of risk identification, management and internal control, including principal and emerging risks. • Regular legal and governance reports from the Group General Counsel. • Review of annual report on whistleblowing and approved priorities and workforce training. • Review of governance documentation to maintain compliance with legal and regulatory requirements and corporate governance best practice, including a review of the protocol for the management of conflicts of interest. • Approved the group's implementation plan for the new Consumer Duty regulations. • Received an annual update on money laundering and financial crime.
Financial reporting and performance	• Approved the full and half year results, annual report and accounts, trading updates and dividend recommendations. • Supported the coordination and centralisation of the liquidity review and the identified efficiencies. • IFRS 17 updates received at each board meeting to track progress and delivery. • Received updates on key projects, such as LGIM's Strategic Target Operating Model (STOM).
People, culture and succession planning	• Upon recommendation from the Nominations and Corporate Governance Committee, approved the appointment of two new non-executive directors. • Discussed executive and non-executive succession planning to ensure a strong, diverse pipeline of talent. • Focused on D&I, including the setting of new workforce and board-level goals for ethnicity. • Hosted two 'Talent dinners' with colleagues who have demonstrated potential to progress into senior roles, which provided the participants with the opportunity to meet with the Board, gain insights into their perspectives and priorities and widen their internal network. • Received regular updates on the results of the Voice survey which gives employees the opportunity to provide feedback on their views and ideas on important topics, such as wellbeing and performance, and provides valuable insights on employees' overall experience of working at Legal & General. • Received updates on culture and our people throughout the year.
Stakeholders	• Regularly considered the group's relationship with various stakeholder groups. The Board discussed customers, shareholder matters, employee engagement, and the group's impact on, and relationship with, wider society and the environment. For more information on the Board's stakeholder engagement during the year, see pages 78 to 81. • The new Consumer Duty regulations have brought greater board focus to customer outcomes. • Nilufer von Bismarck succeeded Lesley Knox as our Designated Workforce Director in April 2022 and reports to the Board at every meeting to enhance board-level considerations of the workforce. For more information on Nilufer's role, see pages 76 and 77. • Met with key regulators throughout the year and feedback was provided at board meetings. In addition, the Board met with the PRA and the FCA to discuss the content of the annual periodic summary meeting letter and the firm evaluation letter.
ESG	• Reviewed and considered Legal & General's sustainability strategy. • Reviewed Legal & General's approach to setting science-based emissions reduction targets across all relevant scopes. • Considered the challenges and opportunities associated with the climate change crisis. • Endorsed our capital business' climate transition plan to increase the allocation of its direct investment to clean energy over the next five years.

Key decisions that arose from the Board's activities throughout the year can be found on pages 78 to 82.

Board training and induction

Induction

The Board places great value on training and development, and all new non-executive directors are invited to participate in a comprehensive, formal and tailored induction programme upon joining the Board. Induction programmes provide new directors with the knowledge and understanding of the company and its business to enable them to provide effective contribution to board discussions, effectively challenge the executive and properly fulfil their statutory duties. The Group Secretariat team works closely with new non-executive directors to receive real-time feedback on the induction programme so that it can be adapted as appropriate to ensure that each director has access to any further training they require.

Key areas of focus	The induction programme this year covered a wide range of activities, including:
Governance	• introduction to the group's corporate structure, governance framework and guiding principles with the Group General Counsel and Company Secretary • overview of the key interfaces and stakeholders with the Chair, as well as the role and responsibilities of the Board, its Committees, non-executives and the executive team, with the Chair • overview of listed company requirements such as share dealing, market announcements, market disclosure obligations and the requirements of the 2018 UK Corporate Governance Code and how the group complies with its principles.
Key divisions	• introductory meetings with divisional CEOs and CFOs on strategy, financials, management structure and key people • the interactions between each of our divisions • the increased divisional focus on customers and other key stakeholders.
Audit, risk and compliance	• our relationship with Group Internal Audit and external auditors • key audit, risk and compliance priorities and the current audit plan • detailed review of the risk management framework, group risk appetite, risk modelling and reporting and risk governance structure with the Chief Risk Officer • structure and role of the Compliance Function • interactions with the Group Actuary focusing on regulatory capital and the group's internal model.

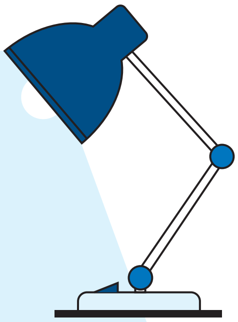
Training

In addition, all Board members receive continuing training at regular intervals throughout the year. The Board believes that continual director training and development is important to maximise the effectiveness of the Board and ensures the Board can provide proper challenge to the executive. Board training sessions are reviewed and refreshed each year based on the needs of the Board and the group, including any recommendations from the annual board evaluation.

It is the responsibility of the Chair to help ensure directors continually update their skills, knowledge and familiarity with the group, and he does so with input from Board members and the Group Company Secretary.

In 2022, the Board received specific training on various topics, including IFRS 17. In addition, 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.

As part of their ongoing training and development, Board members are invited to attend site visits to the group's various offices, developments and investments, with the aim of widening Board members' knowledge of the business, gain first-hand insights and to provide Board members with the opportunity to meet personally with our employees. Throughout the year, numerous site visits were carried out, such as to SciTech and Innovation District Manchester in April 2022, two of the group's offices in the US in November, as well as individual director visits to our Affordable Homes business in May 2022.



Here's what our three new independent non-executive directors thought about their induction programmes in 2022.

Laura Wade-Gery

"My induction programme facilitated engagement with key internal stakeholders which enabled me to gain a comprehensive understanding of Legal & General's business, core values and culture."

Tushar Morzaria

"The induction programme supported me in understanding the organisation, the environment in which it operates and my role in contributing to the long-term sustainable success of the business."

Carolyn Johnson

"The design of the induction programme, paired with the prominent inclusive nature of the culture at Legal & General, has enabled me to seamlessly integrate into the Board, and the company as a whole."

Board and committee meeting attendance during 2022[1]

Director	Appointment date	Committee appointments	Board (8)	Audit Committee (5)	Nominations and Corporate Governance Committee (4)	Remuneration Committee (5)	Risk Committee (5)	Technology Committee (4)
Chair and executive directors								
Sir J Kingman[2]	24 October 2016	N	8/8		4/4		3/3	2/2
Sir N D Wilson	1 September 2009		8/8					
J Davies	9 March 2017		8/8					
Non-executive directors								
H Baldock	4 October 2018	N R Ri	8/8		4/4	5/5	5/5	
N von Bismarck	1 May 2021	A N Ri T	8/8	5/5	4/4		5/5	4/4
P Broadley	8 July 2016	A N R Ri T	8/8	5/5	4/4	5/5	5/5	4/4
C Johnson[3]	17 June 2022	A N Ri	4/4	3/3	2/2		3/3	
L Knox	1 June 2016	N R Ri	8/8		4/4	5/5	5/5	
G Lewis	1 November 2018	A N R Ri	8/8	5/5	4/4	5/5	5/5	
R Lewis[4]	18 June 2020	N R Ri	8/8		4/4	4/5	4/5	
T Morzaria[5]	27 May 2022	A N R Ri	4/4	3/3	2/2	3/3	3/3	
L Wade-Gery[6]	3 January 2022	N R Ri T	8/8		4/4	1/1	3/3	4/4
T Strauss[7]	1 January 2017	A N Ri T	3/3	1/1	1/1		1/1	1/1

1. Attendance at meetings in accordance with the formal schedule of meetings.
2. Attends all Audit, Remuneration, Risk and Technology Committee meetings as an invitee. Appointed as a member of the Risk Committee for a brief period from 23 May 2022 – 5 December 2022 where he acted as the Interim Committee Chair (until November 2022). Stood down from the Technology Committee on 1 September 2022 upon the appointment of Laura Wade-Gery as Chair.
3. Appointed to the Board, Audit Committee, Nominations and Corporate Governance Committee and Risk Committee on 17 June 2022.
4. Unable to attend August Risk Committee and Remuneration Committee meetings due to pre-agreed travel arrangements.
5. Appointed to the Board, Audit Committee and Nominations and Corporate Governance Committee, Remuneration Committee and Risk Committee on 27 May 2022.
6. Appointed to the Board, Nominations and Corporate Governance Committee and Technology Committee on 3 January 2022 and subsequently to the Risk Committee on 1 August 2022 and Remuneration Committee on 14 October 2022.
7. Retired from the Board on 29 April 2022.

Committee membership key

- A Audit
- N Nominations and Corporate Governance
- R Remuneration
- Ri Risk
- T Technology
- Committee Chair

Climate and environmental issues

As a group, our purpose is to build a better society, whilst improving the lives of our customers and creating value for shareholders. To do this, we invest in long-term assets that benefit society. Environmental issues are central to our purpose of inclusive capitalism.

For more information on the Board's oversight of climate and environment issues, and the environmental governance framework of the group, please refer to our climate report group.legalandgeneral.com/en/investors/results-reports-and-presentations

Governance report
continued

Voluntary Listing Rule disclosures on diversity

The Board is mindful of the new Listing Rule (LR) requirements for financial years commencing after 1 April 2022 in relation to the gender and ethnic diversity of the Board and executive management. Although we are not required to report on the new requirements in this year's annual report, the Board notes the FCA's encouragement for companies to consider reporting voluntarily for earlier periods, and as such, has decided to report voluntarily on these new requirements for 2022.

The Board is compliant with new LRs 9.8.6R (9)(a)(i) and (iii) and voluntarily discloses its compliance in the prescribed format below. The Board is not yet compliant with the new target for one senior board position to be held by a woman (LR 9.8.6R (9)(a)(ii)); however, the Board is mindful of this target and addressing this is a priority for our Nominations and Corporate Governance Committee going forward. The Board is aiming to report its compliance with LR 9.8.6R (9)(a)(ii) in next year's annual report.

The below data on the gender and ethnic diversity of the Board and the Group Executive Committee was collected on a confidential and voluntary self-reporting basis.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management
Men	7	58%	4	7	70%
Women	5	42%	–	3	30%
Not specified/prefer not to say	–	–	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management
White British or other White (including minority-white groups)	9	75%	4	10	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
South Asian	2	17%	–	–	–
East Asian/Southeast Asian	–	–	–	–	–
Black/African/Caribbean/Black British	1	8%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* exclusive of the Group CEO and Group CFO who are included in the number of Board members.

This data is accurate as at the date of this report. There are no imminent planned changes to the Board or Group Executive Committee, other than the succession of the Group CEO as discussed elsewhere in this report.

Diversity and inclusion

D&I continues to be an area of focus for the Board and the Nominations and Corporate Governance Committee. We must keep building on our D&I if we want to have an organisation that truly reflects our society and attracts the most talented people.

We've made good progress in improving our gender balance over recent years, with 50% of our businesses now led by a female CEO.

We want similar success in addressing under-representation of minority ethnicities. We have set ourselves deliberately challenging goals for ethnic diversity in our workforce, senior management roles and Board.

For more information on the Board's commitments to D&I, please visit our Nominations and Corporate Governance Committee report on pages 84 to 87.

Assessing board and committee effectiveness

Board and committee evaluation

The effectiveness of the Board is essential to the success of the group. A formal and rigorous review of the Board's performance and that of its Committees, the Chair and individual directors is undertaken each year. The Board's most recent external evaluation was conducted in 2020 and was facilitated by Ffion Hague at Independent Board Evaluation (IBE), an external board review specialist. IBE has no other connection with the company or individual directors. The next external board evaluation will be undertaken in 2023 in accordance with Code requirements.

Update on 2021 board evaluation

In 2021, the Board undertook an internal review of its performance which was externally facilitated by IBE. The recommendations from the 2021 evaluation were reviewed and approved by the Board and regular updates on progress were provided at each board meeting throughout the year.

Key recommendations from the 2021 board evaluation and progress against them is provided below:

Recommendations from 2021 review	Progress against 2021 recommendations
The continued and active oversight of board and senior management succession.	In relation to non-executive succession planning, the Nominations and Corporate Governance Committee continues to lead the non-executive director selection process and continues to review, discuss and agree succession options, phasing and timing for the appointment of Committee Chairs. This year, the Nominations and Corporate Governance Committee recommended the appointment of Carolyn Johnson. The Committee further recommended the appointment of Tushar Morzaria as Audit Committee Chair, Laura Wade-Gery as Technology Committee Chair and George Lewis as Risk Committee Chair. Decisions in relation to executive succession planning continue to be fully debated and formally agreed by the Nominations and Corporate Governance Committee. Throughout the year, divisional senior management members attended board meetings alongside divisional CEOs to provide business updates and two 'Talent dinners' were held to allow the Board to have greater visibility of the talent pipeline. For more detailed information on our succession planning during the year, see pages 84 to 87.
Develop newer non-executive directors' knowledge of the business, including through site visits to see the business and investments first-hand.	In addition to new non-executive directors' induction programmes (as detailed on page 70), site visits were offered and arranged to allow Board members to see investments first-hand and to gain a deeper knowledge of the business. This year, our Board members undertook site visits as a collective and individually to our various office locations in the US and UK and various development sites across the UK.
Continue to embed relationships where physical engagement had been more difficult as a result of Covid-19.	Following a period where there were limited opportunities for social engagements as a result of Covid-19, the Board was pleased that physical meetings and events could resume in 2022. A number of formal and informal in-person events were held throughout the year in addition to formal meetings.

2022 board and committee evaluation

In 2022, the Board undertook an internal review of its performance which was externally facilitated by IBE. The aim of the review was to assess the effectiveness of the Board, both as a collective unitary Board and at Committee-level. The Chair meets with Board members throughout the year to assess their individual performance. The 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 and indicated that the Board, and each of its Committees, continued to be effective and constructive. The Board particularly welcomed the richer boardroom debates that had been created from the return to in-person working, as well as from the new skills, experience and diversity of views of the new non-executive appointments. Some of the themes that had arisen in previous years, including the requirement for continued and active oversight of board and executive succession, were notable by omission from this year's feedback, reflecting the prioritisation the board had given to these areas throughout the year and the progress that had been made, in particular in implementing succession plans for Committee Chair roles. The key recommendations from the 2022 evaluation reflected the Board's focus on ensuring that it was able to continue to successfully implement the group's strategy in light of recent macro-economic changes, including (i) continuing the practice of 'top down' risk discussions and 'lessons learnt' exercises, (ii) ensuring that strategy papers continued to be forward-looking, and (iii) continuing to prioritise stakeholder impacts and views.

Progress to implement the recommendations is underway and is monitored by the Group Company Secretary and reported to the Board at each board meeting.

Sir John Kingman
Chair

Compliance with the UK Corporate Governance Code

We are pleased to report that we have applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code for the year ended 31 December 2022.

1. Board leadership and company purpose

A. Board's role

The company continues to be led by an effective and entrepreneurial Board. Three new Board members were appointed to the Board during the year to strengthen the Board's experience, knowledge and skills. The Board completes an annual board effectiveness review and has a skills matrix in place to support succession planning. The Board meets regularly to consider and challenge the business to ensure it continues to promote the long-term sustainable success of the company. 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. The schedule of matters reserved is reviewed and approved by the Board on an annual basis. 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.

B. Purpose and culture

The Board has approved the company's strategy and continues to oversee management's execution of the strategy throughout the year and at each board meeting. The Board held additional off-site strategy meetings and site visits during the year. Site visits enable directors to meet with stakeholders and gain insights into culture and behaviours at Legal & General. As part of these site visits, Board members meet with smaller groups of employees to speak directly with them, both with and without management present. 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. The executive management team holds a number of town hall events at various locations to update the workforce on topical issues. Employees are offered the chance to ask the management team questions throughout these sessions. Town hall events are now run as hybrid events to maximise engagement.

The Board regularly receives updates on the Voice survey which provides insights into employee satisfaction. Data from Voice surveys are aligned to three pillars that cover engagement, culture and productivity, and enablement. The Voice surveys include questions on purpose, values and culture to enable the Board to understand whether these areas are aligned.

In her role as the Designated Workforce Director, Nilufer von Bismarck has met with employees to discuss Legal & General's culture and values and provides updates on her engagement at each board meeting.

Additionally, when the Board is considering entering a new market or business area, culture plays a major part in discussions and Board members remain cognisant 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.

C. Resources and controls

The Board's agenda is set by the Chair and deals with those matters reserved for the Board, including matters relating to the group's strategic plan, risk appetite, and systems of internal control and corporate governance policies. Matters delegated to the Group CEO 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 Risk Committee assists the Board with the 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.

The Board ensures that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board has a framework of prudent and effective control, which enables risks to be assessed and managed. Further information on risk management can be found on pages 52 to 59.

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 78 to 81. Board members receive feedback at each board meeting from Nilufer von Bismarck in her role as Designated Workforce Director and periodic feedback from the employee Voice survey, enabling them to assess and monitor culture. Board members were able to visit a number of Legal & General sites throughout the year and engaged with employees and members of the community.

E. Workforce engagement

Nilufer von Bismarck succeeded Lesley Knox as Designated Workforce Director on 1 April 2022. During the year, Lesley and Nilufer continued to engage with our employees by attending virtual and in-person meetings across our operating divisions. 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 updates on this. Additionally, employees are encouraged to share their views through the Voice survey and with the Designated Workforce Director. Further details are available on page 76 and 77. Details on the company's approach to investing in and rewarding its workforce can be found on page 120.

2. Division of responsibilities

F. Role of the Chair

The Chair leads the Board and sets the agenda for meetings, manages the meeting timetable and encourages an open and constructive dialogue during meetings, inviting the views of all Board members. The Chair facilitates constructive board relations both during and outside of board meetings and ensures that directors receive accurate, timely and clear information. The effectiveness of the Chair is monitored through an annual evaluation led by the Senior Independent Director and facilitated by an external evaluation provider.

G. Composition of the Board

At least half the Board, excluding the Chair, are independent non-executive directors. In addition to the Chair, there were two executive directors and nine independent non-executive directors on the Board as at year-end. Three independent non-executive directors were appointed to the Board during 2022. The roles of the Chair and Group Chief Executive Officer are clearly defined, and the role profiles are reviewed as part of the annual governance review undertaken by the Board. Sir John Kingman, the Chair, is responsible for leading the Board while Sir Nigel Wilson, the Group Chief Executive Officer, is responsible for the day-to-day management of the company within the parameters of the strategy approved by the Board. The group's governance framework and delegated authorities enable the executive leadership of the business to report into Sir Nigel Wilson. The Chair 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 discussions 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 Chair and approved by the Nominations and Corporate Governance Committee acting under its delegation from the Board.

In addition, the policy for the identification and management of directors' conflicts of interest and the Board's external appointments policy is reviewed on an annual basis. As part of the external appointments approval process, directors' time commitments are assessed in detail. The significant commitments of each of the directors are included in the Board biographies on pages 64 and 65.

The Chair'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. The Chair's commitments are also assessed robustly whenever he proposes to take on an external appointment. 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 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 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 gender. The Nominations and Corporate Governance Committee also considers board, executive committee and senior management succession planning. The board diversity and inclusion policy is published externally on the company's website: group.legalandgeneral.com/en/about-us/corporate-governance/diversity. A summary can be found on page 86 and 87.

K. Skills, experience and knowledge of the Board

In making recommendations for appointments, the Nominations and Corporate Governance Committee considers the balance of skills, experience and knowledge needed in order to enhance the Board and support the group in the execution of its strategy. Further details of the appointments undertaken during the year can be found on pages 84 to 87. All directors are subject to shareholder election or re-election at the Annual General Meeting, with the exception of those directors who are retiring at the conclusion of the meeting. None of the non-executive directors have currently served over nine years on the Board.

L. Board evaluation

The Board undergoes an externally facilitated evaluation every three years. An external board evaluation was undertaken during 2020 and the next one is scheduled for 2023. Page 73 includes details of the 2022 internal review which was externally facilitated by the board evaluation specialists, Independent Board Evaluation. An update on the progress made against the recommendations from the 2021 internal review is also provided.

4. Audit, risk and internal control

M. Internal and external audit

The Audit Committee comprises five independent non-executive directors. The Board delegates a number of responsibilities to the Audit Committee, including oversight of the group's financial reporting processes, internal control and risk management systems 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. Details of how the Committee assesses the effectiveness and independence of the external auditors can be found on page 93. KPMG LLP was appointed as the group's external auditor with effect from the financial year ended 31 December 2018 following a tender process in 2016.

N. Fair, balanced and understandable assessment

The strategic report, located on pages 2 to 59, sets out the performance of the company, the business model, strategy, and the risks and uncertainties relating to the company's future prospects. 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. The Audit Committee considers the internal control framework and the Risk Committee considers the risk profile, strategic risks, risk appetite, tolerances and metrics, risk outlook and emerging risks at each meeting.

A description of the principal risks facing the company is set out on pages 56 to 59. Page 55 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 activities of the Audit and Risk Committees are set out on pages 88 to 95.

5. Remuneration

P. Remuneration policies and practices

The company's remuneration approach has been designed to support the group's strategy and reward the achievement of long-term sustainable performance. The company aims to reward employees fairly and its remuneration policy is designed to promote the long-term success of the company. Executive remuneration is aligned to the successful delivery of the company's long-term strategy. The remuneration policy was last approved by shareholders at the 2020 AGM and will be reconsidered by shareholders at the 2023 AGM. The directors' remuneration policy is set out on pages 103 to 109.

Q. Executive remuneration

The remuneration policy for executive directors is determined by the Remuneration Committee and is subject to approval by shareholders. No individual is involved in determining their own remuneration outcome as per the Remuneration Committee's terms of reference.

R. Remuneration outcomes and independent judgement

Decisions regarding remuneration outcomes for executives and other senior management are taken by the Remuneration Committee which is made up entirely of independent non-executive directors. The Remuneration Committee takes into account company and individual performance when authorising remuneration outcomes. Details of the composition and the work of the Remuneration Committee are reflected in the Remuneration Committee's terms of reference and set out in the directors' report on remuneration on pages 96 to 125.

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

Committee terms of reference
All Committee terms of reference can be found on our website: group.legalandgeneral.com/committees

Designated Workforce Director's Q&A

The desire to deliver financial success and positive social impact runs through the business at every level.

Nilufer von Bismarck OBE
Designated Workforce Director

Can you tell us about your role as employee representative on the Board?
I took on the role in April 2022 and it is a responsibility which I and the whole Board take very seriously. I listen to our employees to understand their views and represent them to the Board.

Legal & General is essentially a 'people business' and, since taking on this role, I have met hundreds of employees in different locations. I have seen first-hand how we managed through Covid-19, how we are adapting to a changing world of work and how we are responding to the cost of living crisis. I also meet on a quarterly basis with Unite, our union partner.

How are employees feeling during this challenging time?
Our employee satisfaction score of 78% is slightly higher than 2021 (76%). This reflects our strong culture and the support that our line managers offer, although there is still more to do on high workloads, technology and connection to Legal & General's purpose.

In recognition of the challenges our people face with the cost of living, we made two payments to employees, totalling £1,500, to around a third of the workforce. A further payment is due to be made in July 2023. These payments are to help manage their day-to-day costs and sit alongside a range of other supportive measures.

What were the key successes this year?
The focus on diversity and inclusion. Over the last decade Legal & General set itself deliberately stretching goals on gender and we have made meaningful progress, reflected by the superb quality of our female leadership team today.

Ethnicity is the next challenge and we have now set a workforce ethnicity goal of 17% minority ethnicity by 2027, which I am confident will be achieved.

In 2022, we celebrated 25 years of working with Unite, and the relationship continues to be characterised by collaboration, pragmatism and mutual respect. This is a genuine partnership, which is brought to life by the individuals who work with and within it.

What have been your highlights in 2022?
I have thoroughly enjoyed getting to know Legal & General's employees. In the UK I have visited sites in London, Cardiff, Hove, Selby and Solihull, and in the US I have visited sites in Stamford and Frederick. I have learnt about a wide range of topics, including diversity and inclusion, wellbeing, customer service, and health and safety.

This has been through both informal and formal meetings with various groups of employees, in small group settings and at town halls. I also receive regular updates on the results of our employee survey, Voice, which are presented to the Nominations and Corporate Governance Committee.

Seeing the progress on The Interchange is very exciting as employees in Cardiff will have a fantastic new office, where wellbeing, sustainability and employee experience are at the heart of the design.

I also had the opportunity to meet a group of our summer interns. The people I met were bright, engaging and I enjoyed hearing about their different backgrounds and diverse perspectives.

You also focus on climate. How does this link to employees?
One of the things employees care most passionately about is climate change. This is a focus for me and the Board. We have a comprehensive approach which covers how we invest, influence and operate, and which includes our own targets to achieve net zero by 2050.

I have been struck by how our employees are driven by the desire to deliver financial success and positive social impact. Addressing climate change depends on both individual and collective action, and this runs through the business at every level.

What are your priorities in 2023?
I will prioritise diversity and inclusion, wellbeing, collaboration and growth, all of which are cultural focus areas for Legal & General.

I will continue to meet employees from different locations and backgrounds and make sure that their views are represented. I look forward to understanding how changes to the world of work will pose both challenges and opportunities to Legal & General.

> "Legal & General is essentially a 'people business' and, since taking on this role, I have met hundreds of employees in different locations. I have seen first-hand how we managed through Covid-19, how we are adapting to a changing world of work and how we are responding to the cost of living crisis."

Pictured: Nilufer meeting our summer interns at a celebration event.

Section 172 statement and stakeholder engagement

Section 172(1) of the Companies Act 2006 requires directors to have regard to a non-exhaustive list of factors to ensure that, in promoting the success of the company for the benefit of its members, broader implications of decision-making are considered, including the likely consequences of decisions in the long term, the maintenance of high standards of business conduct and the interests of, and impacts on, its key stakeholder groups.

The Board recognises the importance of positive relationships between the group and its key stakeholders and is committed to maintaining its strong engagement with them. The Board believes that through its stakeholder engagement it gains a meaningful insight into the views, priorities and issues facing its key stakeholder groups which the Board can then consider in its strategic decision-making and planning. In 2022, the Board and senior management engaged with key stakeholder groups across our business divisions and geographic regions through a number of forums, from site visits and awards events to external meetings and presentations. Additionally, as part of the Board and Committee paper submission process, all business propositions must demonstrate that any potential impacts to stakeholder groups have been considered. The Board has reflected on the methods and nature of stakeholder engagement in 2022 and concluded that it was effective and provided the Board with a comprehensive understanding of the views and interests of the key stakeholder groups.

The below table sets out some of the methods used by the Board to engage with its key stakeholders and the impact of this engagement on the Board's decisions and activities during 2022. This, combined with our major decisions and activities during 2022 on page 82, makes up our section 172(1) statement and supports the adjacent disclosure relating to the Act. Additional details of our key stakeholders and why they are important to us are set out on pages 16 to 17.

Section 172(1) Companies Act 2006 (the Act)
In accordance with the requirements of section 172(1) of the Companies Act 2006, the Board considers that, during the financial year ended 31 December 2022, the directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the interests of the stakeholders, and other factors, as stated in the Act.

Shareholders

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

Engagement
Direct engagement
Institutional shareholders
- The Chair, Senior Independent Director, Group CEO and Group CFO attended numerous investor roadshows throughout the year with some of our key institutional investors to understand their views on areas such as Board composition and performance against strategy.
- Following the release of our half year and full year financial results, the Group CEO and Group CFO meet with investors and analysts.

Retail shareholders
- The Board was delighted to hold its 2022 Annual General Meeting in person which provided an important opportunity to engage with all shareholders, particularly our retail shareholders. At the AGM, shareholders are invited to ask questions during the meeting and have the opportunity to meet with Board members and senior management.

Indirect engagement
- A webcast of half year and full year results presentations is made publicly available on the corporate website which ensures our shareholders are kept informed.
- Our Group CFO hosted a webcast on the new IFRS 17 global accounting standard in order to assist our shareholders in their understanding of the change and its effect on the presentation of our financial results. The webcast, which included a Q&A session, was made publicly available on our corporate website following the event.

Reporting to the Board
- Feedback from Board members' various investor meetings was shared with the wider Board throughout the year.
- At each board meeting the Group CEO reports to the Board on investor relations activity and feedback as part of his group-wide business review, including key investor questions.
- The Investor Relations team provides regular updates to the Board throughout the year and engages with the Board on shareholder-related matters. They also provided the Board with regular feedback on investors' views and insights in relation to business strategy and the market environment.
- Key analyst research documents were circulated to the Board on an ad-hoc basis throughout the year.

Impacted board decisions and activities
- Approval of a full year dividend of 19.37 pence per ordinary share.
- Following largely positive feedback from our shareholders at the 2022 AGM, the Board took the decision to hold the 2023 AGM at the British Medical Association for a consecutive year.
- The Group CFO and Group Strategy & Investor Relations Director travelled to the US to meet with analysts and investors ahead of the Board's US strategy event.
- Throughout the year, various follow-up activities were arranged to address requests from institutional investor meetings, such as site visits and additional meetings with divisional CEOs.

Key direct engagement activity this year
Our remuneration policy will be proposed for shareholder approval at the 2023 AGM. Ahead of this, the Chair of the Remuneration Committee wrote to our major shareholders to explain our proposals and to seek feedback. A number of shareholders provided constructive feedback – for example, on bonus metrics and peer comparator groups – which was incorporated into the policy. Further detail can be found in the directors' report on remuneration on pages 96 to 125.

A climate transition plan will also be proposed for shareholder approval at the 2023 AGM. Ahead of this our Group Climate Change Director held a series of meetings with shareholders and ShareAction to socialise our planned approach. Again, a number of shareholders provided constructive feedback – for example, on scope, milestones and engagement approach – which was incorporated. Our climate transition plan will be published later in the year.

Suppliers

Overview

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

Engagement

Direct engagement

- In accordance with the matters reserved for the Board, any expenditure in relation to a supplier in excess of an amount determined by the Board from time to time is put to the Board for consideration and approval, as required.
- The Group CFO and members of the senior management team met with key suppliers during the year to discuss performance and future strategy.

Indirect engagement

- The board of Legal & General Resources Limited, our main contracting entity for suppliers, is responsible for reviewing and monitoring the group's key supplier relationships and receives a procurement update at each board meeting, including an update on relationships with suppliers.
- The Executive Risk Committee, Group Risk Committee and Technology Committee received reports relating to supplier resilience and security throughout the year, including an update on supplier exposures in light of recent geopolitical circumstances.
- The Group Environmental Committee was updated throughout the year on suppliers in the context of the progress against environmental targets aligned with our net zero ambitions, including for The Interchange Building, our new Welsh headquarters.
- For more information on the sustainability of our supply chain and actions against modern slavery, please see page 51 in the sustainable business section of this report.

Reporting to the Board

- The Board oversees the activities of its main contracting entity responsible for suppliers, Legal & General Resources Limited, through access to its board minutes and the escalation of any issues by the Chair of the subsidiary, where necessary.
- Throughout the year the Board was updated on the progress of an internal governance project seeking to simplify organisational complexity, including the optimisation and rationalisation of suppliers.

Impacted board decisions and activities

- Approval of the 2021 Modern Slavery Statement. The Statement describes the group's response to the risk of modern slavery in its operations and supply chain and was prepared in line with the requirements of the Modern Slavery Act 2015.
- The Board continues to support the group's Supplier Code of Conduct and the incorporation of the internationally recognised Ethical Trading Initiative (ETI) Base Code within this. Our Supplier Code of Conduct sets out the standards, ethics, rights and responsibilities that govern the relationships our business has with its value chain partners.
- Approval of the renewal of a major cloud platform supplier by the Technology Committee.

Regulators

Overview

We maintain open and constructive dialogue with our regulators through a programme of regular meetings between our directors and UK regulators. Regulator-led engagement includes discussion on regulatory priorities and focus areas. We proactively discuss emerging areas of focus with regulators in an open and honest manner.

Engagement

Direct engagement

- The Board meets with the PRA and FCA periodically to discuss various priorities and supervisory strategies. This year our directors engaged closely with both the FCA and PRA in the wake of the market volatility in Q4 2022. The FCA also attended a board meeting to discuss its firm evaluation letter and the PRA attended a board meeting as part of its periodic summary meeting cycle.
- The Group CEO and other Board members regularly met with representatives from the PRA and FCA throughout the year. Topics discussed included the cost of living crisis and the group's strategy.
- The FCA's new Consumer Duty regulation sets the FCA's expectations for firms' standards of care towards consumers. In line with the FCA's policy, the group has appointed Laura Wade-Gery as its Consumer Duty Champion. Laura and the Group Chair attend monthly meetings of our Consumer Duty Working Party.

Indirect engagement

- Regular meetings continue to take place between management, our risk function and our regulators, the outcomes of which are reported to the Board and relevant Board Committees. During the year, this included a round-table meeting with the FCA to discuss the group's approach to the new Consumer Duty regulations and round-tables to ensure visibility of key initiatives.
- All relevant subsidiary boards received presentations on, and approved, the Customer Duty Implementation Plan and regularly monitor progress.
- Periodic meetings continue to take place between management, trustees of our master trust pension scheme and The Pensions Regulator, the outcomes of which are reported to relevant subsidiary boards, as appropriate.
- We continue to engage with both the FCA and PRA on their D&I strategy and incorporate the guidance into our business.

Reporting to the Board

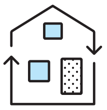
- There is a standing agenda item at each board meeting in which relevant non-executive directors highlight any insights from their meetings with the PRA and FCA to the wider Board.
- At each meeting, the Board receives a report from the Chief Risk Officer which contains an update on prudential and conduct regulation. The Chief Risk Officer also periodically attends board meetings to provide regulatory insight.
- At each meeting, the Group CEO reports to the Board on customer and regulatory engagement as part of his group-wide business review and the divisional CEOs provide a report, where applicable, on their divisional-specific engagement with the PRA and FCA.

Impacted board decisions and activities

- Appointment of Laura Wade-Gery as the Consumer Duty Champion.
- Approval of the Consumer Duty Implementation Plan. The Board and management continue to engage with the FCA through the implementation period.
- Approval of the submission of an internal major model change application to the PRA.
- The Board continued to engage with regulators to seek approval before making new board appointments during the year.

Section 172 statement and stakeholder engagement
continued

Communities and environment



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

Engagement

Direct engagement
- Through site visits and tours of various development sites across the UK, members of the Board were able to see first-hand how the group's direct investments in infrastructure have positively impacted local communities by delivering socially and environmentally positive housing and workplaces at scale.
- The Chair met with professors and members of the University of Edinburgh as part of the Board's continued support for the University's Advanced Care Research Centre.

Indirect engagement
- The Group Environment Committee is responsible for providing strategic direction for the management of environmental impact, with a particular focus on the delivery of our strategic response to climate change.
- The Group Sustainability function, established in 2021, is responsible for developing areas of strategic focus for sustainability activity, as well as forming charitable partnerships and enabling our employees' fundraising and volunteering endeavours.
- Senior members of our investment management business attended the COP27 event this year to partake in industry events and panel discussions. The Board is kept abreast of any COP27 updates.
- For more information on the Board's oversight of climate and environmental issues, and the environmental governance framework of the group, please refer to our climate report: group.legalandgeneral.com/en/investors/results-reports-and-presentations.
- For more information on the non-environmental aspects of our sustainability agenda, please refer to our new social impact report: group.legalandgeneral.com/en/investors/results-reports-and-presentations.

Reporting to the Board
- The Board receives an annual update on the sustainability strategy.
- Throughout the year, Nilufer von Bismarck, our Designated Non-Executive Director for Climate, provided the Board with updates on the activities undertaken to support her role and her areas of focus to address climate-related concerns.
- This year, the Board received a presentation from our Group HR Director and Group Head of Sustainability which summarised our areas of focus and considerations to be taken into account in relation to our sustainability agenda. The areas of focus included long-term financial wellbeing; better communities in which to live and work; accelerating environmental solutions; and engaging customers and employees with impact.

Impacted board decisions and activities
- We initially donated £1 million to the Disasters Emergency Committee to support those affected by the invasion of Ukraine. Following generous donations from our employees to support the Ukraine humanitarian appeal, the Board took the decision to match our employees' donations, taking our collective donation to £1.5 million.
- The Board continued to support transactions that align with its strategic growth drivers of investing in the real economy for the benefit of society and addressing climate change.
- Approval of various PRT deals to help companies find solutions to ongoing pension commitments, aligning with our strategic growth driver of helping with ageing demographics.
- We will put our climate transition plan to shareholders for an advisory vote at the 2023 AGM. Our climate transition plan sets out the company's plans, actions and assumptions to enable it to achieve its scope 1, 2 and 3 emissions reduction targets, aligned to the goals of the Paris Agreement.
- We partnered with Lewis Pugh, the endurance swimmer and UN Patron of the Oceans, to help target challenges from climate change, such as biodiversity.

Customers

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

Engagement

Direct engagement
- As the newly appointed Consumer Duty Champion, Laura Wade-Gery takes the lead on providing Board oversight of the implementation of the Consumer Duty regulations across the group, with a view to ensuring we continue to act to deliver good outcomes for retail customers. Laura visited our Hove office and undertook various call listening activities to gain a deeper understanding of the customer journey and gain insights into the upcoming improvements to customers' digital experience.

Indirect engagement
- The Risk Committee receives detailed customer management information (MI) at each meeting to ensure that customer outcomes are robustly monitored. Relevant subsidiary boards of the group are also in receipt of regular customer MI.
- Customer research activity remains ongoing across the group, including a specific customer segmentation research project within our Retail division to help provide us with a more detailed understanding of each of our customer segments' needs, behaviours and attitudes. Relevant insights are shared with subsidiary boards.
- We hosted various 'Pensions Made Easy' forums to provide members of our pension schemes with information and tools on saving and budgeting in today's economic climate, as well as the opportunity to ask questions in a live Q&A environment.

Reporting to the Board
- At each board meeting the Group CEO reports to the Board on customer and regulatory engagement as part of his group-wide business review and the divisional CEOs provide a report, where applicable, on their divisional-specific focus on customers and customer performance.
- At each meeting, the Board receives information on Retail customer service levels.
- This year, the Board was presented with the businesses' implementation plans relating to the FCA's new Consumer Duty regulation. The new rules, which come into effect in July 2023, will bring greater focus to Board reports on the outcomes our customers receive.

Impacted board decisions and activities
- Approval by the Technology Committee of continued investment in a large-scale transformation programme across the group's Retail division aimed at delivering an improved digital experience to customers.
- Approval of our in-house pension and retirement advice service (for more information see page 82).
- Approval of the inclusion of a new remuneration-linked customer service metric for the CEO of our Retail division.
- Approval of the implementation of the Care Concierge guidance package to our group protection customers – a free service for customers to help reduce stress, ease financial pressure and save precious time during the later-life care process.

Employees

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

Engagement

Direct engagement
- Our new Designated Workforce Director, Nilufer von Bismarck, continues to engage with our workforce through attendance at various meetings with workforce groups and representatives. Further detail on Nilufer's engagement with the workforce can be found on pages 76 to 77.
- Members of the Board hosted two 'Talent dinners' to meet with and celebrate a selection of our high-performing employees.
- All members of the Board travelled to the US in November 2022 as part of their annual strategy programme. As part of the visit, the Board hosted employee town halls at our various US office locations and took walking tours to meet with the workforce. The Board welcomes the invaluable opportunities that site visits provide in being able to hear first-hand insights from our workforce. The Group Chair and Group CEO also travelled to the US on various other occasions to meet with employees.
- Members of the Board hosted numerous employee town halls throughout the year, including following the announcement of full year and half year results, which provided an opportunity for the Board members to increase employee awareness of the factors affecting the performance of the company and provided the opportunity for direct engagement through live Q&A sessions.
- The Group CEO undertook a 'World Tour' of our various office locations to meet with, and gain first-hand insights from, our workforce.

Indirect engagement
- The Group CEO, Group CFO and members of the Group Executive Committee engaged with employees throughout the year through weekly internal email communications, as well as articles and updates on The Hub, our digital workspace.
- We continued to engage closely with our union partner, Unite, to support our workforce during the cost of living crisis. We were pleased to celebrate our 25-year partnership with Unite this year.
- Throughout the year we engaged with our workforce through various Human Resources (HR) led initiatives, events and workshops, supporting important issues such as D&I and wellbeing.
- For more information on our gender pay gap, alongside other people-related KPIs, please refer to our new social impact report: group.legalandgeneral.com/en/investors/results-reports-and-presentations.

Reporting to the Board
- There is a standing agenda item at each board meeting in which the Board members, predominantly the Designated Workforce Director, provide insights from their engagement with employees to the wider Board.
- At each board meeting the Group CEO provides the Board with a people update as part of his group-wide business review and the divisional CEOs provide a report on recent employee engagement, management changes and the control environment and culture within their divisions.
- The Board and Group Executive Committee receive periodic reports on our 'Voice' survey results and data, allowing the Board to monitor and assess culture and gain valuable insights on what is important to our employees.

Impacted board decisions and activities
- With support from Unite, we introduced a payment of £1,500 to around a third of our workforce to help those who have been most impacted by the cost of living increases manage their day-to-day costs.
- Our Chair was appointed as our US non-executive director Employee Champion on the Board to gain insights into the views of our US workforce. Key insights, employee messages and actions from the Chair's US visits are recorded by our HR department to take forward.
- Approval of workforce ethnicity goals by the Nominations and Corporate Governance Committee, with encouragement from the Designated Workforce Director and support from HR.
- Approval of the board diversity and inclusion policy, which explains the role of the Board in driving and shaping the group-wide approach to diversity and inclusion.
- The Board continued to support our Future of Work programme, which included the refurbishment of our UK office locations to improve our workforce's working environments. The Group CEO, Group CFO and various Group Executive Committee members took the opportunity to meet with employees at the office opening ceremonies.
- Introduction of the Legal & General Annual Awards which provides an opportunity to recognise our workforce's achievements, including the Chair's Awards.

Other considerations in the Act

Likely consequences of decisions in the long term

When setting the group's strategy, the Board aims to drive the ongoing and sustained success of the group's businesses, whilst also considering the long-term impacts of its decisions and actions on its stakeholders.

For more information on our strategic growth drivers, please see pages 10 to 11.

Maintenance of a reputation for high standards of business conduct

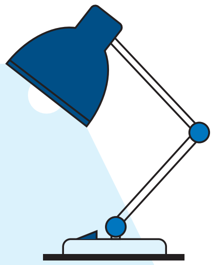
The Board is cognisant of maintaining the company's reputation and maintaining high standards of business conduct throughout the group.

For more information on the sustainability of our business and our risk management framework, please see pages 42 to 51 and 52 to 59.

Major decisions and activities during 2022

The Board took a number of major decisions during 2022, including those listed on pages 78 to 81. The following major decision illustrates how the Board assesses and addresses different stakeholder interests in making decisions that support the implementation of the group's long-term strategy and its strategic growth drivers (as set out on page 10 to 11).

We believe that major decisions are those that are both material to the group and to its key stakeholders. Whilst not all decisions affect every stakeholder group, the Board and its delegated decision-making forums endeavour to balance the sometimes conflicting needs of our stakeholders to ensure that all are treated consistently and fairly.



Major decision

Approval of our in-house 'At-Retirement' advice service

Following the creation of our Retail division on 1 January 2022, our pre-existing and planned future financial advice capabilities were brought together within one division, allowing for easier leveraging of skills, capabilities and best practice across our Retail business.

The long-term vision of our Workplace Savings business is to become the natural financial home for customers' retirement and savings needs by helping them to save for their retirement and to engage confidently with their financial decisions, nurturing customers with products and services through their life cycles into their retirement years.

In October 2022, the Board approved the delivery of a streamlined pensions and savings financial advice model to existing in-scheme Workplace members, leveraging existing financial advice capabilities within the Retail division. The model targets members at-retirement or approaching retirement in both the accumulation and decumulation phases of retirement, providing advice on a whole of market basis. Advice solutions cover flexible access drawdown, lifetime annuities and fixed term annuities, as well as funding reviews including pension contributions and consolidation.

By expanding the remit of our advice service with a move into retirement planning, we can play a part in creating brilliant customer experiences and improved customer outcomes, supporting more of our customers as they navigate their retirement options.

Key links to our strategy

1 Ageing demographics

As populations live longer, their pensions need to last longer too. Our 'At-Retirement' advice service is designed to help customers save for their retirement.

4 Welfare reforms

Through our new advice service, we are helping customers take responsibility for their own savings and financial security.

5 Technological innovation

We aim to deliver a high-quality, connected online experience that enables customers to explore their options. Such digitisation will drive operational efficiencies.

Key stakeholder groups and considerations

Customers

Based on our target market, approximately 120,000 customers within Workplace Savings could potentially benefit from our new 'At-Retirement' advice service. The advice model has been designed to deliver the optimum customer experience, helping to provide support at the moments that matter to our customers. The advice solutions available include allowing customers to explore their options and self-serve online, as well as human interactions ranging from information and support, through to guidance and financial advice.

Maintenance of a reputation of high standards of business conduct

Since launching in 2019, our existing financial advice service has consistently demonstrated that it is a customer-centric business that effectively manages its risks, with the 2021 Group Conduct Risk Monitoring review confirming the adequacy and effectiveness of its advice processes and controls in delivering suitable advice and fair customer outcomes. Such learnings and practices have been taken into consideration in devising the 'At-Retirement' advice service.

Regulators

Following continuous positive regulatory engagement, the FCA approved our request for a Variation of Permissions to allow us to proceed with our expansion into retirement advice services.

Shareholders

As the infrastructure to provide advice was already well-established within the Retail division, the upfront delivery and running costs of the new 'At-Retirement' advice service are relatively low.

Likely long-term consequences of decisions

The 'At-Retirement' advice service is part of the longer-term target engagement model for Workplace Savings and long-term strategy of our Retail division.

Technology Committee report

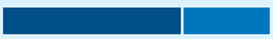
Committee Overview

Committee meetings and membership

The Committee met four times during the year. The Committee is composed entirely of independent non-executive directors. As well as the Committee members, the Group CEO, Group CFO, Group CRO and Chief Technology Officer (CTO) are expected to attend each meeting. The Committee is advised by three independent cyber and technology experts who attend each meeting.

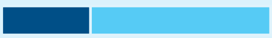
Members
Laura Wade-Gery (Chair) (from September 2022)
Philip Broadley
Nilufer von Bismarck
Sir John Kingman (until September 2022)
Toby Strauss (stood down from the Board and the Committee in April 2022)

Gender



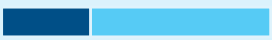
- **67%** Women
- **33%** Men

Tenure



- **33%** Over 6 years
- **0%** Between 3 – 6 years
- **67%** Between 0 – 3 years

Ethnicity



- **33%** South Asian
- **67%** White

The role of the Committee

The role of the Committee is to provide assurance to the Board on the management of technology and associated change programmes, and to ensure that the group is operating within its targeted information security and cyber risk appetite.

Key responsibilities

- Provide oversight of, and guidance to, the Board with regards to all aspects of Information Technology (IT), data and analytics and cyber security (including IT and information security) across the group.
- Review and endorse the group information technology and digital strategy, group data strategy and group cyber security strategy, and their respective implementation plans.
- Oversee technology aspects of major change programmes and understand their strategic contribution and risks.
- Review and endorse the operating model in place for information technology, data and analytics and cyber security, and subsequently consider its ongoing suitability.
- Review and approve any proposed technology projects and contracts within its remit of responsibility.
- Consider current capabilities relating to technology, data, cyber and digital skills and plans to address any gaps.
- Consider the adequacy, resilience and performance of suppliers and supply chains for IT and cyber.

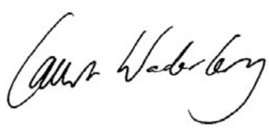
The Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website: group.legalandgeneral.com/committees

Chair's introduction

I am pleased to present my report as the new Chair of the Technology Committee. I assumed the role in September 2022, having been a member since my appointment to the Board in January 2022. I look forward to bringing my experience in digital transformation to lead the Committee and to assist the company in the evolution of its technology, data and cyber strategies. I would like to extend my thanks to the Committee's previous Chair, Sir John Kingman, for his stewardship of the Committee since 2018.

During the year, the Committee reviewed its remit and agreed that it was an appropriate time for the Committee to become a more forward-looking and strategic oversight forum. As such, there is a clearer focus on oversight of capability and capacity, strategy and innovation, and change delivery. In addition, the Committee is now responsible for oversight of the group's data and analytics operating model. I look forward to capitalising on future technological innovation to ensure that the Committee remains effective in supporting the Board seize technological opportunities and oversee technology and cyber challenges.

There have been significant improvements made to the executive-level technology and security governance frameworks across the group which has enabled the Committee to take on a new strategic focus. The Committee approved the consolidation of the Technology Executive Committee and the Executive Security Committee into a single business focused senior meeting, with conversation elevated to focus on how technology, data and analytics are supporting business operations, investments, and transformation, and how technology and data risk, resilience and security are being managed. The new Technology Executive Committee is chaired by the Group CFO and reports into the Technology Committee.
The Committee also approved the creation of a single second line risk forum (Technology Risk Committee) to oversee technology and security risk across the group. This new Technology Risk Committee is chaired by the Group CRO and reports to the Executive Risk Committee (a sub-committee of the Risk Committee). This enhanced executive-level governance structure enables the Committee and the Risk Committee to have greater oversight of, and place greater reliance on, the group's executive-level governance arrangements.



Laura Wade-Gery
Chair of the Technology Committee

Nominations and Corporate Governance Committee report

> We have set ourselves deliberately challenging ethnicity goals across the group because we want to drive change.”

Committee overview

Committee meetings and membership

The Committee met four times during the year and all members attended every meeting. In line with our conflicts of interest management policy, directors absent themselves from any discussions relating to their own reappointment, chair appointment or other internal or external appointments.

Members
Sir John Kingman (Chair)
Henrietta Baldock
Nilufer von Bismarck
Philip Broadley
Carolyn Johnson (from June 2022)
Lesley Knox
George Lewis
Ric Lewis
Tushar Morzaria (from May 2022)
Laura Wade-Gery
Toby Strauss (stood down from the Board and Committee in April 2022)

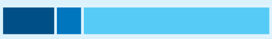
Gender

50% Women
50% Men

Tenure

30% Over 6 years
20% Between 3 – 6 years
50% Between 0 – 3 years

Ethnicity



20% South Asian
10% Black
70% White

The role of the Committee

The role of the Committee is to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively and oversee the implementation of the company's strategy, and to ensure orderly succession of directors and other senior executives. The Committee has overall responsibility for leading the process for new appointments to the Board. It ensures that these appointments bring the required skills, knowledge, background and experience to the Board to support the Board's role in the development and oversight of the group's strategy, taking into account the promotion of diversity and inclusion and the challenges and opportunities facing the company. In addition, the Committee oversees and monitors the company's corporate governance framework, ensuring compliance with the prevailing UK Corporate Governance Code while promoting the highest standards of corporate governance across the group. The Committee also oversees and monitors the company's commitment to diversity and inclusion across the organisation.

The Committee's terms of reference, which set out full details of the Committee's responsibilities, can be viewed on our website: group.legalandgeneral.com/committees

Chair's introduction

I am pleased to present my report as Chair of the Nominations and Corporate Governance Committee. Our two key areas of focus for 2022 were succession planning for the Board, subsidiary boards and the executive, and diversity and inclusion.

On diversity and inclusion, I am pleased that we have announced a new set of ethnicity goals across the group, and we are now working towards achieving our workforce ethnicity goal of 17% minority ethnicity by 2027. This goal is deliberately challenging, and we have a lot of work to do to achieve it; however, we need to be ambitious to drive change.

On succession planning, we implemented plans to bolster the collective board experience in certain areas and added three new non-executive directors to the Board. In addition, we implemented a number of Committee Chair succession plans. The Committee is of the view that the Board is a good size and of appropriate composition which will serve the group well in oversight of the execution of its strategy in the short and medium term. Following the announcement of Sir Nigel Wilson's intention to retire as Group Chief Executive Officer, the rigorous process to appoint a successor will be a key priority for the Committee in 2023.

Sir John Kingman
Chair

Key activities during 2022

- Led the process for the recruitment of new non-executive directors and recommended their appointment to the Board.
- Oversaw the development of a pipeline for succession to the Group Executive Committee across immediate to long-term time horizons.
- Oversaw the development of diversity and inclusion workforce policies including the approval of the new ethnicity goal and the board's diversity and inclusion policy.
- Assessed non-executive directors' time commitments.
- Considered and recommended to the Board for approval director reappointments, external appointments and changes to Committee Chairs and membership.
- Oversaw the process by which the Board, each Committee and directors assessed their effectiveness.

In reviewing non-executive directors' time commitments, the Committee assessed the directors' commitments to the company alongside their other significant commitments to ensure that they continued to be able to fulfil their duties to the company. Where the Committee approved new external appointments, it was satisfied that the external appointments could be approved on the basis that they did not give rise to a conflict of interest and would not impact the directors' time commitment to the company.

The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent, effective and continues to have sufficient time to discharge their responsibilities to the company.

The Board is pleased to report that we have complied with all provisions of the UK Corporate Governance Code throughout the year. Further details of the group's compliance with the Code have been provided on pages 74 to 75.

Further information on the board evaluation process can be found on page 73.

Activities during the year

Board changes and succession

Non-executive director appointments

The Committee undertakes a rigorous annual review of the Board's composition to support discussions on non-executive director succession. This includes a capability assessment of Board members' knowledge, skills and experience in the context of the company's short and medium-term strategy, supported by a self-assessment analysis undertaken by each individual director, as well as various other considerations including tenure, independence and diversity.

A key theme that emerged from the 2021 review was that the Board's effectiveness in driving and monitoring technological innovation, one of the six growth drivers of the company's strategy, could be further enhanced with the addition of a director with digital or technology experience. In response to this, Laura Wade-Gery was appointed to the Board, on the recommendation of the Committee, in January 2022. Laura's extensive knowledge of digital transformation and customer experience has further bolstered the Board as the company seeks to become a market leader in the digital provision of insurance and other financial solutions.

As part of planned Committee Chair succession changes, and to further enhance the skills and experience we already have as a Board, Tushar Morzaria was appointed in May 2022. Tushar brings extensive financial services and accounting experience to the Board, including most recently as the Group Finance Director of Barclays PLC. Tushar succeeded Philip Broadley as the Chair of the Audit Committee on appointment, as part of the planned Committee Chair succession process.

In addition, Carolyn Johnson was appointed to the Board in June 2022. Carolyn brings with her a wealth of experience in insurance and in financial services more generally. Her appointment will strengthen the Board's engagement with our successful and growing US businesses. The biographies of our new non-executive directors can be found on pages 64 to 65 and demonstrate the reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.

As part of the Committee's search for new non-executive directors, we have taken steps to maintain gender diversity: our Board is currently 42% female. This is in line with the new FCA Listing Rules target and the goal set out in the board diversity and inclusion policy. We have also taken steps to improve ethnic diversity: our Board is now of 25% minority ethnicity. This exceeds both the new FCA Listing Rules target, for at least one member of a Board to be from a non-white ethnic minority background, and the goal in our board diversity and inclusion policy of having ethnic diversity on the Board at least in line with the goals set by the group more generally.

The Committee engaged independent external search firm Spencer Stuart to support with the three new non-executive appointments to the Board in 2022. Spencer Stuart was chosen for its deep knowledge of the financial services and other relevant industries and its strong experience in finding diverse and inclusive leaders. Spencer Stuart undertook a full search against a description of the roles, the time commitment expected of directors and the board diversity and inclusion policy. The firm was briefed to ensure that the long and short lists of candidates included a diverse range of candidates with an appropriate range of experience, knowledge and background, and who demonstrated independence of approach and thought.

A list of potential candidates was identified, and these candidates were assessed against the role specification, on merit and with due regard for the benefits of all forms of diversity on the Board, including diversity of gender, ethnicity and background. A short list of candidates was narrowed down from those on the long list and those candidates were invited to an interview process facilitated by the Chair, the Group Chief Executive Officer, the Group HR Director and members of the Board. Following this extensive search, selection and interview process, the Committee, following discussion, recommended to the Board the appointment of all three new non-executive directors.

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. Spencer Stuart is a signatory to this Code and has no other connection to the company or individual directors.

Upon making new appointments to the Board, prospective candidates are expected to devote sufficient time to fulfil their responsibilities and duties to the company and to do so by acting with integrity, leading by example and promoting the desired culture.

Nominations and Corporate Governance Committee report
continued

> “We must keep building on our diversity and inclusion strategy if we want to have an organisation that truly reflects our society and attracts the most talented people.”

Other Board changes
Toby Strauss stood down from the Board in April 2022. I am pleased that George Lewis has now succeeded Toby as Chair of the Risk Committee, following my interim role as Chair.

As well as implementing succession plans for the Audit and Risk Committee Chair roles following changes to non-executive director composition, in 2022 the Committee also implemented succession plans for the roles of Technology Committee Chair, which Laura Wade-Gery took over in September 2022, and Designated Workforce Director, which Nilufer von Bismarck took over in April 2022. Nilufer has also taken on a new role as non-executive director with a designated responsibility for climate change, which is proving to be instrumental in supporting the Board in its oversight of climate change issues and commitments.

Subsidiary non-executive directors’ succession
The company has benefited from a strong governance framework operating at subsidiary level for many years now. The continued strength of the boards of the group’s subsidiaries is vital for ensuring the group’s high standards are maintained and there is sufficient oversight of activity further down the group, particularly in our principal subsidiaries. While succession planning remains the responsibility of each subsidiary board, it is nevertheless very important for the Committee to have continued oversight of its key subsidiaries and ensure orderly succession plans are in place. During the year, the Committee conducted a thorough review of the skills and capabilities of the non-executive directors of its principal subsidiaries. This included: a review of board evaluation feedback; review of board capability assessments; and direct feedback from the Chairs of both boards. In addition, I meet regularly with the non-executive directors of our principal subsidiary boards, without the presence of executive management, to gain direct feedback. The Committee was pleased with the levels of skill, experience and knowledge of the subsidiary non-executive directors and welcomes their valued contribution to maintaining the group’s high standards.

Chief Executive Officer succession
The Committee has commenced a rigorous process to appoint a successor to Sir Nigel Wilson, our Group Chief Executive Officer. Sir Nigel has agreed to continue as Chief Executive until the new Chief Executive starts and he will support a smooth transition following their appointment.

Executive succession
In addition to reviewing the Board’s composition, the Committee has focused on executive-level succession which included deep dives into the levels below that of our Group Executive Committee. Our people are our greatest asset, and the Committee recognises the need to ensure a strong pipeline of diverse, talented and engaged individuals who can facilitate the delivery of the group’s strategy against its strategic growth drivers. The Committee received regular updates on our Voice survey results which help to identify the issues important to our people. An interesting outcome of the Voice surveys this year was that growth and development as a driver of engagement moved from eighth to first place. This was an important insight for the Committee and one that will feed into our consideration of talent mobility. Given the diversity of the group’s business, the group has the benefit of being able to give its talented employees different experiences and develop their knowledge and skills. The Committee was also pleased to see the roll out of a pilot talent sponsorship programme which will help to identify and develop our talent pipeline.

Diversity and inclusion
Diversity, equity and inclusion play an increasingly important role in shaping our business. We must keep building on our D&I if we want to have an organisation that truly reflects our society and attracts the most talented people. We want diversity of experience, of views, of gender and of ethnicity, amongst other things. We have made good progress in improving our gender balance over recent years: now we want similar success in addressing under-representation of minority ethnicity.

As a Committee, we agreed that we were going to set ourselves deliberately challenging goals for ethnic diversity because we wanted to make a change and we want to ensure that we have the best people to execute our strategy. To ensure we were leading by example, we started with the Board. We now have three non-executive directors from a minority ethnic background. Their presence has had a positive impact and we have greater diversity which has contributed to a stronger Board as a result. We are aware that further progress is required on the senior team and the company as a whole and we are committed to achieving the deliberately challenging goals we have set ourselves.

Our new ethnicity goals are:

- 17% of our workforce being from minority ethnicity backgrounds by 2027
- 17% of our senior management roles held by people from minority ethnicity backgrounds by 2027
- Group Board minority representation at least in line with our aspiration for the wider workforce.

The Committee continues to encourage the executive management to set challenging and forward-thinking goals and I look forward to reviewing our progress.

During the year, the Committee reviewed and approved the board diversity and inclusion policy which complements the group's wider workforce policies and values. The board diversity and inclusion policy sets out the approach to diversity and inclusion of the Board of Legal & General Group Plc and its Committees in compliance with DTR 7.2.8AR(1). As a business, we have a clear purpose to improve the lives of our customers, build a better society for the long term and create value for our shareholders. Inclusive capitalism lies at the heart of our business strategy and is built on the belief of being economically and socially useful, embracing diversity and being fully inclusive in everything we do. The Board's full diversity and inclusion policy is available to view here: group.legalandgeneral.com/en/about-us/corporate-governance/diversity.

As part of the policy, the Board, upon recommendation from the Committee, has committed to the following:

1. Building a diverse and inclusive Board

We are proud to have a Board which is diverse, both in terms of gender and ethnicity, but also in diversity of thought and background. As at 31 December 2022, the Board comprised 42% women and 25% of the Board was from an ethnically diverse background, which exceeds regulatory requirements and the goals we set ourselves in our board diversity and inclusion policy.

2. A more diverse and 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 have set ourselves a new goal of 17% of our senior management roles held by people from minority ethnicity backgrounds by 2027 and continue to monitor and guide the group to achieve its gender diversity goals of 40% female leadership by 2025 and a 50:50 gender balance across the workforce by 2025.

As at 31 December 2022, our Group Executive Committee comprised 25% women, with 50% of our businesses led by a female CEO. Currently none of the Group Executive Committee members are from an ethnically diverse background, however this is something we as an organisation are looking to address. At the middle/ senior management level, representation was 38% women (2021: 35.9%).

For a more detailed breakdown of the gender and ethnic diversity of our Board and executive management, please see the data presented on page 72.

3. Driving diversity and inclusion across our organisation

The Board is responsible for overseeing the implementation of our group-wide diversity and inclusion policy. This policy applies to all people directly employed by the group and forms the basis of our engagement with our clients, suppliers and other third-party providers. The Committee has been pleased with the number of new initiatives that have been rolled out as part of the implementation of the diversity and inclusion policy. This includes, amongst other things: reverse mentoring schemes, pilot talent sponsorship schemes, improving accountability of leaders to deliver change and a number of changes made to the recruitment process.

For more information on our D&I activity during 2022 including our progress on achieving our objectives, please see page 42 to 57 of the sustainable business section of this report.

For further information on the diversity of our workplace, refer to our social impact report. See: group.legalandgeneral.com/en/investors/results-reports-and-presentations

Audit Committee report

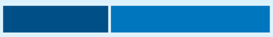
Committee overview

Committee meetings and membership

The Committee met five times during the year for an average of three hours per meeting. All members attended every meeting. The Committee fulfils the requirements of the Code by comprising only independent non-executive directors and fulfils the membership requirements in its terms of reference. Between meetings, the Chair met regularly with senior management across the group's finance, tax and internal audit functions, as well as the lead external audit partner.

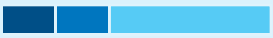
Members
Tushar Morzaria (Chair) (from May 2022)
Nilufer von Bismarck
Philip Broadley (Chair until May 2022)
Carolyn Johnson (from June 2022)
George Lewis
Toby Strauss (stood down from the Board and Committee in April 2022)

Gender



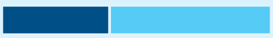
- **40%** Women
- **60%** Men

Tenure



- **20%** Over 6 years
- **20%** Between 3 – 6 years
- **60%** Between 0 – 3 years

Ethnicity



- **40%** South Asian
- **60%** White

The role of the Committee

The Committee monitors the integrity of the group's financial reporting and financial statements (including climate and other ESG-related disclosures) and provides oversight of the control environment. In addition, the Committee monitors the adequacy and effectiveness of the group's system of risk management and internal control and the group's internal and external audit processes.

Key responsibilities

- Consider the integrity of the group's financial reporting, including formal announcements in relation to the group's financial performance.
- Assess the going concern assumption and the longer-term viability statement.
- Advise the Board on whether the annual report and accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.
- Review the group's accounting policies, including any proposed changes, and review the appropriateness of significant accounting policies and judgements.
- Review and make a recommendation to the Board on the adequacy and effectiveness of the group's system of internal control.
- Oversee the appointment, reappointment, remuneration, independence and effectiveness of the external auditor.
- Oversee the work of Group Internal Audit, and assess the independence and effectiveness of the function.
- Review the adequacy of the group's whistleblowing arrangements.
- Oversight of the audit committees of the company's principal subsidiaries.

Chair's introduction

I am pleased to introduce my first report as your new Audit Committee Chair. During the year ended 31 December 2022, the Committee continued to assist the Board in fulfilling its core responsibilities, including monitoring the integrity of the group's financial reporting, the adequacy and effectiveness of the internal control environment and the performance and objectivity of both the internal and external audit functions.

Composition of the Committee

I joined the Committee as Chair upon appointment to the Board in May 2022. I would like to thank Philip Broadley as the previous Committee Chair for his diligent leadership and constructive challenge over the last six years. In advance of taking over as Chair, I completed a thorough handover which included meetings with Philip and other key stakeholders such as the Group Chief Financial Officer, the finance, actuarial and tax management teams and the internal and external audit teams. In addition, I met with current Committee members to discuss any areas of improvement or where additional focus was required. The outcome of these handover meetings was positive. It was clear to see that the Committee was effective and able to assist the Board in discharging its duties. Philip remains a valued Committee member and his wise counsel is invaluable in ensuring continuity. Carolyn Johnson joined the Committee in June 2022 and brings extensive knowledge of the insurance and financial services industries. Toby Strauss stood down from the Committee in April 2022 following his retirement from the Board.

The Board is satisfied that the Audit Committee meets the composition requirements of provision 24 of the UK Corporate Governance Code (2018) and that I, as Chair of the Committee, have recent and relevant financial experience and am competent in accounting and auditing in accordance with the FCA's Disclosure and Transparency Rules. In addition, the Board is satisfied that the Committee members have a balance of skills and experience to deliver its responsibilities and that the Committee, as a whole, has competence relevant to the sector. The full biographies of all Committee members can be found on pages 64 to 65. 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.

Key areas of focus in 2022

During the year, the Committee has spent considerable time focusing on the group's preparations for the transition to the new accounting standard for insurance contracts, IFRS 17, which came into effect on 1 January 2023. The new accounting standard will not change the group's strategy, solvency or dividends, nor change the underlying economics of our insurance contracts. It will, however, impact the reporting of our annuity and protection businesses, changing the timing of recognition of earnings from these products, but not the quantum. It was therefore appropriate that the Committee spend a significant proportion of its time overseeing the group's readiness for implementation, as well as being comfortable with the associated disclosures in the financial statements, including the judgements and assumptions that impact those disclosures.

Other key areas on which the Committee focused during 2022, discussed in more detail below, included:

- the impacts of economic volatility, with a particular focus on areas of judgement and estimates that are sensitive to rising interest rates and inflation
- ESG and climate reporting in light of rising stakeholder expectations
- activities associated with the operation of the group's framework of internal financial controls, including understanding and challenging the actions being taken to remediate any failings or weaknesses.

Evaluations

It remains an important aspect of the Committee's work to keep under review the quality and efficiency of the external audit process. The Committee received a presentation from the Chief Executive Officer of KPMG UK to understand the investments and improvements being made to KPMG's audit framework. An internal evaluation was undertaken which considered the views of both the Audit Committee and management on the effectiveness of the external auditor. Overall the evaluation was positive, with a small number of areas noted for consideration in future audit cycles. The Committee has also worked with management and KPMG to ensure audit costs are fair and proportionate to the audit work required for the group.

During the year, an externally facilitated evaluation was conducted by Deloitte, which assessed the independence and effectiveness of the Group Internal Audit function. The outcome of this evaluation was positive, with the function assessed as mature and in conformance with the Chartered Institute of Internal Auditors (IIA) standards.

Tushar Morzaria
Chair of the Audit Committee

Activities during the year

In line with its purpose and key responsibilities, the Committee's time over the course of the year was spent in consideration of:

- 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 presentation and transparency of the group's financial disclosures, including consideration of the group's alternative performance measures (APMs)
- the group's preparations for the transition to the new accounting standard for insurance contracts, IFRS 17, including key accounting and actuarial judgements involved in the production of the opening balance sheet as at 1 January 2022
- the adequacy of climate-related and other ESG disclosures, including consideration of the group's climate report
- the resilience of operational and financial controls
- the adequacy and effectiveness of our systems of internal control, including whistleblowing
- the effectiveness, performance and objectivity of both the internal and external audit functions.

Review of financial disclosures

The Committee reviewed the half year and annual financial statements, which focused on the integrity and clarity of disclosure, application of accounting policies and judgements and compliance with legal and financial reporting standards. As part of its review, the Committee received regular updates from management and the external auditor, and was able to place reliance on the updates provided throughout the year on internal controls in relation to financial reporting.

In addition, the Committee considered whether the annual report was fair, balanced and understandable (FBU) and whether it provided the information necessary for shareholders to assess the company's position, performance, business model and strategy, as well as the risks facing the business including in relation to increasingly important ESG and climate considerations. The Committee reviewed the FBU assessment taking into consideration the impact of market volatility and the higher interest rate and inflationary environment, and giving due attention to the use of APMs in increasing the level of information available to investors on the company's underlying performance and the effects of one-off financial events. In conjunction with verification processes, management assurance and a report from the external auditor, the Committee recommended to the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable.

The Audit Committee, together with the Risk Committee, reviewed the key assumptions and methodologies of the risk-based capital model, Solvency II disclosures and disclosures made in relation to internal control and risk management, as well as the principal risks and uncertainties the group faces. The Committee can confirm that the key judgements and significant issues considered in relation to the 2022 financial statements are consistent with the disclosures of key estimation uncertainties and critical judgements as detailed in Note 1 on page 159. The statement is underpinned by the Committee's belief that all important information has been disclosed and that the descriptions and reviews of the group's business and performance as set out in the strategic report are consistent with the financial reporting in the group's financial statements.

During 2022, the group received notification of the outcome of the Financial Reporting Council's (FRC) Corporate Reporting Review team's review of the group's annual report and accounts for the year ended 31 December 2021. This review was undertaken in accordance with part 2 of the FRC Corporate Reporting Review Operating Procedures, and is based solely on the annual report and accounts, and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. The review does not provide assurance that the annual report and accounts are correct in all material respects. The Committee was pleased to note that, based on the review, there were no further questions that the FRC wished to raise and that accordingly they have published that there was no requirement to enter into substantive correspondence with the group. A small number of areas for improvement were noted as part of the review, and management have briefed the Committee on how these have been addressed.

Audit Committee report
continued

IFRS 17 and IFRS 9

With the implementation of IFRS 17, 'Insurance Contracts' becoming effective from 1 January 2023, the Committee has focused a considerable amount of its time overseeing the final elements of implementation, including monitoring the development and implementation of systems, processes and operating model changes to support the delivery of the new financial reporting requirements. While of less material significance to the group's financial performance, the Committee has similarly overseen the implementation of IFRS 9, 'Financial Instruments' which also has an effective date for the group of 1 January 2023.

In relation to the new standards, the Committee has spent time reviewing and approving methodologies, policies, assumptions and new reporting metrics, taking into consideration tax implications and the wider market response.

There has been a particular focus on those policies and assumptions that have impacted the initial transition and the expected adjustment to the group's consolidated balance sheet and opening equity at 1 January 2022, and the disclosure of those impacts in this annual report and accounts. The Committee has further received briefings to understand the effect that IFRS 17 will have on the group's underlying profit, and it was able to review and challenge the material that was presented as part of the IFRS 17 investor and analyst event in November 2022.

The Committee receives regular updates from management and KPMG and is supported by a number of board technical awareness sessions held outside of the normal Committee meetings. The Committee has also commissioned Group Internal Audit to perform audits on various aspects of the implementation to provide additional assurance.

ESG and climate reporting

Rising stakeholder expectations in respect of the group's ESG and climate reporting have rightly contributed to an increasing focus for the Committee in respect of the associated disclosure requirements and risks. ESG and climate reporting is a rapidly evolving discipline, with a lack of globally consistent reporting standards and a high reliance on third-party data. The Committee has focused on improvements that can be made to the group's climate-related disclosures in the financial statements and ensuring that there is a coherent link between those disclosures and the narrative in the front half of the annual report and accounts. The Committee also has responsibility for reviewing and approving the group's climate report and to that end has sought to understand the verification and assurance framework that is in place to ensure that climate disclosures were in line with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD), materially accurate, consistent, fair and balanced. The Committee was supportive of the proposal to commission limited third-party assurance over specific ESG and climate-related metrics in both the group's climate and social impact reports.

Internal control

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.

Policies and manuals in relation to International Financial Reporting Standards (IFRS) and Solvency II reporting requirements and a Financial Control Framework (FCF) are in place across the group. FCF is a first line framework that supports the Committee in enabling it to understand and assess the design and effectiveness of controls over financial reporting, covering IFRS, alternative performance measures, Solvency II and, going forwards, ESG and climate reporting. FCF is a risk-based approach with management identification, documentation, testing, remediation (as required), reporting and certification over key financial reporting-related controls.

The Audit Committee has completed its review and approval of the effectiveness of the group's system of internal control policies and procedures, during the year and up to the date of this report, 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.

UK audit and corporate governance reform

In May 2022, the government published its response to the consultation paper, 'Restoring Trust in Audit and Corporate Governance', on strengthening the UK's audit, corporate reporting and corporate governance frameworks. The paper set out expectations and next steps on how the reforms might be implemented.

As a group, Legal & General remains supportive of a number of the proposals, and the Committee is actively engaged in overseeing the group's readiness for their implementation. We expect greater clarity to emerge during 2023 as to the timing, scope and nature of a number of the reforms through changes in corporate governance requirements and proposed legislation, and through the establishment and empowerment of the Audit, Reporting and Governance Authority (ARGA). The Committee will continue to keep a close focus on the reforms, including more active oversight of readiness, to ensure that the group continues to be seen as a strong advocate of high quality and transparent audit and corporate governance.

The Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website: group.legalandgeneral.com/committees

Key accounting and reporting judgements

Throughout the year, the Committee was briefed at each meeting on the group's key accounting and reporting judgements by management and KPMG. The Committee's response to each issue can be found below and the Committee is satisfied that the financial statements appropriately address the key accounting judgements and estimates in respect of both the amounts reported and disclosures made.

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 historical data and external market experience. 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 made 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, taking account of the uncertainty in more recent data as a result of Covid-19. 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 balance sheet carries exposure to complex investments (typically classified as Level 3 in the fair value hierarchy), in line with the group's 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. These harder to value assets remain are a key area of focus, partially heightened in 2022 as a result of the higher inflation and interest rate environment. The Committee has continued to review the processes and controls over investment valuations, and in particular the valuation uncertainty policies and governance which include management's assessment of valuation uncertainty by asset type. While we do not currently see any material impact on the valuation of our asset portfolio arising from climate change, we have noted an increased consideration of climate and other ESG factors in third-party valuations. We expect this to be an increasing area of judgement (and therefore disclosure) in future years, and it will form a key area of focus in the Committee's review of this area. 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 reinsurance to reduce mortality risk.	The Committee has reviewed the methodology for calculating reserves including the allowance made for payments to and from reinsurance 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 2022, the Committee has continued to spend 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 reinsurance structures. The Committee considered the effectiveness of controls in place over valuation models. The Committee concluded that the insurance liabilities of the group's insurance businesses are appropriate for inclusion in the financial statements.

Audit Committee report
continued

Issue	Committee's response
Alternative performance measures (APMs): APMs offer investors and stakeholders 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 enhance understanding of the group's performance.	As part of its consideration of whether the annual report is fair, balanced and understandable, the Committee has paid particular attention to the use of APMs in reporting the group's performance. The Committee has reviewed the application of adjusted operating profit, and specifically the inclusion of certain items either as part of adjusted operating profit or investment variances, to ensure that they are aligned to both the group's disclosed policies on these APMs and the underlying principles of fair and consistent reporting. Where appropriate the Committee has reviewed additional disclosures provided to enhance transparency in respect of the group's APMs. The Committee concluded that the use and disclosure of APMs, including the clarity of labelling the prominence of APMs versus statutory measures, are appropriate for inclusion in the annual report.
IFRS 17: IFRS 17 is a new accounting standard for insurance contracts due to take effect on 1 January 2023. IFRS 17 is expected to have a significant impact on the reporting of the group's financial performance.	As well as continuing to monitor the preparedness of the group to implement IFRS 17, the Committee has reviewed a number of papers during 2022, covering various areas of policy, methodology and assumptions. In particular, the Committee has reviewed the methodology and assumptions to support the transition to IFRS 17, and has reviewed and approved the impact of that transition on the group's balance sheet and equity position as at 1 January 2022, with a particular focus on the assumptions and judgements that have underpinned the calculation of the contractual service margin (CSM). The Committee concluded that the disclosures in respect of IFRS 17 (and IFRS 9) included in Note 1 Basis of Preparation are appropriate for inclusion in the annual report.

Internal audit

The Group Chief Internal Auditor has a standing agenda item at each Audit Committee meeting to update the Committee on audit activities, progress of the audit plans, the results of any unsatisfactory audits and the action plans to address these areas. The results of Group Internal Audit's work are important to the Committee and provide additional assurance to the controls framework in place at Legal & General. In particular, the Audit Committee evaluates the alignment of the internal audit plan with the group's key risks and strategy. Key areas of focus covered by Group Internal Audit's work during the year included: operational resilience; oversight and management of third-party suppliers; cyber security risk management; IFRS 17 implementation; and the continual oversight of the first and second lines in assessing and monitoring the ongoing risks and impact of the Russia/ Ukraine war on the group. In addition, while all audits undertaken include a consideration of risk and control culture, Group Internal Audit has performed specific assessments of the impact of the move to remote and hybrid working, and concluded there has to date been no identifiable deterioration in the group's risk and control culture as a result of this change.

The Audit Committee meets with the Group Chief Internal Auditor in private throughout the year. The Committee, in line with the IIA Financial Services Code of Practice, conducted an assessment of, and were able to confirm, the independence and professional character of the Group Chief Internal Auditor. The Committee's assessment focused on the key factors impacting independence and areas where the Group Chief Internal Auditor had demonstrated areas of substantial challenge during the last 12 months.

During the year, an externally facilitated evaluation was conducted by Deloitte, which assessed the independence and effectiveness of the Group Internal Audit function. The outcome of this evaluation was positive, with the function assessed as mature and in conformance with IIA standards.

Based on regular internal audit reporting, private sessions with the Group Chief Internal Auditor, and taking into consideration the externally facilitated evaluation noted above, the Committee is satisfied with the effectiveness of the Group Internal Audit function and the appropriateness of its resources.

External audit

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. The Audit Committee reviews and approves the terms of engagement of the external auditor and monitors its independence. The Audit Committee meets regularly and privately with the external 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 the relationship with the external auditor and the efficiency of the audit process. Throughout the year the Committee has overseen the planned succession handover of the KPMG lead audit partner, challenged KPMG on the efficiency of audit processes and met with the Chief Executive Officer of KPMG UK to understand the improvements and investments being made to support the firm's commitment to audit quality.

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.

Following a competitive tender carried out in 2016, KPMG was appointed as the group's external auditor with effect from the financial year ended 31 December 2018. In May 2022, KPMG was reappointed as the group's external auditor for the financial year ended 31 December 2022, which is their fifth year as the group's external auditor. Rees Aronson, who had been the lead audit partner for KPMG since appointment, retired during the course of 2022 and the Committee accepted KPMG's proposal that Salim Tharani succeed Mr Aronson as lead audit partner for the 2022 audit. Mr Tharani has been a partner of the audit team since KPMG's appointment and in accordance with the ICAEW's requirements will be required to stand down in 2023. Mr Tharani will be replaced by Phil Smart, who has shadowed Mr Tharani during the 2022 audit. The Committee considers the quality and effectiveness of the external audit and recommends to the Board, on an annual basis, whether to recommend the reappointment of the external auditor for shareholder approval. On the basis that KPMG continue to maintain their independence and objectivity, and the Committee continues to remain satisfied with their performance, there are no plans as at the date of this report to conduct a tender exercise for external audit services before the end of the current required period of 10 years. The Committee believes it would not be appropriate to tender before the end of this period as it recognises that, while it is important to ensure the audit firm remains objective and does not become overly familiar with management, there is an important balance to be struck with the investment of time required both from management and any completely new audit team for them to gain sufficient understanding of a large and complex organisation, such as Legal & General, to ensure a top-quality audit.

Assessment of independence and effectiveness

The Committee is responsible for assessing the effectiveness, objectivity and independence of the external auditor. As part of this assessment, the Committee assesses the external auditor against a number of criteria, including but not limited to: 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 and effective audit, the ability to meet objectives within the agreed timeframes and the quality of judgements and audit findings, management's response and stakeholder feedback. In addition, the Audit Committee holds private meetings with the external auditor to discuss the audit process and relationship with management.

The group undertakes an annual formal assessment of KPMG's performance, independence and objectivity. This assessment was conducted in late 2022, by way of a questionnaire completed by key stakeholders across the group, including a member of the Audit Committee. The questionnaire was designed to evaluate KPMG's audit process and addressed matters such as the quality of planning and communication, technical knowledge, the level of scrutiny and challenge applied and KPMG's understanding of the business. Overall the evaluation was positive, with a small number of areas noted for consideration in future audit cycles.

Taking into account the result of all of the above, the Committee considered that KPMG maintained its independence and objectivity and that the audit process was effective.

Non-audit services

In order to safeguard the auditor's independence and objectivity, the group has in place a policy setting out the circumstances in which the external auditor may be engaged to provide services other than those covered by the audit. The policy applies to all Legal & General subsidiaries and other material entities over which the group has significant influence. The core principle of the policy is that non-audit services (other than those legally required to be carried out by the group's auditor) should be performed by the auditor only in certain controlled circumstances. The policy sets out those types of services that are permitted (permitted services) and those types of services which are not permitted (prohibited services). The policy pre-approves certain of the permitted services provided the fee is below a certain threshold; all other permitted services must be specifically approved in advance by the Committee.

The policy is reviewed on an annual basis to ensure that it is fit for purpose and that it reflects applicable rules and guidelines. The policy is aligned with the FRC's requirements and includes the requirement to consider the self-review test under the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, applicable for periods beginning on or after 15 December 2022, before a proposed engagement is assigned. It is also aligned with KPMG's own internal policy on non-audit services for FTSE 350 companies, which broadly restricts non-audit work to services that are 'closely related' to the audit. Any changes to the policy are required to be approved at by the Committee. This is in accordance with laws applicable in the UK and FRC guidance, pursuant to which audit committees of Public Interest Entities are required to approve non-audit services provided by their auditors to such entities; and subsidiary Public Interest Entities in the UK – such as LGAS – can rely on the approval of non-audit services by the ultimate parent's Board Audit Committee.

Assessment of fees

The Audit Committee assesses the external auditor's fee structure, resources and terms of engagement annually. In addition, it also reviews the non-audit service policy and any non-audit services provided by KPMG. Total fees paid to the auditor for the year were £17.5 million (2021: £11.9 million), of which £1.7 million (2021: £1.3 million), was spent on non-audit and other assurance services. £1.6 million (2021: £1.3 million) was spent 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 31 to the consolidated financial statements. The non-audit fee represents 10% of the total audit fee for 2022.

Included within KPMG's fees for 2022 are additional audit fees related to the implementation of IFRS 17 and IFRS 9, and specifically work to support KPMG's audit opinion in respect of the transitional impact to the group's balance sheet and equity position as at 1 January 2022.

	2022	2021	2020
Audit	14.2	9.3	10.1
Audit-related required by legislation	1.6	1.3	1.4
Other audit-related	0.9	1.2	0.6
Other assurance	0.8	0.1	0.6
Non-assurance	–	–	–
Total	17.5	11.9	12.7

The Audit Committee is satisfied that this level of fee is appropriate in respect of the audit services required for the group and that an effective audit can be conducted for this fee. The Committee continues to work with KPMG to ensure costs remain appropriate and proportionate to the services provided.

Risk Committee report

Committee overview

Committee meetings and membership

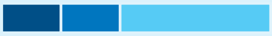
The Committee met five times during the year. The Committee fulfils the requirements of the Code by comprising only independent non-executive directors and fulfils the membership requirements in its terms of reference.

Members
George Lewis (Chair) (from November 2022)
Henrietta Baldock
Nilufer von Bismarck
Philip Broadley
Carolyn Johnson (from June 2022)
Lesley Knox
Ric Lewis
Tushar Morzaria (from May 2022)
Laura Wade-Gery (from August 2022)
Sir John Kingman (Interim Chair from April – November 2022)
Toby Strauss (stood down from the Board and as Chair of the Committee in April 2022)

Gender

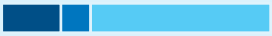
- **56%** Women
- **44%** Men

Tenure



- **22%** Over 6 years
- **22%** Between 3 – 6 years
- **56%** Between 0 – 3 years

Ethnicity



- **22%** South Asian
- **11%** Black
- **67%** White

The role of the Committee

The role of the Committee is to monitor and provide guidance to the Board in relation to the group's overall risk appetite, tolerance and strategy for the categories of emerging and principal risk to which the group may be exposed. It is also responsible for overseeing the management of risk, providing advice on what constitutes acceptable risk taking and overseeing the group's risk management policies and procedures.

Key responsibilities

- Oversee and advise the Board on the current risk exposures of the group and oversee the management by the executive of those categories of risk.
- Review the group's risk profile and appetite for risk and assess the effectiveness of the group's risk management framework.
- Oversee and advise the Board on the governance, operation and performance of the group's internal model.
- Review, approve and oversee the performance of the group's own risk and solvency assessment (ORSA) which is designed to measure, aggregate and monitor risks in accordance with strategy, policy and principles.
- Support the Remuneration Committee on specific risk adjustments to be applied to performance objectives and other issues as requested by the Committee.

The Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website: group.legalandgeneral.com/committees

Chair's introduction

I am pleased to present my report as your new Chair of the Risk Committee. I assumed the role in November 2022, having been a member of the Committee since my appointment to the Board in 2018. I would like to extend my thanks to the Committee's previous Chair, Toby Strauss, and to Sir John Kingman, who took over the leadership of the Committee, on an interim basis, until I was appointed. Having been on the Committee for a number of years I already have a good knowledge and understanding of the risk environment that our business faces and have first-hand experience of the effectiveness of the Committee, as well as of our Group Chief Risk Officer (CRO) and management team. I will, however, continue to engage with my fellow Committee members to understand their views, in particular, on any areas which they feel require further oversight and challenge. In addition, the Committee's membership has been further strengthened this year by the appointment of Tushar Morzaria, Carolyn Johnson and Laura Wade-Gery.

The Committee has an important role in supporting the Board in the oversight and management of risk. The Board is supportive of the role played by the Committee in providing appropriate oversight and challenge of the risk framework. Legal & General has a strong subsidiary governance framework in place to support the Board in discharging its responsibilities for the group. Chairs of two of the group's principal subsidiaries (LGAS and LGIM(H)) are members of the Risk Committee; this brings valuable insight, oversight and challenge to the Committee's discussions on specific aspects of the group's operations. An overview of the company's risk appetite and risk management approach, as well as our principal and emerging risks, can be found on pages 52 to 59.

2022 has been a year of uncertainty which has seen a number of risk events crystallise, including the Russian invasion of Ukraine, significant increases and volatility in energy prices, and continuing increases in interest rates as central banks attempt to lower inflation towards long-term targets. The Committee has received regular updates on these geopolitical and macroeconomic issues and their impact on our business, customers, people and suppliers. In late September 2022, our investment management business experienced significant challenges in the management of LDI funds on behalf of its pension fund clients due to the rapid and significant increase in long-term gilt yields following the UK government's mini-budget. The group's capital and liquidity position remained strong through this period of volatility, which was effectively managed by the Bank of England in conjunction with the industry, until a change in government fiscal policy restored stability in sterling and long-term gilt markets. While not a source of principal risk to the group, there will be lessons to learn arising from the challenges experienced by LGIM's LDI solutions during the extreme market volatility following the Government's mini-budget. The Committee Chair, together with the LGIM(H) board, will oversee the review. Finally, the Committee conducted a 'deep-dive' review of the risks and financial returns related to our largest business, LGRI's pension risk transfer (PRT), late in the year. While we receive regular reporting on the asset and liability risks inherent in this business, we anticipate significant near-term growth and determined it was timely to conduct a targeted review. The review confirmed the business is in a strong competitive position, with risks well managed and future growth is within the risk appetite of the group.

George Lewis
Chair of the Risk Committee

Activities during 2022

- Oversight of wider economic and geopolitical risk factors and divisional business risks.
- Customer: a regular review of customer service performance across the business, with particular focus on any areas which fall outside of service level agreements.
- Inflation risks: review of the inflationary environment and the potential impacts it could have on the group.
- Credit risk: review of the credit implications of stagflation and the credit impacts of the events in Ukraine/ Russia.
- Operational resilience: review of the group's capabilities to ensure continuity of business operations and the availability of important business services (IBS).
- Liquidity risk management: the group's approach to managing the different liquidity risks to which we may be exposed, and the forecasting, monitoring and reporting on related liquidity requirements.
- Climate and greenwashing: reviewed and recommended for approval the group's climate report and received regular updates on climate risks.
- Operational risk: continued oversight of the impacts of Covid-19 and any associated and ongoing risks for the group as it transitions to a hybrid operating environment.
- Financial crime risks: assessment of the evolving types of financial crime risk to which the group may be exposed, and the evolution of the group's risk management framework in response.
- Construction and building safety risks: review of the group's approach to managing safety risks within property construction and house building businesses and the group's response to ensuring compliance with regulatory developments.
- Property risk: deep-dive review of the different types of property-related assets held across our divisions and the associated risk appetite considerations of those assets.
- LGRI: deep-dive review of the risks and financial returns from PRT transactions.
- People risk: review of the dynamics of people-related risks, including availability of talent and employee retention.
- Cloud computing risks: assessment of the current cloud top risks and the progression of remediation plans across the group.
- Review and approval of the group's recovery and resolution plan.

Key activities during the year

Risk appetite

In August 2022, 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, refinements included the evolution of the climate-related risk metric to a dashboard approach and amendment of the operational carbon footprint risk appetite. During its discussions, the Committee opined on the areas that would increase in importance over the coming year to align with the group's planned strategy. The Committee will consider the risk profile of the group's strategic plan and its alignment with the group's overall risk appetite in 2023.

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
- processes to ensure that changes applied in the model are undertaken in a controlled manner, and in line with model development plans.

Each year an additional Committee briefing session is held ahead of the regulatory submission deadline to provide an opportunity for discussion of the final proposals for any internal model major change applications.

Own risk and solvency assessment (ORSA)

The ORSA is an ongoing assessment of the risks to which the group is exposed and an assessment of the capital resources available to ensure that the group is able to sustain its business over the plan horizon. Over 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 Board approval. In August 2022, the Committee reviewed and recommended the approval of the ORSA report to the Board.

Group Chief Risk Officer's report

At each meeting, the Committee receives a formal report from the Group CRO which highlights key factors impacting the group's operating environment, as well as an assessment of the potential emerging risks. The review includes analysis of risks arising from the macroeconomic 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.

Alongside the Group CRO'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. The Committee also receives an assessment of the overall profile of conduct risks for the group; analysis and trends in complaints data and 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.

Executive risk governance

During the year, the Committee has received updates on the continued development of the risk governance framework. The company has a strong executive-level risk governance framework which supports the Risk Committee in its work and oversight. The Executive Risk Committee (ERC) comprises the Group CRO, Group CEO, Group CFO, divisional CEOs and Group HR Director and is used to ensure that a robust, proportional and appropriate risk management framework is in place across the group to identify, assess and manage the group's risks and to oversee the effective operation of that framework. The ERC is a sub-committee of the Risk Committee and its authority extends to all relevant matters relating to the group and its subsidiaries.

Directors' report on remuneration

> Legal & General has delivered another year of resilient performance in spite of the volatile global economy."

Lesley Knox
Chair of the Remuneration Committee

Committee overview

Committee meetings and membership

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

Members
Lesley Knox (Chair)
Henrietta Baldock
Philip Broadley
George Lewis
Ric Lewis
Tushar Morzaria (from 27 May 2022)
Laura Wade-Gery (from 14 October 2022)

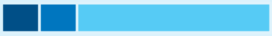
Gender

43% Women
57% Men

Tenure

28% Over 6 years
28% Between 3 – 6 years
44% Between 0 – 3 years

Ethnicity



14% South Asian
14% Black
72% White

The role of the Committee

The role of the Committee is to determine the group's framework for the remuneration policy and to manage the remuneration of executive directors and designated senior managers.

Key responsibilities

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

The Remuneration Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website: group.legalandgeneral.com/en/about-us/corporate-governance/group-board-committees

Our remuneration report is organised into the following sections

Chair's introduction

In accordance with the UK Corporate Governance Code's six principles in relation to remuneration (clarity, simplicity, risk, predictability, proportionality and alignment to culture), I am pleased to describe the considerations and decisions of the Remuneration Committee, the outcomes for 2022 and the new remuneration policy which will be proposed for approval at the 2023 AGM.

Link between pay and performance

Legal & General has delivered another year of resilient performance in spite of the volatile global economy. Our adjusted operating profit was £2.5 billion and profit for the year of £2.3 billion was up 12.1% over 2021. Within this context, and considering overall financial performance, the Committee has determined the outcomes for each of the incentive plans.

Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by group financial performance, and 30% is determined by individual performance including strategy, risk management and culture. The outcome of group financial KPIs for 2022 included an 11.5% increase in adjusted operating profit and a 12.1% increase in earnings per share (EPS).

Individual contribution to strategy, risk management and culture are described in more detail on page 113 including ESG metrics, which are also explained in greater detail in our 2022 climate report. Consistent with previous years, the Committee chose to exclude the beneficial impact of mortality assumption changes from the financial results when determining bonus awards. 2022 performance significantly exceeded targets, resulting in bonus outcomes of 91.4% and 91.5% of maximum for each of the executive directors. The 2022 performance targets and outcomes are summarised in the 'Quick read' section on page 102 and in further detail on pages 112 and 113.

Performance Share Plan (PSP)

The long-term incentive (PSP) awards granted in 2020 were subject to EPS growth and TSR performance over the three-year period ended 31 December 2022. EPS grew by 11.0% per annum, and TSR grew by 9.3%, out-performing the median of the FTSE 100 but below the median for the bespoke comparator group. This resulted in 52.3% of the 2020 PSP award vesting.

The 2020 PSP awards were granted in a year of considerable share price volatility, due to the impact on global markets of Covid-19. At that time, the Committee chose to delay the grants until markets had started to stabilise, with the 2020 PSP awards subsequently granted in August 2020 at a share price of 229.26p. If the grant had happened in line with our usual time frame, the equivalent share price at the date of grant would have been 191.75p. By taking this action at the point of grant the Committee granted 16% fewer shares to executives than under the default approach.

The share price at that later grant date has proven to be sufficiently reflective of market conditions and average share price throughout the performance period, and therefore the Committee determined that no downward adjustment to the formulaic outcome is required as a result of 'windfall gains'. Under the terms of the PSP plan for executive directors, the vested shares will be deferred for a further two years and released in 2025. The PSP performance targets and outcomes are summarised in the 'Quick read' section on page 102.

Base pay

The average base pay increases for UK employees in 2023 was 5.8%, and within that context the Committee has determined to increase base pay by 4.5% for Sir Nigel Wilson (Group CEO) and Jeff Davies (Group CFO) with effect from 1 March 2023. As previously indicated, pension contributions for executive directors were reduced to 10% of base pay in December 2022, to align with the majority of the UK workforce.

Sir Nigel Wilson retirement

On 30 January 2023, Sir Nigel Wilson announced his intention to retire as the Group CEO. Sir Nigel has agreed to continue as Group CEO until his successor starts and he will support a smooth transition following their appointment. It is envisaged that this process will take around a year. During this time he will continue to be paid in line with the directors' remuneration policy and his contractual terms, this includes participation in the 2023 AVP and 2023 PSP plans. The Committee will determine the treatment of his remuneration at departure, in line with the policy in due course, once a successor is appointed and a retirement date is confirmed.

Committee changes

The Committee's membership has been further strengthened this year by the appointment of Tushar Morzaria and Laura Wade-Gery. I welcome the knowledge, insights and challenge that Tushar and Laura will bring to the Committee discussions.

Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the group. Legal & General is also an accredited Living Wage employer certified by the Living Wage Foundation. We are aware that our people are concerned for their own financial wellbeing as a result of the ongoing extraordinary pressures of the cost of living and so, in addition to an average annual base pay increase of 5.2% in 2022, we have made two payments totalling £1,500 to around a third of our workforce. A third payment will also be made in July 2023. These amounts are in addition to annual bonus payments and other payments and allowances, which have been calculated and determined in the normal way.

The employment policies and practices for the wider workforce are generally the same as those applying to executive directors, although quantum and participation may vary. All UK employees have access to private medical insurance and our 24/7/365 employee assistance helpline. Wellbeing support is also available to employees and their family members, including childcare and eldercare support, healthcare apps, and preferential borrow/save/advance finance facilities through our partner organisation, Salary Finance. UK employees also have the opportunity to invest their own money and become shareholders in Legal & General through the Employee Share Purchase and ShareSave plans. More than half of employees now participate in these plans.

Further details, including gender pay gap and our work on the ethnicity pay gap, is provided in the sustainable business section of the report on page 50.

> "We are aware that our people are concerned for their own financial wellbeing as a result of the ongoing extraordinary pressures of the cost of living and so, in addition to base pay increases, we have made two payments totalling £1,500 to around one third of our workforce."

Lesley Knox
Chair of the Remuneration Committee

> "During 2022, the Committee reviewed the approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from our major shareholders and other representative bodies. I am grateful for all the responses received."

Lesley Knox
Chair of the Remuneration Committee

Remuneration policy review

It will be three years since our directors' remuneration policy was last approved by shareholders in 2020, and therefore a new policy will be submitted for shareholder approval at the 2023 AGM. During 2022, the Committee reviewed the approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from our major shareholders and other representative bodies. I am grateful for all the responses received.

During the course of the review, the Committee considered a number of alternative approaches, but concluded that the current policy remains aligned with the delivery of our business strategy, ensuring a direct link between executive remuneration and shareholder experience. As such, the proposed new remuneration policy is very similar to the existing policy (except as noted below), with no new incentive plans or other significant changes.

- **Annual Variable Pay (AVP)** – the current remuneration policy permits an AVP award of 175% of base pay for 'other executive directors' and limits AVP to 150% of base pay for the Group Chief Executive and Chief Financial Officer. The AVP opportunity is low in comparison to our principal competitors, and therefore to ensure we have a remuneration policy with sufficient headroom to recruit high-calibre executive directors in the future, we would like to increase the maximum AVP opportunity for all executive directors to 200% of base pay. The higher AVP opportunity would apply only to new executive directors, not the existing executive directors whose AVP opportunity would remain at 150% of base pay. The 200% maximum AVP opportunity would not be the default for any new recruit, but should ensure sufficient headroom to attract and recruit the best candidates.
- **Performance Share Plan (PSP)** – dividends do not currently accrue on PSP awards during the performance period, which creates a misalignment between executive pay and shareholder returns. It is therefore proposed that dividends will be paid on any part of a PSP award that ultimately vests.
- **Non-executive director fees** – the increasing workload of the Designated Workforce Director means that it is appropriate to pay a designated fee for this role, rather than the previous undefined fee based on time and commitment. A fixed fee, in line with the additional fee paid to the Senior Independent Director (currently £31,500) is proposed.

As part of the remuneration policy review, the Committee also considered adjusting the policy in relation to weightings of performance measures. The current policy is that a minimum of 70% of the AVP measures must be financial and that the PSP measures will have an appropriate mix of earnings performance and shareholder return (currently 50:50). We proposed these changes in order to make specific provision for other strategically important performance measures, including ESG. During the consultation process, we received a variety of responses from shareholders, many were comfortable with the proposals, whilst others expressed a preference not to adjust the weightings, but include other key performance metrics as an underpin, and adjust the calculated outcomes downwards if those targets including specific quantifiable targets for ESG, are not achieved. As a result of this feedback, the Committee have decided to leave the AVP performance weightings unchanged. In relation to PSP performance weightings we have included the flexibility within the policy to include strategic or ESG measures in the future (with a maximum weighting of 20%), given that this policy will apply for three years. For 2023, however, we do not propose to make any changes to the PSP performance measures.

The Committee also considered changing the bespoke comparator group for future PSP awards, with TSR growth measured instead against only the FTSE 100. There are no directly comparable organisations with the same business model as Legal & General, and back-testing had shown that historical PSP outcomes would not have been materially different if only TSR performance versus the FTSE 100 had been used. However, during the consultation process, many shareholders expressed a preference to retain a bespoke comparator group. The Committee considered this feedback, and have agreed to keep a bespoke comparator group, but will review and amend the constituents each year to ensure that it remains appropriate.

The proposed new remuneration policy, incorporating the above proposals, is set out on pages 103 to 109. I hope that you will find this report a clear account of the Committee's considerations, decisions and explanation of remuneration outcomes for 2022. Furthermore, I hope that you will support the proposed changes to our remuneration policy, which are designed to strengthen our approach, and continue to improve the link between director remuneration and shareholder returns.

Lesley Knox

Lesley Knox
Chair of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2022 implementation

Remuneration element and time horizon | **Policy summary** | **2022 implementation**

Base pay

2022 2023 2024 2025 2026

Operation
Reviewed annually, with any 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 2022	Effective 1 March 2023	% increase
Sir Nigel Wilson	£1,028,500	£1,074,800	4.5%
Jeff Davies	£632,000	£660,400	4.5%
Employees below the Board (average)			5.8%

Pension contributions

2022 2023 2024 2025 2026

Operation
DC 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 have been aligned with the contributions for other senior managers in the UK, but were changed to align with the majority of the UK workforce at the end of 2022.

Performance
No performance conditions.

Pension contributions during 2022 (as % of base pay):

Sir Nigel Wilson*	15.0%
Jeff Davies*	13.1%
Majority of UK workforce	*10.0%*
Other senior managers in the UK	*15.0%*

* From 31 December 2022 pension contributions have been set at 10% of base pay in line with the majority of the UK workforce.

Benefits

2022 2023 2024 2025 2026

Operation
In line with benefits provided to other employees and senior managers in the UK.

Opportunity
Maximum amount is the cost of providing benefits, subject to the limits of the benefit plans and HMRC rules.

Performance
No performance conditions.

Benefits during 2022 included:

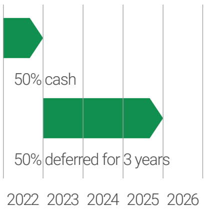
- allowance in lieu of a company car
- private medical insurance
- life insurance
- income protection
- all-employee (ShareSave and Share Purchase) plans.

Quick read summary
continued

Remuneration policy summary and 2022 implementation

Remuneration element and time horizon | **Policy summary** | **2022 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.

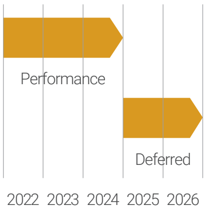
Opportunity
Up to 150% of base pay for the Group Chief Executive and Group Chief Financial Officer. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.

Performance
Financial performance (at least 70% weighting), plus strategic and personal performance, including ESG measures.

70% Financial performance
30% Strategic and personal performance

Bonus for 2022 (as % of base pay):	At target	At max.	Actual 2022 (as % of max.)
Sir Nigel Wilson	75%	150%	91.4%
Jeff Davies	75%	150%	91.5%

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) depending on the overall 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 achievement of 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 grants in 2022 (as % of base pay):	Maximum	2022 grant	Vesting period end 2022 (% of grant)
Sir Nigel Wilson	300%	250%	52.3%
Jeff Davies	300%	250%	52.3%

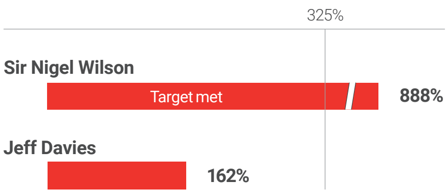
Shareholding requirements

Executive directors' share ownership

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.

The shareholding requirement is 325% of base pay for all executive directors.

Share ownership at 31 December 2022

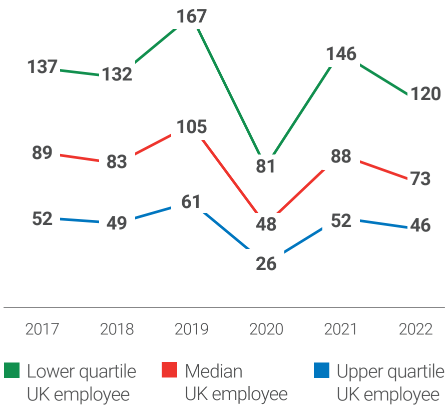


CEO pay ratio

Total remuneration

The chart opposite shows the ratio between the CEO single figure total remuneration (as disclosed on page 121) in comparison with the total remuneration of UK employees at lower, median, and upper quartiles.

For 2022, the CEO pay ratio has decreased slightly, reflecting the lower level of vesting of PSP awards in respect of 2022 compared to 2021.



Alignment with strategy and 2022 performance outcomes

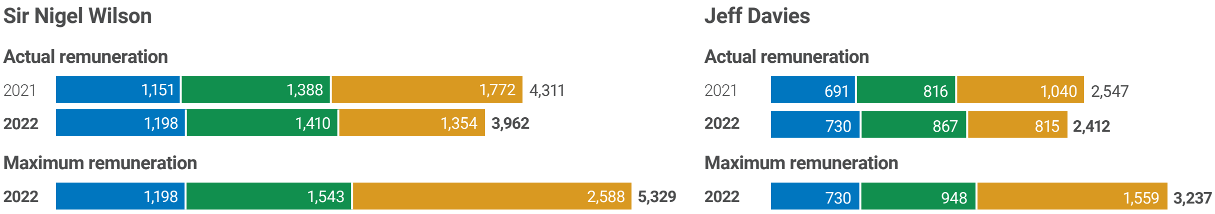
The performance measures for the incentive plans are directly aligned to the group's key performance indicators (KPIs). The Group Board reviews the KPIs annually and adds to or changes them where appropriate. KPIs are explained in more detail on pages 26 and 27 and further details of performance measures and outcomes are provided on pages 112 to 115.

Overarching drivers of the business	Group KPIs	Incentive plans (weightings) AVP	PSP	2022 performance targets and outcomes Threshold	Target	Maximum	Actual
Profitability	Net release from operations (NRO)	15.0%		£1,685m	£1,760m	£1,835m	**£1,919m**
	Adjusted operating profit	20.0%		£2,262m	£2,396m	£2,465m	**£2,523m**
	Earnings per share (EPS) 1 year growth	7.5%		34.2p	35.6p	36.9p	**38.3p**
	Return on equity (ROE)	7.5%		18.9%	19.4%	19.9%	**20.7%**
	Earnings per share (EPS) 3 year average annual growth		50.0%	5.0%		12.0%	**11.0%**
Solvency II	Solvency II operational surplus generation	10.0%		£1,683m	£1,733m	£1,783m	**£1,805m**
	Solvency II new business value add (NBVA)[1]:						
	LGRI	5.0%		3.4%	5.4%	6.4%	**8.90%**
	Retail retirement – UK annuity business	2.5%		5.2%	5.5%	5.9%	**6.27%**
	Retail insurance – UK and US protection	2.5%		6.3%	6.8%	7.2%	**7.17%**
Shareholder value creation	TSR vs FTSE 100 (rank out of 92)		25.0%	46.5 Median		19.0 Top 20th	**40.2**
	TSR vs comparator group (rank out of 23)		25.0%	12.0 Median		5.0 Top 20th	**13.6**
Strategic priorities	(see page 113):	30.0%					
		100.0%	**100.0%**				

1. New Business Value Add (NBVA) is equivalent to the margin on Solvency II new business, and represents Solvency II new business contribution as a percentage of the present value of new business premium (PVNBP).

Total remuneration received (£'000)

The charts below provide a breakdown of the total remuneration received by the executive directors and their maximum total remuneration opportunity.



Key
- Fixed (base pay, benefits and pension contributions)
- Annual Variable Pay (AVP)
- Performance Share Plan (PSP)

The values for the 2019 PSP, which vested in 2021, in the charts above have been adjusted to reflect the share price at vesting on 11 March 2022, which was not known at the publication date of the 2021 report. Further details can be found on page 110.

Remuneration policy

The following sections set out our directors' remuneration policy, which is subject to shareholder approval by way of a binding vote at the 2023 AGM on 18 May 2023 and which will take effect from the conclusion of the AGM if approved.

No new incentive plans are proposed. Below is a summary of the changes between the current (2020) remuneration policy and the proposed (2023) remuneration policy:

Remuneration type	Proposed changes	Rationale
Annual Variable Pay (AVP)	• Increase the maximum AVP potential to 200% of base pay for new executive directors. • For existing executive directors the AVP potential would remain at 150% of base pay.	• The current remuneration policy permits an AVP potential of 175% of base pay for 'other executive directors' and an AVP potential of 150% of base pay for the Group Chief Executive and Group Chief Financial Officer. • This opportunity is low in comparison to our principal competitors, and therefore the higher AVP opportunity will ensure we have a remuneration policy with sufficient headroom to recruit high-calibre executive directors.
Performance Share Plan (PSP)	• Dividends to be accrued on PSP awards during the performance period, on any part of the award that ultimately vests. • No dividends will accrue on part of the PSP award that lapses. • Ability to include strategic measures including ESG, with a maximum weighting of 20%.	• Currently dividends are paid only on the vested part of the PSP award, after the award has vested. Allowing dividends to accrue during the performance period provides a greater alignment between executive remuneration and shareholder returns. • The current policy only allows for measures in relation to earnings and shareholder return. As the company's strategy and in particular ESG strategy evolves there may be a desire to include a measure in relation to ESG in future years. The change provides the Committee with the flexibility to do so.
Non-executive directors' fees	• A fee to be paid for the Designated Workforce Director role, initially to be set at £31,500 in line with the additional fee paid to the Senior Independent Director.	• The increasing work and responsibility of the Designated Workforce Director role means that it is appropriate to pay a designated fee for this role.

Remuneration policy
continued

	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 • 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 DC pension plan • receive a cash allowance in lieu • 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 • 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 • there has been a significant increase in the size or scope of an executive director's role or responsibilities • there is a significant change in the regulatory environment.	Pension contributions for executive directors are aligned to that available to the majority of the UK workforce (currently up to 10% of base pay).	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: • up to 200% of base pay for any executive director appointed after the approval by shareholders of the remuneration policy • the maximum opportunity will remain at 150% of base pay for the current Group Chief Executive and Chief Financial Officer. 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 • strategic and personal performance – to safeguard the future, with the development of future income streams, and focus on key metrics including customers, culture and 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 and a further holding period of no less than two years following the end of the performance period • 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 during the performance period based on the number of shares that vest but not those that have lapsed • malus and clawback apply. Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including: • lengthening the performance period and/ or the holding period for future awards • reducing (but not increasing) the level of vesting dependent upon the performance of the group.	Fees for the Chair 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 • 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 Chairship • Committee membership (not including the Nominations and Corporate Governance Committee) • Designated Workforce Director. Additional fees for membership of Committee, or Chairship or membership of subsidiary Boards, or other fixed fees may apply if justified by time or commitment. The Chair receives an inclusive fee for the role. The Chair'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 ESG.	Fees are subject to the aggregate limit in the company's Articles of Association or any subsequent shareholder resolution. Any changes in this limit would be subject to shareholder approval. The Chair 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 • 100% of base fee for non-executive directors.
Performance	An appropriate mix (normally an equal weighting) of: • earnings performance – to incentivise growth in earnings • shareholder return – to deliver a competitive return for shareholders; and • strategic performance including ESG – to incentivise the delivery of broader aspects of the company's strategy. The maximum weighting for any strategic measures will be 20%.	No performance conditions.	Not applicable. See pages 106 and 107 for Remuneration policy notes

Remuneration policy
continued

Remuneration policy notes

Area	Commentary
Decision making process	In determining the new remuneration policy, the Remuneration Committee followed a robust process. The Committee discussed the detail of the policy over a series of meetings in 2022. The Committee considered the strategic priorities of the business and evolving market practice. Input was sought from the management team, while ensuring that conflicts of interests were suitably mitigated. An external perspective was provided by our major shareholders and independent advisors. The Committee also assessed the policy against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture.
Deferred share element	The deferred share element of the AVP and the PSP shall be operated in accordance with the rules of the respective plans.
Prior arrangements	The Committee reserves the right to make any remuneration payments and/ or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out in this report, where the terms of the payment were agreed: (i) before 21 May 2014 when the group's first approved policy came into effect; (ii) before the policy above came into effect, provided that the terms of such payment were consistent with the shareholder approved policy at the time the payments were agreed; or (iii) at a time when the relevant individual was not a director of Legal & General and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of Legal & General. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to deferred awards, the terms of the payment are 'agreed' at the time the award is granted.
Minor amendments	The Committee will follow any statutory requirements when operating the policy, and may make minor amendments to the policy for regulatory, exchange control, or administrative purposes without obtaining shareholder approval for that minor amendment.
Malus/ clawback	The Committee may apply malus (i.e. reduce the number of shares in respect of which an award vests, or delay such vesting, or impose additional vesting conditions) in the event of financial misstatement, personal misconduct, failure of risk management, reputational damage, factual error in calculating payment/ vesting, material downturn in performance or other exceptional circumstances identified by the Committee. The Committee may also, in exceptional circumstances, clawback share awards which have already been released to individuals, if it considers it appropriate to do so having regard to such factors as it deems relevant – such as the likelihood of recovery, any loss suffered, and the link between the award and the event. Clawback will normally only apply within four years of the end of the relevant performance period.
Discretion in relation to future operation of the policy	In the event of a variation of the company share capital or a demerger, special dividend or any other event that may affect the company's share price, the number of shares subject to an award and/ or any exercise price applicable to the award, may be adjusted. The Committee may amend any performance conditions applicable to PSP awards if any event occurs which causes the Committee to consider an amended performance condition would be more appropriate and not materially less difficult to satisfy.
Performance measures and targets	The performance conditions for the AVP and the PSP have been chosen by the Committee to align with the group's strategic priorities and are the key performance indicators in relation to the operation of the business. AVP financial measures have been chosen to ensure company growth and return to shareholders. AVP strategic and personal measures have been set to safeguard the future of the company, by for instance, focusing on the development of future income streams and to ensure performance related to key metrics such as risk management, customer strategy and culture is taken into consideration. For the PSP, earnings measures are chosen to incentivise growth in earnings and shareholder return measures are chosen to deliver a good return on equity for shareholders.
Remuneration policy for other employees	The remuneration policy for other employees does not differ significantly from the executive remuneration policy. Further details are provided on page 107.

Recruitment remuneration

The Committee will pay no more than it considers necessary to attract appropriate candidates, and it is not contemplated that remuneration will need to be different from the structure or exceed the limits set out in the remuneration policy table. The maximum variable remuneration will be in line with that set out in the remuneration policy table, that is 500% of base pay, excluding any compensation for awards forfeited on appointment.

As a result of regulations around the globe in the financial services sector, executives are likely to have accrued deferred remuneration which may be lost upon a change of employment. Accordingly, to aid the recruitment of a new executive director, the Committee may grant deferred cash and share awards to compensate for awards forfeited upon leaving a previous employer, taking into consideration relevant factors including:

- the form of the award
- any performance conditions
- the vesting profile and likelihood of vesting
- relevant regulatory requirements and guidance.

Any awards will reflect the terms and the value of the arrangements forgone, and any such compensation will be subject to forfeiture and clawback if the executive leaves the company voluntarily within a fixed time period determined by the Committee, being not less than three years. Where possible the Committee will use existing share-based plans. However, in the event these are not appropriate, the Committee retains the discretion to use the Listing Rules exemption (LR 9.4.2) for the purpose of making an award to compensate for amounts forfeited upon leaving a previous employer.

For internal appointments, the Committee may continue to honour prior commitments made before joining the Board.

Where a new executive director has to relocate to take up the appointment, either within the UK or from overseas, practical and/ or financial support may be provided in relation to relocation or mobility including the cost of any tax incurred for a period not exceeding two years. For appointments from overseas, certain home country benefits may continue to apply. Relocation and mobility support may also apply to the recruitment of a non-executive director.

The Committee will normally align the remuneration arrangements for new non-executive directors with those outlined within the policy table.

Service contracts and appointment letters

All executive directors are subject to annual re-election. The contracts for executive directors are rolling service contracts.

When determining the leaving arrangements for an executive director, the Committee will take into account any pre-established agreements, including the rules of any incentive plans, statutory and contractual obligations, the performance and conduct of the individual and the commercial justification for any payments.

Standard notice policy is:

- 12 months' notice from the company
- 12 months' notice from the executive director.

Executive directors may be required to work during their notice period, or take a period of 'garden leave', or may be provided with payments in lieu of notice if not required to work their full notice period.

Appointment letters for non-executive directors are currently for three years, but subject to annual re-election. Appointments may be terminated by either party without notice.

Termination and payments for loss of office

Any termination payments in lieu of notice would consist solely of base pay and the cost of providing benefits for the outstanding notice period. Any statutory requirements will be observed. Our standard practice is to include within executive directors' contractual terms mitigation provisions as regards to payments in lieu of notice.

Eligibility for annual variable pay, deferred annual variable pay awards and performance share awards are governed by their respective plan rules, as summarised below:

- Annual variable pay (AVP) – there is no automatic entitlement to an annual bonus in the year of cessation of employment. However, for a 'good leaver', the Committee may determine that an executive director will receive a bonus pro-rated for the period through to leaving based on targets and performance for the full year, and an assessment of overall business and personal performance.
- Deferred AVP awards – in the event that a participant is a 'good leaver' any outstanding unvested deferred awards will normally be released in accordance with the ordinary timescale. Exceptionally, the Committee reserves the right to accelerate any vesting or payment, for example in the case of terminal illness.
- Performance share plan (PSP) – unless the Committee determines otherwise, in the event that a participant is a 'good leaver' any unvested PSP awards will be pro-rated for the period through to leaving and vest based on targets and performance to the end of the performance period, with awards released at the normal times. Exceptionally, the Committee reserves the right to accelerate vesting or payment due, for example, in the case of terminal illness.

'Good leaver' circumstances are leaving due to death, disability, ill-health or injury, redundancy, retirement with company agreement, the individual's employing company/ business ceasing to be part of the group, or other circumstances at the Committee's discretion. For all other leavers, unvested awards lapse.

Awards will generally vest early upon a takeover of the company, merger or other corporate reorganisation. Alternatively participants may be allowed or required to exchange their awards for new awards. If there is a demerger, delisting or special dividend or other transaction which may affect the share price, the Committee may allow awards to vest on the same basis as for a takeover.

The Committee reserves the right to make any other payments in connection with a director's cessation of office/ employment where the payments are made in good faith in the discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement of any claim arising in connection with the cessation of the director's office/ employment, or for any fees for outplacement assistance and/ or director's legal and/ or professional advice fees in connection with his/ her cessation of office/ employment.

Consideration of employment conditions elsewhere in the group

The remuneration policy for other UK employees is similar to that for executive directors in accordance with our philosophy that remuneration should be appropriate to the local competitive market, and reward high performance in a framework of appropriate risk management.

Some components of remuneration may apply only to certain levels of employees (for example, long-term incentives). Other components of remuneration may be paid at different levels based on grade or length of service (for example, pension participation, and some benefit entitlements and allowances). There are other variances depending on geographic location and local market practice. However, the general approach is consistent across the group. Further details are provided on page 120.

The Committee receives information regarding base pay, benefits, variable pay and terms and conditions of employees throughout the group. This includes relevant background information that allows the Committee to consider not only the highest paid, but the lowest paid and all pay levels across the group, and ensure a consistency of approach when determining the remuneration arrangements for executive directors. The Committee also has oversight of all long-term incentive awards across the company.

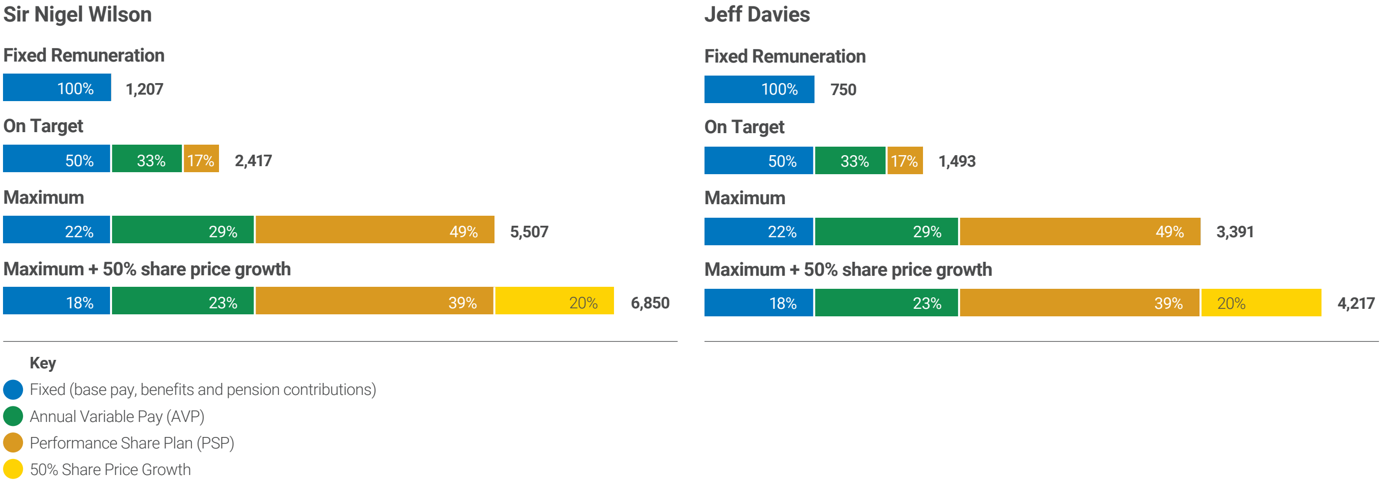
The company does not invite employees to comment specifically on the directors' remuneration policy, but regular employee surveys include questions about pay and benefits, and the responses are used to inform remuneration policy across the group.

Remuneration policy
continued

Statement of consideration of shareholder views
The Committee seeks to maintain an active dialogue with investors regarding remuneration and corporate governance more generally. During 2022, the Committee sought feedback from its 20 largest shareholders and representative bodies regarding the directors' remuneration policy, so that shareholders could enter into further discussions with the Chair of the Committee, and express their views in advance of the Committee making any final proposals. The responses helped shape the Committee's thinking in formulating the changes to the remuneration policy. The Committee is grateful to shareholders for their feedback and continues to appreciate all feedback.

Illustration of the application of the remuneration policy
The charts below illustrate the executive directors' fixed remuneration (defined below) and how much they could earn for target and maximum performance and in the event of a 50% growth in share price for PSP awards based on their remuneration for 2023.

Remuneration scenario (£'000)



In developing the scenarios, the following assumptions have been made:

Fixed remuneration	Consists of 2023 base pay, benefits (based on the value included in the single figure for 2022) and pension.
On Target	In addition to fixed remuneration: • annual variable element pays out at 50% of maximum and includes the potential value that each executive director could receive for target performance • PSP is shown at threshold (15% of maximum).
Maximum	In addition to fixed remuneration, includes the potential value that each executive director could receive for maximum performance under the annual variable element and the PSP.
Maximum + 50% share price growth	In addition to the maximum scenario, includes a 50% share price increase assumption on the PSP award.

How our approach to remuneration aligns with strategy

Our remuneration approach has been designed to support strategy and reward the achievement of long-term sustainable performance. In alignment with the provisions of the UK Corporate Governance Code, the Committee has continued to consider our approach to executive remuneration to ensure that our policies, structures and performance measures have clear strategic rationale.

The Committee considers it essential that the performance measures used for the purpose of the incentive arrangements for management are directly aligned to the group's KPIs. The following sets out how the performance measures used for the purpose of the AVP and PSP are directly linked to our 2023 KPIs (including the introduction of a new metric related to the net movement in Contractual Service Margin (CSM) following the implementation of IFRS 17 on 1 January 2023), and other strategic priorities and the rationale for these measures.

How do the performance measures used for incentive arrangements align with the group's 2023 key performance indicators and other strategic priorities?

Group KPIs and strategic priorities	Profitability				Solvency II		Shareholder value creation	Strategic priorities and non-financial goals			
	Adjusted operating profit	EPS	ROE	Contractual Service Margin	Operational surplus generation	NBVA	Total Shareholder Return	Risk	ESG	Culture	Customer
AVP	15%	10%	10%	12.5%	12.5%	10%		30% and Moderator			
PSP		50%			Underpin		50%	Underpin			

Alignment with the UK Corporate Governance Code

When determining our new directors' remuneration policy, the Committee reviewed our alignment with the provisions of the revised 2018 Code. The table below details how the Committee addressed the principles set out in the UK Corporate Governance Code in respect of the directors' remuneration policy:

Clarity	• The Committee welcomes open and frequent dialogue with shareholders on our approach to remuneration. As part of the review of the policy during 2022, shareholders were consulted to understand their views on proposed changes. • The remuneration policy for our executive directors has been designed in line with the remuneration philosophy and principles that underpin remuneration across the group, and the details of our approach to executive remuneration is transparent for all employees.
Simplicity	• Our remuneration arrangements throughout the group are simple in nature and well understood by both participants and shareholders. Although quantum and participation will vary, the policies and practices applying to executive directors are the same as for the wider workforce in most instances. • The objective of each element of our policy is explained and the amount paid in respect of each element of pay is clearly set out.
Risk	• In line with regulatory requirements, our approach aims to promote sound and effective risk management whilst supporting our long-term success. The Committee considers that the structures of incentive arrangements do not encourage inappropriate risk-taking. • In reviewing award outcomes the Committee is presented with a comprehensive report from the Chief Risk Officer to ascertain that objectives have been fulfilled within the risk appetite of the group. In addition, the Committee receives feedback from the Group Regulatory Risk and Compliance function on any issues to consider around regulatory breaches or customer outcomes. • AVP deferral, the PSP holding period and our shareholding requirement (including the post-cessation shareholding requirement) provide a clear link to the ongoing performance of the business and the experience of our shareholders. • Malus and clawback provisions apply to both the AVP and PSP.
Predictability	• Our policy contains details of threshold, target and maximum opportunity levels under our AVP and PSP, with actual outcomes dependent on performance achieved against predetermined measures and target ranges. This is illustrated by the charts on page 102.
Proportionality	• The AVP scorecard rewards achievement of our annual operating targets and the PSP scorecard rewards achievement of long-term financial and shareholder value creation targets. The Committee's ability to apply discretion to reduce formulaic outcomes under both plans ensures appropriate out-turns in the context of underlying company and individual performance. • Our performance measures and target ranges under the AVP and PSP are aligned to company strategy. This is illustrated by the chart above.
Alignment to culture	• Under the AVP, the Committee assesses performance against a range of objectives, including those related to our customers and culture, strategy and risk, including ESG measures. This ensures that reward is not determined solely on financial performance but also drives behaviours consistent with Legal & General's culture.

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 2023
Content contained within a black outline box indicates that all the information in the panel is planned for implementation in 2023.

'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 2022 financial year, together with a comparative figure for 2021.

Single figure table

	Fixed				Variable				
						PSP			
Executive director	Base pay £'000	Benefits £'000	Pensions £'000	Total fixed £'000	AVP £'000	Face value £'000	Share price appreciation £'000	Total variable £'000	Total £'000
2022									
Sir Nigel Wilson	**1,020**	**25**	**153**	**1,198**	**1,410**	**1,281**	**73**	**2,764**	**3,962**
Jeff Davies	**625**	**23**	**82**	**730**	**867**	**771**	**44**	**1,682**	**2,412**
2021									
Sir Nigel Wilson	980	24	147	1,151	1,388	1,960	(188)	3,160	4,311
Jeff Davies	590	23	78	691	816	1,150	(110)	1,856	2,547

1. **Reporting of the 2019 PSP in the 2021 annual report**
The vesting date of the 2019 PSP award occurred after the 2021 results announcement. As a result, the PSP figures recognised in the 2021 annual report were based on a three-month average share price to 31 December 2021. The 2019 PSP figures reported in the 2021 single figure table above now reflect the share price at vesting on 11 March 2022, at 258p per share. The figures in the 2021 report were £1,980,555 (Sir Nigel Wilson) and £1,162,567 (Jeff Davies).

Base pay

Executive director	Annual base pay as at 1 January 2022	Annual base pay effective 1 March 2022	Total base pay paid in 2022
Sir Nigel Wilson	**979,500**	**1,028,500**	**1,020,333**
Jeff Davies	**590,000**	**632,000**	**625,000**

Annual base pay effective 1 March 2023	% increase
1,074,800	**4.5**
660,400	**4.5**

Benefits

Benefits include the elements shown in the table below.

Executive director	Car allowance, insurances and taxable expenses £'000	Dividends £'000	Discount on ShareSave, and ESP matching shares £'000	Total benefits £'000
2022				
Sir Nigel Wilson	**19**	**5**	**1**	**25**
Jeff Davies	**20**	**1**	**2**	**23**
2021				
Sir Nigel Wilson	19	4	1	24
Jeff Davies	20	1	2	23

The Employee Share Purchase Plan (ESP) 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. ShareSave is calculated based on the value of the discount on ShareSave share options exercised in the year.

Benefits for 2023

Benefits for 2023 remain in line with policy.

Pension

Sir Nigel Wilson received a cash allowance in lieu of pension contributions equal to 15% of base pay. Jeff Davies received a cash allowance of 13.2% of base pay. From 31 December 2022, Sir Nigel Wilson and Jeff Davies receive a cash allowance in lieu of pension contributions of 10% of base pay, aligned with the employer pension contributions for the majority of the UK workforce. All cash allowances are subject to normal payroll deductions for income tax and national insurance.

Pension for 2023

In line with the proposed remuneration policy, for 2023 Sir Nigel Wilson and Jeff Davies will receive a cash allowance of 10% of base pay, aligned with employer pension contributions for the majority of the UK workforce.

2022 Annual Variable Pay (AVP) awards

The 2022 AVP awards are based on performance for the year ended 31 December 2022. 70% of the bonus opportunity is determined by financial performance and 30% is based upon the achievement of strategic objectives.

The figures below represent the total 2022 AVP awards to be paid, incorporating the amount payable in cash in 2023 (50%), and amount deferred into restricted shares for a further three years to be released in 2026 (50%) subject to continued employment with malus and clawback provisions.

	2022 performance targets and outcome								AVP award (% of maximum)	
Performance measure	**Threshold (0% max)**	**Target (50% max)**	**Maximum (100% max)**	**Actual**	**Outcome (% of max)**		**Weighting**		**Sir Nigel Wilson**	**Jeff Davies**
Net release from operations (NRO)	£1,685m	£1,760m	£1,835m	£1,919m	100.0%	x	15.0%	=	15.0%	15.0%
Adjusted operating profit	£2,262m	£2,396m	£2,465m	£2,523m	100.0%	x	20.0%	=	20.0%	20.0%
Earnings per share (EPS)	34.2p	35.6p	36.9p	38.3p	100.0%	x	7.5%	=	7.5%	7.5%
Return on equity (ROE)	18.9%	19.4%	19.9%	20.7%	100.0%	x	7.5%	=	7.5%	7.5%
Solvency II operating surplus generation	£1,683m	£1,733m	£1,783m	£1,805m	100.0%	x	10.0%		10.0%	10.0%
Solvency II new business value add (NBVA):										
LGRI	3.4%	5.4%	6.4%	8.90%	100.0%	x	5.0%		5.0%	5.0%
Retail retirement – UK annuity business	5.2%	5.5%	5.9%	6.27%	100.0%	x	2.5%		2.5%	2.5%
Retail insurance – UK and US protection	6.3%	6.8%	7.2%	7.17%	95.7%	x	2.5%		2.4%	2.4%
Strategic – Sir Nigel Wilson					71.7%		30.0%	=	21.5%	
Strategic – Jeff Davies					72.0%					21.6%
Total (% of maximum)							100%		91.4%	91.5%
									x	x
Maximum bonus opportunity (% of base pay)									150%	150%
									x	x
Base pay									£1,028,500	£632,000
									=	=
2022 AVP award									£1,410,000	£867,100

Strategic objectives comprise a qualitative assessment by the Remuneration Committee of operational performance and risk management, customer and culture metrics, and other strategic objectives set by the Committee, including ESG objectives. A qualitative assessment, rather than an outcome based only on pre-determined numerical targets, is considered more appropriate for the assessment of strategic objectives, as this enables the Committee to consider performance in the context of a range of factors and changing situations during the year.

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

- **Operational performance and risk management:** determined by the Committee and supported by analysis from the Director of Group Finance and Chief Risk Officer, using quantitative and qualitative metrics, including divisional and group operational performance, capital management, prudential risk, IT and cyber risk, and internal audit.
- **Customer and culture assessment:** based on a range of metrics including customer performance scores and feedback, employee engagement scores, and progress against gender and other diversity goals.
- **Other strategic objectives:** focus on safeguarding the future of the company and developing future income streams. For 2022, this includes progress of key environmental commitments as referenced in our 2021 climate report, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Some strategic objectives may be commercially sensitive and accordingly they will not be disclosed in this year's report or any future report until such time as they are considered no longer commercially sensitive.

The performance of the executive directors across the three focus areas for 2022 was strong and a list of the key focus areas and outcomes is set out below.

	Assessment (out of 30%)	
Focus areas and outcomes	**Sir Nigel Wilson**	**Jeff Davies**
Operational performance: • Strong performance against our five year (2020 – 2024) Solvency II operational surplus goals (progress to date: £4.9 billion) and against ambition for Solvency II net surplus generation to cumulatively exceed dividends over 2020 – 2024 (£0.7 billion accrued to the end of 2022). • Strong operational performance across all divisions including: – £9.5 billion of sales across the UK, US and Canada in institutional retirement (2021: £7.2 billion) – continued development of fintech solutions, with investments in three businesses (Onto, Moneyhub and Generation Home) – implementation of LGIM's strategic operating model to create a globally scalable platform with State Street – LGC's first investment in the US, a 50:50 partnership with US real estate developer and asset manager, Ancora. • Risk management aligned with the framework set out in page 54 of the annual report.		
Customer and culture: • Net promoter score of +71 within our institutional retirement business. • Cultural focus areas assessed included: – prioritisation of employee growth, development and learning culture – collaboration both within divisions and across the group to drive incremental business value – delivery against diversity and inclusion priorities – across the group, there was continued positive employee feedback with the employee satisfaction index at 78% (2021: 76%) and progressive narrowing of median gender pay gap to 22.4% (2021: 24.1%). • Specific divisional metrics (not disclosed).	21.5/30	21.6/30
Other strategic: • portfolio carbon emission intensity reduced in line with pathway to achieve 18.5% reduction by 2025 and 50% reduction by 2030, with end of 2022 reduction of at least 12% compared to 2019 base line (2022: actual reduction of 15%) • science-based targets (SBTs) for our operations and key parts of our asset portfolio internally approved and submitted to the Science Based Targets initiative (SBTi) by December 2022 for their approval (2022: submitted to SBTi) • operational footprint (occupied offices and business travel) on track to achieve net zero carbon emissions by 2030 and plan agreed for achieving operational footprint SBTs (2022: plans developed and footprint reduced in line with plan) • other specific strategic targets (not disclosed).		

In addition, the Committee considers the Solvency II coverage ratio (2022: 236%) 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. For 2022, it was determined that no adjustment was necessary to the calculated AVP awards.

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 relating to regulatory breaches or customer outcomes that 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 the remuneration policy, 50% of all 2022 AVP awards have been deferred for three years into restricted shares, subject to continued employment and with malus and clawback provisions.

AVP potential 2023

In line with the remuneration policy, for 2023 the target and maximum AVP opportunities for our executive directors will be:

Executive director	Target opportunity (% of base pay)	Maximum opportunity (% of base pay)
Sir Nigel Wilson	75%	150%
Jeff Davies	75%	150%

Performance will be based on group financial performance targets aligned to the group's key performance indicators, as well as strategic (including environmental, social and governance measures) and personal measures. The percentage weightings will be the same as in 2022. Group financial targets will be disclosed in the 2023 annual report. Some strategic and personal targets are considered confidential and will not be disclosed in any future report.

In line with the remuneration policy, 50% of all 2023 AVP awards will be deferred for three years into restricted shares, subject to continued employment, with malus and clawback provisions.

Details of how the 2020 PSP award vested

The 2020 PSP award vested at 52.3% of maximum in March 2023 based on a combination of total shareholder return (TSR) out-performance (50%) and earnings per share (EPS) growth (50%) over the three-year performance period ended 31 December 2022. A summary of the outcome per measure is below, with further detail provided on page 115.

Performance measure	Weighting	Outcome (% of maximum)
TSR vs FTSE 100	25%	8.6%
TSR vs bespoke comparator group	25%	0.0%
EPS growth (% p.a.)	50%	43.7%
Total (% of maximum)	100%	52.3%

The bespoke comparator group comprises:

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

The Committee reviewed the company's overall performance taking into consideration an assessment of Solvency II performance and progress against long-term environmental, social and governance (ESG) objectives. The Committee was satisfied that the PSP awards should vest in accordance with the TSR and EPS growth outcomes.

Consideration of potential windfall gains

The 2020 PSP awards were granted in a year of considerable share price volatility, due to the impact on global markets of Covid-19. At that time, the Committee chose to delay the grants until markets had started to stabilise, with the 2020 PSP awards subsequently granted in August 2020 at a share price of 229.26p. If the grant had happened in line with our usual timeframe, the equivalent share price at the date of grant would have been 191.75p. By taking this action at the point of grant the Committee granted 16% fewer shares to executives than under the default approach. The Committee has considered whether any adjustment for any 'windfall gain' should be made and assessed the formulaic outcome in the context of overall performance. The share price at that later date of grant has proven to be sufficiently reflective of market conditions and average share price throughout the performance period, and therefore the Committee determined that no downward adjustment to the formulaic outcome is required.

The results are shown below:

Grant date	Performance period	Comparator group	Legal & General's TSR[1]	Median rank	80th percentile rank	Legal & General's rank	Outcome (% of maximum)
12 August 2020	1 January 2020 to 31 December 2022	FTSE 100		46.5	19.0	40.2	34.4%
		Bespoke comparator group	9.3%	12.0	5.0	13.6	0.0%

Performance condition	Performance target: Threshold	Performance target: Maximum	Actual performance	Outcome (% of maximum)
EPS growth (% p.a.)	5%	12%	11%	87.4%

1. TSR is calculated in accordance with the Performance Share Plan rules using the three-month average prior to the start and end of the performance period.

The PSP award will vest on 10 March 2023. As the share price at the date of vesting was not known as of the date of this report, the value included in the 'single figure' of remuneration on page 110 has been calculated based on the number of shares vesting multiplied by the average share price over the quarter ended 31 December 2022 (242.3p). The actual share price and value at vesting will be reported in the 2023 annual report.

Executive director	Shares granted in 2020	Vesting outcome (% of maximum)	Shares vesting in March 2023	Estimated value of shares on vesting (£)
Sir Nigel Wilson	1,068,110	52.3%	558,621	1,353,539
Jeff Davies	643,374	52.3%	336,484	815,301

Performance Share Plan (PSP) 2023 awards: Sir Nigel Wilson and Jeff Davies will each be granted an award with a face value of 250% of base pay.

For the 2023 award, the following performance measures will be used:

- TSR performance relative to the FTSE 100 (25% of award)
- TSR performance relative to a bespoke comparator group of companies (25% of award)
- EPS growth (50% of award).

The bespoke comparator group will be unchanged from the 2022 PSP.

Vesting of awards will be subject to an assessment of performance against Solvency II objectives and progress against long-term ESG objectives.

Having considered the business plan over the next three years, market expectations of performance, the impact of the new IFRS 17 accounting standard on the timing of the reporting of profit, and given the level of stretch within the TSR performance conditions, the Committee considered it appropriate for vesting to be based on performance as set out in the table below:

	Below Threshold	Threshold	Maximum
Vesting	0%	15%	100%
TSR performance	Below median	Median	80th percentile
EPS growth	<5% p.a.	5% p.a.	14% p.a.

Performance below threshold results in nil vesting, and performance between threshold and maximum vests on a straight line basis between 15% and 100% of maximum.

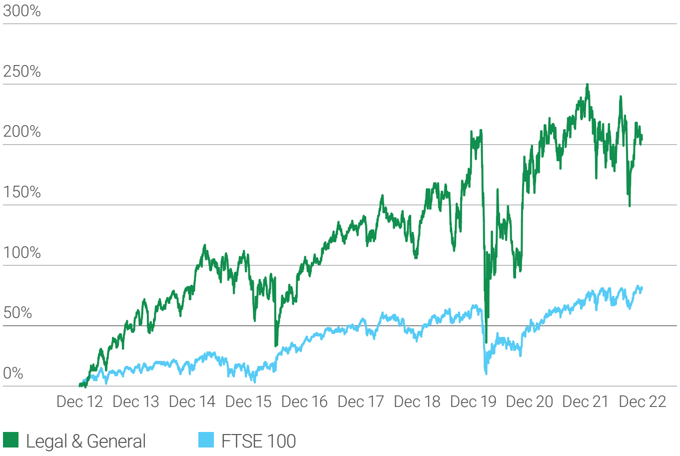
Annual report on remuneration
continued

Other remuneration information

Total shareholder return (TSR)

The chart shows the value, as at 31 December 2022, of £100 invested in Legal & General shares on 31 December 2012, compared to £100 invested in the FTSE 100 on the same date. The FTSE 100 Index was chosen as the comparator because the company is a member of this index.

As at 31 December 2022



Group Chief Executive – historical 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
2022	Sir Nigel Wilson	3,962	91.4%	52.3%
2021	Sir Nigel Wilson	4,311	94.5%	82.9%
2020	Sir Nigel Wilson	2,092	23.5%	24.2%
2019	Sir Nigel Wilson	4,592	91.1%	86.9%
2018	Sir Nigel Wilson	3,398	80.4%	48.7%
2017	Sir Nigel Wilson	3,439	85.3%	59.9%
2016	Sir Nigel Wilson	5,417	87.8%	76.6%
2015	Sir Nigel Wilson	5,497	86.3%	100%
2014	Sir Nigel Wilson	4,213	90.7%	100%
2013	Sir Nigel Wilson	4,072	93.1%	100%

Due to the timing of the vesting of PSP awards, initially PSP figures within the single figure of remuneration are calculated based on the average share price for the three months ended 31 December in the respective year. As noted under the single figure of remuneration table on page 110, the figures are restated in the following year's report to reflect the actual share price on the vesting date. The figures in the table above have been restated to reflect the actual share price on vesting for the years 2015 – 2021.

Scheme interests awarded during the financial year

The following table sets out details of deferred annual variable pay (AVP) and performance share plan (PSP) awards made in 2022. The deferred AVP represented 50% of the total AVP award in 2022 and the PSP awards were granted over 250% of base pay.

Executive director	Reason for award	Award type	Awards granted in 2022	Grant price £	Face value at grant price £
Sir Nigel Wilson	PSP	Nil-cost option	948,380	2.7112	2,571,248
	Deferred AVP	Restricted shares	255,220	2.7200	694,198
Jeff Davies	PSP	Nil-cost options	582,767	2.7112	1,579,998
	Deferred AVP	Restricted shares	149,981	2.7200	407,948

Performance conditions for PSP awards granted in 2022

The PSP awards were granted on 19 April 2022. 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 Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., Lincoln National, M&G, Mapfre, Metlife, Muenchener Ruck, NN Group, Phoenix Group, Principal Financial, Prudential Financial, Prudential, Sampo A, Swiss Re, Talanx and Zurich Insurance Group), 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:

	Below threshold	Threshold	Maximum
Vesting	0%	15%	100%
TSR performance	Below median	Median	80th percentile
EPS growth	<5% p.a.	5% p.a.	12% p.a.

Performance below threshold results in a nil vesting, and performance between threshold and maximum vests on a straight line basis between 15% and 100% of maximum.

At the end of the three-year performance period commencing 1 January 2022, the Committee will assess whether the formulaic vesting outcome is justified by looking at a number of factors including: whether the result is reflective of overall performance and has been achieved within the company's risk appetite, the Solvency II coverage ratio, the quality of earnings, the nature of any changes in leverage or key assumptions and progress against long-term ESG objectives. If such considerations mean that the formulaic outcome of the vesting is not considered to be justified, the Committee can amend the vesting downwards (but not increase the level of vesting).

Payments for loss of office and to past directors

There were no payments to directors for loss of office and no payments to past directors during 2022.

Statement of directors' shareholding and share interests

Total shareholding of executive directors:

						Shares sold or acquired during the period 1 January 2023 and 7 March 2023	
	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
Sir Nigel Wilson	Shares	3,637,332	591,237	4,228,569	–	–	–
	ESP	21,376	6,042	27,418	–	147	81
	Options	–	896,487	896,487	2,848,831	–	–
Jeff Davies	Shares	406,756	349,740	756,496	–	–	–
	ESP	4,490	1,181	5,671	–	147	81
	Options	–	527,159	527,159	1,727,500	–	–

Shareholding requirement – executive directors

The shareholding requirement for all executive directors is 325% of base pay.

	Actual share ownership as % of 2022 base salary: vested shares[1]	Shareholding requirement met	Shares owned at 1 January 2022	Shares owned at 31 December 2022	Shares sold or acquired during the period 1 January 2023 and 7 March 2023
Sir Nigel Wilson	888%	Yes	3,656,656	3,658,708	228
Jeff Davies	162%	No	248,215	411,246	228

1. Closing share price as at 31 December 2022: 249.0p

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 shareholding requirement is not contractually binding, 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. The Committee retains the discretion to withhold future grants under the PSP if executives are not making sufficient progress towards their shareholding requirement. Once shareholding requirements have been met, executive directors may sell shares in excess of the shareholding requirement if they wish. The Committee has discretion to allow executive directors to sell shares prior to the shareholding requirement being met in extenuating situations, for example, a change to personal circumstances or ill health, etc.

Share options exercised during 2022

PSP awards may be granted in the form of nil-cost options with an exercise date no earlier than the normal vesting date. Executive directors may also participate in the company's ShareSave scheme. Where such share awards have been exercised during 2022 they are shown below:

Executive director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Sir Nigel Wilson	18/04/2017	306,024	14/04/2022	2.744	839,730
Jeff Davies	18/04/2017	168,330	10/03/2022	2.559	430,756
Jeff Davies	05/04/2019	1,990	01/06/2022	2.556	768

Non-executive directors' remuneration – 2022

Non-executive directors' fees

The fees for the Chair and non-executive directors were reviewed during 2022 and with effect from 1 August 2022 the fee for the Chair was increased from £550,000 to £577,500. From 1 August 2022 there were also increases to the fees for non-executive directors. The base fee was increased from £75,000 to £78,750. The fees for chairing the Audit, Remuneration and Risk committees were increased from £40,000 to £42,000 and the committee membership fees for these Board committees were increased from £15,000 to £15,750. The fee for the Senior Independent Director was also increased from £30,000 to £31,500.

From 1 September 2022 a fee of £31,500 was introduced for chairing the Technology Committee, and also for the Designated Workforce Director. No fee was paid for membership of the Nominations and Corporate Governance and Technology Committees. The table below sets out the current fees.

Annual fees	Current fee £
Chair	577,500
Base fee	78,750
Additional fees:	
Senior Independent Director	31,500
Committee Chair fee (Audit, Remuneration and Risk Committees)	42,000
Committee Chair fee (Technology Committee)	31,500
Committee membership fee (Audit, Remuneration and Risk Committees)	15,750
Designated Workforce Director	31,500

The current limit for base fees paid to non-executive directors is an aggregate of £1,500,000 per annum. A resolution will be put to the AGM on 18 May 2023 which will seek approval to increase the aggregate amount of fees which may be paid to the company's directors to £3,000,000 per annum. The company has no intention to make any changes to director fees beyond ordinary course changes from time to time; however, the current limit was set in 2016 and this proposed increase will bring the company's fee limit more into line with the limits of other large financial services groups. The company has consulted with a number of its largest shareholders on these resolutions and the proposals set out in the Notice of Meeting will take into account these shareholder views.

The table below shows the actual fees paid to our non-executive directors in 2022 and 2021.

Non-executive director		Fees for 2022	Benefits for 2022[4]	Total remuneration for 2022	Fees for 2021	Benefits for 2021	Total remuneration for 2021
Sir John Kingman	Chair N	**561,458**	**–**	**561,458**	534,250	64	534,314
Henrietta Baldock[1]	N R Ri	**207,625**	**–**	**207,625**	200,833	–	200,833
Nilufer von Bismarck	A N Ri T	**162,313**	**292**	**162,605**	67,770	–	67,770
Philip Broadley	A N R Ri T	**163,542**	**1,615**	**165,157**	155,833	1,521	157,354
Carolyn Johnson	A N T – appointed 17 June 2022	**58,665**	**–**	**58,665**	–	–	–
Lesley Knox[2]	N R Ri	**232,583**	**3,471**	**236,054**	223,750	3,263	227,013
George Lewis[3]	A N R Ri	**174,830**	**12,870**	**187,700**	102,917	–	102,917
Ric Lewis	N R Ri	**107,188**	**–**	**107,188**	99,167	–	99,167
Tushar Morzaria	A N R Ri – appointed 27 May 2022	**89,252**	**–**	**89,252**	–	–	–
Laura Wade-Gery	N R Ri T – appointed 3 January 2022	**97,562**	**348**	**97,910**	–	–	–
Toby Strauss	A N Ri T – stepped down 29 April 2022	**43,333**	**255**	**43,588**	121,250	–	121,250

Key:
NED Committee membership: A = Audit N = Nominations and 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 company. 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 company. The actual fees in the table above include her fees for both roles.
3. George Lewis is also a NED for Legal and General Assurance (Pensions Management) Limited Board for which he receives a separate fee to that paid to him as a non-executive director of the company. The actual fees in the table above include his fees for both roles.
4. The Chair and non-executive directors are not eligible to participate in any benefits, pension or incentive plan. The amounts disclosed in the benefits section above relate to taxable travel and accommodation expenses incurred while undertaking their roles as non-executive directors of the company.

Shareholding requirements – non-executive directors

Non-executive directors are required to build up a shareholding equivalent to 100% of base fee, typically within three years of appointment. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in shares until their shareholding requirement is met. The table below shows their shareholding as at 3 January 2023, taking into account share purchases in relation to December 2022 fees.

Name	Shareholding as at 3 January 2023	Shareholding as a % of base fee	Guideline met	Shares purchased from 4 January 2023 to 7 March 2023
Sir John Kingman	292,610	126%	Met	1,286
Henrietta Baldock	49,354	156%	Met	1,880
Nilufer von Bismarck	42,134	133%	Met	–
Philip Broadley	92,260	292%	Met	–
Carolyn Johnson – appointed 17 June 2022	6,500[1]	103%	Met	–
Lesley Knox	77,600	246%	Met	–
George Lewis	54,319	172%	Met	–
Ric Lewis	35,570	113%	Met	2,568
Tushar Morzaria – appointed 27 May 2022	60,000	190%	Met	–
Laura Wade-Gery – appointed 3 January 2022	12,701	40%	On target[2]	–

1. Carolyn Johnson holds 6,500 Legal & General Group American Depositary Receipts.
2. Laura is on track to meet the shareholding requirement within three years based on the value of her shareholding as a proportion of her fee.

Non-executive directors' terms of employment

	Current letter of appointment start date	Current letter of appointment end date
Sir John Kingman	24 October 2021	24 October 2025
Henrietta Baldock	04 October 2021	04 October 2024
Nilufer von Bismarck	01 May 2021	01 May 2024
Philip Broadley	08 July 2022	08 July 2025
Carolyn Johnson	17 June 2022	17 June 2025
Lesley Knox	01 June 2022	01 June 2025
George Lewis	01 November 2021	01 November 2024
Ric Lewis	18 June 2020	18 June 2023
Tushar Morzaria	27 May 2022	27 May 2025
Laura Wade-Gery	03 January 2022	03 January 2025

Toby Strauss stepped down from the Board on 29 April 2022. The standard term for non-executive directors is three years and for the Chair is five years. All non-executive directors are subject to annual re-election by shareholders.

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 it operates. The policy for the majority of employees is 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 a long-term incentive plan, typically either the Share Bonus Plan (SBP) for the majority of employees or the Performance Share Plan (PSP) for the most senior management.

Summary of the remuneration structure for employees below the Board

Element	Policy
Fixed	
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 individual's skills, experience and performance • scope of the role • external market data • pay and conditions elsewhere in the group • overall business performance. 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 2022 the average increase was around 5.2%. For 2023 the approach adopted was for the lowest paid employees (less than £25,000) to receive, on average, the highest increases (generally 7.5% of base pay).
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 mental health app), childcare and elderly care support.
Pension	All employees are given the opportunity to participate in a group pension scheme. The pension opportunity offered to the majority of the UK workforce is 10% of base pay.
Variable	
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. Deferred awards are normally held in shares for three years and are subject to malus and clawback. The company reserves the right to adjust deferral levels for Code staff as deemed necessary to comply with regulatory requirements.
Share bonus plan (SBP)	Key employees, including senior managers, high performing and high-potential individuals and those with critical skills may receive SBP awards, typically in the form of restricted shares vesting three years from the grant date. SBP is also used as the vehicle for deferral of annual bonuses in the majority of cases.
Performance share plan (PSP)	Participation in the PSP is offered to a small number of senior management 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 20 employees during 2022. Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.
Other	
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 review
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 review 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 a new social impact report, which contains the statutory disclosure of our gender pay gap for 2022. Further details can also be found on page 50 of the annual report.

Pay ratio in relation to the Group Chief Executive Officer
Since 2016 we have voluntarily disclosed details of the pay ratio in relation to the Group Chief Executive Officer 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 the Department for Business, Energy and Industrial Strategy (BEIS), which came into effect for financial years starting 1 January 2019.

The tables below provide the ratio between the base pay and single figure total remuneration of the Group Chief Executive Officer and the base pay and total remuneration of UK employees at the upper quartile (75th percentile), median (50th percentile) and lower quartile (25th percentile).

Total remuneration

		Pay ratio			All UK employees £		
Year	**Method**	**75th percentile**	**Median**	**25th percentile**	**75th percentile**	**Median**	**25th percentile**
2022	**B**	**46**	**73**	**120**	**86,376**	**54,058**	**32,985**
2021	A	52	88	146	82,475	49,226	29,531
2020	A	26	48	81	78,989	43,726	25,839
2019	A	61	105	167	70,892	40,982	25,814
2018	A	49	83	132	69,923	40,814	25,730
2017	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**
2022	**B**	**15**	**22**	**38**	**68,000**	**46,600**	**27,000**
2021	A	14	23	38	68,675	42,444	26,000
2020	A	15	26	42	65,101	37,677	23,232
2019	A	16	27	42	60,000	35,000	22,550
2018	A	16	27	41	57,853	34,475	22,781
2017	A	16	27	42	58,020	33,649	22,148

Pay ratio commentary
Between 2021 and 2022 the ratio of total remuneration for the Group CEO compared to UK employees has decreased. The decrease is principally the result of the lower vesting level of the 2020 PSP compared with the PSP award in the previous year.

Methodology
The Companies (Miscellaneous Reporting) Regulations 2018 permit different options for calculating the pay ratio. We have chosen option B as our method for calculating the pay ratio for 2022, consistent with the methodology for gender pay reporting. The total remuneration figures for the UK employees are based on salaries at 1 December 2022. Bonus amounts for 2022 are not able to be determined for some eligible employees until after publication of this report, and therefore it is not possible to determine the exact 2022 total remuneration for all UK employees as is required for 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 2022 based on the option A method in the 2023 report. We do not believe that this will result in pay ratio figures that are materially different to the 2022 figures disclosed above.

Social impact report
Our 2022 social impact report is available on our group website. See: group.legalandgeneral.com/reports

Percentage change in directors' 2022 remuneration compared with all UK employees

As required by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the analysis covers all executive directors and non-executive directors.

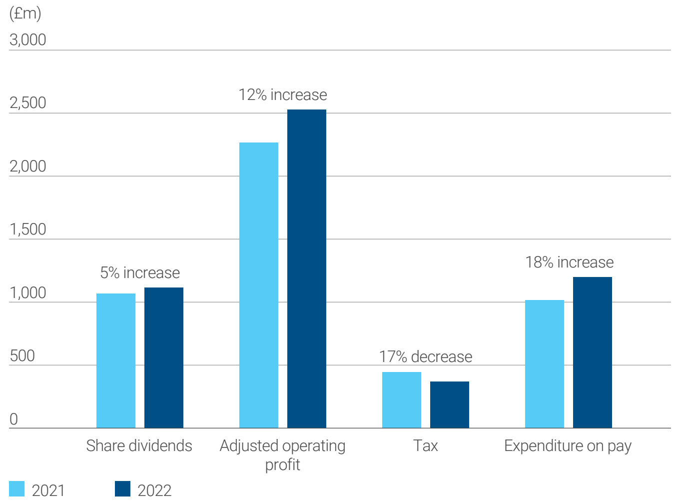
	Year ended 31 December 2022			Year ended 31 December 2021			Year ended 31 December 2020		
	Base pay/ fees (% change)	**Benefits (% change)**	**AVP (% change)**	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)
Executive directors									
Sir Nigel Wilson	**4.2%**	**4.1%**	**1.6%**	0.0%	3.3%	301.6%	3.4%	3.4%	(73.2)%
Jeff Davies	**5.9%**	**4.0%**	**6.3%**	0.0%	0.7%	282.2%	6.6%	6.3%	(72.1)%
Chair and Non Executive Directors[1]									
Sir John Kingman	**5.1%**	**n/a**	**n/a**	4.2%	n/a	n/a	3.3%	n/a	n/a
Henrietta Baldock	**3.4%**	**n/a**	**n/a**	0.8%	n/a	n/a	4.5%	n/a	n/a
Nilufer von Bismarck[2]	**59.7%**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
Philip Broadley	**5.0%**	**n/a**	**n/a**	28.7%	n/a	n/a	3.6%	n/a	n/a
Carolyn Johnson	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
Lesley Knox	**3.5%**	**n/a**	**n/a**	2.8%	n/a	n/a	1.9%	n/a	n/a
George Lewis[3]	**69.9%**	**n/a**	**n/a**	11.0%	n/a	n/a	4.9%	n/a	n/a
Ric Lewis	**8.1%**	**n/a**	**n/a**	7.8%	n/a	n/a	n/a	n/a	n/a
Tushar Morzaria	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
Laura Wade-Gery	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
Average for UK employees	**4.7%**	**4.7%**	**(0.3)%**	**2.4%**	**2.4%**	**19.6%**	**3.5%**	**3.5%**	**2.7%**

1. The increase in fees for non-executive directors of the company reflects the increases in base fees and fees in relation to chairing a committee and membership of a committee as well as changes to the membership of the committees.
2. Nilufer von Bismarck was appointed to the Board on 1 May 2021, the percentage increase is based on the change in annualised fees for 2021 compared with 2022 and also reflects her appointment as the Designated Workforce Director in 2022.
3. The increase in fees for George Lewis reflects his appointment to the Board of Legal and General Assurance (Pensions Management) Limited and his appointment as Chair of the Risk Committee.

As with prior years, the whole UK employee population has been selected as the comparator group. This group was 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 expenditure on pay compared to share dividends, adjusted operating profit and tax for the year. Adjusted operating profit has been shown because it is a key performance indicator of the business. No share buybacks were made in 2021 or 2022.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2022.

Committee members, attendees and advice

Meetings in 2022

During 2022, the Committee met five times and in addition had ongoing dialogue via email and other telecommunications. An outline of the Committee undertakings in each quarter during 2022 is shown in the table below. During 2022, the Remuneration Committee comprised the following non-executive directors:

Non-executive director	Number of Remuneration Committee meetings attended during 2022
Lesley Knox	5/5
Henrietta Baldock	5/5
Philip Broadley	5/5
George Lewis	5/5
Ric Lewis	5/5
Tushar Morzaria (from 27 May 2022)	3/3
Laura Wade-Gery (from 14 October 2022)	1/1

Committee undertakings

Quarter	Governance	Performance	Remuneration policy	Regulatory
First	• Reviewed the 2021 gender pay gap report.	• Reviewed findings of the CRO report and group-wide culture review. • Approved the 2021/ 22 annual pay review and executive pay awards. • Approved vesting of the 2019 PSP and CALA LTIP.	• Approved the 2022 AVP performance measures. • Approved 2022 PSP and SBP awards. • Approved the 2022 ShareSave invitation.	• Approved the 2022 maximum fixed to variable pay ratio for IFPR regulated firms.
Third	• Reviewed outcomes of AGM. • Reviewed 2022 gender pay gap figures.	• Financial update and indicative variable pay update for executive teams. • Reviewed PSP vesting forecasts and debated potential windfall gains in relation to 2020 PSP awards.	• Reviewed executive remuneration policy and debated possible changes. • Reviewed proposed approaches to assisting wider workforce financial wellbeing in light of cost of living pressures.	
Fourth	• Reviewed and approved the Committee's terms of reference. • Reviewed report on the activities of the Group Reward Steering Committee in 2022.	• Consideration of AVP out-turns in respect of 2022.	• Continuation of review of executive remuneration policy considering shareholder feedback. • Reviewed remuneration policy for the wider workforce. • Reviewed AVP and PSP performance measures and targets for 2023.	• Reviewed Code staff lists. • Approved remuneration policy statements for FCA and PRA. • Approved the 2023 maximum fixed to variable pay ratio for IFPR regulated firms.

At the invitation of the Remuneration Committee, the Group Chair attends Committee meetings. Where appropriate, the Group Chief Executive, the Group HR Director, Group Reward Director, Head of Executive Compensation, Director of Group Finance, Group Chief Risk Officer and Climate Change Director also attend meetings. No person is present during any discussion relating to that person's own remuneration.

At the invitation of the Remuneration Committee, a representative from PricewaterhouseCoopers (PwC) also attends Committee meetings. During 2022, PwC principally advised the Committee on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. PwC 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 PwC engagement team is objective and independent. PwC are signatories to the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The total fees paid to PwC in relation to Remuneration Committee work during 2022 were £136,150 (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 advisor concerned. During the year, PwC also provided the company with HR consulting services including advice to management on regulatory aspects of reward, as well as other professional services including tax, consulting, accounting, regulatory compliance, and other advice to the group.

Annual report on remuneration
continued

Terms of reference
The Committee's terms of reference are available on the company's website. The remit of the Committee includes the remuneration strategy and policy framework for the group as well as for 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 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, Non-financial 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 any questions 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, whether there have been regulatory breaches, or whether they are aware of any other considerations that may lead the Committee to consider whether it should impact payments to employees (including in particular the executive directors and Code staff).

The Group Chief Risk Officer 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, and 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 Group Chief Risk Officer's 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 key stakeholders
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 2022, 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 and whilst the proposed new remuneration policy remains very similar to the existing policy we have proposed a number of changes.

For annual variable pay (AVP) it is proposed that the maximum opportunity for all executive directors is increased to 200% of base pay. This higher AVP opportunity will apply only to new executive directors, not the existing executive directors whose AVP opportunity will remain unchanged at 150% of base pay. For the performance share plan (PSP) it is proposed to allow dividends to accrue as additional shares, from the date of grant, on any part of the award that ultimately vests.

We engaged regularly with our workforce throughout 2022, including via our workforce representative bodies Unite (the trade union) and our Management Consultative Forum on a number of topics, including pay, and propose to continue this dialogue in 2023, including in relation to our new remuneration policy.

Statement of voting at the Annual General Meeting (AGM) 2022

The table below shows the voting outcomes on the directors' remuneration policy at the 2020 AGM in May 2020 and the directors' remuneration report at the last AGM in May 2022.

Item	For	Against	Abstain number
Remuneration policy	95.71%	4.29%	
	4,109,620,878	184,122,218	12,853,165
Remuneration report	95.39%	4.61%	
	3,651,512,293	176,478,762	148,401,858

Dilution limits

The company's share plans 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 limit of 10% of issued capital in 10 years for all schemes.

As at 31 December 2022, the company had 4.89% of share capital available under the 5% in 10 years limit and 9.49% of share capital under the 10% in 10 years limit.

As at 31 December 2022, 58,217,071 shares were held by the Employee Benefit Trust in respect of outstanding awards of 77,001,347 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

During 2022, Sir Nigel Wilson held no external appointments. Jeff Davies was a non-executive director for Bio-Ethniki Hellenic General Insurance Company S.A.

External appointments are subject to annual agreement by the Board and must not be with competing companies. Fees may be retained by the individual subject to the Board's agreement.

Cardiff Life

Wood Street House is our new Build to Rent development in Cardiff, our first in Wales. Forming part of Legal & General's landmark Interchange development, alongside transport infrastructure and state of the art office accommodation, it has been designed to align with our net zero commitments.

With over 300 Build to Rent apartments, private dining rooms, co-working and gym facilities, we are looking forward to welcoming our first tenants in Spring/ Summer 2023.

The Interchange, at the heart of the Welsh capital, forms part of Legal & General's wider regeneration of Cardiff City Centre, and our own staff will move into our new office location there later in the year.

Financial statements

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

In our opinion:

- the financial statements of Legal & General Group Plc give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the group and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the group and parent company financial statements of Legal & General Group Plc (the company) for the year ended 31 December 2022 (2022) included in the Annual Report and Accounts, which comprise:

Group (Legal & General Group Plc, its subsidiaries, joint ventures, and associates)	Parent company (Legal & General Group Plc)
Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows	Company Balance Sheet and Company Statement of Changes in Equity
Notes 1 to 44 to the group financial statements, including the accounting policies in Note 1.	Notes 1 to 13 to the parent company financial statements, including the accounting policies in Note 1.

Independent auditor's report to the members of Legal & General Group Plc continued

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 and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee.

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.

2. Overview of our audit

Factors driving our view of risks

Following our 2021 audit, and considering developments affecting the group since then, our assessment of audit risks remain similar to 2021 for key audit matters (KAMs) previously identified. We have identified a new KAM (4.3) related to the pre-transition IFRS 17 Insurance contract disclosure.

The valuation of UK annuity policyholder liabilities KAM (4.1) is predominantly driven by the inherent subjectivity associated with the longevity, expense and credit risk assumptions for UK annuity policyholder liabilities. We continue to consider the impact of external factors such as the current uncertain economic conditions including high inflation and higher market interest rates affecting the credit risk of assets backing annuity liabilities and the result of excess deaths on longevity assumptions.

The valuation of hard to value (Level 3) investments KAM (4.2) is predominantly driven by the significant estimation uncertainty associated with valuing Level 3 investments, specifically lifetime mortgages, private credit portfolios, and investment property.

The pre-transition IFRS 17 Insurance contract disclosure KAM (4.3) is predominantly driven by the inherent subjectivity associated with the determination of UK annuity discount rates, the UK annuity contractual service margin (CSM) calculated on the basis of the fair value approach, and the determination of coverage units for UK deferred annuities.

The continuing financial significance of the parent company's investment in subsidiaries drives the identification of recoverability of the parent company's investment in subsidiaries as a key area of focus for the parent company's audit (4.4).

Key audit matters	vs 2021	Item
Valuation of UK annuity policyholder liabilities	◀ ▶	4.1
Valuation of hard to value (Level 3) investments	◀ ▶	4.2
Pre-transition IFRS 17 Insurance contract disclosure	✚	4.3
Parent company risk: Recoverability of parent company's investment in subsidiaries	◀ ▶	4.4

Audit committee interaction

During the year, the Audit Committee met 5 times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each key audit matter, we have set out communications with the Audit Committee in Section 4, including matters that required particular judgement.

The matters included in the Audit Committee report on page 88 are materially consistent with our observations of those meetings.

Our independence

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.

We have not performed any non-audit services during 2022 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the directors for the year ended 31 December 2018. The period of total uninterrupted engagement is for the 5 financial years ended 31 December 2022.

The group engagement partner is required to rotate every 5 years. Although these are the first set of the group's financial statements signed by Salim Tharani, his final year of eligibility is the 2022 audit as a result of his involvement as the Key Audit partner on the Legal and General Assurance Society Limited's audit.

The average tenure of partners responsible for component audits as set out in Section 7 below is 3 years, with the shortest being 1 and the longest being 5.

Total audit fee	£14.2m
Audit related fees (including interim review)	£2.5m
Other services	£0.8m
Non-audit fee as a % of total audit and audit related fees %	4.8%
Date first appointed	17 May 2018
Uninterrupted audit tenure	5 years
Next financial period which requires a tender	2028
Tenure of group engagement partner	1 year
Average tenure of component signing partners	3 years

Materiality (Section 6 below)
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

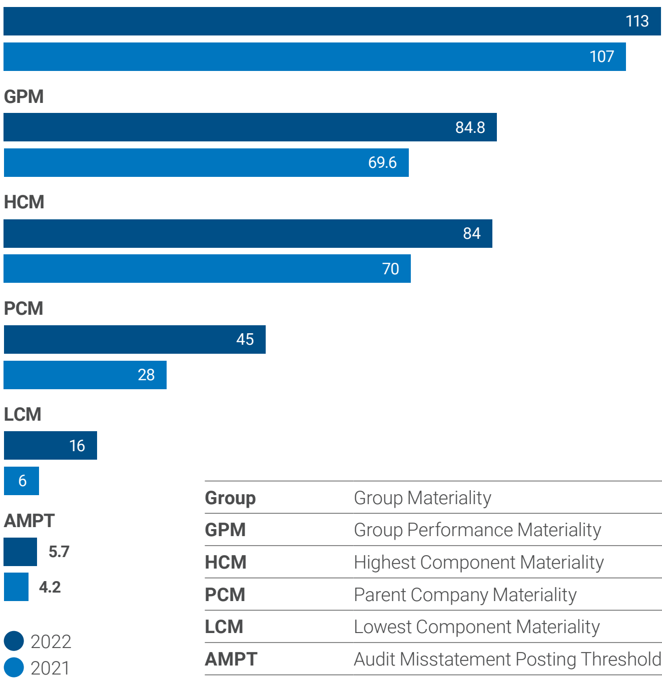
We have determined overall materiality for the group financial statements as a whole at £113m (2021: £107m) and for the parent company financial statements as a whole at £45m (2021: £28m).

Consistent with 2021, we determined that profit before tax from continuing operations (PBTCO) normalised to exclude this year's investment and other variances and losses attributable to non-controlling interests remains the benchmark for the group due to its importance to users of the financial statements because the share price is more sensitive to changes in the PBTCO than other metrics. As such, we based our group materiality on the normalised PBTCO of which it represents 4.71% (2021: 4.73%).

In addition, we applied materiality of £3.3bn to the unit linked assets and liabilities in the Consolidated Balance Sheet, Consolidated Income Statement and related notes, of which it represents 0.9% of unit linked assets and liabilities, in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

Materiality for the parent company financial statements was determined with reference to a benchmark of parent company total assets of which it represents 0.36% (2021: 0.23%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PCM	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope (Section 7 below)
We have performed risk assessment and planning procedures to determine which of the group's components are likely to include risks of material misstatement to the group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

We have performed audit procedures centrally across the group, set out in more detail in Section 7.

Of the group's 12 (2021: 16) in-scope reporting components, we subjected 7 (2021: 8) to full scope audits for group purposes, 1 (2021: 0) to audit of account balance and 4 (2021: 8) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

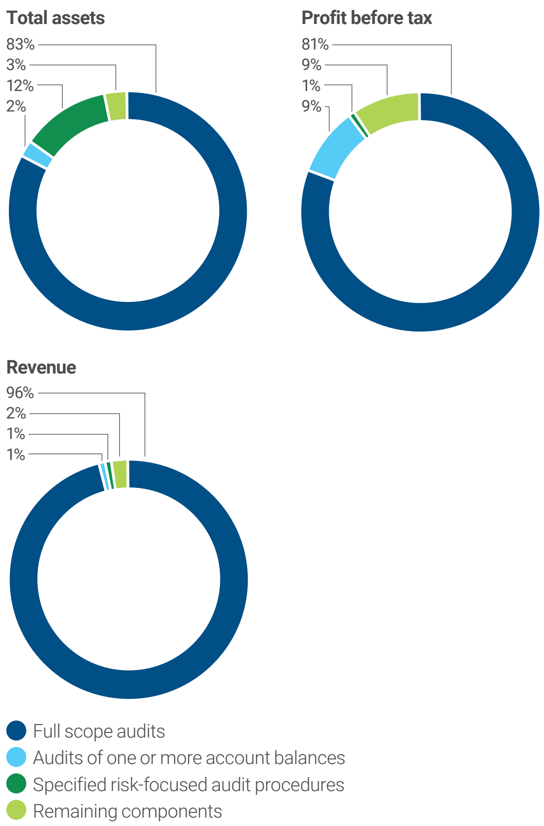
The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components, set out in more detail in Section 7. 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 visited component locations in London, Edinburgh and Baltimore, USA to assess the audit risk and strategy and the component team responses and findings to the identified risks. Video and telephone conference meetings were also held with those component auditors that were not physically visited. At these visits and 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. Further details are set out in Section 7.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of group financial statements



KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

The impact of climate change on our audit
In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements.

Climate change, and the associated initiatives and commitments, impact the group in a variety of ways including the potential financial risks which could arise from the associated physical and transition risks and the greater narrative and disclosure of the impact of climate change risk that is incorporated into the Annual Report and Accounts. The group's exposure to climate change is primarily through climate related transition risks which potentially impact the carrying amount of investments and potential reputational risk associated with the group's delivery of its climate related commitments. The group has set out its commitments under the Paris objective to achieve net zero carbon emissions by 2050 in its strategic report on page 47.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the group's financial statements, including how climate is considered as part of the investment making and monitoring processes, and the group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. This included evaluating the impact of management's stress test scenarios and holding discussions with our own climate change professionals to challenge our risk assessment.

On the basis of the risk assessment procedures performed above and taking into account the nature of the group's assets and basis of the related valuations, we concluded that, while climate change may pose a risk to the determination of asset values, the risk was not significant in the current year. As a result, there was no significant impact from climate change on our KAMs.

We have also read the disclosures of climate related information in the Strategic Report as set out on pages 43 to 47 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the parent company or to cease their operations, and as they have concluded that the group's and the parent 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").

Going concern

We used our knowledge of the group and parent 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 parent 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 parent 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 hard to value (Level 3) investments that require judgement and valuation of insurance contract 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 an accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities. Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the group and parent company to be appropriate. 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 parent company will continue in operation.

Our conclusions
- 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 parent 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 parent 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 261 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability	
Our responsibility 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 viability statement on page 56 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 risks and uncertainties 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 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 viability statement set out on page 55 under the Listing Rules. 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 parent company's longer-term viability.	**Our reporting** We have nothing material to add or draw attention to in relation to these disclosures. We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean
KAMs 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 include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

Independent auditor's report to the members of Legal & General Group Plc continued

4.1 Valuation of UK annuity policyholder liabilities (Group)

Financial statement elements			Our assessment of risk vs 2021		Our results
UK annuity policyholder liabilities included within insurance contract liabilities	**2022 £70.275bn**	2021 £89.755bn	◀ ▶	We have not identified any significant changes to our assessment of the level of risk relating to UK annuity policyholder liabilities compared to 2021.	**2022: Acceptable** 2021: Acceptable

Description of the key audit matter

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, credit risk, and expense 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 remain elevated in the current year due to the higher degree of estimation uncertainty resulting from changes in demographic trends from the Coronavirus pandemic (Covid-19) and uncertain economic conditions caused by ongoing uncertainties as a result of high inflation and higher market interest rates and global impacts of the conflict between Russia and Ukraine.

Longevity assumptions
Longevity assumptions have two main components: mortality base assumptions and the rate of mortality improvements. The changing trends in longevity and emerging medical trends means there is a high level of uncertainty in the assumptions. This uncertainty continues to be heightened in the current year due to the potential medium and long-term impacts of a variety of factors that are causing excess deaths. There is also a high degree of reliance on Continuous Mortality Investigations (CMI) models, and convergence across the industry on its parameterisation. Hence, there is a risk that other mortality and health data sources are not appropriately considered under the assumption setting methodology.

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 VIR, 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 is particularly significant during the current uncertain economic conditions of high inflation and higher market interest rates.

Expense assumptions
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 and the allocation of these costs to maintaining the existing business. This requires judgements to be taken in respect of cost allocations and expected future inflation.

Data capture:
There is a risk that incomplete and inaccurate data is used in the calculation of liabilities resulting from error in input of data into the policy administration systems or 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 VIR.

Calculation error:
The group 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 19) estimated by the group

Our response to the risk

Our procedures to address the risk included:

- **Control design and reperformance:** testing reconciliation controls designed to ensure completeness of data flows from policy administration systems to the actuarial models. With the assistance of our IT audit specialists, testing controls over the accuracy of data flows and data conversions 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 historical data input into the actuarial model by comparing the data used for reporting as at 31 December 2022 to the data used for reporting as at 31 December 2021 in relation to policies that were in force at that time.
- **Test of detail:** tracing a sample of new business policyholder data inputs 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.
- **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 and, with the assistance of our valuation specialists, re-projecting these cash flows.

We used our own actuarial specialists to assist us in performing our procedures in this area, including:

- **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 uncertain economic conditions on policyholder mortality and credit risk. For longevity assumptions, this includes consideration of the cause of death modelling performed by management and other non-CMI sources alongside the CMI modelling used across the industry.
- **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; and assessing whether the expense assumptions reflect the expected future costs of administering the underlying policies by considering the historical accuracy of management's forecast expenses and analysing the allocations of the forecast 2023 costs to maintenance expenses with reference to the historical allocations.
- **Test of detail:** testing a sample of changes to the actuarial models from the prior year have been appropriately reviewed and approved within the group and evaluating 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 the valuation of non-participating insurance contract liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Communications with Legal & General Group Plc's Audit Committee	**Areas of particular auditor judgement**
Our discussions with and reporting to the Audit Committee included: • Our approach to the audit of UK annuity policyholder liabilities included within insurance contract liabilities including details of our planned substantive procedures and the extent of our control reliance. • Our conclusions on the appropriateness of the group's methodology for selecting assumptions and calculating policyholder liabilities and accounting policies. • Our conclusions on the appropriateness of the calibration of the models and changes to the methodology, including challenge of the assumptions using our sector experience and market knowledge. • The adequacy of the disclosures, particularly as it relates to the sensitivity of insurance contract liabilities to key assumptions.	We identified the following as the areas of particular auditor judgement: • The appropriateness of the design of the calibration of the reserving models. • The appropriateness of the assumptions including longevity, credit, and expense assumptions. • The significance of the inputs into the reserving models and the consequent impact on the valuation of policyholder liabilities. **Our results** We found the resulting estimate of the valuation of UK annuity policyholder liabilities within insurance contract liabilities to be acceptable (2021 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 91 for details on how the Audit Committee considered the valuation of UK annuity policyholder liabilities within insurance contract liabilities as an area of significant attention, page 160 for the accounting policy on insurance contract liabilities and Note 20 for the financial disclosures.

4.2 Valuation of hard to value (Level 3) investments (Group)

Financial statement elements			**Our assessment of risk vs 2021**		**Our results**
	2022	2021	◀ ▶	We have not identified any significant changes to our assessment of the level of risk relating to valuation of hard to value (Level 3) investments compared to 2021.	**2022: Acceptable** 2021: Acceptable
UK lifetime mortgages	**£4.801bn**	£6.857bn			
Private credit portfolios	**£15.771bn**	£15.283bn			
Investment property	**£9.372bn**	£10.150bn			

Description of the key audit matter

Subjective valuation:
6.6% of the investment portfolio as at 31 December 2022 (2021: 5.9%) was classified as Level 3 assets, of which we consider the valuation of UK lifetime mortgages, private credit and investment property involve the greatest level of subjectivity. The subjectivity of the asset valuations remains heightened due to the current economic conditions caused by the ongoing uncertainties as a result of high inflation and higher market interest rates.

For these positions a reliable third-party price from a recent market transaction is 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:
- UK lifetime mortgages: property price at the valuation date, property price inflation, property index volatility, voluntary redemption rate and the illiquidity premium added to the risk-free rate.
- Private credit and US private placements: yield of selected comparator securities and credit ratings derived from credit rating models.
- Investment property: 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 the valuation of the lifetime mortgages because data does not transfer appropriately from the policyholder system to the actuarial models.

Calculation error:
Lifetime mortgages
The group uses a complex actuarial model to calculate the valuation of lifetime mortgages. There is a risk that unauthorised or erroneous changes to the model 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.

Our response to the risk

Our procedures to address the risk included:
- **Control design and operation:** testing of the design and implementation of key controls over the valuation process for lifetime mortgages, private credit and investment property investments, and the testing of operating effectiveness of key controls relating to the valuation of private credit assets.

- **Our valuation expertise:**
  - Using our own 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 our own valuation specialists to assess the suitability of the valuation methodologies used by the group; and
  - Using our own 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, private credit and investment property investments were based, including consideration of the impacts of economic uncertainties, by making a comparison to our own understanding of the market, comparable evidence relied on by the valuers used by the group and to industry benchmarks.

- **Tests of detail:**
  - Assessing whether all changes to the actuarial model for lifetime mortgages from the prior year have been appropriately approved within the group; and evaluating the appropriateness of the financial impact of the changes made to the model during the year; and
  - Evaluating 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.

Independent auditor's report to the members of Legal & General Group Plc continued

Communications with Legal & General Group Plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the valuation of the UK lifetime mortgages, private credit portfolios, investment property hard to value (Level 3) investments, including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of the methodology adopted by the group to the valuation of UK lifetime mortgages, private credit portfolios, investment property hard to value (Level 3) investments.
- The adequacy of the disclosures, particularly as they relate to the sensitivity of Level 3 investments to key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- Determination of the valuation methodology where external pricing sources are not readily available or unreliable.
- The appropriateness of the credit ratings and valuation of internally rated investments.
- The appropriateness of the assumptions including UK lifetime mortgage property price at valuation date, property price inflation, property price volatility and voluntary redemptions.

Our results
We found the resulting estimate of the valuation of hard to value (Level 3) investments to be acceptable (2021 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 91 for details on how the Audit Committee considered the valuation of hard to value (Level 3) investments as an area of significant attention, page 160 for the accounting policy for Level 3 investments, and Note 10 for the financial disclosures.

4.3 Pre-transition IFRS 17 insurance contract disclosures

Financial statement elements			Our assessment of risk vs 2021		Our results
Note 1(iv): IFRS 17 pre-transition disclosures	**2022** **Disclosure of estimated reduction in equity on transition, comprising a reduction in insurance contract liabilities of £7.5bn, and creation of contractual service margin of £11.2bn**	2021 N/A	+	IFRS 17 is a new accounting standard being implemented in the 2023 financial statements. Disclosure of the impacts required by IAS 8 has been provided in the 2022 financial statements.	**2022: Acceptable** 2021: N/A

Description of the key audit matter

IFRS 17 Insurance contracts, which is applicable for the period beginning 1 January 2023, is a new and complex accounting standard requiring considerable judgement and interpretation in its implementation, and which will have a significant impact on the reported financial position and performance of the group. IAS 8 Accounting policies, changes in accounting estimates and errors, requires disclosure of the nature and effect of IFRS 17 in the period of initial application. The disclosures are dependent upon these judgements, in particular, the fair value of pre-2016 UK annuity business on transition, the selection of the discount rate and the determination of the UK deferred annuity coverage unit methodology are both highly subjective and can have a significant impact on the pre-transition disclosures.

The group has made certain accounting policy choices and has disclosed various financial effects of adopting IFRS 17, including the estimated expected effect on opening retained earnings relating to the remeasurement of insurance contract liabilities of £7.5bn and recognition of contractual service margin (CSM) of £11.2bn within the liability for remaining coverage, as at the transition date.

Subjective valuation:
Transition fair value approach
The group has disclosed the estimated transition CSM for UK annuity liabilities written pre-2016 on the basis of the 'fair value approach'. The determination of the fair value of this portfolio of business is inherently subjective, particularly in the setting of key assumptions, and small changes in certain assumptions can have a material impact on the estimated transition CSM.

Expected internal rate of return
The fair value referred to above is determined by discounting the expected future capital releases emerging from the pre-2016 UK annuity business at the expected internal rate of return (IRR). Under IFRS 13 Fair Value Measurement, this should be the return that another market participant would demand to assume the liabilities. In determining this IRR, the group assumes that the primary constraint is the Solvency II capital requirement. Whilst the UK bulk annuity market is relatively active, there are no previous transactions of this size, and as such significant judgement is applied in setting the IRR assumption.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the various effects disclosed is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We used our own actuarial specialists to assist us in performing our procedures in this area:

Transition fair value:
- **Our sector experience:** evaluating management's approach to the fair value calculation and in particular the assertion that the methodology the group applies in pricing bulk annuity transactions, including the application of a pricing IRR, is appropriate to be used in the valuation of the pre-2016 UK annuity portfolio given the group's participation in the bulk annuity market.
- **Benchmarking assumptions:** evaluating and challenging the proposed IRR by comparing to the rate implied by recent bulk annuity transactions.
- **Benchmarking assumptions:** validating that the group's assumption that the primary constraint is Solvency II capital requirements is consistent with the market through benchmarking against other annuity writers.
- **Evaluating external valuations:** the group engaged an external expert to report on the valuation of the pre-2016 annuity liabilities; we evaluated this report including assessing the expert's competence and objectivity, and comparing the group's valuation, resulting from the application of the IRR, to the valuation range determined by an external expert.

Discount rates:
- **Accounting analysis:** Assessing whether management's proposed methodology for determining the credit deduction and reference portfolios is consistent with the requirements of IFRS 17.
- **Independent reperformance:** Recalculating the credit deductions through our own methods and models.

4.3 Pre-transition IFRS 17 insurance contract disclosures continued

Description of the key audit matter	Our response to the risk
Subjective estimate: Discount rates The group discounts the fulfilment cash flows in order to calculate the best estimate of liabilities, both at the transition date to calculate remaining future liabilities, and at the inception of an insurance contract in order to calculate the contractual service margin recognised on transition. The group's discount rate is derived by adjusting a reference asset portfolio for risks not present in the related insurance liabilities, in particular credit risk, such that the discount rate includes a yield above the risk-free rate that appropriately reflects the risks in the liabilities, in particular the illiquid nature of the liabilities. The method applied to determine the credit risk deduction is judgemental and small changes in this can have a significant impact on the inception CSM and best estimate of insurance liabilities at transition. **Subjective interpretation:** UK deferred annuity coverage units The CSM recognised at the inception of an insurance contract should be released to profit over the duration of the contract to reflect the insurance services provided to the policyholder. Under IFRS 17, 'coverage units' represent those insurance contract services. The determination of coverage units for UK deferred annuities in the deferral phase is highly subjective given the mix of services delivered in this phase of the contract. The group has disclosed the estimated CSM for UK deferred annuities on the basis of retrospective approaches and as such the disclosed CSM is dependent on this judgement. **Estimation uncertainty** The effect of these matters is that, as part of our risk assessment, we determined that the quantitative disclosures in the IFRS 17 transition disclosures have 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.	UK deferred annuity coverage units: • Accounting analysis: assessing whether management's proposed UK deferred annuity coverage unit methodology is consistent with IFRS 17 and related guidance. • Our sector experience: evaluating whether management's proposed UK deferred annuity coverage unit methodology is consistent with our understanding of the services delivered to the policyholder over the duration of the annuity contract. • Scenario analysis: assessing whether the impact of possible changes in inputs to the calculation of coverage units, and their associated weightings, produces impacts on the profile of profit recognition that were consistent with our expectations based on our understanding of the services delivered to the policyholder over the duration of the annuity contract. **Assessing transparency:** Assessing the disclosures in relation to the IFRS 17 pre-transition elements referred to above are compliant with the relevant financial reporting requirements.

Communications with Legal & General Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the pre-transition disclosure, including the fair value transition approach, the approach to determining the discount rate, and the determination of coverage units.
- The challenges raised during the audit in respect of these areas.
- Our conclusions on the appropriateness of the selected assumptions and methodologies.
- Our views on the proposed pre-transition disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The approach to determining the fair value of the pre-2016 UK annuity business is based on the premise that there is an active market for bulk annuities in the UK and although the recent transactions were not as large as the UK annuity business pre-2016 business, recent transactions are relevant inputs to the calibration of the IRR.
- The approach and methods applied to determine the discount rates, including the credit default deduction.
- The appropriate coverage units to apply in calculating the release of CSM on UK deferred annuities requires significant judgement in the absence of specific guidance from accounting standard setters and a lack of consensus amongst other annuity writers at the time this approach was being developed.

Our results

We found disclosures within Note 1(iv) to be acceptable (2021: N/A).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 92 for details on how the Audit Committee considered the IFRS 17 pre-transition disclosures as an area of significant attention, page 151 for the accounting policy for IFRS 17 and Note 1(iv) for the financial disclosures.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

4.4 Recoverability of parent company's investment in subsidiaries (Parent)

Financial statement elements			Our assessment of risk vs 2021		Our results
Parent company risk: Recoverability of the parent company's investment in subsidiaries	**2022 £10.740bn**	2021 £9.522bn	◀ ▶	We have not identified any significant changes to our assessment of the level of risk relating to recoverability of the parent company's investment in subsidiaries compared to 2021.	**2022: Acceptable** 2021: Acceptable

Description of the key audit matter	Our response to the risk
Low risk, high value: The carrying amount of the parent company's investments in subsidiaries represents 85.4% (2021: 77.9%) of the parent company's total assets. Their carrying amount 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.	We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Test of Details:** comparing the carrying amount of the parent company's investments, with the subsidiaries' financial information to identify whether their net assets, being an approximation of their minimum recoverable amount, are in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.

Communications with Legal & General Group Plc's Audit Committee	Our results
Our discussions with and reporting to the Audit Committee included: • Our approach to the audit of the recoverability of the parent company's investment in subsidiaries. • Our conclusions on the appropriateness of the valuation of the parent company's investment in subsidiaries.	We found the parent company's conclusion that there is no impairment of its investment in subsidiaries to be acceptable (2021 result: acceptable).

Further information in the Annual Report and Accounts: See page 252 for the accounting policy on investments in subsidiaries and Note 6 for the company financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment
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 Director as to whether they have knowledge of any actual, suspected or alleged fraud and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the group's channel for "whistleblowing";
- reading Board, Audit Committee and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management;
- using our own professionals with forensic knowledge to assist us in identifying fraud risks based on discussion of the circumstances of the group;
- using analytical procedures to identify any unusual or unexpected relationships;
- inspecting correspondence with regulators to identify instances or suspected instances of fraud;
- reviewing the audit misstatements from prior period to identify fraud risk factors; and
- reading broker reports and other public information to identify third-party expectations and concerns.

Risk communications
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 audit team 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 the group level.

Fraud risks
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 estimates and judgements. Accordingly, we identified fraud risks related to the valuation of insurance contract liabilities and valuation of hard to value (Level 3) assets that require management judgement (UK private credit and lifetime mortgages) given the impact on the group's profit, the opportunity for management to manipulate assumptions due to the subjectivity involved and given the long-term nature of these assumptions which are more difficult to corroborate. In addition, we have identified a fraud risk over the IFRS 17 pre-transition disclosure related to the opportunity for management to manipulate assumptions and methodology as a result of the subjectivity involved.

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 recognition of and measurement of the transaction price for all material revenue streams.

Link to KAMs
We identified fraud risks related to the valuation of UK annuity policyholder liabilities, valuation of hard to value (Level 3) investments, and IFRS 17 pre-transition disclosure in response to possible pressures to meet profit targets.

Further detail in respect of the valuation of UK annuity policyholder liabilities, valuation of hard to value (Level 3) investments, and IFRS 17 pre-transition disclosure is set out in the three KAM disclosures in Section 4 of this report.

Fraud – identifying and responding to risks of material misstatement due to fraud continued

Procedures to address fraud risks
We performed procedures including:

- instructing full scope components and components completing audit of account balances to identify journal entries to test based on high-risk criteria sent to them and comparing the 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
- assessing significant accounting estimates for bias.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment
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 group's procedures for complying with regulatory requirements.

Risk communications
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 audit team 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 the group level.

Direct laws context and link to audit
The potential effect of laws and regulations on the financial statements varies considerably.

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.

Most significant indirect law/regulation areas
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 license to operate.

The most significant laws and regulations and their indirect effect on the financial statements include:

- Specific aspects of regulatory capital and liquidity;
- Market abuse regulations;
- Financial crime and customer conduct regulations; 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

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 fraud 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.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

Materiality for the group financial statements as a whole

£113m
(2021: £107m)

What we mean
A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied
Materiality for the group financial statements as a whole was set at £113m (2021: £107m). This was 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 losses attributable to non-controlling interests disclosed in Note 2 of the financial statements that do not represent normal continuing operations of the business.

Consistent with 2021, normalised PBTCO remains the main benchmark for the group because it is the metric in the primary statements which best reflects the focus of the financial statements' users.

Our group materiality of £113m (2021: £107m) was determined by applying a percentage to the normalised PBTCO. When using a benchmark of normalised PBTCO to determine overall materiality, KPMG's approach for listed entities considers a guideline range 3% – 5% of the measure. In setting overall group materiality, we applied a percentage of 4.71% (2021: 4.73%) to the final year end benchmark.

In addition, we applied materiality of £3.3bn to the unit linked assets and liabilities in the Consolidated Balance Sheet, Consolidated Income Statement and related notes, which represents 0.9% of the total unit linked asset balance. This materiality was applied in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

Materiality for the parent company financial statements as a whole was set at £45m (2021: £28m), determined with reference to a benchmark of parent company total assets of which it represents 0.36% (2021: 0.23%).

Performance materiality

£84.8m
(2021: £69.6m)

What we mean
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.

Basis for determining performance materiality and judgements applied
We have considered performance materiality at a level of 75% (2021: 65%) of materiality for both the group financial statements and the parent company financial statements as a whole to be appropriate.

We changed the percentage used in our determination of performance materiality to reflect incremental improvements in the control environment, particularly in respect of IT, in the reporting period.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

Audit misstatement posting threshold

£5.7m
(2021: £4.8m)

What we mean
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to the group's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied
We set our audit misstatement posting threshold at 5.0% (2021: 4.5%) of our materiality for both the group financial statements and parent company. This increase is a result of our assessment of aggregation risk, consistent with performance materiality above. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the group financial statements of £113m (2021: £107m) compares as follows to the main financial statement caption amounts:

	Total group revenue		Total group profit before tax		Total group assets	
	2022	2021	**2022**	2021	**2022**	2021
Financial statement caption	**£(89.29)bn**	£45.45bn	**£2.73bn**	£2.63bn	**£513.28bn**	£582.64bn
Group materiality as % of caption	**0.13%**	0.24%	**4.14%**	4.07%	**0.02%**	0.02%

7. The scope of our audit

Group scope

What we mean

How the group audit team determined the procedures to be performed across the group.

The group has 12 in-scope (2021: 16) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the group financial statements as a whole.

We determined individually financially significant components as those contributing at least 5% (2021: 5%) of total group revenue and group profit before tax, and 10% (2021: 10%) of total group assets. We selected total group revenue, total group profit before tax and total group assets because these are the most representative of the relative size of the components. We identified 6 (2021: 7) components as individually financially significant components, including the parent company, and performed full scope audits on these components.

In addition to the individually financially significant components, we identified 4 (2021: 4) components as significant, owing to significant risks of material misstatement affecting the group financial statements. We have selected 1 (2021: nil) component identified as significant due to risk for audit of account balance and in 3 (2021: 4) components we performed specific risk-focused audit procedures over financial investments, investment property, cash and cash equivalents and the defined benefit obligation.

In addition, to enable us to obtain sufficient appropriate audit evidence for the group financial statements as a whole, we performed a full audit for 1 component (2021: 1) and performed specific risk-focused audit procedures for 1 component (2021: 4) over financial investments and cash and cash equivalents.

Scope	Number of components	Range of materiality applied
Full scope audit	**7**	**£16m – £85m**
Audit of one or more account balances	**1**	**£39m**
Specified audit procedures	**4**	**£22m – £67m**

The group audit team has also performed audit procedures on the following areas on behalf of the components:

- Entity level controls;
- General expenses (including accounts payable, payroll, intangible capitalisation and year-end accruals);
- Intercompany balances;
- Directors' emoluments;
- Foreign exchange rates; and
- Related parties.

These items were audited by the group team as they are all centralised processes across the group. The group team communicated the results of these procedures to the component teams.

In addition, we have performed group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the company's internal control over financial reporting.

Group audit team oversight

What we mean

The extent of the group audit team's involvement in component audits.

In working with component auditors, we:

- Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components, including the key audit matters in respect of KAM 4.1, KAM 4.2 and KAM 4.3.
- Issued group audit instructions to component auditors, and the auditor of the shared service centres, on the scope of their work, including specifying the minimum procedures to perform in their audit.
- Visited 4 (2021: nil, due to Covid-19 the ability to perform site visits was limited) components in-person, including London, Edinburgh and Baltimore, USA, as the audit progressed to understand and challenge the audit approach and organised fortnightly video conferences with the partners and directors of the group and component audit teams. 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 audit teams.
- Inspected component audit teams' key work papers in person and using remote technology capabilities to evaluate the quality of execution of the audits of the components.
- The work on 11 of the 12 components (2021: 10 of the 16 components) was performed by component auditors and the remaining, including the audit of the parent company, was performed by the group team.

Independent auditor's report to the members of Legal & General Group Plc continued

8. Other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report and Accounts 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.

All other information

Our responsibility
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.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:
- 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' report on remuneration

Our responsibility
We are required to form an opinion as to whether the part of the directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:
- 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 and Accounts 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 and Accounts that describes the review of the effectiveness of the group's risk management and internal control systems.

Our reporting
Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

Our responsibility
We are also required to review the part of the 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.

Our reporting
We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility
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' report on remuneration 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.

Our reporting
We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 261, 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.

The group is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. 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.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

7 March 2023

Primary statements and performance

Consolidated Income Statement

For the year ended 31 December 2022	Notes	2022 £m	2021 £m
Income			
Gross written premiums	28	**13,691**	10,375
Outward reinsurance premiums		**(5,167)**	(3,446)
Net change in provision for unearned premiums		**10**	42
Net premiums earned		**8,534**	6,971
Fees from fund management and investment contracts	28	**899**	959
Investment return	29	**(100,365)**	35,927
Other operational income		**1,638**	1,593
Total income	28	**(89,294)**	45,450
Expenses			
Claims and change in insurance contract liabilities		**(13,573)**	7,353
Reinsurance recoveries		**(2,864)**	(2,968)
Net claims and change in insurance contract liabilities		**(16,437)**	4,385
Change in investment contract liabilities	21	**(80,043)**	34,206
Acquisition costs		**834**	825
Finance costs	22	**290**	294
Other expenses	3	**3,332**	3,108
Total expenses		**(92,024)**	42,818
Profit before tax		**2,730**	2,632
Tax expense attributable to policyholder returns	30	**(71)**	(144)
Profit before tax attributable to equity holders		**2,659**	2,488
Total tax expense	30	**(440)**	(589)
Tax expense attributable to policyholder returns	30	**71**	144
Tax expense attributable to equity holders	30	**(369)**	(445)
Profit for the year		**2,290**	2,043
Attributable to:			
Non-controlling interests		**(1)**	(7)
Equity holders		**2,291**	2,050
Dividend distributions to equity holders during the year	4	**1,116**	1,063
Dividend distributions to equity holders proposed after the year end	4	**829**	790

		p	p
Total basic earnings per share[1]	5	**38.33**	34.19
Total diluted earnings per share[1]	5	**36.49**	32.57

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 2022	2022 £m	2021 £m
Profit for the year	**2,290**	2,043
Items that will not be reclassified subsequently to profit or loss		
Actuarial remeasurements on defined benefit pension schemes	**(77)**	53
Tax credit/(expense) on actuarial remeasurements on defined benefit pension schemes	**19**	(7)
Total items that will not be reclassified subsequently to profit or loss	**(58)**	46
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas operations	**77**	(11)
Movement in cross-currency hedge	**40**	20
Tax expense on movement in cross-currency hedge	**(10)**	(7)
Movement in financial investments designated as available-for-sale	**2**	(3)
Total items that may be reclassified subsequently to profit or loss	**109**	(1)
Other comprehensive income after tax	**51**	45
Total comprehensive income for the year	**2,341**	2,088
Total comprehensive income/(expense) for the year attributable to:		
Non-controlling interests	**(1)**	(7)
Equity holders	**2,342**	2,095

Consolidated Balance Sheet

As at 31 December 2022	Notes	2022 £m	2021 £m
Assets			
Goodwill		**71**	68
Other intangible assets	9	**441**	365
Deferred acquisition costs		**30**	26
Investment in associates and joint ventures accounted for using the equity method		**554**	375
Property, plant and equipment		**326**	316
Investment property	10	**9,372**	10,150
Financial investments	10	**445,475**	538,374
Reinsurers' share of contract liabilities	20	**6,955**	7,180
Deferred tax assets	30	**180**	2
Current tax assets	30	**802**	670
Receivables and other assets	13	**13,286**	8,625
Cash and cash equivalents	14	**35,784**	16,487
Total assets		**513,276**	582,638
Equity			
Share capital	34	**149**	149
Share premium	34	**1,018**	1,012
Employee scheme treasury shares	34	**(144)**	(99)
Capital redemption and other reserves		**318**	196
Retained earnings		**10,332**	9,228
Attributable to owners of the parent		**11,673**	10,486
Restricted Tier 1 convertible notes	35	**495**	495
Non-controlling interests	36	**(29)**	(38)
Total equity		**12,139**	10,943
Liabilities			
Insurance contract liabilities	20	**70,337**	89,825
Investment contract liabilities	21	**286,830**	372,954
Core borrowings	22	**4,338**	4,256
Operational borrowings	22	**1,219**	932
Provisions	23	**890**	1,238
Deferred tax liabilities	30	**428**	251
Current tax liabilities	30	**69**	84
Payables and other financial liabilities	24	**95,052**	74,264
Other liabilities	37	**723**	925
Net asset value attributable to unit holders		**41,251**	26,966
Total liabilities		**501,137**	571,695
Total equity and liabilities		**513,276**	582,638

The notes on pages 150 to 249 form an integral part of these financial statements.

The financial statements on pages 144 to 249 were approved by the board of directors on 7 March 2023 and were signed on their behalf by:

Sir John Kingman
Chairman

Sir 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 2022	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 2022	**149**	**1,012**	**(99)**	**196**	**9,228**	**10,486**	**495**	**(38)**	**10,943**
Profit for the year	–	–	–	–	2,291	2,291	–	(1)	2,290
Exchange differences on translation of overseas operations	–	–	–	77	–	77	–	–	77
Net movement in cross-currency hedge	–	–	–	30	–	30	–	–	30
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	(58)	(58)	–	–	(58)
Net movement in financial investments designated as available-for-sale	–	–	–	2	–	2	–	–	2
Total comprehensive income for the year	–	–	–	109	2,233	2,342	–	(1)	2,341
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(59)	–	–	(59)	–	–	(59)
Shares vested	–	–	14	(41)	–	(27)	–	–	(27)
Employee scheme treasury shares: – Value of employee services	–	–	–	54	–	54	–	–	54
Share scheme transfers to retained earnings	–	–	–	–	10	10	–	–	10
Dividends	–	–	–	–	(1,116)	(1,116)	–	–	(1,116)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(23)	(23)	–	–	(23)
Movement in third party interests	–	–	–	–	–	–	–	10	10
As at 31 December 2022	**149**	**1,018**	**(144)**	**318**	**10,332**	**11,673**	**495**	**(29)**	**12,139**

1. Capital redemption and other reserves as at 31 December 2022 include share-based payments £99m, foreign exchange £123m, capital redemption £17m, hedging £78m and available-for-sale reserves £1m.

Consolidated Statement of Changes in Equity continued

For the year ended 31 December 2021	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 2021	149	1,006	(75)	198	8,224	9,502	495	(31)	9,966
Profit for the year	–	–	–	–	2,050	2,050	–	(7)	2,043
Exchange differences on translation of overseas operations	–	–	–	(11)	–	(11)	–	–	(11)
Net movement in cross-currency hedge	–	–	–	13	–	13	–	–	13
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	46	46	–	–	46
Net movement in financial investments designated as available-for-sale	–	–	–	(3)	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	–	(1)	2,096	2,095	–	(7)	2,088
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(34)	–	–	(34)	–	–	(34)
Shares vested	–	–	10	(48)	–	(38)	–	–	(38)
Employee scheme treasury shares: – Value of employee services	–	–	–	33	–	33	–	–	33
Share scheme transfers to retained earnings	–	–	–	–	8	8	–	–	8
Dividends	–	–	–	–	(1,063)	(1,063)	–	–	(1,063)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(23)	(23)	–	–	(23)
Currency translation differences	–	–	–	14	(14)	–	–	–	–
As at 31 December 2021	149	1,012	(99)	196	9,228	10,486	495	(38)	10,943

1. Capital redemption and other reserves as at 31 December 2021 include share-based payments £86m, foreign exchange £46m, capital redemption £17m, hedging £48m and available-for-sale reserves £(1)m.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		**2,290**	2,043
Adjustments for non cash movements in net profit for the year			
Net losses/(gains) on financial investments and investment property		**109,405**	(26,062)
Investment income		**(9,040)**	(9,865)
Interest expense		**290**	294
Tax expense	30	**440**	589
Other adjustments		**113**	137
Net decrease/(increase) in operational assets			
Investments held for trading or designated as fair value through profit or loss		**20,887**	4,616
Investments designated as available-for-sale		**43**	(21)
Other assets		**(4,672)**	139
Net (decrease)/increase in operational liabilities			
Insurance contracts		**(20,282)**	726
Investment contracts		**(86,132)**	29,409
Other liabilities		**(638)**	(11,161)
Cash generated from/(utilised in) operations		**12,704**	(9,156)
Interest paid		**(290)**	(301)
Interest received[1]		**3,525**	5,060
Rent received		**404**	373
Tax paid[2]		**(570)**	(564)
Dividends received		**4,691**	4,419
Net cash flows from operations		**20,464**	(169)
Cash flows from investing activities			
Acquisition of plant, equipment, intangibles and other assets		**(187)**	(205)
Acquisition of operations, net of cash acquired		**(2)**	–
Disposal of subsidiaries and other operations, net of cash transferred		**–**	217
Investment in joint ventures and associates		**(101)**	(56)
Disposal of joint ventures and associates		**64**	177
Net cash flows (utilised in)/generated from investing activities		**(226)**	133
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	4	**(1,116)**	(1,063)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	35	**(28)**	(28)
Options exercised under share option schemes	34	**6**	6
Treasury shares purchased for employee share schemes	34	**(59)**	(34)
Payment of lease liabilities		**(44)**	(37)
Proceeds from borrowings	22	**945**	449
Repayment of borrowings	22	**(737)**	(798)
Net cash flows utilised in financing activities		**(1,033)**	(1,505)
Net increase/(decrease) in cash and cash equivalents		**19,205**	(1,541)
Exchange gains on cash and cash equivalents		**92**	8
Cash and cash equivalents at 1 January		**16,487**	18,020
Total cash and cash equivalents at 31 December	14	**35,784**	16,487

1. Interest received comprises of net interest received from financial instruments at fair value through profit or loss and other financial instruments.
2. Tax paid comprises UK corporation tax of £358m (2021: £368m), withholding tax of £204m (2021: £188m) and overseas corporate tax of £8m (2021: £8m).

Primary statements and performance
continued

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 UK-adopted international accounting standards, comprising International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and related interpretations issued by the IFRS Interpretations Committee. Endorsement is granted by the UK Endorsement Board (UKEB). The group financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and certain 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 environment are set out in this Annual Report and 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 56 to 59.

The directors have made an assessment of the group's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of these consolidated financial statements, using the information available up to the date of issue of this Annual Report and Accounts.

The group manages and monitors its capital and liquidity, and applies various stresses, including high inflationary scenarios, 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 are disclosed in section 5.01 of the Full year results in the 2022 Preliminary Management Report[1]. These stresses 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 the current economic environment, as detailed on pages 56 to 59, 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 2022, which did not give rise to a material impact on the group's consolidated financial statements.

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'.

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.

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.

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.

1. Section 5.01 of the Full year results in the 2022 Preliminary Management Report is unaudited.

(iv) Standards, interpretations and amendments to published standards which are not yet effective

IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments

The group will apply IFRS 17, 'Insurance Contracts' and IFRS 9, 'Financial Instruments' for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the group's financial statements in the period of initial application.

(a) Introduction

IFRS 17, 'Insurance Contracts'

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. The standard is effective for annual periods beginning on or after 1 January 2023 following endorsement for use in the UK in May 2022. The standard, which replaces IFRS 4, 'Insurance Contracts', 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 key general principles of IFRS 17 are that an entity:

- Identifies insurance contracts as those under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other accounting standards;
- Aggregates the insurance contracts into groups it will recognise and measure (by portfolio, year of inception and profitability);
- Recognises and measures groups of insurance contracts at:
  - a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows; and
  - an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM);
- Recognises profit from a group of insurance contracts over the period the group provides insurance coverage. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, a loss is recognised immediately; and
- Presents insurance service results (including insurance revenue) separately from insurance finance income or expenses with an accounting policy choice to disaggregate insurance income and expense for the period between profit or loss and other comprehensive income.

IFRS 9, 'Financial Instruments'

In July 2014, the IASB issued IFRS 9, 'Financial Instruments' which was effective for annual periods beginning on or after 1 January 2018. The standard replaced 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 allowed entities which meet certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, 'Insurance Contracts' 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 has qualified for, and has made use of this deferral option, and will therefore apply IFRS 9 for the first time on 1 January 2023, with a restatement of 2022 comparatives.

IFRS 9 classifies financial assets into the following three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets is based on the entity's business model for managing them, as well as their contractual cash flow characteristics. With the exception of financial assets measured under fair value through profit or loss (FVTPL), an expected credit loss impairment model applies to all financial assets in scope (including lease receivables and contract assets). The new impairment model requires utilising not only past events and current conditions but also reasonable and supportable forward-looking information, in order to assess the credit risk profiles of those financial assets in scope.

Most requirements around financial liabilities in IAS 39 have been retained by IFRS 9, and hedge accounting requirements have been revised by replacing some of the prescriptive rules in IAS 39 with more principle-based requirements, to better align with the entity's risk management activities.

1 Basis of preparation continued

(b) Estimated impacts of the adoption of IFRS 17 and IFRS 9

The group has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its consolidated financial statements at the transition date of 1 January 2022. The total adjustment to the group's equity attributable to owners of the parent is estimated to be a reduction of £5.5bn. The estimated impacts on the key line items in the group's consolidated balance sheet are set out below:

Balance Sheet item	31 December 2021 (as reported) £bn	Adjustments due to adoption of IFRS 9 £bn	Adjustments due to adoption of IFRS17 £bn	1 January 2022 (restated) £bn
Financial investments	538.4	(0.6)	–	537.8
Net insurance contract liabilities[1]	(82.9)	–	(6.2)	(89.1)
Net deferred tax (liabilities)/assets	(0.2)	0.1	1.3	1.2
Other	(444.8)	–	(0.1)	(444.9)
Equity attributable to owners of the parent	10.5	(0.5)	(5.0)	5.0

1. Net insurance contract liabilities reflect insurance contract assets and liabilities, net of reinsurance contracts.

While the adoption of these accounting standards will have an impact on the timing and profile of profit recognition, as communicated at the group's IFRS 17 investor and analyst event on 29 November 2022, the underlying economics and cash generation of the group's businesses do not change.

The financial impacts noted above will be reflected, where appropriate, in the interim financial statements for the period ending 30 June 2023, and in the group's Annual Report and Accounts for the year ending 31 December 2023. The financial impacts relating to the periods ending 30 June 2022 and 31 December 2022 have not yet been finalised and are not reasonably estimable for the purpose of inclusion in these consolidated financial statements.

(i) Adjustments due to the adoption of IFRS 17

The different timing of profit recognition will result in an increase in liabilities, and therefore decrease in equity attributable to owners of the parent on adoption of IFRS 17. This reflects that a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17. This increase in liabilities can be attributed to the following:

Changes from IFRS 4	Estimated impact on net insurance contract liabilities on transition to IFRS 17 £bn
Remeasurement of liabilities: the IFRS 17 cash flows are best estimate and exclude all prudent margins included in the IFRS 4 liabilities. Removal of these margins coupled with other changes to the insurance contract measurement, including discount rates and the exclusion of non-attributable expenses, results in a lower best estimate liability.	(7.5)
Creation of a risk adjustment – IFRS 17 incorporates a specific risk adjustment for non-financial risk (which is lower than the prudent margins included within the IFRS 4 liabilities).	2.5
Creation of CSM: determined using the transition approaches described below and reflecting the unearned profit of these contracts. Under IFRS 4 profit could be recognised at inception.	11.2
Total	6.2

(ii) Adjustments due to the adoption of IFRS 9

Upon transition to IFRS 9 on 1 January 2022, the group's equity attributable to owners of the parent will decrease by c.£0.6bn (before tax). This predominantly reflects the remeasurement of assets following the reclassification of a proportion of financial investments from fair value through profit or loss to amortised cost, in order to better align the accounting treatment of assets that are backing the CSM component of insurance contract liabilities, which is measured at locked-in discount rates under IFRS 17. The application of the expected credit loss impairment requirements does not have a material impact on the group's equity at the point of transition.

(c) Significant accounting policies – IFRS 17, 'Insurance Contracts'

Long term insurance contracts – initial measurement

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 17 are classified as investment contracts and are measured under IFRS 9. The scope of IFRS 17 is very closely aligned to IFRS 4.

All of the group's in scope insurance contracts are accounted for under the general measurement model which measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a CSM representing the unearned profit the group will recognise as it provides services under the insurance contract.

Fulfilment cash flows
Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The group's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the group includes all cash flows that are within the contract boundary. The contract boundary for the group's contracts is very closely aligned with that applied under IFRS 4. The cash flows include:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- investment management costs incurred in the provision of an investment return service or to enhance the benefits of an insurance contract;
- payments to policyholders resulting from embedded surrender value options;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- transaction-based taxes.

The group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the group's own experience, supplemented when necessary, with data from other sources. Historical data is adjusted to reflect current conditions; and
- current pricing information, when available.

The measurement of fulfilment cash flows-includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract.

Risk adjustment
The risk adjustment for non-financial risk for a group of insurance contracts reflects the compensation that the group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk after diversification. We have calibrated the group's risk adjustment using a Value at Risk (VAR) methodology. The total group risk adjustment at transition was £2.5bn.

Discounting
The insurance contract fulfilment cash flows are discounted at rates that reflect the characteristics of the insurance contract liabilities. These have been determined using the top-down approach, starting from an appropriate asset portfolio with deductions to remove risks in the assets that are not present in the insurance liabilities. As is the case under IFRS 4, the discount rate is a key determinant of the measurement of the insurance liability, particularly for annuity business. At transition, the average credit default deduction was c.41bps compared with c.43bps under IFRS 4.

Contractual service margin
The group's CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the group will recognise as it provides services in the future. The group measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- initial recognition of the fulfilment cash flows;
- any cash flows arising from the contracts in the group at that date;
- the derecognition at the date of initial recognition of:
  - any asset for insurance acquisition cash flows; and
  - any other asset or liability previously recognised related to the group of insurance contracts.

Aggregation
The level of aggregation determines the unit of account at which IFRS 17 calculations are performed. This is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of subsequently becoming onerous, and the remainder. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

1 Basis of preparation continued

Onerous contracts

For groups of contracts assessed as onerous, the group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component is established by the group for the liability for remaining coverage for an onerous group, which represents the losses recognised.

Long term insurance contracts – subsequent measurement

The group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the group reflecting the fulfilment cash flows related to past service allocated to the group at that date.

Contractual service margin – measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of that group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- the effect of any new contracts added;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- the changes in fulfilment cash flows relating to future service, except to the extent that:
  - such increases in the fulfilment cash flows exceed the current carrying amount of the CSM, giving rise to a loss; or
  - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by allocation of the contractual service margin at the end of the period over the current and remaining coverage period; and
- the effect of any currency exchange differences on the CSM.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- experience adjustments that arise from the difference between the premium receipts (net of refunds) and any related cash flows such as insurance acquisition cash flows and insurance premium taxes and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) in respect of current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (which are recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM);
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (i.e. the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period).

Onerous contracts

Groups of contracts that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The group establishes a loss component for any onerous group depicting the future losses recognised. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have materialised in the form of incurred claims). The loss component ensures that over the duration of the contract, the correct amounts are recognised as insurance revenue and insurance service expenses.

Contractual service margin – recognition
The amount of contractual service margin recognised in the income statement for a group of insurance contracts reflects the insurance contract services provided. The proportion of the CSM earned is calculated as the amount of coverage units provided in the period divided by the sum of all the future and current period coverage units. The group has elected to discount the future coverage units in this calculation. The table below indicates the main insurance contracts services provided under the group's insurance contracts and selected coverage unit(s) used to measure those services.

Insurance contract	Insurance service	Coverage unit(s)
Immediate annuity	Payment of insurance claims	Expected annual claims payments
Deferred annuity	• Payment of insurance claims (payment phase) • Investment return service (deferral phase) • Lump sum death benefits (deferral phase)	• Expected annual claims payments • Expected investment return on backing assets • Sum assured
Longevity swaps	Payment of floating leg of swap	Expected annual floating leg payments
Retail Protection	Potential mortality or morbidity claims	Sum assured
Group Protection	Potential mortality or morbidity claims	Sum assured

Where a specific unit of account contains a mixture of services, and therefore coverage units, it is necessary to weight the coverage units so that the resulting profile of CSM release reflects the overall package of benefits provided. This is particularly pertinent to units of account incorporating a combination of immediate and deferred annuities. Under IFRS 17, deferred annuities usually provide multiple services, split between the two phases of benefit provision (the deferral phase and the payment phase). Significant judgement is therefore required to combine the different coverage units so that they fairly reflect the services provided. The weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return provided and the probability weighted delivery of any lump sum death benefits, both adjusted to target that all of the CSM is earned in the deferral phase for all contracts which do not enter the payment phase either through transfer out, withdrawal of funds or death.

Earning the CSM over the coverage period will slow down profit recognition for annuities in comparison to IFRS 4 which allowed the recognition of profit on inception and more closely linked revenue recognition to risk release rather than the provision of service.

Investment components
Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. As a result, revenue from some annuity and universal life contracts will be reduced in comparison with the premium recognised under IFRS 4. The group will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance.

Insurance finance income and expense
IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. All finance income and expense will be included in profit or loss except for protection business where this will be disaggregated.

Reinsurance contracts held
The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- measurement of the cash flows includes an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes;
- the group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer;
- both day 1 gains and day 1 losses are not recognised at initial recognition in the statement of financial position but are deferred into CSM and released to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition;
- if the reinsurance contract is recognised prior to a loss-making underlying contract, the reinsurance CSM can be adjusted to offset a portion of the inception loss (the loss recovery component); and
- subsequent changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts are recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

Transition
On transition to IFRS 17, the group has applied the fully retrospective approach unless impracticable. The full retrospective approach requires the group to:

- identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist had IFRS 17 always applied; and
- recognise any resulting net difference in equity.

If it was impracticable to apply a full retrospective approach to a group of contracts then the group has chosen between the modified retrospective approach and the fair value approach. If the group could not obtain reasonable and supportable information necessary to apply the modified retrospective approach, then the fair value approach has been chosen.

1 Basis of preparation continued

The group has applied the following transition approaches to its material insurance contract portfolios on transition to IFRS 17, by year of issue:

Transition Approach	Annuities	UK Protection	US Protection
Full retrospective	2021	2021	2021
Modified retrospective	2016-2020	2012-2020	2011-2020
Fair value	Pre-2016	Pre-2012	Pre-2011

Full retrospective approach

The full retrospective approach has been determined to be impracticable where the effects of retrospective application are not determinable because information required has not been collected (or not with sufficient granularity), application would require the application of hindsight, or information is unavailable because of system migrations, data retention requirements or other reasons. Specific examples include:

- historic calibration of IFRS 17 specific judgements, such as the scale of the risk adjustment;
- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and their subsequent changes on a retrospective basis;
- information required to allocate fixed and variable overheads to groups of contracts, because the group's current accounting policies do not require such information; and
- information about certain changes in assumptions and estimates because they were not documented on an ongoing basis.

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort.

The only modification applied by the group is that for some groups of contracts issued before 2020, the risk adjustment for non-financial risk on initial recognition will be determined by adjusting the amount at 1 January 2022 for the expected release of risk before that date. The expected release will be determined with reference to the release of risk of similar contracts that the group issued in 2022. This modification has been used to avoid the application of hindsight to the calibration of the risk adjustment in prior periods.

Fair value approach

The group has applied the fair value approach on transition for certain groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the group has applied the requirements of IFRS 13, 'Fair Value Measurement', except for the demand deposit floor requirement. The fair value attributed to the in-scope annuity business is calculated with reference to a price generated using the group's pricing models and pricing assumptions at the transition date. This incorporates an expected internal rate of return that has been validated against relevant market transactions.

The group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition. The group did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For portfolios of protection contracts, the group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income. For these portfolios, the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date and has been reset to zero in line with the provisions of the standard.

(d) Significant accounting policies – IFRS 9, 'Financial Instruments'

Financial assets – classification and measurement

The classification and measurement of financial assets depends on their contractual cash flow characteristics and how they are managed (the entity's business model). The contractual cash flow characteristics test aims to identify those assets with cash flows consistent with a basic lending arrangement, i.e. which are 'solely payments of principal and interest' (SPPI). The business model test refers to how an entity manages its financial assets with the objectives of generating cash flows. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Assets are therefore typically characterised as follows:

- amortised cost: financial assets with contractual terms that give rise solely to interest and principal cash flows and which are held in a business model whose objective is to hold the assets to collect their cash flows;
- fair value through other comprehensive income (FVOCI): financial assets with contractual terms that give rise solely to interest and principal cash flows and which are held in a business model whose objective is achieved by holding the assets to collect their cash flows and selling them;
- FVTPL: all other financial assets.

Notwithstanding the above, on initial recognition the group may irrevocably designate to FVTPL a financial asset that would otherwise be measured at amortised cost or FVOCI if doing so eliminates or greatly reduces an accounting mismatch. Additionally, on initial recognition of an equity investment not held for trading the group may irrevocably elect to present its subsequent changes in fair value through other comprehensive income.

Based on the new requirements, IFRS 9 will affect the classification and measurement of financial assets as follows:

- financial assets continuing to be measured at FVTPL:
  - equity investments, measured at FVTPL under IAS 39, will continue to be measured at FVTPL under IFRS 9;
  - derivative assets are held for trading instruments under both IAS 39 and IFRS 9, and will therefore continue to be measured at FVTPL, unless designated as hedging items as part of a hedge accounting relationship;
  - debt instruments backing annuity liabilities, including surplus assets, are currently accounted for at FVTPL as they are managed on a fair value basis. Most of these will retain the same measurement under IFRS 9 as their business model does not naturally fit a 'held to collect' or 'held to collect and sell' business model, irrespective of their contractual cash flows characteristics; and
  - other debt securities backing investment contract liabilities and surplus shareholder assets will continue to be accounted for at FVTPL as they are managed on a fair value basis, consistent with their IAS 39 measurement.
- financial assets remeasured to amortised cost or FVOCI:
  - as the date of transition to IFRS 9 for the group is the same as that for IFRS 17, the group has reassessed the classification and measurement of certain financial assets backing annuities liabilities, in order to better match interest rate and inflation sensitivities to IFRS 17 liabilities. This is because, while the Annuities best estimate liability and risk adjustment under IFRS 17 are measured with current financial assumptions, the CSM is measured with locked-in discount rates. Therefore, a sub-portfolio of long dated debt instruments backing annuity contracts but in surplus to the IFRS 17 best estimate liability and risk adjustment, and passing the SPPI test, was separately identified. These assets will be used to manage interest and inflation rate exposure. They will be held to maturity in a 'held to collect' business model and accounted for at amortised cost; and
  - assets backing protection liabilities are measured at FVTPL under IAS 39. Based on the IFRS 9 criteria, these assets pass the SPPI test and will be measured at amortised cost or FVOCI, depending on their business model.
- receivable balances are accounted for at amortised cost under both IAS 39 and IFRS 9.

Financial assets – impairment

IFRS 9 replaces the incurred losses impairment model in IAS 39 with a new impairment model, based on expected credit losses (ECLs). The new impairment model applies to the group's financial assets measured at amortised cost or FVOCI, as well as lease receivables in scope of IFRS 16 'Leases' and contract assets in scope of IFRS 15 'Revenue from Contracts with Customers'.

Under IFRS 9, expected credit losses are defined as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive (i.e. the cash shortfall), weighted based on their probability of occurrence. The loss allowance recognised under the new standard can be equal to an amount corresponding to a 12-month ECL or a lifetime ECL. A lifetime ECL is the ECL resulting from all possible default events over the expected life of the financial asset; a 12-month ECL is the portion of lifetime ECL resulting from default events on a financial asset that are possible within the 12 months after the reporting date. The ECL model is run from the date of initial recognition of a financial asset, and its output updated at every reporting period, even if no actual loss events have taken place. The impact of updating the inputs of the ECL model in the reporting period is recognised in profit or loss directly where it affects the carrying value of financial assets at amortised cost, while for assets at FVOCI an equal and opposite movement is recorded in other comprehensive income.

In order to determine whether the group measures ECLs at an amount equal to 12-month ECL or lifetime ECL, at each reporting period the group is required to assess which 'stage' a financial asset falls into. Stages reflect the general pattern of deterioration in credit risk of a financial instrument that ultimately defaults, as follows:

- Stage 1 includes financially healthy financial assets that are expected to perform in line with their contractual terms, and which have no signs of increased credit risk;
- when the credit risk of a certain financial asset has significantly increased since initial recognition, the instrument no longer falls into Stage 1. In that case, if the instrument is not credit-impaired, the instrument will fall into Stage 2; and
- Stage 3 applies to credit-impaired financial instruments.

When financial assets are under Stage 1, 12-month ECLs are recognised. When financial assets are under Stage 2 or 3, lifetime ECLs are recognised. An instrument moves down (or up) the stages when a significant increase in credit risk (SICR) has happened (or has reversed).

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the group considers reasonable and supportable information, both qualitative and quantitative, that is relevant and is available without undue cost or effort, including forward-looking information at its disposal.

The provisions of IFRS 9 include a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, which is taken into account for this assessment.

Additionally, the group makes use of a practical expedient available in IFRS 9 whereby it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. investment grade as determined by the group's asset managers). This allows recognition of 12-month ECLs as opposed to, potentially, lifetime ECLs.

The group estimates ECLs on its financial investments at amortised cost and debt instruments at FVOCI by using the probability of default approach. Based on this method, the ECLs are a probability-weighted estimate of the present value of estimated cash shortfalls, i.e. the weighted average of credit losses, with the respective risks of a default occurring used as the weightings. For this purpose, the key elements to be calculated are the Probability of Default (PD), i.e. the estimate of the likelihood of default over a given time horizon (either 12 months or lifetime); the respective Loss Given Default (LGD); and the Exposure at Default (EAD).

1 Basis of preparation continued

In order to determine 12-month or lifetime PDs the group's models utilise historical data obtained from S&P and Moody's in order to evaluate transitions (i.e. the probability that a security changes rating in a given year) and defaults, plus scenario-specific annual scaling factors which adjust the PDs for forward-looking information. The final PDs produced by the model are unconditional, i.e. they incorporate both the probability of not defaulting until the start of the period, and the subsequent probability of default in that period, conditional on the position not having defaulted to that point. This allows them to be summed over 12 months to provide 12-month PD estimates, or over all remaining months to produce lifetime PD estimates.

LGD is the magnitude of the likely loss if there is a default, based on the history of recovery rates of claims against defaulted counterparties, and taking into account collateral values where applicable.

EAD represents the expected exposure in the event of a default, based on the current exposure to the counterparty and potential changes to the current amount allowed under the contract.

Finally, the group has adopted a simplified approach for trade receivables, contract assets and finance and operating lease receivables. This allows measurement of lifetime ECLs only, thereby removing the need to identify SICRs. For these balances, the group makes use of provision matrices in order to calculate such lifetime ECLs. This is a practical expedient allowed by IFRS 9 whereby historical credit loss experience and fixed loss rates are applied to the balances outstanding. Where possible, historical loss rates are adjusted to allow for forward looking information.

Owing predominantly to the high credit rating across the group's financial assets in scope of the new impairment model, the calculation of ECLs as at the date of initial application of IFRS 9 did not give rise to a material impact.

Financial liabilities

IFRS 9 largely retains the requirements of IAS 39 for the classification and measurement of financial liabilities, which can be at either amortised cost or FVTPL. In contrast with IAS 39, under IFRS 9 the amount of fair value changes for financial liabilities at FVTPL attributable to changes in the credit risk of the liability is presented in other comprehensive income. However, if this treatment creates, or enlarges, an accounting mismatch in profit or loss, the group must present all gains or losses for that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

The new requirements for financial liabilities did not affect the group's classification and measurement of its instruments.

Hedge accounting

When initially applying IFRS 9, the group may choose to either continue to apply hedge accounting requirements in IAS 39 or move to the new IFRS 9 principles. The group will update its accounting policies to adopt IFRS 9 requirements. These requirements are better aligned with the risk management activities of the group and therefore it is expected that going forward more risk management strategies will qualify for hedge accounting. Changes to hedge accounting requirements are not currently expected to have a significant impact on the group's results.

Transition

On transition, changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

For the group, IFRS 9 has a date of initial application of 1 January 2023, which coincides with the implementation with IFRS 17. On initial application, while IFRS 17 requires the presentation of at least one restated comparative period, IFRS 9 permits, but does not require, restatement of comparative periods. In line with IFRS 17 the group has chosen to restate comparative periods under IFRS 9. While the standard does not apply to financial assets already derecognised by 1 January 2023, the group has applied a 'classification overlay' introduced by the IASB per an amendment to IFRS 17 entitled 'Initial Application of IFRS 9 and IFRS 17 – Comparative Information'. This allows an entity applying IFRS 17 and IFRS 9 at the same time to present comparative information as if the classification, measurement and impairment requirements of IFRS 9 had been applied to them, irrespective of derecognition date.

From a classification and measurement perspective, financial assets' business models have been assessed as at the date of initial application and were applied consistently in all periods presented. If an asset was in scope of the classification overlay described above, the group aligned the classification and measurement of each financial asset in the comparative periods with what it expected it would have been on 1 January 2023. Such assessment was performed based on reasonable and supportable information available at 1 January 2022, the transition date. Any difference between the IAS 39 carrying amount of a financial asset and the carrying amount at the transition date that results from applying IFRS 9 or the classification overlay was recognised in opening retained earnings.

With regards to impairment, similarly to classification and measurement, the group assessed whether as at 1 January 2023 there had been a SICR as compared to the date that a financial instrument was initially recognised, and applied a 12-month or lifetime ECL accordingly. The group chose to apply the impairment requirements of IFRS 9 consistently to all of the applicable financial instruments on its books during the comparative periods. To the extent the classification overlay applied and therefore an asset was derecognised by 1 January 2023, any expected credit losses recognised in the comparative periods were reversed upon disposal. The low credit risk practical expedient described previously was also available for the purpose of transition, and the group made use of this in line with set criteria. On transition to IFRS 9, any additional provision recognised when compared to IAS 39 was recognised in opening retained earnings. However, if this related to a financial asset at FVOCI, an equal and opposite movement was reflected in the OCI reserve.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: 'Making Materiality Judgements: Disclosure of Accounting Policies'
These amendments, issued in February 2021, intend to help preparers in deciding which accounting policies to disclose in their financial statements, by applying materiality judgements. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The group is currently revisiting its accounting policy disclosures to ensure compliance and consistency with the new requirements.

Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: 'Definition of Accounting Estimates'
These amendments, issued in February 2021, aim to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The group does not expect the impact to be significant.

Amendments to IAS 12 – Income Tax: 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
These amendments, issued in May 2021, clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The group does not expect the impact to be significant.

Amendments to IAS 1 – Presentation of Financial Statements: 'Classification of Liabilities as Current or Non-Current'
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 2024, subject to UK endorsement.

Amendments to IAS 1 – Presentation of Financial Statements: 'Non-current Liabilities with Covenants'
These amendments, issued in October 2022, clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, subject to UK endorsement.

Amendments to IFRS 16 – Leases: 'Lease Liability in a Sale and Leaseback'
These amendments, issued in September 2022, specify requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, subject to UK endorsement.

(v) 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 in respect of the year ended 31 December 2022 are included within the Audit Committee Report on page 88.

The major areas of critical accounting judgement on policy application are considered below:

Insurance and investment contract liabilities (Notes 20 and 21): 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 out flows for the group than its non-occurrence.

Certain contracts, which are both insurance and investment, can 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.

1 Basis of preparation continued

Consolidation (Notes 42 to 44): 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.

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 18 to 21)
The key judgements around the valuation of insurance and investment contract liabilities relate to the following assumptions:
- Determination of the 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. These represent the expected future costs of administering the underlying insurance policies, and are based on management's best estimate of these future costs, and on an appropriate allocation between servicing new and existing business.
- Determination of valuation interest rates used to discount the liabilities, which 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 LGRI and Retail Retirement 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 31 December 2022, there was insufficient certainty in more recent data 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.

Note 19 includes a sensitivity analysis on pre-tax group profit and group equity to reasonable alternative assumptions.

Valuation of unquoted illiquid assets and investment property (Note 10)
- 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.

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.

Note 10 includes a sensitivity analysis on the fair value of unquoted illiquid assets and investment property to reasonable alternative assumptions.

Defined benefit pension plan (Note 23)

- 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 23 includes a sensitivity analysis to reasonable alternative assumptions.

(vi) Consideration of climate change

The group is exposed to climate change through two broad categories: transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the economy; and physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

The group has integrated climate risk management into its governance framework and has carried out a detailed assessment of how we could expect climate risk to emerge across our business model. The group risk mitigation strategy includes setting portfolio carbon intensity targets, integrating carbon controls into the investment processes through stock exclusions and high carbon escalation, corporate engagement and implementing high energy efficiency standards into the group's directly owned commercial property and housing businesses.

The group is committed to net zero, targeting a 1.5°C 'Paris' outcome. In order to meet its environmental goals, the group has set for itself a number of metrics and targets, clearly linked with its business strategy and risk management controls. These are based on a three-pillar climate strategy encompassing 'Invest, Influence and Operate'. Metrics and targets have been defined around the group's operational carbon footprint, investment portfolio economic carbon intensity, and implied portfolio temperature alignment. These are being targeted through the decarbonisation of the group's balance sheet, investments in clean energy and start-ups, development of climate friendly investment products, and focus on own operations. The group also continues to use its influence as a large investor to promote the transition.

Scenario analysis is performed to help understand the strategic implications of possible climate pathways, including the key features of a transition to a net zero economy. Plausible scenarios have been developed based on estimations of how the energy system may evolve over the next 30 years, using the most recent carbon budgets from the Intergovernmental Panel on Climate Change's Sixth Assessment Report (AR6) and incorporate latest data on technology costs. These include two different pathways to 'below 2°C', and a scenario assuming achievement of net zero. Given the group's long-term climate risk relates to transition risk, a fourth scenario assuming global failure to act on climate change and emissions growth at historical rates has been modelled, but the impacts have not been applied to our portfolio. Such impacts are driven by physical risks which tend to be highly localised and manifest further into the future and are therefore more uncertain.

In preparing the consolidated financial statements, the group has considered the impact of climate change, and in particular the transition to a lower carbon economy, on the valuation of the group's asset and liabilities. In the strategic report, and more fully in the group's climate report, we have set out in detail the various risks and opportunities that are created by this transition, and how they may impact the group across various time horizons. In the group's climate report, in line with the recommendations of the Task Force on Climate-related Financial Disclosures, we have further described the resilience of the group's strategy, taking into consideration different climate-related scenarios, as described above. There is no one single scenario that underpins the financial statements. The scenarios help challenge the group's perspectives on the future business and economic environment as a result of the transition to a lower carbon economy, including consideration of events that may be only remotely possible. As a result, scenarios included in the group's climate report are not intended to be predictions of likely future events or outcomes and are not the basis on which the group's consolidated financial statements have been prepared.

At the current time, the group does not consider climate risk to represent a significant area of judgement or of estimation uncertainty. As at 31 December 2022, no material impacts on the group's financial position, nor on the valuation of assets or liabilities on the group's Consolidated Balance Sheet as a result of climate change risk have been identified. In arriving at this determination, the group has in particular taken into account the following areas of judgement, which we consider to be those most exposed to the potential impact of climate change in the preparation of the financial statements:

Going concern and viability

In preparing the consolidated financial statements, the directors are required to assess the group's ability to continue as a going concern, by taking into account all available information related to at least 12 months from the date of their approval. Additionally, the preparation of the viability statement takes into consideration the group's overall business model and strategy, forecast financial strength and resilience, and the liquidity profile over the planning horizon. Climate-related matters have been considered as part of these assessments and have not been deemed to create material uncertainties as to their conclusions or to require specific disclosure.

Valuation of Level 3 financial investments and investment property

The valuation of unquoted illiquid assets and investment property has been separately identified as an area of significant estimation uncertainty. The assumptions used in the models underpinning these assets' valuations, such as cash flows forecasts, discount rates, and multiples, are often unobservable. Due to the need to apply significant judgements, these assumptions can be impacted by transition risk, with climate-related inputs gaining more traction (e.g. construction methods and materials, EPC ratings, ESG credentials and climate resilience). This is particularly relevant for the group's direct investments portfolio, including alternative assets. Where possible, the group's assets are valued using standard market pricing sources or appropriately qualified external valuers, and therefore reflect current market sentiments around climate risk. In this respect market and investor expectations have also been evolving, with greater demand towards net zero-aligned assets, and away from traditional carbon-intensive methods, impacting expected investor returns and therefore discount rates and multiples. Exposure to the risks of climate change is minimised, through rigorous assessment of potential investments and active monitoring of the carbon intensity of the current portfolio. Additionally, investment properties are being reviewed by independent third parties, where applicable, with regards to potential retrofitting, to help reduce carbon emissions and make them more efficient and sustainable for the future.

1 Basis of preparation continued

Asset impairment and residual economic life

The carrying value of certain tangible and intangible assets on the Consolidated Balance Sheet which are subject to impairment testing could be affected by climate change risk. For example, inventory may become obsolete or restricted, causing selling prices to decline or their costs of completion to increase. If, as a result, the cost of inventories is not recoverable, they would need to be written down to their net realisable value.

Property, plant and equipment, right-of-use assets, goodwill and other intangible assets may see their recoverable amount decrease in light of climate change, and significant changes in the environment (including for example changes in regulation) in which the group operates, where adverse effects can represent an indication of impairment. The estimation of recoverable amount as 'value in use' requires an assessment of future expected cash flows based on assumptions potentially affected by climate related matters, particularly for intangible assets, which are subject to a higher degree of judgement. Where assets are subject to amortisation or depreciation, consideration needs to be given to whether climate risk suggests that the residual economic life is shorter than anticipated, which would give rise to increased charges in the income statement. Due to the nature of the group's tangible and intangible assets, we do not anticipate any material additional impairments or increased amortisation and depreciation charges to arise from climate change. Risks will continue to be monitored against judgements and estimates used in the assessment of impairment.

Provisions and contingent liabilities

The recognition, measurement and disclosure of provisions and contingent liabilities is subject to setting assumptions around future events and the probability of their occurrence. Climate-related matters could affect these elements, for example by requiring recognition or disclosure of a legal obligation (e.g. levies imposed for failing climate-related targets) or of a constructive obligation (e.g. requirements to remediate environmental damage caused by the group's operations and investment portfolios).

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits, to the extent it is probable that future taxable profit will be available, against which those amounts can be utilised. Climate-related matters could affect the group's estimate of future taxable profits, and therefore it may be required to derecognise deferred tax assets previously on the balance sheet.

Share-based payments

The group's performance share plans provide a direct and transparent link between executive pay and the delivery of shareholder returns over the longer-term. They are a conditional award of shares subject to a performance period of at least three years. Performance metrics for the group's share plans are now clearly linked to ESG metrics. As such, the effects of climate change could have an impact on amount and timing, recognition and measurement of amounts in the group's income statement.

Retirement benefit obligations

Depending on their features, the valuation of plan assets included in the group's defined benefit pension schemes may be impacted by climate-related risk, as described above, and therefore the carrying value of the net deficit on the group's balance sheet could be affected.

Financial instruments

Under IFRS 9, 'Financial Instruments', effective from 1 January 2023, expected credit losses are required to be recognised on receivables and certain financial investments, representing the counterparty's probability of default over a certain time horizon. Climate-related matters may affect the group's exposure to these losses, for example by negatively affecting the borrower's ability to meet their obligations, or by affecting assumptions used in the models adopted to estimate expected credit losses.

(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 42). 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 43) 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 and joint ventures which do not form part of an investment portfolio are initially recognised in the Consolidated Balance Sheet at cost. The carrying amount of these investments 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 20 and 21 respectively. The following table summarises the classification of the group's significant types of non-participating insurance and investment contracts as well as investment products as described in Note 6 for each applicable reportable segment.

Reportable segment	Non-participating insurance contracts	Non-participating investment contracts and investment products
LGRI	• Pension risk transfers • Longevity insurance	• Assured payment policies
Retail	• UK Retail protection • UK Group protection • US protection • US Universal life • Individual annuities • Lifetime Care Plan	• Lifetime mortgages • Fixed term individual annuities • Retirement interest only mortgages • Workplace savings
LGIM		• 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. Income and expenses 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 2022 were 1.21 United States dollar and 1.13 euro (31 December 2021: 1.35 United States dollar and 1.19 euro).

The average exchange rates for the year ended 31 December 2022 were 1.24 United States dollar and 1.17 euro (31 December 2021: 1.38 United States dollar and 1.16 euro).

Primary statements and performance
continued

2 Supplementary adjusted operating profit information

(i) Reconciliation between adjusted operating profit and profit from ordinary activities after tax

	Notes	Profit/ (loss) before tax 2022 £m	Tax (expense)/ credit 2022 £m	Profit/ (loss) after tax 2022 £m	Profit/ (loss) before tax 2021 £m	Tax (expense)/ credit 2021 £m	Profit/ (loss) after tax 2021 £m
Legal & General Retirement Institutional (LGRI)[1]	2(iii)	**1,257**	**(179)**	**1,078**	1,154	(170)	984
Legal & General Capital (LGC)		**509**	**(105)**	**404**	461	(82)	379
Legal & General Investment Management (LGIM)		**340**	**(47)**	**293**	422	(80)	342
Retail	2(iii)	**825**	**(155)**	**670**	620	(90)	530
– Insurance[2]		341	(88)	253	268	(41)	227
– Retail Retirement[1]		484	(67)	417	352	(49)	303
Adjusted operating profit from divisions/(tax expense) on divisions		**2,931**	**(486)**	**2,445**	2,657	(422)	2,235
Group debt costs[3]		**(214)**	**41**	**(173)**	(230)	44	(186)
Group investment projects and expenses		**(194)**	**42**	**(152)**	(165)	28	(137)
Adjusted operating profit/(tax expense)		**2,523**	**(403)**	**2,120**	2,262	(350)	1,912
Investment and other variances	2(iv)	**137**	**34**	**171**	233	(95)	138
Losses on non-controlling interests		**(1)**	**–**	**(1)**	(7)	–	(7)
Profit for the year/(tax expense) for the year[4]		**2,659**	**(369)**	**2,290**	2,488	(445)	2,043

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 28.
2. Insurance operating profit includes £168m (2021: £(52)m) related to the group's US Insurance business.
3. Group debt costs exclude interest on non-recourse financing.
4. Profit/(loss) before tax reflects the adjusted profit before tax attributable to equity holders.

This supplementary adjusted operating profit information (one of the group's key performance indicators) provides additional analysis of the results reported under IFRS, and the group believes it provides stakeholders with useful information to enhance their understanding of the performance of the business in the year.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. It therefore reflects longer-term economic assumptions for the group's insurance businesses and shareholder funds, including the traded portfolio in LGC. For the group's direct investments, operating profit reflects the expected long-term economic return for those assets which are developed with the intention of sale, or the IFRS profit before tax for the early stage and mature businesses. Variances between actual and long-term expected investment return on traded and real assets (including direct investments where applicable) are excluded from operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (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. Adjusted operating profit also excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate on insurance contract liabilities. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are also excluded from adjusted operating profit.

The group reports its results across the following business segments:

- LGRI represents worldwide pension risk transfer business including longevity insurance.
- LGC represents shareholder assets invested in direct investments primarily in the areas of specialist commercial real estate, clean energy, housing and SME finance, as well as traded and treasury assets.
- LGIM represents institutional and retail investment management.
- Insurance primarily represents UK protection (both group and retail) and Fintech business, as well as US retail protection business (US Insurance).
- Retail Retirement primarily represents retail annuity and drawdown products, workplace savings and lifetime mortgage loans.

(ii) Reconciliation of release from operations to adjusted operating profit before tax

For the year ended 31 December 2022	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[2] £m	Operating profit/(loss) after tax £m	Tax expense/ (credit) £m	Operating profit/(loss) before tax £m
LGRI[3]	**620**	**298**	**918**	**(15)**	**177**	**(2)**	**–**	**1,078**	**179**	**1,257**
LGC	**404**	**–**	**404**	**–**	**–**	**–**	**–**	**404**	**105**	**509**
LGIM	**293**	**–**	**293**	**–**	**–**	**–**	**–**	**293**	**47**	**340**
Retail	**554**	**(4)**	**550**	**(45)**	**205**	**(16)**	**(24)**	**670**	**155**	**825**
– Insurance	308	(12)	296	(12)	7	(14)	(24)	253	88	341
– Retail Retirement[3]	246	8	254	(33)	198	(2)	–	417	67	484
Total from divisions	**1,871**	**294**	**2,165**	**(60)**	**382**	**(18)**	**(24)**	**2,445**	**486**	**2,931**
Group debt costs	**(173)**	**–**	**(173)**	**–**	**–**	**–**	**–**	**(173)**	**(41)**	**(214)**
Group investment projects and expenses	**(73)**	**–**	**(73)**	**–**	**–**	**–**	**(79)**	**(152)**	**(42)**	**(194)**
Total	**1,625**	**294**	**1,919**	**(60)**	**382**	**(18)**	**(103)**	**2,120**	**403**	**2,523**

1. Release from operations within Insurance includes £85m of dividends from the US Insurance business.
2. Other within Insurance includes experience variances, changes in valuation assumptions (including changes to assumed asset allocation) and non-cash items for US Insurance.
3. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Further details are provided in Note 28.

Release from operations for LGRI, and the UK protection and retail annuity businesses within Retail 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 workplace savings within Retail Retirement, the release from operations represents the expected annual management charges generated from the in-force business less expected expenses. The Insurance release from operations also includes dividends remitted from US Insurance business and IFRS profit after tax for the Fintech business.

New business surplus/(strain) for LGRI, and the UK protection and retail annuity businesses within Retail represents the initial profit or loss from writing new business. This includes the costs associated with acquiring new business and setting up prudent reserves, net of tax. Similarly for workplace savings, this includes the cost of acquiring new business in the year less the annual management charges generated by the assets under administration (AUA), net of tax. The new business surplus and release from operations for LGRI and Retail excludes any capital held in excess of the prudent reserves from the liability calculation.

LGRI and Retail Retirement's annuity new business metrics are presented based on a single target long-term asset portfolio. At certain year 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 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 LGRI and Retail is defined as release from operations plus new business surplus/(strain).

Release from operations and net release from operations for LGC and LGIM represents the adjusted operating profit (net of tax).

See Note 2 (iii) for more detail on experience variances, changes to valuation assumptions and non-cash items.

2 Supplementary adjusted operating profit information continued

(ii) Reconciliation of release from operations to adjusted operating profit before tax continued

For the year ended 31 December 2021	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[2] £m	Operating profit/(loss) after tax £m	Tax expense/(credit) £m	Operating profit/(loss) before tax £m
LGRI[3]	512	193	705	40	212	27	–	984	170	1,154
LGC	379	–	379	–	–	–	–	379	82	461
LGIM	342	–	342	–	–	–	–	342	80	422
Retail	463	54	517	28	121	2	(138)	530	90	620
– Insurance	236	27	263	14	82	6	(138)	227	41	268
– Retail Retirement[3]	227	27	254	14	39	(4)	–	303	49	352
Total from divisions	1,696	247	1,943	68	333	29	(138)	2,235	422	2,657
Group debt costs	(186)	–	(186)	–	–	–	–	(186)	(44)	(230)
Group investment projects and expenses	(69)	–	(69)	–	–	–	(68)	(137)	(28)	(165)
Total	1,441	247	1,688	68	333	29	(206)	1,912	350	2,262

1. Release from operations within Insurance includes £80m of dividends from the US Insurance business.
2. Other within insurance includes experience variances, changes in valuation assumptions (including changes to assumed asset allocation) and non-cash items for US Insurance.
3. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 28.

(iii) Analysis of LGRI and Retail adjusted operating profit

For the year ended 31 December 2022	LGRI[1] 2022 £m	Retail[1] 2022 £m	LGRI[1] 2021 £m	Retail[1] 2021 £m
Net release from operations	**918**	**550**	705	517
Experience variances				
– Persistency	**(1)**	**(7)**	1	(5)
– Mortality/morbidity	**37**	**17**	24	29
– Expenses	**(15)**	**(15)**	6	(1)
– Project and development costs	**(16)**	**(6)**	(11)	(19)
– Other	**(20)**	**(34)**	20	24
Total experience variances	**(15)**	**(45)**	40	28
Changes in valuation assumptions				
– Persistency	**–**	**(10)**	–	(5)
– Mortality/morbidity[2,3]	**174**	**229**	153	46
– Expenses	**–**	**(13)**	–	(1)
– Other[4]	**3**	**(1)**	59	81
Total changes in valuation assumptions	**177**	**205**	212	121
Movement in non-cash items	**(2)**	**(16)**	27	2
Other[5]	**–**	**(24)**	–	(138)
Operating profit after tax	**1,078**	**670**	984	530
Tax expense	**179**	**155**	170	90
Operating profit before tax	**1,257**	**825**	1,154	620

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 28.
2. The positive impact of changes in Mortality/morbidity valuation assumptions in Retail is driven by routine longevity assumption changes in 2022, for which an update to the base mortality assumption is the largest component of the movement. We have adopted a modified CMI 2020 model, with no weight given to 2020 data due to the uncertainty in the data created by Covid-19.
3. In both 2022 and 2021, changes in valuation assumptions for Mortality/morbidity in LGRI reflect updates to UK longevity trend and spouse demography assumptions.
4. In 2021, the £81m positive Other changes in valuation assumptions in Retail reflected the benefit of modelling improvements in UK retail protection, including the introduction of an illiquidity premium in the liability discount rate.
5. Other includes experience variances, changes in valuation assumptions (including changes to assumed asset allocation) and non-cash items relating to US Insurance, which also includes the benefits from reinsuring the in-force universal life book of protection business.

(iv) Investment and other variances

	2022 £m	2021 £m
Investment variance related to protection liabilities[1]	841	111
Investment variance related to the traded investment portfolio and direct investments[2]	(408)	19
Other investment variance[3]	(164)	211
Investment variance	**269**	**341**
M&A related and other variances[4]	(132)	(108)
Total investment and other variances	**137**	**233**

1. The positive investment variance in protection liabilities of £841m reflects the formulaic impact of the increases in UK and US government bond yields which have resulted in higher discount rates being used to calculate the group's protection liabilities.
2. The negative investment variance in the traded investments portfolio and direct investments of £408m largely reflects volatile global equity market performance in the traded investment portfolio, as well as the revaluation of some land assets and development projects as a result of higher interest rates.
3. Other investment variance includes the IAS 19 movements in respect of the group's defined benefit pension schemes.
4. M&A related and other variances include gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets (including direct investments developed with the intention of sale), the impact of economic assumption changes caused by changes in market conditions or expectations (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 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 year. The assumptions underlying the calculation of the expected returns for traded equity, commercial property and residential property are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle.

The long-term expected investment returns are:

	2022	2021
Equities	7%	7%
Commercial property	5%	5%
Residential property[1]	3.5%	RPI + 50bps

1. In previous years the assumption RPI + 50bps was in line with average historical returns. Due to the current spike in inflation and in order to keep the rate aligned to average historical returns, it was updated to 3.5% in 2022.

Additionally, the LGC alternative asset portfolio comprises investments in specialist commercial real estate, clean energy, housing and SME finance. The long-term expected investment return across the portfolio is on average between 10% and 12% (2021: 8% and 10%), in line with our stated investment objectives. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The expected investment return includes assumptions on appropriate discount rates and inflation as well as sector specific assumptions including retail and commercial property yields and power prices.

3 Other expenses

An analysis of other expenses is set out below:

	Notes	2022 £m	2021 £m
Staff costs (including pension costs and share-based payments)	32	**1,194**	1,014
Redundancy costs		**4**	4
Lease rentals[1]		**–**	4
Auditor's remuneration	31	**18**	12
Depreciation and impairment of plant and equipment		**57**	53
Amortisation and impairment of other intangible assets	9	**46**	89
House building expenses[2]		**1,123**	1,072
Other administrative expenses		**890**	860
Total other expenses		**3,332**	3,108

1. Lease rentals represent expenses on short-term leases or low value leases.
2. House building expenses represent the cost of sales of the group's housing businesses, including CALA Homes. A total of £1,429m (2021: £1,314m) of house building income has been recognised in the year (see Note 28 (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 2022 £m	Per share[1] 2022 p	Dividend 2021 £m	Per share[1] 2021 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2020 dividend paid in June 2021	**–**	**–**	754	12.64
– Interim 2021 dividend paid in September 2021	**–**	**–**	309	5.18
– Final 2021 dividend paid in June 2022	**792**	**13.27**	–	–
– Interim 2022 dividend paid in September 2022	**324**	**5.44**	–	–
Total dividends	**1,116**	**18.71**	1,063	17.82
Ordinary share dividend proposed	**829**	**13.93**	790	13.27

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.

Subsequent to 31 December 2022, the directors declared a final dividend for 2022 of 13.93 pence per ordinary share. This dividend will be paid on 5 June 2023. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2023 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2022.

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 2022 £m	Per share[1] 2022 p	After tax 2021 £m	Per share[1] 2021 p
Profit for the year attributable to equity holders	**2,291**	**38.72**	2,050	34.58
Less: coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**(23)**	**(0.39)**	(23)	(0.39)
Total basic earnings	**2,268**	**38.33**	2,027	34.19

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 2022 £m	Weighted average number of shares 2022 m	Per share[1] 2022 p
Profit for the year attributable to equity holders	**2,291**	**5,917**	**38.72**
Net shares under options allocable for no further consideration	**–**	**55**	**(0.36)**
Conversion of restricted Tier 1 notes	**–**	**307**	**(1.87)**
Total diluted earnings	**2,291**	**6,279**	**36.49**

	After tax 2021 £m	Weighted average number of shares 2021 m	Per share[1] 2021 p
Profit for the year attributable to equity holders	2,050	5,929	34.58
Net shares under options allocable for no further consideration	–	59	(0.34)
Conversion of restricted Tier 1 notes	–	307	(1.67)
Total diluted earnings	2,050	6,295	32.57

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 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 52 to 59.

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 15 to 17.

Legal & General Retirement Institutional (LGRI)

Annuity contracts

Pension Risk Transfer (PRT) represents bulk annuities, whereby the group accepts the assets and liabilities of a company pension scheme or a life fund. Annuities provide guaranteed income for a specified time, usually the life of the policyholder and may include a guaranteed payment period. PRT business consists of both immediate and deferred annuities.

Immediate annuities provide a regular income stream to the policyholder and are in payment at the date of the transaction.

Deferred annuities provide a regular income stream to the policyholder where the income stream starts at a future date after the transaction. Some deferred contracts accepted by the group contain guaranteed cash options, predominantly minimum factors for commuting part of the annuity income into cash at the date of vesting.

There is a block of immediate and deferred annuities within the UK business with benefits linked to changes in the RPI or for a minority the CPI, but with contractual maximum or minimum increases. Impact on profit due to changes in inflation can be found within the IFRS sensitivity analysis note.

Investment contracts

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.

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 and Chicago 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 unit linked 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.

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 four sectors: specialist commercial real estate, clean energy, housing and SME finance. LGC deploys 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.

Retail

The Retail division comprises Insurance and Retail Retirement businesses.

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
US protection represents 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.

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.

Reinsurance is used within the protection businesses to manage exposure to large claims for individual term business and virtually all universal life business. These practices lead to the establishment of reinsurance assets on the group's balance sheet. Within our US business, Legal & General America (LGA), reinsurance and securitisation are also used to provide regulatory solvency relief (including relief from regulation governing term insurance).

Annuities
Immediate annuities have similar characteristics as products sold by LGRI. 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.

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.

6 Principal products continued

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.

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.

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.

Workplace Savings

Workplace Savings provides corporate pension scheme solutions to enable companies to meet their auto-enrolment obligations. Workplace Savings acts as scheme operator and administrator for these products while the customers hold the individual or scheme level pension policies issued by Legal and General Assurance Society Limited (LGAS).

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 17.

The group is not directly exposed to any market risk, credit risk or liquidity risk associated with LGIM's businesses, and as a result, the detailed risk disclosures have not been presented. However, LGIM's income is related to the value of funds under management, and so they are indirectly exposed to market risks that impact the value of assets underlying those funds.

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 in the table below.

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.

Market risks

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 and capital requirements do not perform in line with investment and product pricing assumptions leading to a potential financial loss.	Retail, LGRI and LGC	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 and inflation 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.	Retail and LGIM	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.	Retail and LGRI	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 may be affected by the performance of the housing market. Revenue streams may also be impacted by significant increases in the cost of raw materials or disruption to supply chains. 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.
Independent valuations of real estate assets, either in development or developed, also depend on an assessment of the wider real estate market.	Retail and LGRI	Diversification by geographic region and property type avoids concentration of exposures to specific areas of the property market.
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.	Retail, LGRI and LGC	To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to corporate bonds and equities 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.	Retail and 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 and floor 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.	Retail, LGRI, LGC 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. Assets which are not backing liabilities are hedged in line with the Group's overall tolerance for interest rate risk. The asset-liability matching and hedging do not eliminate all interest rate risk and the group retains some residual risk.

7 Asset risk continued

Credit risk

Principal risks	Business segment	Controls to mitigate risks
Bond default risk A significant portfolio of corporate and infrastructure 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. LGC is also exposed to the risk of issuer default through its investment in European private credit manager, Pemberton.	Retail, LGRI and LGC	Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region to limit exposure to a default event. Exposures 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. If appropriate, actions are taken to trade out investments at risk of default – in some instances financial instruments may also be used to mitigate the impact of rating downgrades and defaults.
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. 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.	Retail and LGRI	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 commercial property loans and sale and leaseback investments. We are inherently exposed to the risk of default by a borrower or tenant.	Retail and LGRI	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. In the case of commercial property lending we 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.	Retail, LGRI, LGC and Group	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.

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.	Retail 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 annuity businesses, 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.	Retail and LGRI	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 2022, LGRI and Retail 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. Alternative equity investments are also inherently illiquid forms of investment, with limited secondary markets to realise the value of assets.	Retail, LGRI 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 2022, the group had £4,834m (2021: £3,596m) of cash and cash equivalents in shareholder funds and a £1.5bn (2021: £1.0bn) syndicated committed revolving credit facility in place, provided by a number of its key relationship banks, maturing in August 2027.

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 and hedging arrangements are in place as mechanisms to mitigate the risks.

The two 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.

Shareholder

All non-unit linked assets are classified as shareholder assets. Shareholders of the group are directly exposed to market and credit risk on these assets, including those backing the non-unit linked business.

The table below presents an analysis of the balance sheet by category. The quantitative risk disclosures in Notes 15 and 16 have been provided using this categorisation.

As at 31 December 2022	Shareholder £m	Unit linked £m	Total £m
Assets			
Goodwill and Other intangible assets	**512**	**–**	**512**
Investment in associates and joint ventures accounted for using the equity method	**554**	**–**	**554**
Property, plant and equipment	**252**	**74**	**326**
Investments[1]	**127,290**	**363,341**	**490,631**
Reinsurers' share of contract liabilities	**6,955**	**–**	**6,955**
Other assets	**7,683**	**6,615**	**14,298**
Total assets	**143,246**	**370,030**	**513,276**
Liabilities			
Core borrowings	**4,432**	**(94)**	**4,338**
Operational borrowings	**963**	**256**	**1,219**
Non-participating contract liabilities	**71,752**	**285,415**	**357,167**
Other liabilities	**53,989**	**84,424**	**138,413**
Total liabilities	**131,136**	**370,001**	**501,137**

As at 31 December 2021	Shareholder £m	Unit linked £m	Total £m
Assets			
Goodwill and Other intangible assets	433	–	433
Investment in associates and joint ventures accounted for using the equity method	375	–	375
Property, plant and equipment	242	74	316
Investments[1]	114,829	450,182	565,011
Reinsurers' share of contract liabilities	7,180	–	7,180
Other assets	6,701	2,622	9,323
Total assets	129,760	452,878	582,638
Liabilities			
Core borrowings	4,309	(53)	4,256
Operational borrowings	924	8	932
Non-participating contract liabilities	91,698	371,081	462,779
Other liabilities	21,916	81,812	103,728
Total liabilities	118,847	452,848	571,695

1. Investments includes financial investments, investment property and cash and cash equivalents.

9 Other intangible assets

Other intangible assets mainly consist of capitalised software costs and intangible assets acquired as part of a business combination (customer relationships and brand).

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. Costs incurred to internally develop software are only capitalised if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete such development and to use or sell the asset. Otherwise, such costs are recognised in profit or loss as incurred.

Intangible assets acquired via business combinations are recognised at fair value and are subsequently amortised on a straight line basis over their estimated useful life. The brand balance acquired by the group is deemed to have an indefinite useful life and is therefore not amortised.

The estimated amortisation periods for intangible assets with finite useful lives are as follows:

- IT development and software 3-10 years
- Customer relationship 3 years

Amortisation methods, useful lives and any expected residual values are reviewed at each reporting date and adjusted if appropriate. The amortisation charge for the year is recognised in the Consolidated Income Statement in Other expenses (see Note 3). For impairment testing, other intangible assets are tested either individually or at the cash-generating unit level. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with finite useful lives are tested when there are indications of impairment. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Any impairments are recognised in Other expenses (see Note 3).

	Capitalised software costs[1] 2022 £m	Other[2] 2022 £m	Total 2022 £m
Cost			
As at 1 January	**450**	**34**	**484**
Additions	**120**	**1**	**121**
Disposals	**(34)**	**–**	**(34)**
Increase due to currency translation	**5**	**–**	**5**
Other movements[3]	**(21)**	**–**	**(21)**
As at 31 December	**520**	**35**	**555**
Accumulated amortisation and impairment			
As at 1 January	**(115)**	**(4)**	**(119)**
Amortisation for the year	**(45)**	**(1)**	**(46)**
Impairment	**–**	**–**	**–**
Disposals	**28**	**–**	**28**
Other movements[3]	**23**	**–**	**23**
As at 31 December	**(109)**	**(5)**	**(114)**
Total net book value as at 31 December	**411**	**30**	**441**
To be amortised within 12 months			**43**
To be amortised after 12 months			**398**

1. Total capitalised software costs include £204m of work in progress assets that are not yet available for use as at 31 December 2022.
2. Other intangible assets include brand (£24m) and product design costs (£6m) as at 31 December 2022.
3. Other movements primarily reflect the removal of fully amortised assets that are no longer in use.

9 Other intangible assets continued

	Capitalised software costs[1] 2021 £m	Other[2] 2021 £m	Total 2021 £m
Cost			
As at 1 January	372	33	405
Additions	120	1	121
Increase due to currency translation	1	–	1
Other movements[3]	(43)	–	(43)
As at 31 December	450	34	484
Accumulated amortisation and impairment			
As at 1 January	(73)	(3)	(76)
Amortisation for the year	(39)	(1)	(40)
Impairment	(49)	–	(49)
Other movements[3]	46	–	46
As at 31 December	(115)	(4)	(119)
Total net book value as at 31 December	335	30	365
To be amortised within 12 months			60
To be amortised after 12 months			305

1. Total capitalised software costs include £152m of work in progress assets that were not yet available for use as at 31 December 2021.
2. Other intangible assets include brand (£24m) and product design costs (£6m) as at 31 December 2021.
3. Other movements primarily reflect the removal of fully amortised assets that were no longer in use.

10 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.

In general, the group's policy is to measure investments at FVTPL. 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 Financial Risk Committee and the group's investment strategy. Assets designated as FVTPL include debt securities (including lifetime and retirement interest only mortgages), 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 non-participating policyholder liabilities are designated as FVTPL. The group's non-participating investment contract liabilities are measured on the basis of current information and are designated as FVTPL.

All derivatives other than those designated as hedges are classified as HFT. 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.

Certain other 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 recognised 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 is comprised of 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.

10 Financial investments and investment property continued

	Note	Shareholder 2022 £m	Unit linked 2022 £m	Total 2022 £m
Financial investments at fair value classified as:				
Fair value through profit or loss		**72,945**	**312,003**	**384,948**
Available-for-sale		**789**	**–**	**789**
Held for trading		**41,978**	**3,449**	**45,427**
Loans at fair value	10(ii)	**1,072**	**13,211**	**14,283**
Financial investments at fair value		**116,784**	**328,663**	**445,447**
Loans at amortised cost	10(ii)	**28**	**–**	**28**
Total financial investments		**116,812**	**328,663**	**445,475**
Investment property		**5,644**	**3,728**	**9,372**
Total financial investments and investment property		**122,456**	**332,391**	**454,847**
Expected to be recovered within 12 months				**41,466**
Expected to be recovered after 12 months				**413,381**

	Note	Shareholder 2021 £m	Unit linked 2021 £m	Total 2021 £m
Financial investments at fair value classified as:				
Fair value through profit or loss		89,323	419,991	509,314
Available-for-sale		665	–	665
Held for trading		13,203	3,589	16,792
Loans at fair value	10(ii)	2,240	9,271	11,511
Financial investments at fair value		105,431	432,851	538,282
Loans at amortised cost	10(ii)	92	–	92
Total financial investments		105,523	432,851	538,374
Investment property		5,710	4,440	10,150
Total financial investments and investment property		111,233	437,291	548,524
Expected to be recovered within 12 months				48,766
Expected to be recovered after 12 months				499,758

Investment risks on unit linked assets are borne by the policyholders. The remaining risks associated with financial investments are outlined in Note 7.

Financial investments, cash and cash equivalents include:

- £7,161m (2021: £3,826m) 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 (2021: Treasury Gilts, Foreign Government Bonds, AAA and AA Corporate Bonds and Cash) having a residual maturity of over 38 years (2021: over 34 years).
- £5,617m (2021: £7,586m) of assets pledged as collateral in relation to various pension risk transfer deals. The assets used as collateral are Treasury Gilts, AAA to BBB Corporate Bonds and Cash (2021: Treasury Gilts, AAA to BBB Corporate Bonds and Cash) having a residual maturity of over 88 years (2021: over 89 years).
- £673m (2021: £900m) of assets pledged in respect of longevity swaps with reinsurance counterparties. The assets used as collateral are Treasury Gilts and AAA to AA Corporate Bonds (2021: Treasury Gilts, AAA to A Corporate Bonds) having a residual maturity of over 45 years (2021: over 47 years).

While pledged as collateral, the group is entitled to receive all of the cash flows from the assets above, and there is no obligation to pay or transfer cash flows arising from them to another entity. These assets are neither past due, nor impaired. The carrying value reflects the full exposure of these assets.

The group is permitted to sell or repledge collateral as per the International Swap Dealers Association agreements in place, including where there has been no default by the owner of the collateral. As at 31 December 2022, the group had repledged cash collateral with a fair value of £980m (2021: £227m) in order to fulfil other collateral requirements in relation to derivatives contracts. The counterparties have an obligation to return the cash collateral to the group. There are no other significant terms and conditions associated with the use of this cash collateral.

Financial investments include £31,533m (2021: £46,331m) of assets that have been sold but not derecognised and are subject to repurchase agreements. Risks and rewards of these assets have been retained within the group. The related obligation to repurchase the financial assets is included within Payables and other financial liabilities (Note 24).

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 2022 £m	Unit linked 2022 £m	Total 2022 £m
Equity securities		**3,071**	**164,264**	**167,335**
Debt securities		**70,663**	**147,739**	**218,402**
Derivative assets	12	**41,978**	**3,449**	**45,427**
Loans at fair value	10(ii)	**1,072**	**13,211**	**14,283**
Total financial investments at fair value		**116,784**	**328,663**	**445,447**

	Notes	Shareholder 2021 £m	Unit linked 2021 £m	Total 2021 £m
Equity securities		3,185	209,864	213,049
Debt securities		86,803	210,127	296,930
Derivative assets	12	13,203	3,589	16,792
Loans at fair value	10(ii)	2,240	9,271	11,511
Total financial investments at fair value		105,431	432,851	538,282

Included within unit linked equity securities are £187m (2021: £237m) of debt instruments which incorporate an embedded derivative linked to the value of the group's share price.

(ii) Loans

	Shareholder 2022 £m	Unit linked 2022 £m	Total 2022 £m
Loans at amortised cost			
Policy loans	**27**	**–**	**27**
Other loans and receivables	**1**	**–**	**1**
	28	**–**	**28**
Loans at fair value			
Reverse repurchase agreements	**1,072**	**13,211**	**14,283**
Total loans	**1,100**	**13,211**	**14,311**

	Shareholder 2021 £m	Unit linked 2021 £m	Total 2021 £m
Loans at amortised cost			
Policy loans	30	–	30
Other loans and receivables	62	–	62
	92	–	92
Loans at fair value			
Reverse repurchase agreements	2,240	9,271	11,511
Total loans	2,332	9,271	11,603

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.

10 Financial investments and investment property continued
(iii) Fair value hierarchy continued

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).

All of the group's Level 2 assets have been valued 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; OTCs are marked to market using an in-house system (Lombard Oberon), external vendor (IHS Markit), internal model or Counterparty Broker marks. In normal market conditions, we would consider these market prices to be observable market prices. Following consultation with our pricing providers and a number of their contributing brokers, we have considered that these prices are not from a suitably active market and have therefore classified them as Level 2.

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 2020 the group enhanced the level of market data it uses to support the determination of the observability of valuation inputs, and this has increased the sensitivity of the levelling assessment to trading volumes, which in turn has increased the number of debt securities transferring between Level 1 and Level 2. At 31 December 2022 debt securities totalling net £6.0bn (2021: £5.2bn) transferred from Level 2 to Level 1 in the fair value hierarchy.

For the year ended 31 December 2022	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Shareholder				
Equity securities	**3,071**	**1,236**	**41**	**1,794**
Debt securities	**70,663**	**17,239**	**31,339**	**22,085**
Derivative assets	**41,978**	**106**	**41,872**	**–**
Loans at fair value[1]	**1,072**	**–**	**1,072**	**–**
Investment property	**5,644**	**–**	**–**	**5,644**
Total Shareholder	**122,428**	**18,581**	**74,324**	**29,523**
Unit linked				
Equity securities	**164,264**	**163,727**	**24**	**513**
Debt securities	**147,739**	**105,955**	**40,757**	**1,027**
Derivative assets	**3,449**	**164**	**3,285**	**–**
Loans at fair value	**13,211**	**–**	**13,211**	**–**
Investment property	**3,728**	**–**	**–**	**3,728**
Total Unit linked	**332,391**	**269,846**	**57,277**	**5,268**
Total financial investments and investment property at fair value[1]	**454,819**	**288,427**	**131,601**	**34,791**

For the year ended 31 December 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	3,185	1,854	63	1,268
Debt securities	86,803	32,593	29,887	24,323
Derivative assets	13,203	9	13,194	–
Loans at fair value[1]	2,240	–	2,240	–
Investment property	5,710	–	–	5,710
Total Shareholder	111,141	34,456	45,384	31,301
Unit linked				
Equity securities	209,864	209,119	25	720
Debt securities	210,127	170,838	38,726	563
Derivative assets	3,589	90	3,499	–
Loans at fair value	9,271	–	9,271	–
Investment property	4,440	–	–	4,440
Total Unit linked	437,291	380,047	51,521	5,723
Total financial investments and investment property at fair value[1]	548,432	414,503	96,905	37,024

1. Excludes loans (including accrued interest) of £28m (2021: £92m), which are held at amortised cost.

(a) Level 3 assets measured at fair value

Level 3 assets, where modelling techniques are used, are comprised of 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, retirement interest only and other lifetime 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.

	Equity securities 2022 £m	**Other financial investments 2022 £m**	**Investment property 2022 £m**	**Total 2022 £m**	Equity securities 2021 £m	Other financial investments 2021 £m	Investment property 2021 £m	Total 2021 £m
As at 1 January	**1,988**	**24,886**	**10,150**	**37,024**	1,801	21,957	8,475	32,233
Total gains/(losses) for the year								
– in other comprehensive income	**–**	**2**	**–**	**2**	–	(3)	–	(3)
– realised gains/(losses)[1]	**28**	**(9)**	**81**	**100**	31	12	(4)	39
– unrealised gains/(losses)[1]	**83**	**(6,149)**	**(1,796)**	**(7,862)**	208	(87)	1,028	1,149
Purchases/Additions	**504**	**11,689**	**1,307**	**13,500**	130	5,429	985	6,544
Sales/Disposals	**(381)**	**(7,708)**	**(377)**	**(8,466)**	(153)	(2,351)	(334)	(2,838)
Transfers into Level 3	**84**	**72**	**–**	**156**	2	10	–	12
Transfers out of Level 3	**(41)**	**–**	**–**	**(41)**	(31)	(112)	–	(143)
Foreign exchange rate movements	**42**	**329**	**7**	**378**	–	31	–	31
As at 31 December	**2,307**	**23,112**	**9,372**	**34,791**	1,988	24,886	10,150	37,024

1. Realised and unrealised gains/(losses) are recognised in Investment return in the Consolidated Income Statement.

Equity securities

Level 3 equity securities amount to £2,307m (2021: £1,988m), 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 assets. 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.

10 Financial investments and investment property continued
(iii) Fair value hierarchy continued
(a) Level 3 assets measured at fair value continued
Other financial investments

Lifetime mortgage (LTM) loans and retirement interest only mortgages amount to £4,844m (2021: £6,857m). Lifetime mortgages are valued using a discounted cash flow model by projecting best-estimate net asset proceeds and discounted using rates inferred from current LTM loan pricing. The inferred illiquidity premiums for the majority of the portfolio range between 100 and 250bps. 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. Lifetime mortgages include a no negative equity guarantee (NNEG) to borrowers. This ensures that if there is a shortfall between the sale proceeds of the property 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 short-term and long-term property growth rates, property index volatility, voluntary early repayments and longevity assumptions. The valuation as at 31 December 2022 reflects a combination of short-term and long-term property growth rate assumptions equivalent to a flat rate of 2.6% annually, after allowing for the effects of dilapidation. The values of the properties collateralizing 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 £13,461m (2021: £13,521m). 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 provide an independent 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 as far back 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 7.8 years, with a weighted average life of 10.2 years. Maturities in the portfolio currently extend out to 2064. The private credit portfolio of assets 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 £2,310m (2021: £1,762m). 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 2022 reflects illiquidity premiums between 20 and 70bps.

Income strip assets amount to £1,414m (2021: £1,626m). 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 2022 reflects equivalent yield ranges between 3% and 8% and estimated rental values (ERV) between £5 and £310 per sq.ft.

Commercial mortgage loans amount to £1,000m (2021: £1,021m) and are determined by incorporating credit risk for performing loans at the portfolio level and adjusted 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 2022 reflects illiquidity premiums between 20 and 30bps.

Other debt securities which are not traded in an active market amount to £83m (2021: £99m). They have been valued using third party or counterparty valuations, and these prices are considered to be unobservable due to infrequent market transactions.

Investment property

Level 3 investment property amounting to £9,372m (2021: £10,150m) 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 market sentiment based on historic transactional comparables.

The valuation of investment properties also includes 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 2022 reflects equivalent yield ranges between 2% and 20% and ERV between £1 and £357 per sq.ft.

The table below shows the valuation of investment property by sector:

	2022 £m	2021 £m
Retail	**780**	1,025
Leisure	**461**	482
Distribution	**1,104**	1,552
Office space	**4,069**	4,223
Industrial and other commercial	**1,624**	1,767
Accommodation	**1,334**	1,101
Total	**9,372**	10,150

(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 to the fair value of Level 3 assets as at 31 December 2022. Further disclosure on how these sensitivities have been applied can be found in the descriptions following the table.

		Sensitivities	
	Fair value 2022 £m	Positive impact 2022 £m	Negative impact 2022 £m
Lifetime mortgages	**4,844**	**189**	**(189)**
Private credit portfolios	**16,771**	**911**	**(911)**
Investment property	**9,372**	**812**	**(859)**
Other investments[1]	**3,804**	**514**	**(289)**
Total Level 3 assets	**34,791**	**2,426**	**(2,248)**

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 lifetime mortgage assets are listed in Note 10(iii)(a) and sensitivities are applied to each assumption which are used to derive the values in the above table. The most significant reduction in value is -10% instant reduction in property valuation across the portfolio which, applied in isolation produces a sensitised value of £(75)m. The most significant increase in value is -10bps to the discount rate which, applied in isolation produces a sensitised value of £65m.

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 lower for highly rated and/or shorter duration assets as compared to lower rated and/or longer duration assets. A significant component of the spread differential is in relation to the selection of comparator bonds, which is the potential difference in spread of the basket of relevant comparators determined by respective investors. If we were to take an AA rated asset it may attract a spread differential of 15bps on the selection of comparator bonds as opposed to 40bps for a similar duration BBB rated asset. Applied in isolation the sensitivity used to reflect the spread in comparator bond selection results in sensitised values of £313m and £(313)m.

10 Financial investments and investment property continued
(iii) Fair value hierarchy continued
(b) Effect of changes in assumptions on Level 3 assets continued
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 £603m and £(603)m.

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.

(iv) Interest rate benchmark reform
In the UK, GBP LIBOR was replaced by SONIA from the end of 2021, and USD LIBOR is expected to be replaced by mid-2023. Euribor will remain but will be administered by the Euro Money Markets Institute (EMMI).

The group transitioned away from GBP LIBOR by 31 December 2021, with only a few remaining cross currency positions which matured and rolled off in March 2022. As at 31 December 2022, a residual amount of floating-rate notes remains which reference a 'synthetic' LIBOR, as permitted.

At the start of the transition project, the group's holding of USD LIBOR was significantly smaller than GBP LIBOR. Aligned with the different currency transition dates, trading out of USD LIBOR has been more gradual and the group holds interest rate swaps and floating-rate notes which still reference the index. It is expected that these will be replaced by USD SOFR before the 23 June 2023 transition date.

The following table contains details of all the financial instruments currently subject to the IBOR reform that the group holds on its balance sheet at 31 December 2022 which have not yet transitioned to an alternative interest rate benchmark. The amounts of non-derivative financial assets are shown at their carrying amounts and derivatives are shown at their notional amounts.

	GBP LIBOR 2022 £m	USD LIBOR 2022 £m	Total 2022 £m	GBP LIBOR 2021 £m	USD LIBOR 2021 £m	Total 2021 £m
Non-derivative financial assets						
Debt securities	**64**	**110**	**174**	229	55	284
Derivatives	**–**	**32,460**	**32,460**	743	59,356	60,099

11 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') implemented IFRS 9 in 2018. The financial statements of these entities made available through Companies House.

(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] 2022 £m	All other financial assets[3] 2022 £m	Financial assets passing the SPPI test[1,2] 2021 £m	All other financial assets[3] 2021 £m
Equity securities	–	167,335	–	213,049
Debt securities	1,729	216,673	2,296	294,634
Derivative assets	–	45,427	–	16,792
Loans at fair value	–	14,283	–	11,511
Total financial investments at fair value	**1,729**	**443,718**	2,296	535,986
Loans at amortised cost	28	–	92	–
Reinsurance receivables	291	–	84	–
Insurance and intermediaries receivables	36	40	60	9
Other financial assets	9,173	236	5,171	–
Total fair value of financial assets[4]	**11,257**	**443,994**	7,703	535,995

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 2022 there was a change in fair value during the year of £(237)m (2021: £(64)m).
3. For all other financial assets held at 31 December 2022 there was a change in fair value during the year of £(107,453)m (2021: £25,093m).
4. Financial assets exclude cash and cash equivalents and receivables under finance leases.

(ii) Credit risk information of financial assets passing the SPPI test:

	AAA 2022 £m	AA 2022 £m	A 2022 £m	BBB 2022 £m	BB or below[1] 2022 £m	Other[2] 2022 £m	Total 2022 £m
Total financial investments at fair value	**204**	**158**	**232**	**1,086**	**24**	**25**	**1,729**
Loans at amortised cost	–	–	–	–	–	28	28
Reinsurance receivables	–	207	–	–	–	84	291
Insurance and intermediaries receivables	–	–	–	–	–	36	36
Other financial assets	4	72	10	10	–	9,077	9,173
Total carrying value of financial assets passing the SPPI test[3]	**208**	**437**	**242**	**1,096**	**24**	**9,250**	**11,257**

	AAA 2021 £m	AA 2021 £m	A 2021 £m	BBB 2021 £m	BB or below[1] 2021 £m	Other[2] 2021 £m	Total 2021 £m
Total financial investments at fair value	327	257	485	1,180	47	–	2,296
Loans at amortised cost	–	–	1	–	–	91	92
Reinsurance receivables	–	–	–	–	–	84	84
Insurance and intermediaries receivables	–	–	–	–	–	60	60
Other financial assets	–	1	91	9	2	5,068	5,171
Total carrying value of financial assets passing the SPPI test[3]	327	258	577	1,189	49	5,303	7,703

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 2022 is £42m (31 December 2021: £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 Derivative assets and liabilities

The group uses derivatives as a component of efficient portfolio management. This includes, but is not limited to, hedging economic exposure to foreign currencies, interest rates, inflation and credit risks. 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 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 exposure to fair value movements of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect the Consolidated Income Statement; and
(iii) Hedge the exposure to the currency risk associated with a net investment in a foreign operation.

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, and in a separate reserve within equity. Gains and losses accumulated in equity are included in the Consolidated Income Statement on disposal of the relevant hedged item.

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.

	Fair values		Fair values	
	Assets[1] 2022 £m	**Liabilities[2] 2022 £m**	Assets[1] 2021 £m	Liabilities[2,3] 2021 £m
Shareholder derivatives:				
Interest rate contracts – held for trading	**35,630**	**37,684**	9,809	10,158
Interest rate contracts – cash flow hedges	**–**	**–**	–	105
Forward foreign exchange contracts – held for trading	**49**	**44**	34	15
Currency swap contracts – held for trading	**1,103**	**3,004**	463	627
Currency swap contracts – cash flow hedges	**115**	**–**	–	44
Inflation swap contracts – held for trading	**4,964**	**5,092**	2,861	2,778
Credit derivatives – held for trading	**–**	**3**	–	23
Equity/index derivatives – held for trading	**6**	**8**	–	–
Other derivatives – held for trading	**111**	**270**	36	347
Total shareholder derivatives	**41,978**	**46,105**	13,203	14,097
Unit linked derivatives:				
Interest rate contracts – held for trading	**48**	**255**	584	732
Forward foreign exchange contracts – held for trading	**798**	**1,344**	1,851	570
Credit derivatives – held for trading	**6**	**12**	16	34
Inflation swap contracts – held for trading	**2,423**	**3,271**	955	156
Inflation rate contracts – held for trading	**–**	**–**	1	–
Equity/index derivatives – held for trading	**144**	**174**	70	75
Other derivatives – held for trading	**30**	**29**	112	54
Total unit linked derivatives	**3,449**	**5,085**	3,589	1,621
Total derivative assets and liabilities	**45,427**	**51,190**	16,792	15,718

1. Derivative assets are reported in the Consolidated Balance Sheet within Financial investments and investments property (Note 10).
2. Derivative liabilities are reported in the Consolidated Balance Sheet within Payables and other financial liabilities (Note 24).
3. For 2021, the amounts have been updated to reflect the correct analysis of swap contracts across the categories within Shareholder derivatives. There is no impact in respect of the total Payables and other financial liabilities reflected on the group's Consolidated Balance Sheet as at 31 December 2021.

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 cross currency interest rate swaps, enabling the exposure to be swapped into a fixed rate in its functional currency. These had an asset fair value totaling £115m (2021: £44m liability fair value) and a notional amount of £1,099m (2021: £1,099m) at 31 December 2022. There was no ineffectiveness recognised in the income statement in respect of these hedges during 2022.

12 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 2022	**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	**41,978**	**13,014**	**32,933**	**40,608**	**17,202**	**10,783**	**114,540**
Derivative liabilities	**(46,105)**	**12,562**	**19,268**	**28,167**	**12,032**	**6,986**	**79,015**
Total	**(4,127)**	**25,576**	**52,201**	**68,775**	**29,234**	**17,769**	**193,555**
Cash outflows							
Shareholder derivatives							
Derivative assets	**41,978**	**(9,050)**	**(19,698)**	**(25,866)**	**(11,688)**	**(8,073)**	**(74,375)**
Derivative liabilities	**(46,105)**	**(17,532)**	**(35,466)**	**(46,948)**	**(18,626)**	**(10,095)**	**(128,667)**
Total	**(4,127)**	**(26,582)**	**(55,164)**	**(72,814)**	**(30,314)**	**(18,168)**	**(203,042)**
Net cash flows		**(1,006)**	**(2,963)**	**(4,039)**	**(1,080)**	**(399)**	**(9,487)**

		Maturity profile of undiscounted cash flows					
As at 31 December 2021	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	13,203	7,117	10,195	23,937	14,292	13,509	69,050
Derivative liabilities	(14,097)	7,243	9,662	25,002	12,898	11,199	66,004
Total	(894)	14,360	19,857	48,939	27,190	24,708	135,054
Cash outflows							
Shareholder derivatives							
Derivative assets	13,203	(6,458)	(8,293)	(19,864)	(11,135)	(10,017)	(55,767)
Derivative liabilities	(14,097)	(8,261)	(12,596)	(30,235)	(15,500)	(13,291)	(79,883)
Total	(894)	(14,719)	(20,889)	(50,099)	(26,635)	(23,308)	(135,650)
Net cash flows		(359)	(1,032)	(1,160)	555	1,400	(596)

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 tables 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 Receivables and other assets

	Notes	2022 £m	2021 £m
Reinsurance receivables		**291**	84
Receivables under finance leases	13(i)	**192**	169
Accrued interest and rent		**550**	378
Prepayments and accrued income		**384**	289
Insurance and intermediaries receivables		**76**	69
Inventories[1]		**1,973**	2,044
Contract assets[2]		**188**	322
Other receivables[3]		**9,632**	5,270
Total receivables and other assets		**13,286**	8,625
Due within 12 months		**11,469**	7,012
Due after 12 months		**1,817**	1,613

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.

(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, and 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 31 years as at 31 December 2022. 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 2022 £m	Unearned interest income 2022 £m	Present value 2022 £m	Total future payments 2021 £m	Unearned interest income 2021 £m	Present value 2021 £m
Within 1 year	**12**	**(7)**	**5**	10	(5)	5
1-2 years	**12**	**(7)**	**5**	11	(5)	6
2-3 years	**12**	**(7)**	**5**	10	(5)	5
3-4 years	**12**	**(7)**	**5**	10	(5)	5
4-5 years	**12**	**(7)**	**5**	10	(5)	5
After 5 years	**266**	**(99)**	**167**	200	(57)	143
Total	**326**	**(134)**	**192**	251	(82)	169

14 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 2022 £m	Unit linked 2022 £m	Total 2022 £m
Cash at bank and in hand	**942**	**1,101**	**2,043**
Cash equivalents	**3,892**	**29,849**	**33,741**
Total cash and cash equivalents	**4,834**	**30,950**	**35,784**

	Shareholder 2021 £m	Unit linked 2021 £m	Total 2021 £m
Cash at bank and in hand	1,115	2,702	3,817
Cash equivalents	2,481	10,189	12,670
Total cash and cash equivalents	3,596	12,891	16,487

15 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	2022 £m	2021 £m
United Kingdom	**171**	307
North America	**176**	228
Europe	**375**	185
Japan	**18**	17
Asia Pacific	**99**	36
Other	**46**	57
Listed equities	**885**	830
Unlisted equities[1]	**765**	300
Holdings in unit trusts[2]	**1,421**	2,055
Total equities	**3,071**	3,185

1. Unlisted equities are split between £532m (2021: £227m) United Kingdom, £211m (2021: £67m) rest of Europe and £22m (2021: £6m) North America.
2. Limited Partnerships are included within Holdings in unit trusts.

(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	Total 2022 £m	Total 2021 £m
United Kingdom	**31,291**	43,554
USA	**26,725**	26,859
Netherlands	**1,864**	2,763
France	**921**	1,899
Germany	**238**	640
GIIPS:		
– Ireland	**1,648**	1,475
– Italy	**30**	36
– Spain	**202**	278
Belgium	**298**	394
Rest of Europe	**1,888**	2,551
Brazil	**2**	59
Rest of World	**5,504**	6,228
Collateralised debt obligations[1]	**52**	67
Total	**70,663**	86,803

1. All CDOs of £52m (2021: £67m) are domiciled in the Rest of World.

15 Market risk continued
(i) Investment performance risk continued
(c) Additional disclosures on shareholder securities exposure

	2022 £m	2022 %	2021 £m	2021 %
Sovereigns, supras and sub-sovereigns	**8,192**	**12**	14,027	16
Banks:				
– Tier 1	**1**	**–**	–	–
– Tier 2 and other subordinated	**152**	**–**	95	–
– Senior	**4,479**	**6**	6,690	8
– Covered	**114**	**–**	138	–
Financial services:				
– Tier 2 and other subordinated	**209**	**–**	251	–
– Senior	**1,437**	**2**	1,210	1
Insurance:				
– Tier 2 and other subordinated	**267**	**–**	347	–
– Senior	**941**	**1**	1,195	1
Consumer services and goods:				
– Cyclical	**3,185**	**5**	3,398	4
– Non-cyclical	**7,037**	**10**	8,272	10
– Healthcare	**2,285**	**3**	2,421	3
Infrastructure:				
– Social	**5,521**	**8**	6,975	8
– Economic	**4,904**	**7**	5,959	7
Technology and telecoms	**4,405**	**6**	5,062	6
Industrials	**1,462**	**2**	1,307	2
Utilities	**10,759**	**15**	11,876	14
Energy	**1,165**	**2**	1,241	1
Commodities	**999**	**1**	1,262	1
Oil and gas	**1,709**	**3**	2,175	3
Real estate	**3,831**	**6**	3,527	4
Structured finance ABS/RMBS/CMBS/Other	**2,713**	**4**	2,451	3
Lifetime mortgage loans	**4,844**	**7**	6,857	8
Collateralised debt obligations	**52**	**–**	67	–
Total	**70,663**	**100**	86,803	100

Analysis of sovereigns, supras and sub-sovereigns	2022 £m	2021 £m
Market value by region		
United Kingdom	**5,209**	9,829
USA	**1,754**	1,892
Netherlands	**31**	23
France	**106**	485
Germany	**95**	380
Ireland	**187**	302
Belgium	**6**	–
Rest of Europe	**189**	54
Rest of World	**615**	1,062
Total	**8,192**	14,027

(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 (Holdings) 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 2022, the group held net liabilities of £4.3bn (2021: net assets of £0.5bn) 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Profit for the year[1]	**(25)**	(2)	**30**	3
Net assets attributable to USD exposures[1]	**358**	(19)	**(437)**	23

	A 10% increase in EUR:GBP exchange rate		A 10% decrease in EUR:GBP exchange rate	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Profit for the year[1]	**–**	(1)	**–**	1
Net assets attributable to EUR exposures[1]	**37**	(39)	**(45)**	47

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.

16 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 represents the maximum exposure to credit risk.

Shareholder

As at 31 December 2022	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		1,445	3,691	166	105	8	90	5,505
Other fixed rate securities		1,957	4,757	13,662	15,415	446	13,717	49,954
Variable rate securities		306	2,056	1,864	2,701	70	2,729	9,726
Lifetime mortgages		–	–	–	–	–	4,844	4,844
Accrued interest		33	73	183	255	5	85	634
Total debt securities[1]	10(i)	3,741	10,577	15,875	18,476	529	21,465	70,663
Loans	10(ii)	–	303	318	47	9	423	1,100
Derivative assets	12	1	29	38,829	2,938	–	181	41,978
Cash and cash equivalents	14	412	2,067	1,496	77	–	782	4,834
Reinsurers' share of contract liabilities		–	4,138	1,596	999	–	222	6,955
Other assets		145	300	672	68	1	6,288	7,474
Total		4,299	17,414	58,786	22,605	539	29,361	133,004

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £3,549m is rated AAA, £2,443m AA, £8,029m A, £6,964m BBB, £376m BB or below and £104m as other.

As at 31 December 2021	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		1,722	7,389	144	348	9	474	10,086
Other fixed rate securities		1,619	6,146	18,391	17,723	865	14,062	58,806
Variable rate securities		143	1,953	2,539	2,413	64	3,388	10,500
Lifetime mortgages		–	–	–	–	–	6,857	6,857
Accrued interest		22	56	166	231	12	67	554
Total debt securities[1]	10(i)	3,506	15,544	21,240	20,715	950	24,848	86,803
Loans	10(ii)	61	1,309	779	153	–	30	2,332
Derivative assets	12	–	–	11,176	1,925	–	102	13,203
Cash and cash equivalents	14	694	648	1,924	80	–	250	3,596
Reinsurers' share of contract liabilities		–	5,656	1,127	1	–	396	7,180
Other assets		57	35	592	32	7	5,951	6,674
Total		4,318	23,192	36,838	22,906	957	31,577	119,788

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £4,617m is rated AAA, £3,649m AA, £8,675m A, £7,465m BBB, £417m BB or below and £25m as other.

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 on the fair value of assets classified as available for sale.

The table below includes assets at FVTPL and held at amortised cost, and provides information regarding the carrying value of financial assets which have been impaired, as well as 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

As at 31 December 2022	Neither past due nor impaired £m	Past due but not impaired: 0-3 months £m	3-6 months £m	6 months-1 year £m	Over 1 year £m	Impaired £m	Carrying value £m
Shareholder	**131,971**	**761**	**226**	**22**	**24**	**–**	**133,004**

As at 31 December 2021	Neither past due nor impaired £m	Past due but not impaired: 0-3 months £m	3-6 months £m	6 months-1 year £m	Over 1 year £m	Impaired £m	Carrying value £m
Shareholder	119,600	132	23	16	17	–	119,788

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 shareholder funds. 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 2022	**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	**41,978**	**(40,999)**	**(924)**	**(55)**	**–**
Reverse repurchase agreements	**1,072**	**–**	**–**	**(1,072)**	**–**
Total	**43,050**	**(40,999)**	**(924)**	**(1,127)**	**–**
Derivative liabilities	**(46,105)**	**40,999**	**2,212**	**2,894**	**–**
Repurchase agreements	**(837)**	**–**	**–**	**837**	**–**
Total	**(46,942)**	**40,999**	**2,212**	**3,731**	**–**

	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
As at 31 December 2021	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	13,203	(11,720)	(789)	(694)	–
Reverse repurchase agreements	2,240	–	–	(2,240)	–
Total	15,443	(11,720)	(789)	(2,934)	–
Derivative liabilities	(14,097)	11,720	1,895	482	–
Repurchase agreements	(1,116)	–	–	1,116	–
Total	(15,213)	11,720	1,895	1,598	–

1. Related financial instruments represent 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 the 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.

17 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 insurance risk experience being different to that anticipated. Detailed below are the insurance risks associated with each of the group's segments along with the mitigating controls operated. They are applicable to all stated products across the group.

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.	Retail	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.	LGRI and Retail	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.	Retail	The pricing and valuation assumptions for protection business include provision for policy lapses. Actual trends in policy lapse rates are monitored against these assumptions with variances being subject to actuarial investigation.
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.	LGRI and Retail	In determining pricing assumptions, account is taken of expected price and wage inflation, 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.	Retail	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.	Retail	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. Pricing for new business can also be updated to reflect the change in expected claims.

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. 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 such risk extends to all of 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.

18 Long-term insurance valuation assumptions

The group's insurance assumptions, described below, relate to the UK insurance businesses 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 (CMI), 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.

The higher mortality experience observed in 2020 as a result of Covid-19 is considered to be exceptional and, due to insufficient certainty in more recent data, long-term mortality assumptions have not taken this experience into account.

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	2022	2021
Non-linked individual assurance business		
UK term assurances[1]	**99%–101% TM08/TF08 Sel 5**	99%–101% TM08/TF08 Sel 5
UK term assurances with terminal illness[1]	**63%–95% TM08/TF08 Sel 5**	63%–95% TM08/TF08 Sel 5
UK term assurances with critical illness[2]	**109%–159% ACL08 Sel 2**	107%–159% ACL08 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, PCMA00/PCFA00 and UK death registrations**	Bespoke Tables based on TM08/TF08, PCMA00/PCFA00 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]	**70.4%–80.5% PNMA00/PNFA00**	70.9%–81.1% PNMA00/PNFA00
UK Vested annuities[6]		
Pension risk transfer	**71.2%–80.5% PCMA00/PCFA00**	71.6%–81.1% PCMA00/PCFA00
Other annuities	**59.8%–95.4% PCMA00/PCFA00**	59.3%–98.4% 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 of 0.6% p.a. for males and females (2021: 0.6% 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 (2021: 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 2020 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females (2021: Mortality rates are assumed to reduce based on CMI 2019 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 2020 (2021: CMI 2019) with the following parameters:
   Males: Long-term Rate of 1.50% p.a. up to age 85 tapering to 0% at 110 (2021: 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 (2021: 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 up to 2020. The resulting initial rates are then adjusted to reflect socio economic class (2021: smoothing parameter (Sk) value of 7.5 applied to L&G bespoke population data to 2019).
   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 for Females and MP2019 for Males (2021: Improvement table is MP2018 for Females and MP2019 for Males).

18 Long-term insurance valuation assumptions continued

(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 (2021: 9bps) and 42bps for corporate bonds and direct investments (2021: 43bps). This is equivalent to a default provision of £2.2bn at 31 December 2022 (2021: £3.4bn). For lifetime mortgage business, the allowance for risk in respect of lifetime mortgage assets is equivalent to £0.4bn at 31 December 2022 (2021: £0.6bn).

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 US Treasuries) plus a risk adjusted spread addition based on the portfolio of assets LGA invest in. It includes prudent adjustments for default and reinvestment risk.

Rate of interest/discount rates	2022	2021
UK Life assurances	**4.23%–5.09% p.a.**	1.40%–2.52% p.a.
UK Pension assurances	**4.23%–5.09% p.a.**	1.40%–2.52% p.a.
US Life assurances	**2.78%–6.65% p.a.**	1.20%–3.80% p.a.
UK Annuities – Fixed	**4.94% p.a.**	1.78% p.a.
UK Annuities – Index Linked	**1.20% p.a.**	(1.88%) p.a.
US Annuities	**5.29% p.a.**	2.62% 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	2022	2021
UK Level term	**1.6%–35.0%**	1.6%–34.5%
UK Decreasing term	**5.3%–18.0%**	5.3%–18.0%
UK Accelerated critical illness cover	**2.6%–37.8%**	2.6%–37.3%
Pensions term	**2.3%–3.5%**	2.3%–3.8%
Whole of Life (conventional non profit)	**0.4%–6.0%**	0.5%–6.1%
US term – 10 year guarantee period	**5.7%–6.5%**	5.7%–6.5%
US term – 15 year guarantee period	**3.4%–4.6%**	3.4%–4.6%
US term – 20 year guarantee period	**2.4%–4.9%**	2.4%–4.9%
US term – 30 year guarantee period	**1.7%–5.2%**	1.7%–5.2%
US Universal Life	**1.9%**	1.9%

(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, as well as for changes in allocations. 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.

19 IFRS sensitivity analysis

	Impact on pre-tax group profit net of reinsurance 2022 £m	Impact on group equity net of reinsurance 2022 £m	Impact on pre-tax group profit net of reinsurance 2021 £m	Impact on group equity net of reinsurance 2021 £m
Economic sensitivity				
100bps increase in interest rates	**(98)**	**(66)**	55	188
100bps decrease in interest rates	**44**	**16**	(195)	(317)
50bps increase in future inflation expectations	**(45)**	**(33)**	(41)	(60)
50bps decrease in future inflation expectations	**82**	**65**	39	58
Credit spreads widen by 100bps with no change in expected defaults	**(345)**	**(352)**	(311)	(234)
25% rise in equity markets	**381**	**316**	513	423
25% fall in equity markets	**(381)**	**(316)**	(513)	(423)
15% rise in property values	**1,177**	**974**	1,299	1,084
15% fall in property values	**(1,233)**	**(1,022)**	(1,368)	(1,144)
10bps increase in credit default assumptions	**(545)**	**(465)**	(765)	(651)
10bps decrease in credit default assumptions	**546**	**465**	754	642
Non-economic sensitivity				
1% increase in annuitant mortality	**141**	**122**	166	146
1% decrease in annuitant mortality	**(139)**	**(121)**	(170)	(150)
5% increase in assurance mortality	**(398)**	**(315)**	(451)	(357)
10% increase in maintenance expenses	**(224)**	**(185)**	(254)	(208)

The table above shows the impacts on group pre-tax profit and equity, net of reinsurance, under each sensitivity scenario. The group pre-tax profit and equity impacts may arise from asset and/or liability movements under the sensitivities. 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, impacts 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 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 stresses assume a 100 basis point increase/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 stresses adopted are a 0.5% per annum (p.a.) increase/decrease in inflation, resulting in a 0.5% p.a. reduction/rise in real yield and no change to the nominal yield. In addition, the expense inflation rate is increased/decreased by 0.5% p.a.

In the sensitivity for credit spreads, corporate bond yields have increased by 100bps, gilt and approved security yields 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.

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.

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.

19 IFRS sensitivity analysis continued

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.

20 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.

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 as claims are paid throughout the year, offset by liabilities arising from new business. The movement also reflects changes in expectations of future claims payments and expenses, plus changes in valuation interest rates, as set out in Note 18.

Under current IFRS requirements, insurance contract liabilities are measured using local Generally Accepted Accounting Principles (GAAP), as permitted by IFRS 4, 'Insurance Contracts'.

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.

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. An impairment occurs when there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the group may not receive all outstanding amounts due, and the event has a reliably measurable impact on the amounts that it will receive from the reinsurer. If a reinsurance asset is impaired, the group reduces its carrying amount accordingly and recognises that impairment loss in the Consolidated Income Statement.

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.

(i) Analysis of non-participating insurance contract liabilities

	Note	Gross 2022 £m	Reinsurance 2022 £m	Gross 2021 £m	Reinsurance 2021 £m
Non-participating insurance contracts	20(iii)	**70,275**	**(6,897)**	89,755	(7,138)
General insurance contracts		**62**	**(58)**	70	(42)
Insurance contract liabilities		**70,337**	**(6,955)**	89,825	(7,180)

(ii) Expected non-participating insurance contract liability cash flows

	Undiscounted cash flows				
As at 31 December 2022	**0-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Over 25 years £m**	**Total £m**
Non-participating insurance contract liabilities	**20,386**	**41,482**	**27,004**	**23,941**	**112,813**

	Undiscounted cash flows				
As at 31 December 2021	0-5 years £m	5-15 years £m	15-25 years £m	Over 25 years £m	Total £m
Non-participating insurance contract liabilities	18,603	35,185	23,439	22,039	99,266

Non-participating insurance contract undiscounted cash flows are based on the expected date of settlement.

(iii) Movement in non-participating insurance contract liabilities

	Gross 2022 £m	Reinsurance[1] 2022 £m	Gross 2021 £m	Reinsurance 2021 £m
As at 1 January	**89,755**	**(7,138)**	88,958	(6,936)
New liabilities in the year	**9,051**	**(1,730)**	6,976	(1,296)
Liabilities discharged in the year	**(5,311)**	**(233)**	(4,744)	390
Unwinding of discount rates	**1,812**	**(256)**	1,250	(141)
Effect of change in non-economic assumptions	**(1,022)**	**578**	(787)	408
Effect of change in economic assumptions	**(24,891)**	**2,033**	(1,971)	519
Foreign exchange adjustments	**829**	**(181)**	(35)	(12)
Modelling and methodology changes	**36**	**26**	37	6
Other	**16**	**4**	71	(76)
Total as at 31 December	**70,275**	**(6,897)**	89,755	(7,138)
Expected to be settled within 12 months (net of reinsurance)	**2,356**		1,838	
Expected to be settled after 12 months (net of reinsurance)	**61,022**		80,779	

1. Liabilities discharged in the year include movement arising from the reinsurance of the in-force universal life book in the US protection business.

21 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.

Deposits collected and claims are not included in the income statement but are added or deducted from investment contract liabilities.

(i) Analysis of non-participating investment contract liabilities

	Gross 2022 £m	Reinsurance 2022 £m	Gross 2021 £m	Reinsurance 2021 £m
Non-participating investment contract liabilities	**286,830**	**–**	372,954	–
Expected to be settled within 12 months (net of reinsurance)	**31,649**		45,483	
Expected to be settled after 12 months (net of reinsurance)	**255,181**		327,471	

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.

Non-participating investment contract liabilities include £901m (2021: £1,413m) of Assured Payment Policies (APP) products, which are classified as Level 2 in the fair value hierarchy. The valuation of APP products is determined through a discounted cash flows model, where the discount rate is derived from a risk-free rate, a credit benchmark spread and a zero-volatility spread (Z-spread). The credit benchmark rate used is the A-rated credit spread curve which reflects the strategic portfolio mix. The Z-spread ensures that the fair value at inception is equal to the transaction price, therefore it is based on the premium on origination and remains constant over the life of the policy.

The presented fair values of the remaining non-participating investment contract liabilities reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

During the year there have been no transfers of non-participating investment contract liabilities between levels of the fair value hierarchy (2021: no significant transfers between levels of the fair value hierarchy).

(ii) Movement in non-participating investment contract liabilities

	Gross 2022 £m	Reinsurance 2022 £m	Gross 2021 £m	Reinsurance 2021 £m
As at 1 January	**372,954**	**–**	343,543	(3)
Reserves in respect of new business	**54,355**	**–**	55,434	–
Amounts paid on surrenders and maturities during the year	**(60,338)**	**–**	(60,132)	3
Investment return	**(80,043)**	**–**	34,206	–
Management charges	**(98)**	**–**	(97)	–
Total as at 31 December	**286,830**	**–**	372,954	–

22 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 Tier 2 bond issues, 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 2022 £m	Unit linked borrowings 2022 £m	Total 2022 £m	Borrowings excluding unit linked borrowings 2021 £m	Unit linked borrowings 2021 £m	Total 2021 £m
Core borrowings	**4,338**	**–**	**4,338**	4,256	–	4,256
Operational borrowings	**963**	**256**	**1,219**	924	8	932
Total borrowings	**5,301**	**256**	**5,557**	5,180	8	5,188

£214m of interest expense was incurred during the year (2021: £229m) on borrowings excluding non-recourse and unit linked borrowings. The total finance costs incurred in the year were £290m (2021: £294m), which also includes £8m of finance costs on lease liabilities (2021: £10m).

(ii) Analysis by nature

(a) Core borrowing

	Carrying amount 2022 £m	Coupon rate 2022 %	Fair value 2022 £m	Carrying amount 2021 £m	Coupon rate 2021 %	Fair value 2021 £m
Subordinated borrowings						
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**541**	590	5.50	776
5.375% Sterling subordinated notes 2045 (Tier 2)	**605**	**5.38**	**593**	604	5.38	673
5.25% US Dollar subordinated notes 2047 (Tier 2)	**712**	**5.25**	**665**	635	5.25	694
5.55% US Dollar subordinated notes 2052 (Tier 2)	**417**	**5.55**	**389**	373	5.55	428
5.125% Sterling subordinated notes 2048 (Tier 2)	**400**	**5.13**	**377**	400	5.13	461
3.75% Sterling subordinated notes 2049 (Tier 2)	**599**	**3.75**	**507**	598	3.75	632
4.5% Sterling subordinated notes 2050 (Tier 2)	**500**	**4.50**	**439**	500	4.50	558
Client fund holdings of group debt (Tier 2)[1]	**(74)**	**–**	**(67)**	(44)	–	(51)
Total subordinated borrowings	**3,749**	**–**	**3,444**	3,656	–	4,171
Senior borrowings						
Sterling medium term notes 2031-2041	**609**	**5.87**	**649**	609	5.87	846
Client fund holdings of group debt[1]	**(20)**	**–**	**(19)**	(9)	–	(11)
Total senior borrowings	**589**	**–**	**630**	600	–	835
Total core borrowings	**4,338**	**–**	**4,074**	4,256	–	5,006

1. £94m (31 December 2021: £53m) 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.

22 Borrowings continued

(ii) Analysis by nature continued

(a) Core borrowing continued

Subordinated borrowings

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 unless stated otherwise.

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.

(b) Operational borrowings

	Carrying amount 2022 £m	Interest rate 2022 %	Fair value 2022 £m	Carrying amount 2021 £m	Interest rate 2021 %	Fair value 2021 £m
Short-term operational borrowings						
Euro Commercial Paper	**50**	**1.60**	**50**	50	0.16	50
Bank loans and overdrafts	**3**	**–**	**3**	–	–	–
Non-recourse borrowings						
Cardiff Interchange Limited credit facility	**64**	**5.63**	**64**	45	2.29	45
CALA revolving credit facility	**24**	**5.50**	**24**	100	1.96	100
Class B Surplus Notes	**788**	**6.62**	**788**	664	1.72	664
Affordable Homes revolving credit facility	**19**	**4.38**	**19**	56	2.08	56
Homes Modular revolving credit facility	**15**	**6.62**	**15**	9	3.27	9
Operational borrowings[1]	**963**	**–**	**963**	924	–	924

1. Unit linked borrowings with a carrying value of £256m (31 December 2021: £8m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £1,219m (31 December 2021: £932m).

Non-recourse borrowings

- Cardiff Interchange Limited's credit facility is secured on the assets of Cardiff Interchange Limited and Legal & General Capital Investments Limited's (LGCIL) shares in, and intercompany debt owed by, Cardiff Interchange Limited.
- 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 facilities to Affordable Homes is subject to agreed covenants, the breach of which could result in a charge on the land and work in progress of Legal & General Affordable Homes (Development 2) Limited and Legal & General Affordable Homes (Development 3) Limited.
- Legal & General Homes Modular Limited's revolving credit facility is secured by way of fixed charges over development properties owned by the company and a fixed charge over the shares in the company.

The carrying value of operational borrowings approximates 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 Affordable Homes revolving credit facility which has been classified as Level 3.

22 Borrowings continued
(iii) Analysis by maturity

As at 31 December 2022	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							
5.5% Sterling subordinated notes 2064 (Tier 2)	590	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	605	(6)	–	–	(600)	–	(606)
5.25% US Dollar subordinated notes 2047 (Tier 2)	712	(10)	–	–	(704)	–	(714)
5.55% US Dollar subordinated notes 2052 (Tier 2)	417	(4)	–	–	–	(414)	(418)
5.125% Sterling subordinated notes 2048 (Tier 2)	400	(3)	–	–	–	(400)	(403)
3.75% Sterling subordinated notes 2049 (Tier 2)	599	(2)	–	–	–	(600)	(602)
4.5% Sterling subordinated notes 2050 (Tier 2)	500	(4)	–	–	–	(500)	(504)
Client fund holdings of group debt (Tier 2)	(74)	–	–	–	–	–	–
Senior borrowings							
Sterling medium term notes 2031-2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(20)	–	–	–	–	–	–
Total core borrowings	**4,338**	**(40)**	**–**	**(590)**	**(1,314)**	**(2,514)**	**(4,458)**
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Bank loans and overdrafts	3	(3)	–	–	–	–	(3)
Non-recourse borrowings							
Cardiff Interchange Limited credit facility	64	(64)	–	–	–	–	(64)
CALA revolving credit facility	24	–	(24)	–	–	–	(24)
Class B Surplus Notes	788	–	(47)	(422)	(319)	–	(788)
Affordable Homes revolving credit facility	19	(19)	–	–	–	–	(19)
Homes Modular revolving credit facility	15	(1)	(14)	–	–	–	(15)
Total operational borrowings	**963**	**(137)**	**(85)**	**(422)**	**(319)**	**–**	**(963)**
Total borrowings excluding unit linked borrowings[1]	**5,301**	**(177)**	**(85)**	**(1,012)**	**(1,633)**	**(2,514)**	**(5,421)**
Contractual undiscounted interest payments		(291)	(1,150)	(2,569)	(1,896)	(781)	(6,687)
Total contractual undiscounted cash flows		**(468)**	**(1,235)**	**(3,581)**	**(3,529)**	**(3,295)**	**(12,108)**

1. Unit linked borrowings are excluded from the analysis above as the risk is retained by policyholders.

As at 31 December 2021	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							
5.5% Sterling subordinated notes 2064 (Tier 2)	590	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	604	(6)	–	–	(600)	–	(606)
5.25% US Dollar subordinated notes 2047 (Tier 2)	635	(9)	–	–	–	(628)	(637)
5.55% US Dollar subordinated notes 2052 (Tier 2)	373	(4)	–	–	–	(370)	(374)
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)	500	(4)	–	–	–	(500)	(504)
Client fund holdings of group debt (Tier 2)	(44)	–	–	–	–	–	–
Senior borrowings							
Sterling medium term notes 2031-2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(9)	–	–	–	–	–	–
Total core borrowings	4,256	(39)	–	(590)	(610)	(3,098)	(4,337)
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Bank loans and overdrafts	–	–	–	–	–	–	–
Non-recourse borrowings							
Cardiff Interchange Limited credit facility	45	–	(45)	–	–	–	(45)
CALA revolving credit facility	100	(6)	(94)	–	–	–	(100)
Class B Surplus Notes	664	–	–	(468)	(198)	–	(666)
Affordable Homes revolving credit facility	56	(56)	–	–	–	–	(56)
Homes Modular revolving credit facility	9	–	(9)	–	–	–	(9)
Total operational borrowings	924	(112)	(148)	(468)	(198)	–	(926)
Total borrowings excluding unit linked borrowings[1]	5,180	(151)	(148)	(1,058)	(808)	(3,098)	(5,263)
Contractual undiscounted interest payments		(202)	(924)	(2,132)	(1,840)	(889)	(5,987)
Total contractual undiscounted cash flows		(353)	(1,072)	(3,190)	(2,648)	(3,987)	(11,250)

1. 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.

Undiscounted interest payments are estimated based on the year end applicable interest rate and spot exchange rates.

Syndicated credit facility

As at 31 December 2022, the group had in place a £1.5bn (31 December 2021: £1.0bn) syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in August 2027. No amounts were outstanding at 31 December 2022.

22 Borrowings continued

(iv) Movement in borrowings

	2022 £m	2021 £m
As at 1 January	**5,188**	5,613
Cash movements:		
– Proceeds from borrowings	**691**	503
– Repayment of borrowings	**(737)**	(798)
– Net increase/(decrease) in bank loans and overdrafts	**254**	(54)
Non-cash movements:		
– Amortisation	**2**	3
– Foreign exchange rate movements	**201**	10
– Other	**(42)**	(89)
Core and operational borrowings as at 31 December	**5,557**	5,188

23 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

	Notes	2022 £m	2021 £m
Other provisions	23(ii)	**273**	213
Retirement benefit obligations	23(iii)	**617**	1,025
Total provisions		**890**	1,238

(ii) Other provisions

Included within Other provisions are amounts relating to new and existing M&A and restructuring transactions. These include costs that Legal & General Investment Management (LGIM) is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services going forward. Costs include the transfer of data and operations to State Street, as well as the implementation of the new operating model. The amounts included in the provision have been determined on a best estimate basis by reference to a range of plausible scenarios, taking into account the multi-year implementation period for the project. As at 31 December 2022, the outstanding provision was £111m (31 December 2021: £89m).

(iii) 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); and
- CALA defined contribution pension scheme.

Contributions of £93m (2021: £82m) 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 as at 31 December 2021 was completed on 21 September 2022;
- 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 as at 31 December 2021 was completed on 21 September 2022;
- Legal & General America Inc. Cash Balance Plan (US). The last full actuarial valuation was as at 31 December 2022; and
- 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 2021.

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 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.

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 on-going 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:

	2022	2021
Employed deferreds	**73**	79
Deferreds	**2,557**	2,782
Pensioners	**3,911**	3,791
Total	**6,541**	6,652

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.

23 Provisions continued
(iii) Retirement benefit obligations continued
Defined benefit schemes continued

Certain parts of the liabilities of the Fund and 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 2022 the value of these annuities, on an IAS 19 basis, was £718m (2021: £990m).

The remainder of the liabilities of the Fund and Scheme are secured by cash or by the way of Assured Payment Policies (APPs), purchased from the group to match the majority of future expected cash flows of the remaining members of the Fund and Scheme. The APPs are recognised as an asset for IAS 19 purposes, and their value is included in the table summarising the plan assets. The APPs aim to match the changes in the value of the liabilities due to changes in economic factors, namely interest rates, credit spreads and inflation. The APPs do not aim to match changes in the value of liabilities due to the actual mortality experience of members being different from the assumptions made in the valuation basis.

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. The purchase of the APP assets significantly reduces this risk as the value of the APP assets is expected to move in line with the value of liabilities.
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.

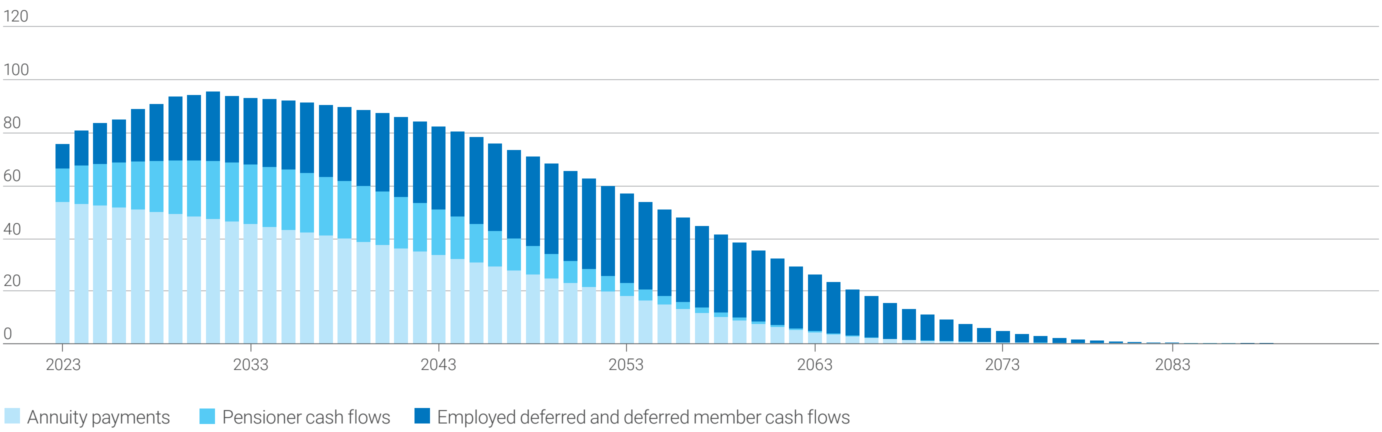
These risks are managed within the risk appetite of the Fund and Scheme. The sensitivity of the net obligations to changes in any of the variables are monitored and action is taken if any risk moves outside of the appetite.

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 as at 31 December 2021 was completed on 21 September 2022. 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 eliminate the deficits over a certain period of time. The triennial valuation as at 31 December 2021 showed a total funding deficit for both the Fund and the Scheme of £184m. A recovery plan has been agreed of £98m per annum until 31 December 2024. Payments due under the recovery plan may pause if the estimated funding level of the schemes suggests the schemes are in surplus. Following a pause, the estimated funding level of the schemes will continue to be monitored, and payments would be restarted if the estimated funding level reduces back into a deficit. As a consequence, the expected contribution for 2023 will be determined based on the estimated funding level in 2023.

The Fund and Scheme liabilities have an average duration of 13.9 years (2021: 17.8 years) and 13.2 years (2021: 16.9 years) respectively. The reduction in the duration is driven by the higher discount rate, as a result of material increases in interest rates over 2022. The expected undiscounted benefit 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 are set out below.

The higher mortality experience observed since 2021 as a result of Covid-19 is considered to be exceptional, and long-term mortality assumptions have not been revised to reflect this experience.

	Fund and Scheme 2022 %	Fund and Scheme 2021 %
Rate used to discount liabilities	**4.83**	1.84
Rate of increase in pensions in payment (pre-2006 service)	**3.74**	3.79
Rate of increase in deferred pensions (pre-2006 service)	**3.89**	3.97
Rate of general inflation (RPI)	**3.36**	3.49

Post retirement mortality	**2022**	2021
Fund	**72.5% PCMA00 / 82.5% PCFA00**	72.5% PCMA00 / 82.5% PCFA00
Scheme	**67.5% PCMA00 / 77.5% PCFA00**	67.5% PCMA00 / 77.5% PCFA00
Mortality Improvements (Fund and Scheme)[1]	**CMI 2020, base date 2019**	CMI 2019, base date 2018
	Sk = 7.5	Sk = 7.5

1. Long-term rates of 1.5% for males, 1.0% for females, applying up to age 85, with tapering down to 0% by age 110 (2021: long-term rates of 1.5% for males, 1.0% for females, applying up to age 85, with tapering down to 0% by age 110).

This equates to average life expectancy as follows:

	Fund and Scheme 2022 years	Fund and Scheme 2021 years
Normal retirement age	**60.0**	60.0
Male life expectancy at retirement age	**87.0**	87.2
Female life expectancy at retirement age	**88.1**	88.4
Male life expectancy at age 60, for a current 40-year old	**89.0**	89.3
Female life expectancy at age 60, for a current 40-year old	**89.5**	89.8

23 Provisions continued
(iii) Retirement benefit obligations continued
Defined benefit schemes continued

	Fund and Scheme 2022 £m	CALA Homes and Overseas 2022 £m	Fund and Scheme 2021 £m	CALA Homes and Overseas 2021 £m
Movement in present value of defined benefit obligations				
As at 1 January	**(2,348)**	**(145)**	(2,615)	(153)
Current service cost	**(3)**	**(4)**	(2)	(4)
Interest expense	**(42)**	**(3)**	(32)	(3)
Actuarial remeasurement (recognised in the Consolidated Statement of Comprehensive Income)				
– Change in financial assumptions	**816**	**46**	194	11
– Change in demographic assumptions	**23**	**–**	(19)	–
– Experience	**(28)**	**(1)**	23	(1)
Benefits paid	**102**	**7**	103	6
Exchange differences	**–**	**(5)**	–	(1)
As at 31 December	**(1,480)**	**(105)**	(2,348)	(145)
Movement in fair value of plan assets				
As at 1 January	**1,328**	**140**	1,477	126
Expected return on plan assets at liability discount rate	**24**	**3**	18	2
Actuarial remeasurement (recognised in the Consolidated Statement of Comprehensive Income)	**(482)**	**(46)**	(165)	10
Employer contributions	**100**	**5**	101	8
Benefits paid	**(102)**	**(7)**	(103)	(6)
Exchange differences	**–**	**5**	–	–
As at 31 December	**868**	**100**	1,328	140
Gross pension obligations included in provisions	**(612)**	**(5)**	(1,020)	(5)
Annuity obligations insured by LGAS	**718**	**–**	990	–
Gross defined benefit pension surplus/(deficit)	**106**	**(5)**	(30)	(5)
Deferred tax on defined benefit pension surplus/(deficit)	**(27)**	**1**	8	1
Net defined benefit pension surplus/(deficit)	**79**	**(4)**	(22)	(4)

During 2022 annuities were purchased from the group. A premium of £61m (2021: £82m) was paid from the assets of the Fund and Scheme to purchase these annuities. These annuities are not recognised as an asset for IAS 19 purposes.

2022 has seen significant increases in interest rates. The net defined pension deficit above is not affected by the full extent of the market movement, because the schemes' assets are principally APPs, and around half the liabilities are matched through the purchase of annuities from the group. As a result, interest rate and inflation changes are broadly offset, and liquidity of the schemes is not significantly affected.

The effect of assuming reasonable alternative assumptions in isolation is shown below for the Fund and Scheme combined. The effect is shown on the defined benefit obligation, net of annuities and the APP assets.

Sensitivities are broadly symmetrical, but larger sensitivities are not necessarily proportionate.

	Defined benefit pension surplus/(deficit) 2022 £m	Value of assets and annuities 2022 £m	Net defined benefit pension surplus/(deficit) 2022 £m	Defined benefit pension surplus/(deficit) 2021 £m	Value of assets and annuities 2021 £m	Net defined benefit pension surplus/(deficit) 2021 £m
1 year increase in life expectancy	**(59)**	**26**	**(33)**	(126)	50	76
0.1% pa decrease in discount rate	**(20)**	**20**	**–**	(41)	35	6
1% pa increase in discount rate	**176**	**(177)**	**(1)**	356	(307)	(49)
0.1% pa increase in RPI and CPI	**(8)**	**8**	**–**	(18)	15	3
0.5% pa increase in RPI and CPI	**(42)**	**43**	**1**	(91)	74	17

The fair value of the plan assets at the end of the year is made up as follows:

As at 31 December 2022	Valuation based on quoted market price		Valuation based on other than quoted market price	
	Fund and Scheme £m	**CALA Homes and Overseas £m**	**Fund and Scheme £m**	**CALA Homes and Overseas £m**
Equities	**–**	**30**	**–**	**–**
Bonds	**–**	**13**	**–**	**–**
Investment funds	**–**	**39**	**–**	**6**
Properties	**–**	**–**	**–**	**–**
Assured Payment Policy[1]	**–**	**–**	**820**	**–**
Cash and cash equivalents	**48**	**12**	**–**	**–**
Fair value of plan assets	**48**	**94**	**820**	**6**

As at 31 December 2021	Valuation based on quoted market price		Valuation based on other than quoted market price	
	Fund and Scheme £m	CALA Homes and Overseas £m	Fund and Scheme £m	CALA Homes and Overseas £m
Equities	–	37	–	–
Bonds	–	12	–	–
Investment funds	–	59	–	–
Properties	–	16	–	–
Assured Payment Policy	–	–	1,214	–
Cash and cash equivalents	114	16	–	–
Fair value of plan assets	114	140	1,214	–

1. During the year, the Fund and the Scheme undertook APP top-ups under the existing contracts with Legal and General Assurance Society Limited (LGAS), a group company, resulting in a premium paid by the Fund and the Scheme of £65m and £18m respectively. The plan asset recognised is transferable and therefore has not been eliminated on consolidation within the group's financial statements.

The bond assets are all AAA rated as at 31 December 2022 (31 December 2021: AAA rated).

The following amounts have been charged to the income statement:

	Fund and Scheme 2022 £m	**CALA Homes and Overseas 2022 £m**	Fund and Scheme 2021 £m	CALA Homes and Overseas 2021 £m
Current service costs	**3**	**4**	2	4
Net interest expense	**18**	**–**	14	1
Total amounts included in other expenses	**21**	**4**	16	5

24 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.

	2022 £m	2021 £m
Derivative liabilities	**51,190**	15,718
Repurchase agreements[1]	**31,533**	46,331
Other financial liabilities[2]	**12,329**	12,215
Total payables and other financial liabilities	**95,052**	74,264
Due within 12 months	**41,064**	53,250
Due after 12 months	**53,988**	21,014

1. Repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The significant majority of repurchase agreements are unit linked.
2. Other financial liabilities include trail commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of short positions as at 31 December 2022 was £4,960m (2021: £5,418m).

Fair value hierarchy

As at 31 December 2022	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	**51,190**	**448**	**50,717**	**25**	**–**
Repurchase agreements	**31,533**	**–**	**31,533**	**–**	**–**
Other financial liabilities	**12,329**	**4,533**	**644**	**39**	**7,113**
Total payables and other financial liabilities	**95,052**	**4,981**	**82,894**	**64**	**7,113**

As at 31 December 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	15,718	331	15,316	71	–
Repurchase agreements	46,331	–	46,331	–	–
Other financial liabilities	12,215	5,438	55	–	6,722
Total payables and other financial liabilities	74,264	5,769	61,702	71	6,722

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2022 (2021: no significant transfers).

25 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 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.

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on the Consolidated Balance Sheet within Property, plant and equipment:[1]

Carrying amount	Office buildings 2022 £m	IT 2022 £m	Vehicles 2022 £m	Total 2022 £m	Office buildings 2021 £m	IT 2021 £m	Vehicles 2021 £m	Total 2021 £m
As at 1 January	**157**	**22**	**1**	**180**	167	35	3	205
Additions	**6**	**–**	**–**	**6**	14	–	–	14
Depreciation for the year	**(25)**	**(13)**	**(1)**	**(39)**	(23)	(13)	(2)	(38)
Disposals	**–**	**(1)**	**–**	**(1)**	(1)	–	–	(1)
Increase due to currency translation	**6**	**–**	**–**	**6**	–	–	–	–
Revaluation[2]	**(4)**	**–**	**–**	**(4)**	–	–	–	–
As at 31 December	**140**	**8**	**–**	**148**	157	22	1	180

1. Excludes investment property right-of-use assets, which are presented as part of the Investment property disclosure in Note 10.
2. Revaluation relates to an early termination of a building lease.

The maturity profile of lease liabilities is presented in the table below[1]. Lease liabilities are included within Payables and other financial liabilities (See Note 24).

As at 31 December	Undiscounted lease payments 2022 £m	Unpaid finance charge 2022 £m	Present value 2022 £m	Undiscounted lease payments 2021 £m	Unpaid finance charge 2021 £m	Present value 2021 £m
Within 1 year	**37**	**(8)**	**29**	44	(9)	35
1-2 years	**32**	**(6)**	**26**	35	(7)	28
2-3 years	**26**	**(5)**	**21**	33	(6)	27
3-4 years	**25**	**(4)**	**21**	27	(5)	22
4-5 years	**18**	**(4)**	**14**	26	(4)	22
After 5 years	**171**	**(105)**	**66**	181	(106)	75
Total lease liabilities	**309**	**(132)**	**177**	346	(137)	209

1. Includes investment property lease liability.

25 Leases continued
Interest expense of £8m (2021: £10m) on lease liabilities is included in finance costs.

The remaining terms on the group's leases range from 1 to 235 years (2021: 1 to 236 years), with approximately 30% of the leases (2021: 29%) having extension options and 60% of these leases (2021: 72%) 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 2022 the group had committed to no additional leases which had not yet commenced (2021: committed to no additional leases).

Income from sub-leasing right-of-use assets is reflected in Rental Income within Investment return (see Note 29).

26 Management of capital resources
Solvency II
The Solvency II financial information in this note is estimated and unaudited.

The group calculates its Solvency II capital requirements using a Partial Internal Model.

The table below shows 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 2022).

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 has to comply with the requirements established by the Solvency II Framework Directive, as adopted by the PRA.

As at 31 December 2022, and on the above basis, the group had a surplus of £9,915m (31 December 2021: £8,185m) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio of 236% (31 December 2021: 187%). The Solvency II capital position is as follows:

	2022 £m	2021 £m
Unrestricted Tier 1 Own Funds	**13,393**	13,254
Restricted Tier 1 Own Funds[1]	**495**	495
Tier 2 Subordinated liabilities	**3,448**	3,995
Eligibility restrictions	**(110)**	(183)
Solvency II Own Funds[2,3]	**17,226**	17,561
Solvency Capital Requirement	**(7,311)**	(9,376)
Solvency II surplus	**9,915**	8,185
SCR Coverage ratio	**236%**	187%

1. Restricted Tier 1 Own Funds represent Perpetual restricted Tier 1 contingent convertible notes.
2. Solvency II Own Funds do not include an accrual for the final dividend of £829m (31 December 2021: £790m) declared after the balance sheet date.
3. Solvency II Own Funds allow for a Risk Margin of £2,753m (2021: £5,488m) and TMTP of £2,136m (2021: £4,736m).

A reconciliation of the group's IFRS shareholders' equity to Solvency II Own Funds is given below:

	2022 £m	2021 £m
IFRS equity[1]	**12,168**	10,981
Remove DAC, goodwill and other intangible assets and associated liabilities	**(502)**	(406)
Add IFRS carrying value of subordinated borrowings[2]	**3,823**	3,700
Insurance contract valuation differences[3]	**2,518**	4,132
Difference in value of net deferred tax liabilities	**(608)**	(716)
Other	**(63)**	53
Eligibility restrictions	**(110)**	(183)
Solvency II Own Funds[4]	**17,226**	17,561

1. IFRS equity represents equity attributable to owners of the parent and restricted Tier 1 convertible notes as per the Consolidated Balance Sheet.
2. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
3. Differences in the measurement of technical provisions between IFRS and Solvency II.
4. Solvency II Own Funds do not include an accrual for the final dividend of £829m (31 December 2021: £790m) declared after the balance sheet date.

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.

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 and Legal & General Reinsurance Company No. 2 and Legal & General America Reinsurance Limited are valued on a Bermudan statutory basis, following PRA approval of the group's application to use the Deduction and Aggregation method to include 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 a Partial Internal Model basis. These firms, as well as the non-EEA insurance firm (Legal & General Reinsurance Company Limited, based in Bermuda) contribute over 90% 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 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.

27 Acquisitions
During 2022, the group made the following acquisition:

- On 25 May 2022 Legal & General Capital (LGC) entered into a 50:50 partnership with US based real estate developer Ancora to create a real estate platform dedicated to driving life science, research and technology growth across the US. As part of the transaction, the group transferred consideration of $4m (£3m) in cash, in return for a 50% shareholding in Ancora L&G LLC (Ancora L&G). Following the transaction, in accordance with the requirements of IFRS 3 'Business Combinations', the group now controls Ancora L&G, and therefore the assets and liabilities acquired, and the financial results, have been included in the consolidated financial statements, using the group's accounting policies. Goodwill of £3m has been recognised on consolidation.

Additional financial information

28 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.

In 2021, the group operated five core businesses across four reportable segments that are continuing operations, with Legal & General Retirement Retail (LGRR) and Legal & General Retirement Institutional (LGRI) combined into a single segment for reporting purposes, being Legal & General Retirement.

From 1 January 2022, the group announced changes to the business unit responsibilities within the Executive Committee. Andrew Kail became the Chief Executive Officer of LGRI, succeeding Laura Mason who had previously moved to become CEO of Legal & General Capital (LGC). Our two retail businesses, LGRR and LGI, came together under the leadership of Bernie Hickman. Reportable segments have therefore been aligned to the group's five core businesses. Group expenses and debt costs continue to be reported separately. Transactions between segments are on normal commercial terms, and are included within the reported segments. To enable comparison, segmental information for the prior year has been restated accordingly.

In the UK, annuity liabilities relating to LGRI and Retail Retirement are backed by a single portfolio of assets, and once a transaction has been completed the assets relating to any particular transaction are not tracked to the related liabilities. Investment variance is allocated to the two business segments based on the relative average size of the underlying insurance contract liabilities across the year.

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 asset 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.

(i) Profit/(loss) for the year

For the year ended 31 December 2022	**LGRI[1] £m**	**LGC £m**	**LGIM £m**	**Retail Retirement[1] £m**	**Insurance £m**	**Group expenses and debt costs £m**	**Total £m**
Adjusted operating profit/(loss)	**1,257**	**509**	**340**	**484**	**341**	**(408)**	**2,523**
Investment and other variances	**(21)**	**(408)**	**(81)**	**(24)**	**841**	**(170)**	**137**
Losses attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Profit/(loss) before tax attributable to equity holders	**1,236**	**101**	**259**	**460**	**1,182**	**(579)**	**2,659**
Tax (expense)/credit attributable to equity holders	**(155)**	**(30)**	**(30)**	**(41)**	**(247)**	**134**	**(369)**
Profit/(loss) for the year	**1,081**	**71**	**229**	**419**	**935**	**(445)**	**2,290**

For the year ended 31 December 2021	LGRI[1] £m	LGC £m	LGIM £m	Retail Retirement[1] £m	Insurance £m	Group expenses and debt costs £m	Total £m
Adjusted operating profit/(loss)	1,154	461	422	352	268	(395)	2,262
Investment and other variances	193	19	(11)	49	111	(128)	233
Losses attributable to non-controlling interests	–	–	–	–	–	(7)	(7)
Profit/(loss) before tax attributable to equity holders	1,347	480	411	401	379	(530)	2,488
Tax (expense)/credit attributable to equity holders	(213)	(93)	(79)	(63)	(59)	62	(445)
Profit/(loss) for the year	1,134	387	332	338	320	(468)	2,043

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation.

(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 29 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.

28 Segmental analysis continued
(ii) Revenue continued
(a) Total revenue

	Note	2022 £m	2021 £m
Total income[1]		**(89,294)**	45,450
Adjusted for:			
Share of profit from associates and joint ventures, net of tax	43	**(47)**	(25)
Gains on disposal of subsidiaries, associates and joint ventures, and other operations		**(7)**	(149)
Total revenue		**(89,348)**	45,276

1. Total income includes investment return losses of £100,365m (2021: gains of £35,927m).

(b) Total income

For the year ended 31 December 2022	LGRI[1] £m	LGIM[2,3] £m	Retail Retirement[1] £m	Insurance £m	LGC and other[4] £m	Total £m
Internal income	**–**	**178**	**–**	**–**	**(178)**	**–**
External income	**(9,874)**	**(78,636)**	**(4,017)**	**1,371**	**1,862**	**(89,294)**
Total income	**(9,874)**	**(78,458)**	**(4,017)**	**1,371**	**1,684**	**(89,294)**

For the year ended 31 December 2021	LGRI[1] £m	LGIM[2,3] £m	Retail Retirement[1] £m	Insurance £m	LGC and other[4] £m	Total £m
Internal income	–	179	–	–	(179)	–
External income	4,842	35,738	1,117	2,029	1,724	45,450
Total income	4,842	35,917	1,117	2,029	1,545	45,450

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation.
2. LGIM internal income relates to investment management services provided to other segments.
3. LGIM external income primarily includes fees from fund management and investment returns on unit linked funds.
4. 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 2022	LGIM £m	Retail Retirement[1] £m	LGC and other[2] £m	Total £m
Investment contracts	**–**	**98**	**–**	**98**
Investment management fees	**953**	**–**	**(178)**	**775**
Transaction fees	**26**	**–**	**–**	**26**
Total fees from fund management and investment contracts[3]	**979**	**98**	**(178)**	**899**

For the year ended 31 December 2021	LGIM £m	Retail Retirement[1] £m	LGC and other[2] £m	Total £m
Investment contracts	–	97	–	97
Investment management fees	1,009	–	(179)	830
Transaction fees	32	–	–	32
Total fees from fund management and investment contracts[3]	1,041	97	(179)	959

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation.
2. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.
3. Fees from fund management and investment contracts are a component of Total revenue disclosed in Note 28 (ii)(a).

(d) Other operational income from contracts with customers

For the year ended 31 December 2022	Retail Retirement[1] £m	Insurance £m	LGC and other £m	Total £m
House building	–	–	1,429	1,429
Professional services fees	7	78	23	108
Insurance broker	–	47	–	47
Total other operational income from contracts with customers[2]	**7**	**125**	**1,452**	**1,584**

For the year ended 31 December 2021	Retail Retirement[1] £m	Insurance £m	LGC and other £m	Total £m
House building	–	–	1,314	1,314
Professional services fees	5	89	–	94
Insurance broker	–	11	–	11
Total other operational income from contracts with customers[2]	5	100	1,314	1,419

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation.
2. Total other operational income from contracts with customers is a component of Total revenue disclosed in Note 28 (ii)(a) and excludes the share of profit/loss from associates and joint ventures, and the gain on 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 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 2022	LGRI[1] £m	Retail Retirement[1] £m	Insurance[2] £m	Total £m
Gross written premiums	**9,658**	**781**	**3,252**	**13,691**

For the year ended 31 December 2021	LGRI[1] £m	Retail Retirement[1] £m	Insurance[2] £m	Total £m
Gross written premiums	6,551	813	3,011	10,375

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior year comparatives have been restated to reflect this change in segmentation.
2. Includes £118m (2021: £109m) of gross written premiums relating to a residual reinsurance treaty following the disposal of the General Insurance business in 2019.

29 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 to deliver returns on group capital.

	2022 £m	2021 £m
Dividend income	**4,521**	4,437
Interest income on financial investments at fair value through profit or loss	**5,613**	4,837
Other investment (expense)/income[1]	**(1,516)**	219
(Losses)/gains on financial investments designated at fair value through profit or loss	**(102,333)**	25,066
Losses on derivative instruments designated as held for trading	**(5,357)**	(30)
Realised losses on financial assets designated as available-for-sale	**–**	(1)
Financial investment return	**(99,072)**	34,528
Rental income	**422**	375
Net fair value (losses)/gains on properties	**(1,715)**	1,024
Property investment return	**(1,293)**	1,399
Total investment return	**(100,365)**	35,927

1. Other investment (expense)/income primarily comprises interest, gains and losses from other financial instruments, as well as loans and receivables, including those held at amortised cost. £25m (2021: £11m) of Other investment income is from financial investments designated as available-for-sale. There was no impairment on assets classified as available-for-sale during the year.

30 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 equity holders. This has been split between tax attributable to policyholders' returns and equity holders' profits. Policyholder tax comprises the tax suffered on policyholder investment returns, while equity holder tax is corporation tax charged on equity holder profit. The separate presentation is intended to provide more relevant information about the tax that the group pays on the profits that it makes.

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 assets and liabilities recognised in respect of uncertain tax positions and the 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.

	2022	2021
UK	**19.0%**	19.0%
USA	**21.0%**	21.0%
Bermuda	**0.0%**	0.0%
Ireland	**12.5%**	12.5%

Global minimum tax regime
The Organisation for Economic Co-operation and Development (OECD) released a framework in December 2021 to address concerns at a global level about tax contributions of large multinational corporations, with subsequent guidance issued in 2022 and early 2023. This reflects agreement from over 135 jurisdictions to introduce a global minimum tax rate of 15%. The UK has published draft legislation to implement the OECD framework and apply a top-up tax to profits that are otherwise taxed at less than 15%. As at 31 December 2022 this legislation has not yet been substantively enacted.

Under the proposed rules, the group is expected to be liable to top-up tax from 1 January 2024 on profits arising in territories with low tax rates. The group's liability to top-up tax will depend on the details of the legislation when it is enacted. The group are closely monitoring the progress of the framework and draft legislation in the UK and other territories in which the group operates.

30 Tax continued
(i) Tax expense in the Consolidated Income Statement

	2022 £m	2021 £m
Current tax	**446**	531
Deferred tax		
– Origination or reversal of temporary differences in the year	**36**	(24)
– Impact of revaluation of deferred tax balances	**(21)**	58
Total deferred tax	**15**	34
Adjustment to equity holders' tax in respect of prior years	**(21)**	24
Total tax expense	**440**	589
Less: tax attributable to policyholder returns	**(71)**	(144)
Total tax expense attributable to equity holders	**369**	445

The tax expense attributable to equity holders differs from the tax calculated on profit before tax at the standard UK corporation tax rate as follows:

	2022 £m	2021 £m
Profit before tax attributable to equity holders	**2,659**	2,488
Tax calculated at 19.00%	**505**	473
Adjusted for the effects of:		
Recurring reconciling items:		
(Lower)/higher rate of tax on profits taxed overseas[1]	**(84)**	(104)
Income not subject to tax	**(3)**	–
Non-deductible expenses	**(1)**	6
Differences between taxable and accounting investment gains	**(9)**	(13)
Other taxes on property and foreign income	**6**	–
Unrecognised tax losses	**17**	1
Double tax relief[2]	**(20)**	–
Non-recurring reconciling items:		
Adjustments in respect of prior years[3]	**(21)**	24
Impact of the revaluation of deferred tax balances[4]	**(21)**	58
Tax expense/(credit) attributable to equity holders	**369**	445
Equity holders' effective tax rate	**13.9%**	17.9%

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 business and our US term insurance business. This also includes the impact of our US operations which are taxed at 21%.
2. Double tax relief represents a UK tax credit available for overseas withholding tax suffered on dividend income.
3. Adjustments in respect of prior years relate to revisions of prior estimates.
4. The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year remained at 19%. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.

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:

Deferred tax (liabilities)/assets	Net tax liability as at 1 January 2022 £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals/ transfers[1] £m	Net tax liability as at 31 December 2022 £m
Deferred acquisition expenses[2]	**95**	**9**	**12**	**–**	**116**
Difference between the tax and accounting value of insurance contracts	**(695)**	**(383)**	**(23)**	**115**	**(986)**
– UK	(269)	97	37	3	(132)
– Overseas	(426)	(480)	(60)	112	(854)
Realised and unrealised gains on investments	**(83)**	**233**	**(3)**	**(3)**	**144**
Excess of depreciation over capital allowances	**22**	**(1)**	**–**	**–**	**21**
Accounting provisions and other	**55**	**76**	**(1)**	**(108)**	**22**
Trading losses[3]	**348**	**72**	**43**	**–**	**463**
Pension fund deficit	**9**	**(15)**	**(19)**	**(1)**	**(26)**
Acquired intangibles	**–**	**1**	**–**	**(3)**	**(2)**
Net deferred tax (liabilities)/assets	**(249)**	**(8)**	**9**	**–**	**(248)**

Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets[4]	**2**	**(2)**	**–**	**180**	**180**
– Deferred tax liabilities	**(251)**	**(6)**	**9**	**(180)**	**(428)**
Net deferred tax (liabilities)/assets	**(249)**	**(8)**	**9**	**–**	**(248)**

1. The movements through Acquisitions/disposals/transfers during the year reflect reclassifications only. The majority of these reclassifications relate to US deferred tax liabilities and net to £nil.
2. Deferred tax assets arising on deferred acquisition expenses relates solely to US balances as at 31 December 2022.
3. Trading losses consist solely of US operating losses (2021: £346m). The losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.
4. The deferred tax asset represents £168m of US unrealised losses on investments (2021: £nil), £7m of UK unrealised losses on investments (2021: £nil) and £5m of other US deferred tax assets (2021: £nil). These are not capable of being offset against any deferred tax liabilities or future trading profits.

30 Tax continued

(ii) Deferred tax – Consolidated Balance Sheet continued

Deferred tax (liabilities)/assets	Net tax liability as at 1 January 2021 £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals/ transfers[1] £m	Net tax liability as at 31 December 2021 £m
Deferred acquisition expenses[2]	85	10	–	–	95
Difference between the tax and accounting value of insurance contracts	(557)	(135)	(3)	–	(695)
– UK	(207)	(58)	(4)	–	(269)
– Overseas	(350)	(77)	1	–	(426)
Realised and unrealised gains on investments[1]	(113)	23	–	7	(83)
Excess of depreciation over capital allowances	18	5	–	(1)	22
Excess expenses	1	(1)	–	–	–
Accounting provisions and other[1]	54	1	–	–	55
Trading losses[3]	289	60	–	(1)	348
Pension fund deficit	22	(6)	(7)	–	9
Acquired intangibles	(1)	1	–	–	–
Total net deferred tax (liabilities)/assets	(202)	(42)	(10)	5	(249)
Less: net deferred tax liabilities transferred on disposal[4]	–	5	–	(5)	–
Net deferred tax (liabilities)/assets	(202)	(37)	(10)	–	(249)
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets[5]	5	(3)	–	–	2
– Deferred tax liabilities	(207)	(34)	(10)	–	(251)
Net deferred tax (liabilities)/assets	(202)	(37)	(10)	–	(249)

1. The US deferred tax liability of £102m in respect of US bond contracts has been reclassified from Accounting provisions and other to Realised and unrealised gains on investments. The net impact on the total balance is £nil.
2. Deferred tax liabilities arising on deferred acquisition expenses relates solely to US balances as at 31 December 2021.
3. Trading losses include deferred tax on UK trade and US operating losses of £2m (2020: £5m) and £346m (2020: £284m) respectively. Overseas net deferred tax liabilities include a deferred tax asset of £346m (2020: £284m) on accumulated losses in our US insurance business. These losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.
4. Deferred tax assets and liabilities transferred on disposal relate to the deconsolidation of a number of subsidiaries following the Inspired Villages Group joint venture agreement with Natwest Group Pension Trustee Limited in August 2021.
5. The deferred tax asset recognised separately in the Consolidated Balance Sheet refers to deferred tax assets against which there are no appropriate deferred tax liabilities to offset the asset. The closing amount of £2m (2020: £5m) are restricted losses which cannot be offset against profits arising elsewhere in the group.

Unrecognised deferred tax assets

The group has the following unrelieved tax losses and deductible temporary differences carried forward as at 31 December 2022. No deferred tax asset has been recognised in respect of these as at 31 December 2022 (or 31 December 2021), 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 2022 £m	**Tax 2022 £m**	Gross 2021 £m	Tax 2021 £m
Trading losses[1]	**272**	**61**	172	36
Capital losses[2]	**67**	**14**	74	19
Excess management expense	**9**	**2**	9	2
Unrelieved interest payments on debt instruments	**14**	**4**	14	4
Unrecognised deferred tax assets	**362**	**81**	269	61

1. Gross trading losses includes £163m of UK trading losses (2021: £61m), £57m (2021: £14m) related to the US business which are expected to expire between 2026 and 2032 and £52m (2021: £47m) related to other overseas jurisdictions.
2. Gross capital losses includes £64m (2021: £nil) related to the US business.

(iii) Current tax – Consolidated Balance Sheet

	2022 £m	2021 £m
Tax recoverable within 12 months	52	46
Tax recoverable after 12 months	750	624
Current tax assets[1]	**802**	670

1. Of the total current tax asset £745m (2021: £619m) relates to amount recoverable in respect of withholding tax reclaims attributable to funds.

	2022 £m	2021 £m
Tax due within 12 months	1	4
Tax due after 12 months	68	80
Current tax liabilities	**69**	84

(iv) Tax charged directly in equity

	2022 £m	2021 £m
Current tax	(6)	4
Deferred tax	(7)	(3)
Tax (credit)/charge recognised directly in equity	**(13)**	1

31 Auditor's remuneration

	2022 £m	2021 £m
Remuneration receivable by the company's auditors for the audit of the consolidated and company financial statements	3.0	1.5
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	11.2	7.8
Audit related assurance services – required by national or EU legislation	1.6	1.3
Audit related assurance services – other	0.9	1.2
Other assurance services	0.8	0.1
Total remuneration	**17.5**	11.9

32 Employee information

	2022	2021
Monthly average number of staff employed during the year:		
UK	10,333	9,705
USA	1,032	927
Europe	59	43
Other	74	66
Worldwide employees	**11,498**	10,741

	Notes	2022 £m	2021 £m
Wages and salaries		917	789
Social security costs		105	89
Share-based incentive awards	33	54	33
Defined benefit pension costs	23	25	21
Defined contribution pension costs	23	93	82
Total employee related expenses		**1,194**	1,014

33 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.

Nil Cost Options can be granted to senior managers under the Performance Share Plan (PSP), based upon individual and company performance. From 2014, the number of options that vest are equally dependent on the group's relative TSR and Earnings per Share (EPS)/Dividend per Share (DPS) growth. The awards vest after the end of the three year performance period and become exercisable in thirds over three, four and five years. Changes were made to the performance conditions for awards granted from 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. Shares in respect of dividend equivalents will normally be awarded when Conditional Share awards vest.

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.

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 weighted average fair value of options and awards granted during the year, estimated by using Monte Carlo simulations were 61.7p and 169.5p for the ShareSave options and PSP awards respectively.

The fair values of the share awards made during the year have been calculated using the following assumptions:

	ShareSave	PSP
Award date	**8 April 2022**	**19 April 2022**
Weighted average share price (pence)	**268.8**	**271.1**
Weighted average exercise price (pence)	**205.0**	**N/A**
Expected volatility	**34%**	**45%**
Expected life	**3–5 years**	**3–5 years**
Risk-free investment rate	**1.52%–1.55%**	**1.64%**
Dividend yield	**6.3%**	**6.4%**

(ii) Total recognised expense

The total recognised expense relating to share-based payments in 2022 was £54m (2021: £33m) before tax, all of which related to equity settled share schemes. This is broken down between the group's plans as detailed below:

	2022 £m	2021 £m
Share Bonus Plan (SBP)	**38**	24
Performance Share Plan (PSP)	**12**	5
Employee Share Plan (ESP)	**2**	2
Savings related share option scheme (ShareSave)	**2**	2
Total share-based payment expense	**54**	33

(iii) Outstanding share options

	ShareSave options 2022	Weighted average exercise price 2022 p	CSOP options 2022	Weighted average exercise price 2022 p	SBP options 2022	Weighted average exercise price 2022 p
Outstanding at 1 January	**19,206,594**	**212**	**3,963,756**	**256**	**568,137**	**–**
Granted during the year	**11,768,715**	**205**	**2,719,728**	**272**	**355,739**	**–**
Forfeited during the year	**(3,494,833)**	**219**	**–**	**–**	**–**	**–**
Exercised during the year	**(2,837,683)**	**214**	**–**	**–**	**(4,008)**	**–**
Expired during the year	**(658,933)**	**211**	**(1,169,981)**	**281**	**(122,750)**	**–**
Outstanding at 31 December	**23,983,860**	**207**	**5,513,503**	**258**	**797,118**	**–**
Exercisable at 31 December	**3,151**	**217**	**–**	**–**	**139,804**	**–**
Weighted average remaining contractual life (years)	**3**		**9**		**8**	

	ShareSave options 2021	Weighted average exercise price 2021 p	CSOP options 2021	Weighted average exercise price 2021 p	SBP options 2021	Weighted average exercise price 2021 p
Outstanding at 1 January	18,232,974	204	3,957,155	246	586,514	–
Granted during the year	6,186,694	230	1,369,409	125	152,723	–
Forfeited during the year	(1,265,946)	212	–	–	–	–
Exercised during the year	(3,057,038)	202	(1,089,506)	269	(134,231)	–
Expired during the year	(890,090)	208	(273,302)	255	(36,869)	–
Outstanding at 31 December	19,206,594	212	3,963,756	256	568,137	–
Exercisable at 31 December	12,969	194	–	–	52,410	–
Weighted average remaining contractual life (years)	3		9		8	

(iv) Total options

Options over 30,294,481 shares (2021: 23,738,488 shares) are outstanding under CSOP, ShareSave and SBP as at 31 December 2022. These options have a range of exercise prices between 0p and 295p (2021: 0p and 295p) and maximum remaining contractual life up to 2032 (2021: 2031).

34 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	2022 Number of shares	2022 £m	2021 Number of shares	2021 £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 2022	**5,970,415,817**	**149**	**1,012**
Options exercised under share option schemes	**2,837,683**	**–**	**6**
As at 31 December 2022	**5,973,253,500**	**149**	**1,018**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2021	5,967,358,713	149	1,006
Options exercised under share option schemes	3,057,104	–	6
As at 31 December 2021	5,970,415,817	149	1,012

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 share plans

The group uses the Employees' 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 plans. 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 plan 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.

	2022 Number of shares	2022 £m	2021 Number of shares	2021 £m
As at 1 January	**42,700,058**	**99**	35,306,671	75
Shares purchased	**23,424,103**	**59**	11,862,090	34
Shares vested	**(5,316,948)**	**(14)**	(4,468,703)	(10)
As at 31 December	**60,807,213**	**144**	42,700,058	99

35 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 5 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 coupon payments are recognised directly in equity. During the year coupon payments of £28m were made (2021: £28m). 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.

36 Non-controlling interests

Non-controlling interests represent third party interests in direct equity investments, including private equity, which are consolidated in the group's results.

As at 31 December 2022, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the group holds 50%.

37 Other liabilities

	2022 £m	2021 £m
Accruals	**517**	454
Deferred income	**40**	26
Other	**166**	445
Total other liabilities	**723**	925
Due within 12 months	**668**	887
Due after 12 months	**55**	38

38 Reconciliation of assets under management to the Consolidated Balance Sheet

	2022 £bn	2021 £bn
Assets under management[1]	**1,196**	1,421
Derivative notionals[1,2]	**(337)**	(383)
Third party assets[1,3]	**(412)**	(480)
Other[1,4]	**44**	7
Total financial investments, investment property and cash and cash equivalents	**491**	565

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.

39 Related party transactions

(i) Key management personnel transactions and compensation

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. There were no material transactions between key management and the Legal & General group of companies during the year. Contributions to the post-employment defined benefit plans were £105m (31 December 2021: £109m) for all employees.

At 31 December 2022 and 31 December 2021 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:

	2022 £m	2021 £m
Salaries	11	10
Share-based incentive awards	6	5
Key management personnel compensation	**17**	15

(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.

The group has entered into the following material related party transactions during the year:

- Annuity contracts issued by Legal and General Assurance Society Limited (LGAS), a group company, for consideration of £61m (2021: £82m) have been purchased by the group's UK defined benefit pension schemes, priced on an arm's length basis; and
- The Legal & General Group UK Pension and Assurance Fund (the Fund) and the Legal & General Group UK Senior Pension Scheme (the Scheme) completed an Assured Payment Policy (APP) transaction with LGAS including £83m of top-ups in 2022 under the existing contracts. An APP is an investment contract product sold by LGRI 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.

As at 31 December 2022, LGAS recognised a liability related to this APP transaction with the Fund and Scheme of £820m (2021: £1,214m) which is included in the group's non-participating investment contract liabilities. The UK defined benefit pension schemes hold transferable plan assets of the same amounts, which do not eliminate on consolidation.

Loans and commitments to related parties are made in the normal course of business. As at 31 December 2022, the group had:

- Loans outstanding from related parties of £58m (2021: £15m), with a further commitment of £6m; and
- Total other commitments of £1,265m to related parties (2021: £1,158m), of which £1,010m has been drawn at 31 December 2022 (2021: £726m).

40 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. Legal and General Assurance Society Limited 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.

41 Commitments

(i) Capital commitments

	2022 £m	2021 £m
Authorised and contracted commitments not provided for in respect of investment property development, payable after 31 December:		
– Long-term business	**640**	680

(ii) Lease commitment receivable – payments to be received under operating leases

Under certain lease 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 2022 £m	Total future payments 2021 £m
Within 1 year	**392**	342
1-2 years	**374**	330
2-3 years	**360**	311
3-4 years	**347**	298
4-5 years	**334**	287
After 5 years	**4,110**	3,391
Total lease commitment receivable	**5,917**	4,959

Lease commitments payable are disclosed as part of the lease disclosure in Note 25.

42 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 42 and 43.

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 2022 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.

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Country of incorporation: Bermuda				
First British Bermuda Reinsurance Company III Limited[1]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General America Reinsurance Limited[2]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Reinsurance Company Limited[2]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Reinsurance Company No.2 Limited[2]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Resources Bermuda Limited[2]	Provision of services	Ordinary	31–Dec	100.0
Country of incorporation: China				
Legal & General Business Consulting (Shanghai) Limited[3]	Business information consultancy	Ownership dictated by subscribed capital	31–Dec	100.0
Country of incorporation: England and Wales				
245 Hammersmith Road (General Partner) Limited	General partner	Partnership	31–Dec	50.0
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
Accelerated Digital Ventures Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
ADV (GP) LLP	Limited liability partnership	Partnership	31–Dec	100.0
ADV ECF LP	Limited partnership	Partnership	31–Dec	100.0
ADV Management Limited	Fund management activities	Ordinary	31–Dec	100.0
ADV Nominees Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
Antham 1 Limited	Investment vehicle	Ordinary	31–Dec	100.0
Atelier Management Company Limited	ECF Manco[4]	Ordinary	31–May	–
Banner (Spare) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Construction Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Developments Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Freehold Limited[5]	Letting and operating of leased real estate	Ordinary	31–Dec	100.0
Banner Homes Bentley Priory Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Central Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Group Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Limited[5]	Dormant company	Ordinary	31–Dec	100.0
Banner Homes Midlands Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Southern Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Ventures Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Management Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Begbroke Oxford Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
BQN Limited	Development of building projects	Ordinary	31–Dec	100.0
BTR Core Limited	Investment vehicle	Ordinary	31–Dec	100.0
BTR Residential Development Company Limited	Development of building projects	Ordinary	31–Dec	100.0
Bucklers Park Estate Management Company Limited	Management of real estate	Limited by guarantee	31–May	100.0
C1 Plot Management Company Limited	Residential property management	Limited by guarantee	31–Dec	33.3
CALA (ESOP) Trustees Limited[5]	Financial intermediation	Ordinary	31–Dec	100.0
CALA 1 Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Group (Holdings) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Chiltern) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Midlands) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (North Home Counties) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (South Home Counties) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Southern) Limited[5]	Non-trading company	Ordinary	31–Dec	100.0
CALA Homes (Thames) Limited[5]	Non-trading company	Ordinary	31–Dec	100.0
CALA Homes (Yorkshire) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Properties Banbury Limited[5]	Dormant company	Ordinary	31–Dec	100.0
Cardiff Interchange Limited	Development of building projects	Ordinary	31–Dec	100.0
Cardiff Interchange ManCo Limited	Management company	Ordinary	31–Jan	25.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Care Secured Limited[5]	Dormant company	Ordinary	31–Dec	100.0
City & Urban Developments Limited	Holding company	Ordinary	31–Dec	100.0
Court Place Gardens Holdings LLP	Holding company	Partnership	31–Dec	100.0
Court Place Gardens Oxford Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	100.0
Cross Trees Park (Shrivenham) Management Company Limited	Residential property management	Limited by guarantee	31–Dec	100.0
Euro Liquidity Fund	OEIC[6]	Ordinary	31–Dec	47.1
Finchwood Park Management Company Limited	Residential property management	Limited by guarantee	31–Dec	100.0
Finovation UK Limited	Dormant company	Ordinary	31–Dec	100.0
Haut Investments 2 Limited	Holding company	Ordinary	31–Dec	100.0
Haut Investments Limited	Holding company	Ordinary	30–Dec	100.0
Hockley Mills UK BTR Limited Partnership	Private fund limited partnership	Partnership	31–Dec	–
Inspired Villages Group Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	46.5
Interchange Central Square (General Partner) Limited	General partner	Partnership	31–Dec	100.0
Interchange Central Square Limited Partnership	Limited liability partnership	Partnership	31–Dec	100.0
Investment Discounts On Line Limited	Insurance agents and brokers	Ordinary	31–Dec	100.0
IPIF Trade General Partner Limited	Fund general partner	Partnership	31–Dec	100.0
IPIF Trade Nominee Limited	Nominee	Ordinary	31–Dec	100.0
IVG Managers Limited[7]	Dormant company	Ordinary	31–Dec	46.5
IVG Millbrook LLP[7]	Dormant company	Partnership	31–Dec	46.5
IXDS Limited	Other information technology services	Ordinary	31–Dec	70.0
Jimcourt Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
L&G Bristol Temple Island Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
L&G Cash Trust	Unit trust	Unit	05–Feb	52.6
L&G Future World ESG Asia Pacific Index Fund	Unit trust	Unit	30–Sep	69.8
L&G Future World ESG Emerging Markets Index Fund	Unit trust	Unit	30–Sep	56.4
L&G Future World ESG Europe ex UK Index Fund	Unit trust	Unit	30–Sep	80.0
L&G Future World ESG Japan Index Fund	Unit trust	Unit	30–Sep	71.6
L&G Future World ESG Multi-Index 6 Fund	Unit trust	Unit	15–Feb	42.5
L&G Future World ESG Multi-Index 7 Fund	Unit trust	Unit	15–Feb	56.2
L&G Future World ESG North America Index Fund	Unit trust	Unit	30–Sep	94.0
L&G Future World ESG UK Index Fund	Unit trust	Unit	30–Sep	51.6
L&G Future World Sustainable Global Equity Focus	Unit trust	Unit	15–May	99.9
L&G Future World Sustainable Opportunities	Unit trust	Unit	30–Sep	88.2
L&G Global Developed Four Factor Scientific Beta Index Fund	Authorised contractual schemes	Ordinary	31–Dec	31.4
L&G Homes Modular JV Holdco Limited	Development of modular housing	Ordinary	31–Dec	100.0
L&G Multi-Asset Target Return Fund	Unit trust	Unit	14–Apr	41.5
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 (Residential) Holdco Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General (Strategic Land Harpenden) Limited	Activities of other holding companies not elsewhere classified	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

1. Registered office: Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda
2. Registered office: 19 Par-La-Ville Road, Hamilton, HM11, Bermuda
3. Registered office: Southwest ROOM, Floor 3, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone (Bonded Area), Pudong District, Shanghai
4. English Cities Fund Management Company
5. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
6. Open Ended Investment Company
7. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
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 (AR) LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General Affordable Homes (Capital) Limited	Dormant 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 3) 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 (SO) LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General Affordable Homes Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General BTR Investment Nominee Limited	Limited company	Ordinary	30–Sep	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	Management of dilapidation liabilities	Ordinary	31–Dec	100.0
Legal & General Euro Mortgage No.1 SPV Limited	Special purpose vehicle	Ordinary	31–Dec	100.0
Legal & General Finance PLC	Treasury operations	Ordinary	31–Dec	100.0
Legal & General Financial Advice Limited	Provision of services	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	Human resource management	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	Other specialised construction activities not elsewhere classified	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 JV Limited	Development of modular housing	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	OEIC[6]	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 LTM Structuring (SPV) Limited	Special purpose vehicle	Ordinary	31–Dec	100.0
Legal & General Middle East Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Overseas Operations Limited	Holding company	Ordinary	31–Dec	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
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
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	Nominee	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 (UK PIF) 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 (UK PIF Geared) Limited	General partner	Ordinary	31–Dec	100.0
Legal & General Property Partners (UKPIF Two) Limited	Investment in UK real estate	Ordinary	31–Dec	100.0
Legal & General Re Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Residential (BTR) 1 LLP	Investment management	Partnership	31–Dec	100.0
Legal & General Residential (BTR) 2 LLP	Investment management	Partnership	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 Science and Tech (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Senior Living Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Development 2) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Development) Limited	Domestic building construction	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Operations) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Property) LLP	Limited liability partnership	Partnership	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 BTR GP Five LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP Four LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP Six LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP Three LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment LP	Limited partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment Nominee Limited	Fund management activities	Ordinary	31–Dec	100.0
Legal & General UK Solar Investments (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General UKPIF Two GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal and General Assurance (Pensions Management) Limited	Insurance	Ordinary	31–Dec	100.0
Legal and General Assurance Society Limited	Long-term and general insurance	Ordinary	31–Dec	100.0
Legal and General Capital IM Company Limited	Fund management activities	Ordinary	31–Dec	100.0
LGC Overseas Holdco Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	100.0

6. Open Ended Investment Company

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGC TEP UK Holdco Limited	Activities of construction holding companies	Ordinary	31–Dec	100.0
LGCP Nominee 1 Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	100.0
LGIM Commercial Lending Limited	Commercial lending	Ordinary	31–Dec	100.0
LGIM International Limited	Institutional fund management	Ordinary	31–Dec	100.0
LGIM OEIC Corporate Bond Fund	OEIC[6]	Ordinary	31–Dec	33.8
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 No 2 Limited	Fund management activities	Ordinary	30–Sep	100.0
Life and Mind Building Oxford Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Maltby Street Properties Limited	Investment property holding company	Ordinary	31–Dec	11.1
Millbay Estate Management Company Limited[8]	Non-trading company	Limited by guarantee	31–Dec	–
Novella Building Management Company Limited	ECF Manco[4]	Ordinary	3–Mar	–
NSC Building A Limited	Real estate trading	Ordinary	31–Dec	100.0
NSC Building B Limited	Real estate trading	Ordinary	31–Dec	100.0
Portholme Residents Management Company Limited	Resident property management	Ordinary	30–Nov	100.0
Rowley Lane Borehamwood Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Sapphire Campus Management Company Limited	Investment vehicle	Ordinary	31–Dec	9.5
Senior Living Medici Holdco Limited[9]	Dormant company	Ordinary	31–Dec	100.0
Senior Living Medici Limited[9]	Dormant company	Ordinary	31–Dec	100.0
Senior Living Urban (Bath) Limited	Buying and selling of own real estate	Ordinary	31–Oct	100.0
Senior Living Urban (Epsom) Limited	Buying and selling of own real estate	Ordinary	31–Dec	100.0
Senior Living Urban (Uxbridge) Limited	Buying and selling of own real estate	Ordinary	31–Oct	100.0
Senior Living Urban (Walton) Limited	Buying and selling of own real estate	Ordinary	31–Dec	100.0
SMART Pension Limited[10]	Other information service activities not elsewhere classified	Unit	31–Mar	7.5
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
Stratford City Offices Jersey Unit Trust (No. 2)	Unit trust	Ordinary	31–Dec	99.8
Sunderland Vaux 1 Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Swindon (The Hub) Management Company Limited[11]	Management of real estate	Ordinary	31–Mar	82.8
The Advantage Collection Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Thorpe Park 3175 Limited[12]	Buying and selling of own real estate	Ordinary	31–Dec	50.0
Thorpe Park A2 Limited[12]	Other letting and operating of own or leased real estate	Ordinary	31–Dec	50.0
Thorpe Park Developments Limited[12]	Property development company	Ordinary	31–Dec	50.0
Thorpe Park Holdings Limited[12]	Holding company	Ordinary	31–Dec	50.0
Tower Works UK BTR Limited Partnership	Private fund limited partnership	Partnership	31–Dec	–
TP Property Services Limited[12]	Property services	Ordinary	31–Dec	50.0
Valette Square Management Company Limited	Other service activities not elsewhere classified	Ordinary	30–Nov	33.0
Venturemarket.org Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
West Bar Square Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Country of incorporation: Hong Kong				
Legal & General Investment Management Asia Limited[13]	Investment management	Ordinary	31–Dec	100.0
Country of incorporation: Ireland				
Finovation Limited[14]	Pension tracing and transfer service	Ordinary and convertible	31–Dec	100.0
L&G Asia Pacific ex Japan Equity Index Fund	ICAV[15]	Ordinary	31–Dec	29.2
L&G Frontier Markets Equity Fund	ICAV[15]	Ordinary	31–Dec	51.1
L&G Future World Global Credit Fund – UK	QIAIF[16]	Ordinary	31–Dec	100.0
L&G LFST Alternative Assets Fund	QAIF ICAV[17]	Ordinary	31–Dec	47.4
L&G Multi Asset Core 20 Fund	Unit trust	Unit	15–May	88.1

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
L&G Multi Asset Core 45 Fund	Unit trust	Unit	15–May	82.7
L&G Multi Asset Core 75 Fund	Unit trust	Unit	15–May	84.0
L&G Net Zero Sterling Corporate Bond Fund	QIAIF[16]	Ordinary	31–Dec	25.0
Legal & General Fund Managers (Ireland) Limited[18]	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General QIAIF ICAV[19]	QIAIF[16]	Ordinary	31–Dec	100.0
Legal & General UCITS Managers (Ireland) Limited	Institutional fund management	Ordinary	31–Dec	100.0
LGIM (Ireland) Risk Management Solutions Plc	Management company	Ordinary	31–Dec	100.0
LGIM 2024 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2025 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2025 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2025 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2030 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2030 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2030 Leverage Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2030 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2034 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2035 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2035 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2035 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2037 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2038 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2040 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2040 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2040 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2040 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2042 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2042 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2045 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2045 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2045 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2045 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2047 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2049 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2050 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2050 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2050 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2050 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2055 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2055 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2055 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2055 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2060 Fixed Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2060 Inflation Fund	QIAIF[16]	Ordinary	31–Dec	100.0

4. English Cities Fund Management Company
5. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
6. Open Ended Investment Company
8. Registered office: Whittington Hall, Whittington Road, Worcester, Worcestershire, United Kingdom, WR5 2ZX
9. Registered office: The Stanley Building, 7 St Pancras Square, London, N1C 4AG
10. Registered office: 40 Eastbourne Terrace, London, England, W2 6LG
11. Registered office: 6th Floor Lansdowne House, Berkeley Square, London, United Kingdom, W1J 6ER
12. Registered office: Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ
13. Registered office: Room 902, 9th Floor, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong
14. Registered office: 70 Sir John Rogerson Quay, Dublin 2, D02 XK09, Ireland
15. Irish Collective Asset-management Vehicle
16. Qualifying Investor Alternative Investment Fund
17. Qualifying Investor Alternative Investment Fund Irish Collective Asset-management Vehicle
18. Registered office: Grand Canal House, 1 Upper Grand Canal Street, Dublin 4, Ireland
19. Registered office: 33/34 Sir John Rogerson's Quay Dublin 2, DO2 XK09, Ireland

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM 2060 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2060 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2062 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2068 Leveraged Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM 2068 Leveraged Index Linked Gilt Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Bespoke Active Credit Fund BP	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Credit and Liquidity – Fund BM	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Credit and Liquidity – Fund BN	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Euro 2030 Real Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Fixed Long Duration Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Fixed Short Duration Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund A	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AC	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AE	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AI	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AK	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AO	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AR	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AS	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AT	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AU	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AV	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AW	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AY	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AZ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund B	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BB	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BF	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BG	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BH	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BI	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BJ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BL	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BT	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BU	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BV	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund C	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CJ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CK	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CI	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CL	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DC	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DJ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DK	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DO	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund L	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund O	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund Q	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund V	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund WH	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund WS	QIAIF[16]	Ordinary	31–Dec	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM Hedging Fund WT	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Hedging Fund ZZ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Leveraged Gilt Plus Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Leveraged Index Linked Gilt Plus Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Leveraged Synthetic Equity Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2020-2024	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2025-2029	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2030-2034	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2035-2039	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2040-2054	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Real Long Duration Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Real Short Duration Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BA	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BK	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BW	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BX	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BY	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CA	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CB	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CC	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CD	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CF	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CG	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CH	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CP	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CQ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CS	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CT	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CU	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CW	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DB	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DE	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DF	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DH	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DI	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DM	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DN	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DQ	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DR	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DU	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DV	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DW	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DY	QIAIF[16]	Ordinary	31–Dec	50.0
LGIM Solutions Fund M	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Synthetic Leveraged Credit Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Synthetic Leveraged Equity Fund – GBP Currency Hedged Fund	QIAIF[16]	Ordinary	31–Dec	100.0
LGIM Unleveraged Defensive Synthetic Equity Fund	QIAIF[16]	Ordinary	31–Dec	100.0

16. Qualifying Investor Alternative Investment Fund

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Sterling Liquidity Fund	OEIC[6]	Ordinary	31–Dec	48.8
US Dollar Liquidity Fund	OEIC[6]	Ordinary	31–Dec	46.7
Country of incorporation: Japan				
Legal & General Investment Management Japan KK[20]	Investment management	Ordinary	31–Dec	100.0
Country of incorporation: Jersey				
Access Development General Partner Limited[21]	Fund general partner	Partnership	31–Dec	100.0
Bishopsgate Long Term Property Fund General Partner Limited[22]	Fund general partner	Partnership	31–Dec	100.0
Bishopsgate Long-term Property Fund Limited Partnership[22]	Limited partnership	Partnership	31–Dec	25.0
Bishopsgate Long-term Property Fund Nominees No 1 Limited[22]	Real estate operator	Ordinary	31–Dec	25.0
Bishopsgate Long-term Property Fund Nominees No 2 Limited[22]	Real estate operator	Ordinary	31–Dec	25.0
Borehamwood Property Unit Trust[22]	Unit trust	Unit	31–Dec	100.0
SCBD S6 Trust[23]	Unit trust	Unit	31–Dec	100.0
Stratford City Offices Jersey Unit Trust[23]	Unit trust	Unit	31–Dec	100.0
Vantage General Partner Limited[21]	Fund general partner	Partnership	31–Dec	100.0
Vantage London Limited Partnership[21]	Limited partnership	Partnership	31–Dec	11.1
Country of incorporation: Luxembourg				
L&G Absolute Return Bond Fund	SICAV[24]	Ordinary	31–Dec	87.7
L&G Absolute Return Bond Plus Fund	SICAV[24]	Ordinary	31–Dec	35.2
L&G Buy & Maintain Credit Fund	SICAV[24]	Ordinary	31–Dec	98.6
L&G Commodity Index Fund	SICAV[24]	Ordinary	31–Dec	79.8
L&G Emerging Markets Short Duration Bond Fund	SICAV[24]	Ordinary	31–Dec	36.1
L&G Future World Global Credit Fund	SICAV[24]	Ordinary	31–Dec	56.9
L&G Future World Global Equity Focus Fund	SICAV[24]	Ordinary	31–Dec	84.4
L&G Global Diversified Credit Fund	SICAV[24]	Ordinary	31–Dec	73.9
L&G Net Zero Global Corporate Bond Fund	SICAV[24]	Ordinary	31–Dec	85.1
L&G NTR Clean Power GP S.à r.L.[25]	Fund general partner	Partnership	31–Dec	100.0
L&G UK Core Plus Bond Fund	SICAV[24]	Ordinary	31–Dec	100.0
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[27]	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
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]	Limited liability partnership	Partnership	31–Dec	100.0
UK PIF Two Founder Partner Limited, LP[28]	Fund general partner	Partnership	31–Dec	100.0
UKPIF Two Founder GP Limited[28]	Fund general partner	Partnership	31–Dec	100.0
Country of incorporation: USA				
Ancora Community Impact CDE LLC[29]	Dormant company	Ordinary	31–Dec	50.0
Ancora Investments LLC[29]	Management of real estate investments	Ordinary	31–Dec	50.0

Company name	**Nature of business**	**Share class**	**Year end reporting date**	**% of equity shares held by the group**
Ancora L&G, LLC[30]	Holding company for investment in subsidiaries	Ordinary	31–Dec	50.0
Ancora Partners, LLC[29]	Provision of management services	Ordinary	31–Dec	50.0
Ancora TEP Holdings LLC[30]	Holding company	Ordinary	31–Dec	99.8
Ancora TEP JV LLC[30]	Holding company	Class A and Class B shares	31–Dec	99.8
Banner Life Insurance Company[31]	Long-term business	Ordinary	31–Dec	100.0
Chesapeake Ventures, LLC[29]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-1, LLC[29]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-2, LLC[29]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-3, LLC[29]	Limited company	Ordinary	31–Dec	100.0
First British Vermont Reinsurance Company II, Limited[32]	Reinsurance	Ordinary	31–Dec	100.0
First British Vermont Reinsurance Company III, Limited[29]	Reinsurance	Ordinary	31–Dec	100.0
Global Index Advisors Inc.[33]	Investment advisory	Ordinary	31–Dec	100.0
Legal & General America Inc.[34]	Holding company	Ordinary	31–Dec	100.0
Legal & General Investment Management America Inc.[34]	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General Investment Management United States (Holdings), Inc.[34]	Holding company	Ordinary	31–Dec	100.0
LGC US Holdco 1 Inc.[34]	Holding company	Ordinary	31–Dec	100.0
LGC US Holdco 2 LLC[30]	Holding company	Ordinary	31–Dec	100.0
William Penn Life Insurance Company of New York Inc.[35]	Long term business	Ordinary	31–Dec	100.0

6. Open Ended Investment Company
20. Registered office: 22F Toranomon Kotohira Tower, 1-2-8 Toranomon, Minato-ku, Tokyo, 105-0001, Japan
21. Registered office: 11-15 Seaton Place St Helier, Jersey, JE4 0QH
22. Registered office: 12 Castle Street, St Helier Jersey, JE2 3RT
23. Registered office: Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST
24. Société d'investissement à capital variable
25. Registered office: 9, Rue de Bitbourg, Luxembourg, L-1273
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: 850 New Burton Road, Suite 201, Dover, Delaware, 19904, USA
30. Registered office: 108 Lakeland Avenue, Dover, Kent County, DE 19901, USA
31. Registered office: 1701 Research Boulevard, Rockville, Maryland, 20850, USA
32. Registered office: Marsh Management Services, 100 Bank Street, Suite 610, Burlington, VT, 05402, USA
33. Registered office: 29 North Park Square, Ste.201, Marietta, GA, 30060, USA
34. Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE, 19801, USA
35. Registered office: 100 Quentin Roosevelt Blvd, PO Box 519, Garden City New York, 11530, USA

43 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, and investments in associates and joint ventures accounted for using the equity method. 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
245 Hammersmith Road Limited Partnership[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Partnership	50.0
Access Development Limited Partnership[2]	Jersey	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Austin Heath Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Bracknell Property Unit Trust[4,5]	Jersey	FVTPL	Joint Venture	31–Dec	Units	50.9
Bruntwood SciTech Limited[6]	England and Wales	Equity Method	Joint Venture	30–Sep	Ordinary	50.0
CALA Evans Restoration Limited[7]	Scotland	Equity Method	Joint Venture	30–Jun	Ordinary	50.0
Congenica Limited[8]	England and Wales	Equity Method	Associate	31–Dec	Ordinary	7.5
Durrants Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
ECV Partnerships Tattenhall Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
ECV Partnerships Warwick Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Elderswell Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
English Cities Fund[1]	England and Wales	FVTPL	Associate	31–Dec	Partnership	35.4
Gifford Lea Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Great Alne Park Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Household Capital Pty Limited[9]	Australia	Equity Method	Associate	30–Jun	Ordinary	38.3
Imagine Mortgages Limited (Generation Home)[10]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	20.0
Kao Data Limited[11]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	30.0
Kensa Group Limited[12]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	37.6
Ledian Gardens Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
LGHM-VIVID JV LLP[1]	England and Wales	Equity Method	Joint Venture	31–Mar	Ordinary	50.0
MoneyHub Financial Technology Limited[13]	England and Wales	FVTPL	Associate	28–Feb	Ordinary	9.0
Newcastle Science Central Developments LLP[14]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	33.3
NTR Wind Management Limited[15]	Ireland	FVTPL	Associate	31–Mar	Ordinary	25.0
Onto Holdings Limited[16]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	12.0
Oxford University Property Development Limited[17]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Pemberton Asset Management Holdings Limited[18]	Jersey	FVTPL	Associate	31–Dec	Ordinary	40.0
Salary Direct Holdings Limited[19]	Jersey	FVTPL	Associate	31–Dec	Ordinary	49.9
Senior Living (Albourne) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Aylesbury) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Boston Spa) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Broadbridge Heath) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Caddington) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Chandlers Ford) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Comberton) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0

1. Registered office: One Coleman Street, London, EC2R 5AA
2. Registered office: 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
3. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL
4. Registered office: 47 Esplanade, St. Helier, Jersey, JE1 0BD
5. Bracknell Property Unit Trust is classified as a Joint Venture because the group does not control the entity
6. Registered office: Union, Albert Square, Manchester, England, M2 6LW
7. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
8. Registered office: Biodata Innovation Centre, Wellcome Genome Campus, Hinxton, Cambridge CB10 1DR
9. Registered office: Level 12/1 Nicholson St, East Melbourne VIC 3000
10. Registered office: Unit 80, Exmouth House, Pine Street, London, England, EC1R 0JH
11. Registered office: Kao Data Campus, London Road, Harlow, United Kingdom, CM17 9NA
12. Registered office: Mount Wellington, Fernsplatt, Chacewater, Truro, Cornwall, TR4 8RJ
13. Registered office: C/O Roxburgh Milkins Limited Merchants House North, Wapping Road, Bristol, United Kingdom, BS1 4RW
14. Registered office: Finance And Planning Newcastle University, King's Gate, Newcastle Upon Tyne, United Kingdom, NE1 7RU
15. Registered office: Burton Court, Burton Hall Drive, Sandyford, Dublin D18 Y2T8
16. Registered office: Ailsa House, Wedgnock Lane, Warwick, United Kingdom, CV34 5YA
17. Registered office: University Offices, Wellington Square, Oxford, United Kingdom, OX1 2JD
18. Registered office: 44 Esplanade, St Helier, Jersey JE4 9WG
19. Registered office: 35-37 New Street, St Helier, Jersey, JE2 3RA

Company name	Country of incorporation	Accounting treatment	Investment type	Year end reporting date	Share class	% of equity shares held by the group
Senior Living (Dore) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Durrants) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Freelands) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Great Leighs) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Halstead) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Hemel Hempstead) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Horndean) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Knowle) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Ledian Farm) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Liphook) Limited[20]	Jersey	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Matchams) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Sonning Common) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Stamford) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Sunbury-on-Thames) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Tattenhall) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Tunbridge Wells) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Turvey) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Walkern) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Warwick Gates) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living Finance 1 Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Sennen Finance Designated Activity Company[21]	Ireland	Equity Method	Joint Venture	31–Dec	–	–
Smartr365 Finance Limited[22]	England and Wales	FVTPL	Associate	31–Mar	Ordinary	49.0
SOJV LLP[1]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Tattenhall Care Village LLP[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Warwick Gates LLP[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Winchburgh Developments (Holdings) Limited[23]	Scotland	Equity Method	Joint Venture	31–Dec	Ordinary	50.0

1. Registered office: One Coleman Street, London, EC2R 5AA
3. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL
20. Registered office: 3rd Floor, One The Esplanade, St Helier, Jersey, JE2 3QA
21. Registered office: 1-2 Victoria Buildings,Haddington Road, Dublin, Ireland, 4 D04 XN32
22. Registered office: 1 Queen Caroline Street, Hammersmith, London, United Kingdom, W6 9YN
23. Registered office: 1a Canal View, Winchburgh, Broxburn, West Lothian, EH52 6FE

Summarised financial information for associates and joint ventures accounted for under the equity method is shown below:

	Associates 2022 £m	**Joint ventures 2022 £m**	Associates 2021 £m	Joint ventures 2021 £m
Current assets	**32**	**486**	15	557
Non-current assets	**112**	**1,212**	184	906
Current liabilities	**6**	**171**	10	184
Non-current liabilities	**113**	**597**	27	448
(Loss)/profit from continuing operations – total	**(20)**	**99**	(33)	60
(Loss)/profit from continuing operations – group's share	**(2)**	**49**	(5)	30
Total comprehensive income – total	**(20)**	**99**	(33)	60
Total comprehensive income – group's share	**(2)**	**49**	(5)	30

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.

During the year, the total value of Investment in associates and joint ventures accounted for using the equity method on the group's Consolidated Balance Sheet increased to £554m (2021: £375m), reflecting a number of additions and disposals, as well as the group's share of the profits and losses of the respective associates and joint ventures.

43 Associates and joint ventures continued

(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 2022 was £5.0m (2021: £87.1m) and the registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT.

44 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; and
- Specialised investment vehicles, analysed between Irish Collective Asset-management Vehicles (ICAVs), Open Ended Investment Companies (OEICs), Sociétés d'Investissement à Capital Variables (SICAVs), Specialised Investment Funds (SIFs), Qualifying Investor Alternative Investment Fund (QIAIF), Liquidity funds, Common Contractual Fund (CCF), 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.

(i) 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.

(ii) Interests in unconsolidated structured entities

As part of its investment activities, the group also invests in unconsolidated structured entities. As at 31 December 2022, 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 £19,867m (2021: £21,217m). A summary of the group's interests in unconsolidated structured entities is provided below:

	Financial investments 2022 £m	Financial investments 2021[1] £m
Debt securities		
Analysed as:		
Asset backed securities	**3,075**	2,752
Securitisations and debentures	**203**	136
CDOs	**66**	81
Investment funds and Specialised Investment Vehicles		
Analysed as:		
Unit trusts	**12,160**	13,841
Property limited partnerships	**899**	710
Exchange traded funds	**185**	124
Liquidity funds	**744**	822
ICAVs	**83**	135
OEICs	**245**	333
SICAVs	**260**	284
QIAIF ICAVs	**1**	1
SIFs	**1,818**	1,573
Property unit trusts	**128**	425
Total	**19,867**	21,217

1. For 2021, the amounts have been updated to reflect the correct analysis of interests across the categories within Investment funds and Specialised Investment Vehicles. There is no impact in respect of the total Financial investments related to interests in unconsolidated structured entities reflected on the group's Consolidated Balance Sheet as at 31 December 2021.

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 2022 £m	Investment management fees 2022 £m	AUM 2021 £m	Investment management fees 2021 £m
Investment funds	**86,037**	**138**	95,889	168
Specialised Investment Vehicles	**23,325**	**60**	26,687	60
Analysed as:				
OEICs	**174**	**–**	492	1
SICAVs	**891**	**2**	1,074	2
Property limited partnerships	**4,305**	**21**	5,178	27
ETF	**7,639**	**25**	8,771	21
ICAV	**7,750**	**8**	10,207	8
QIAIF	**715**	**1**	395	–
Liquidity funds	**270**	**1**	338	1
CCF	**1,581**	**2**	232	–
Total	**109,362**	**198**	122,576	228

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 £188m (2021: £300m) 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 2022 of £nil (2021: £nil).

Company financial statements

Company Balance Sheet

As at 31 December 2022	Notes	2022 £m	2021 £m
Non-current assets			
Investments in subsidiaries	6	**10,740**	9,522
Loans to subsidiaries	6	**–**	702
Receivables: amounts due after more than one year	6	**244**	188
Current assets			
Receivables: amounts due within one year	7	**1,265**	1,705
Derivative assets	10	**297**	46
Other financial investments		**29**	53
Cash and cash equivalents		**4**	10
Total assets		**12,579**	12,226
Non-current liabilities			
Payables: amounts falling due after more than one year	8	**4,704**	4,583
Current liabilities			
Payables: amounts falling due within one year	9	**532**	283
Derivative liabilities	10	**204**	105
Total liabilities		**5,440**	4,971
Net assets		**7,139**	7,255
Equity			
Share capital	12	**149**	149
Share premium	12	**1,018**	1,012
Revaluation reserve		**2,459**	2,459
Capital redemption and other reserves		**194**	151
Retained earnings		**2,824**	2,989
Attributable to ordinary shareholders		**6,644**	6,760
Restricted Tier 1 convertible notes	13	**495**	495
Total equity		**7,139**	7,255

The notes on pages 252 to 257 form an integral part of these financial statements.

The financial statements on pages 250 to 257 were approved by the directors on 7 March 2023 and were signed on their behalf by:

Sir John Kingman
Chairman

Sir 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 2022	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 2022	**149**	**1,012**	**17**	**48**	**86**	**2,459**	**2,989**	**6,760**	**495**	**7,255**
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**974**	**974**	**–**	**974**
Net movement in cross-currency hedge	**–**	**–**	**–**	**30**	**–**	**–**	**–**	**30**	**–**	**30**
Options exercised under share option schemes	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
Shares vested and transferred from share-based payment reserve	**–**	**–**	**–**	**–**	**(41)**	**–**	**–**	**(41)**	**–**	**(41)**
Employee scheme treasury shares: – Value of employee services	**–**	**–**	**–**	**–**	**54**	**–**	**–**	**54**	**–**	**54**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(1,116)**	**(1,116)**	**–**	**(1,116)**
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**	**(23)**	**–**	**(23)**
As at 31 December 2022	**149**	**1,018**	**17**	**78**	**99**	**2,459**	**2,824**	**6,644**	**495**	**7,139**

For the year ended 31 December 2021	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 2021	149	1,006	17	35	101	2,459	2,895	6,662	495	7,157
Profit for the financial year	–	–	–	–	–	–	1,172	1,172	–	1,172
Net movement in cross-currency hedge	–	–	–	13	–	–	–	13	–	13
Options exercised under share option schemes	–	6	–	–	–	–	–	6	–	6
Shares vested and transferred from share-based payment reserve	–	–	–	–	(48)	–	8	(40)	–	(40)
Employee scheme treasury shares: – Value of employee services	–	–	–	–	33	–	–	33	–	33
Dividends	–	–	–	–	–	–	(1,063)	(1,063)	–	(1,063)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	–	–	(23)	(23)	–	(23)
As at 31 December 2021	149	1,012	17	48	86	2,459	2,989	6,760	495	7,255

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),
  - 10 (f) and 40A (presentation of a 3rd balance sheet),
  - 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-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (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.

Debt securities 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.

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 temporary 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 temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary 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.

1 Accounting policies continued

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's defined benefit pension schemes, which are defined benefit plans that share risks between entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plans as a whole to individual group entities, therefore the company's cost of participation has been treated as that of defined contribution schemes for reporting purposes. The net defined benefit cost has been recognised in the separate financial statements of Legal & General Resources Limited, the sponsoring employer for the plans.

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. Full disclosure of these plans is given in Note 33 of the group consolidated financial statements. The costs associated with these plans are borne by all the participating group businesses where they relate to their employees and, where relevant, the company bears an appropriate charge. As the majority of the charge to the company relates to awards and options issued to the directors, for which full disclosure is made in the Directors' report on remuneration, no further disclosure is provided here.

2 Dividends

	Dividend 2022 £m	**Per share 2022 p**	Dividend 2021 £m	Per share 2021 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2020 dividend paid in June 2021	**–**	**–**	754	12.64
– Interim 2021 dividend paid in September 2021	**–**	**–**	309	5.18
– Final 2021 dividend paid in June 2022	**792**	**13.27**	–	–
– Interim 2022 dividend paid in September 2022	**324**	**5.44**	–	–
Total dividends	**1,116**	**18.71**	1,063	17.82
Ordinary share dividend proposed	**829**	**13.93**	790	13.27

Subsequent to 31 December 2022, the directors declared a final dividend for 2022 of 13.93 pence per ordinary share. This dividend will be paid on 5 June 2023. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2023 and is not included as a liability in the balance sheet as at 31 December 2022.

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 2022 there were no remuneration payments outstanding with directors of the company (2021: £nil). The company has no other employees (2021: £nil).

For purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the directors in respect of 2022 was £4.2m (2021: £4.0m). The aggregate net value of share awards granted to the directors in the year was £5.3m (2021: £4.2m). During the year, the aggregate gains made by directors on the exercise of share options was £1.3m (2021: £1.8m).

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 as at 31 December 2021 was completed on 21 September 2022; and
- 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 as at 31 December 2021 was completed on 21 September 2022.

These schemes operate within the UK pensions' regulatory framework.

There were no contributions prepaid or outstanding at either 31 December 2022 or 31 December 2021 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 an overall surplus in respect of these schemes for the year ended 31 December 2022 of £79m (2021: deficit of £22m), which includes a reimbursement asset of £718m (2021: £990m) is recognised on that company's Balance Sheet.

Further information is given in Note 23 of the group's consolidated financial statements.

5 Auditor's remuneration

Remuneration receivable by the company's auditors 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 auditors for the audit of the group's financial statements, which include the company's financial statements, in Note 31.

The disclosure of fees payable to the auditors 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.

6 Non-current assets

	Investments in subsidiaries 2022 £m	**Loans to subsidiaries 2022 £m**	**Receivables amounts due after more than one year 2022 £m**	**Total 2022 £m**	Investments in subsidiaries 2021 £m	Loans to subsidiaries 2021 £m	Receivables amounts due after more than one year 2021 £m	Total 2021 £m
As at 1 January	**9,522**	**702**	**188**	**10,412**	9,204	702	156	10,062
Additions[1]	**516**	**–**	**56**	**572**	318	–	32	350
Conversion of loan to equity[2]	**702**	**(702)**	**–**	**–**	–	–	–	–
As at 31 December	**10,740**	**–**	**244**	**10,984**	9,522	702	188	10,412

1. The Investments in subsidiaries additions represent capital injections into group undertakings.
2. During the year a £702m loan with Legal & General America Inc. was converted into equity.

No impairment charge was recognised in relation to any investment in subsidiaries during the year ended 31 December 2022 or 31 December 2021. Full disclosure of the company's investments in subsidiary undertakings is contained in Note 42 of the group's consolidated financial statements.

7 Receivables: amounts due within one year

	2022 £m	2021 £m
Amounts owed by group undertakings[1]	**1,067**	1,489
Corporation tax	**99**	94
Deferred tax	**22**	37
Other debtors	**77**	85
Receivables: amounts due within one year	**1,265**	1,705

1. Amounts owed by group undertakings are repayable at the request of either party and include a £984m (2021: £1,079m) interest bearing balance with a current interest rate of SONIA+CAS-12.5 bps, floored at zero.

8 Payables: amounts falling due after more than one year

	Note	2022 £m	2021 £m
Subordinated borrowings	11	**3,794**	3,672
Amounts owed to group undertakings[1]		**910**	911
Payables: amounts falling due after more than one year		**4,704**	4,583

1. Amounts owed to group undertakings falling due after more than one year are unsecured and include £901m (2021: £901m) of interest bearing balances with current interest rates between 2.39% and 6.12% (2021: 2.39% and 6.12%).

9 Payables: amounts falling due within one year

	Note	2022 £m	2021 £m
Amounts owed to group undertakings[1]		**397**	180
Accrued interest on subordinated borrowings	11	**29**	28
Other payables		**106**	75
Payables: amounts falling due within one year		**532**	283

1. Amounts owed to group undertakings falling due within one year are interest free and repayable at the request of either party.

10 Derivative assets and liabilities

	Fair values	
	Assets 2022 £m	**Liabilities 2022 £m**
Currency swap contracts – held for trading	**182**	**204**
Currency swap contracts – cash flow hedge	**115**	**–**
Derivative assets and liabilities	**297**	**204**

	Fair values	
	Assets 2021 £m	Liabilities 2021 £m
Currency swap contracts – held for trading	46	105
Currency swap contracts – cash flow hedge	–	–
Derivative assets and liabilities	46	105

A description of each type of derivative is given in Note 12 of the group's consolidated financial statements.

11 Borrowings

Subordinated borrowings[2]	Carrying amount 2022[1] £m	Coupon rate 2022 %	Fair value 2022 £m	Carrying amount 2021[1] £m	Coupon rate 2021 %	Fair value 2021 £m
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**541**	590	5.50	776
5.375% Sterling subordinated notes 2045 (Tier 2)	**605**	**5.38**	**593**	604	5.38	673
5.25% US Dollar subordinated notes 2047 (Tier 2)	**712**	**5.25**	**665**	635	5.25	694
5.55% US Dollar subordinated notes 2052 (Tier 2)	**417**	**5.55**	**389**	373	5.55	428
5.125% Sterling subordinated notes 2048 (Tier 2)	**400**	**5.13**	**377**	400	5.13	461
3.75% Sterling subordinated notes 2049 (Tier 2)	**599**	**3.75**	**507**	598	3.75	632
4.5% Sterling subordinated notes 2050 (Tier 2)	**500**	**4.50**	**439**	500	4.50	558
Total subordinated borrowings	**3,823**		**3,511**	3,700		4,222

1. Includes accrued interest on subordinated borrowings of £29m (2021: £28m).
2. Further details on the Subordinated borrowings of the company are provided in Note 22 of the group's consolidated financial statements.

12 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 34 of the group's consolidated financial statements.

13 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 5 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 coupon payments are recognised directly in equity. During the year coupon payments of £28m were made (2021: £28m). 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.

Directors' report

The directors submit their annual report and accounts for Legal & General Group Plc, together with the consolidated financial statements of the Legal & General group of companies, for the year ended 31 December 2022. The directors' report required under the Companies Act 2006 comprises this directors' report, and certain other disclosures in the corporate governance report, directors' report on remuneration, strategic report and the notes to the group consolidated financial statements, including:

Annual General Meeting (AGM)

The company intends to hold this year's AGM on Thursday, 18 May 2023, at 11am at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London, WC1H 9JZ with facilities to join virtually. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting.

Board and directors

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 20 May 2021.

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 2022. The Board confirms that it has reviewed the schedule of directors' conflicts of interest during the year and that the procedures in place operated effectively in 2022. None of the directors had an interest in any contract of significance with the company or any of its subsidiaries during 2022.

Powers of directors

The directors (as detailed on pages 64 to 65) 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 that director's 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.

Directors' interests

The Directors' report on remuneration on pages 96 to 125 provides details of the share interests of each director, including details of current incentive schemes and long-term incentive schemes.

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 company's pension schemes. The indemnities were in force throughout 2022 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.

Insurance

The company has arranged appropriate directors' and officers' liability insurance for directors. This is reviewed annually.

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 undertaking. 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 7 March 2023, the company has no borrowings under this facility. There is 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.

Related party transactions

Details of related party transactions are set out in Note 39 to the group consolidated financial statements.

Shares and dividend information

Share capital

As at 31 December 2022, the company's issued share capital comprised 5,973,253,500 ordinary shares each with a nominal value of 2.5 pence. Details of the ordinary share capital can be found in Note 34 to the group consolidated financial statements.

At the 2022 AGM, the company was granted authority by shareholders to purchase up to 597,047,687 ordinary shares, being 10% of the issued share capital of the company as at 31 March 2022. In the year to 31 December 2022, no shares were purchased by the company. This authority will expire at the 2023 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

At the 2022 AGM, the directors were given the power to allot shares up to an amount of £49,753,973, being 33% of the issued share capital of the company as at 31 March 2022. This authority will also expire at the 2023 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 2022 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 5) of the UK Listing Authority is published via a Regulatory Information Service and on the company's website: www.legalandgeneralgroup.com. As at 31 December 2022, 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]
BlackRock Inc.	298,315,445	4.994
RBC	181,825,498	3.044

1. Using the voting rights figure as at 31 December 2022, as announced to the London Stock Exchange on 3 January 2023, of 5,973,253,500.

No material changes to the interests have been disclosed between 31 December 2022 and 3 March 2023.

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 2022 of 13.93 pence per ordinary share which, together with the interim dividend of 5.44 pence per ordinary share paid to shareholders on 26 September 2022, will make a total dividend for the year of 19.37 pence (2021: 18.45 pence). Subject to shareholder approval at the AGM, the final dividend will be paid on 5 June 2023 to shareholders on the share register on 28 April 2023 provided that the Board 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. Our dividend policy is set out on page 4.

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:

- 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
- the instrument of transfer is in respect of only one class of share
- 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 0.97% of the issued share capital of the company as at 5 March 2023 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 0.30% of the issued share capital of the company as at 5 March 2023. 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 unallocated shares held in the trust.

The company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/ or voting rights.

Required disclosures

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 (4)	96 to 125
LR 9.8.4R (12)	259
LR 9.8.4R (13)	259

Additional information required under Listing Rule 9.8.6

Additional information to be included in the annual report of a listed company incorporated in the United Kingdom that cannot be found in the directors' report:

Relevant Listing Rule	Page
LR 9.8.6R (1)	118 to 119
LR 9.8.6R (5) & (6)	74 to 75
LR 9.8.6R (7)	107
LR 9.8.6R (8)	47 to 48
LR 9.8.6R (9), (10) & (11)	72 and 84 to 87

Directors' report
continued

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.

Political donations

No political donations were made during 2022.

Branches

Our investment management business has branches in Australia, Germany, Italy, the Netherlands and Sweden.

Greenhouse Gas (GHG) Disclosures

Global GHG emissions data

Emissions source	Jan – Dec 2021[1,2]	Jan – Dec 2022[1,2]
Scope 1	13,722	12,506
– UK	13,696	12,408
– International	26	98
Scope 2 – location	17,235	17,556
– UK	16,416	16,649
– International	819	907
Scope 2 – market	2,432	2,586
– UK	1,613	1,679
– International	819	907
Fugitive emissions (included in scope 1)	127	293
Scope 3 – operations		
Category 3 – fuel and energy-related activities	8,607	8,301
Category 5 – waste	486	400
Category 6 – business travel	2,070	5,467
Category 7 – employee commuting (home working)	3,025	4,739
Category 8 – upstream leased assets (serviced offices)	371	306
Category 13 – downstream leased assets	0.4m	–
Category 15 – investments	7.3m	5.8m
Intensity ratio: tCO_2e emissions per employee (scope 1 and 2)	2.86	2.60

Energy (kWh) (aggregate of scope 1 & 2)	Jan – Dec 2021	Jan – Dec 2022
Total Electricity	79,693,834.81	87,877,909.79
– UK	77,094,002.81	84,447,050.27
– International	2,599,832.00	3,430,859.52
Gas	46,162,928.52	47,909,886.20
– UK	46,101,068.48	47,045,293.12
– International	61,860.04	864,593.08
On-site fuel (UK only)	18,118,305.45	16,112,280.00
Total energy use	143,975,068.78	151,900,076.00

Our total scope 1, scope 2 (location) and scope 2 (market) emissions have been subject to independent limited assurance by Deloitte. The basis of preparation (or reporting criteria) for our group carbon footprint is available at group.legalandgeneral.com/sustainabilityreports and Deloitte's limited assurance report is available on page 41 of our 2022 climate report.

1. LGIMRA data is reported annually from 1 December to 30 November and our IVG data is reported from 1 October to 30 September.
2. Due to improvements in data collection and assessment methods the 2021 data for IVG and L&G Affordable Homes is being restated.
3. Joint ventures are included in our footprint where we are the majority shareholder, or have operational control.

Data Sources: carbon data is collected and aggregated to provide a group-wide footprint and is based on a combination of actual, extrapolated, estimated and benchmarked data. Data is sourced from meter readings, invoices, supplier reports, expenses and travel booking systems. Refer to our reporting criteria document for further details: group.legalandgeneral.com/sustainabilityreports.

Scope 1: all direct emissions from the activities under control.

Scope 2: emissions from purchased or acquired electricity, steam, heat and cooling.
- Location based – reflects the average emissions intensity of grids on which energy consumption occurs.
- Market based – reflects emissions from electricity purposefully chosen. It derives emission factors from contractual instruments.

Scope 3: indirect emissions from our value chain. Further details on our assessment of materiality for all categories of scope 3 emissions can be found on page 48 of the climate report.

- Cat. 3 emissions related to energy purchased and consumed by Legal & General in the reporting year, that are not included in scope 1 and 2.
- Cat. 5 emissions from third-party disposal and treatment of waste generated in occupied properties and construction activities in the reporting year.
- Cat. 6 emissions from business mileage, flights and train journeys for UK and US operations.
- Cat. 7 emissions from homeworking only, calculated using BEIS conversion factors.
- Cat. 8 emissions from the operation of assets that are leased to L&G in the reporting year and not included in scope 1 or scope 2, calculated using REEB 2020 benchmarks.
- Cat. 13 emissions from tenant operations of Legal & General owned assets.
- Cat 15 emissions including equity and debt investments and project finance in the reporting year, not included in scope 1 or scope 2.

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. The greenhouse gas emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard 'Operational Control' method, and emission factors for fuels and electricity are published here: https://bit.ly/GHG_Standards.

Our emissions, shown in the table opposite, cover 100% of Legal & General Group plc's operational footprint. We report scope 1 and 2 emissions where we have operational control. Operational control is where we directly procure utilities for property we occupy, own and manage, including our subsidiary businesses and joint ventures[3] or where we have significant control over energy use. Please refer to the Sustainable Business section of this report, our 2022 climate report and CDP Disclosure for an overview of the types of measures taken to improve our management of energy.

Financial reports and disclosures

Use of financial instruments

Information on the group's risk management process is set out on pages 52 to 59. More details on risk management and the financial instruments used are set out in Notes 15 to 17 of the group consolidated financial statements.

Independent auditors

The company's auditor has expressed its willingness to continue in office and the Audit Committee has recommended its reappointment to the Board. Resolutions to reappoint KPMG LLP as auditor to the company and to authorise the Audit Committee to determine its remuneration are proposed for the forthcoming AGM.

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 UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' report on remuneration and corporate governance statement that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors of the company and their functions are listed on pages 64 to 65.

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 89.

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's 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 UK-adopted international accounting standards and are set out on page 159 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 2022 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 they ought to have taken as a director to make themself 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 2 to 59 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 24 to 27 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 10), derivatives (Note 12), cash and cash equivalents (Note 14), asset risk (Note 7), market, credit and insurance risks (Notes 15 to 17) and borrowings (Note 22).

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 52 to 59. Having assessed the main risks and other matters discussed in connection with the Group Board viability statement set out on page 55, 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 (AGM)

The 2023 AGM will be held on Thursday 18 May 2023 at 11am at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ with facilities to join virtually. 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 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: group.legalandgeneral.com/AGM.

Dividend information

This year the directors are recommending the payment of a final dividend of 13.93 pence per share. If you add this to your interim dividend of 5.44 pence per share, the total dividend recommended for 2022 will be 19.37 pence per share (2021: 18.45 pence per share). The key dates for the payment of dividends are set out in the important dates section opposite.

Dividend payment options

Have your dividends paid into your bank account

Once registered on Investor Centre, you can choose to receive your dividends directly into your bank account. Just select 'View/ update your bank details' and follow the simple instructions. Alternatively, you can contact Computershare for a bank mandate form. By opting to receive your dividends electronically, your dividend will reach your bank account on the dividend payment date. Alternatively, you can choose to receive your dividends via a cheque payment.

Re-invest your dividends

The dividend re-investment plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional ordinary shares. The plan is provided by Computershare Investor Services PLC who are authorised and regulated by the Financial Conduct Authority.

Global Payment Service

If you don't have access to a UK bank or building society account, you can elect to join the Global Payment Service (GPS) and receive cash dividends direct to your bank account in your local currency (a small fee and terms and conditions apply).

You can find further details regarding these payment options through your Investor Centre account or by contacting our Registrar, Computershare, on the contact details opposite.

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. Please consult an independent advisor if you need any assistance with financial matters.

Important dates

	Final	Interim*
Results announcement	8 March 2023	15 August 2023
Ex-dividend date	27 April 2023	24 August 2023
Record Date	28 April 2023	25 August 2023
Last day for Dividend Reinvestment Plan elections	12 May 2023	5 September 2023
Annual General Meeting	18 May 2023	N/A
Dividend payment date	5 June 2023	26 September 2023

* These dates are provisional and subject to change

Shareholder enquiries

Registrar

Computershare Investor Services PLC (Computershare) has been appointed by Legal & General Group Plc to act as our Registrar and offers many services to make managing your shareholding easier and more efficient.

Investor Centre

The Investor Centre is a secure online site where you can manage your shareholding. To register for the Investor Centre, just visit www.investorcentre.co.uk. You will need your Shareholder Reference Number (SRN), which can be found on your dividend voucher or by contacting Computershare. Once registered you can:

- view your shareholding and obtain an indicative valuation
- change your address
- arrange to have dividends paid into your bank account or join the Dividend Reinvestment Scheme (DRIP)
- request to receive shareholder communications by email rather than post
- view your dividend payment history
- sell shares
- download a variety of forms, including a Stock Transfer Form.

Contact information

For any queries regarding your shareholding, please contact Computershare:

By phone: +44 (0) 370 707 1399**
By email: webcorres@computershare.co.uk
In writing: Computershare Investor Services PLC. The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

**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 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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.

You can register for electronic communications via the Investor Centre.

Buy and sell shares

Simple and competitively priced services to buy and sell shares are provided by Computershare. Shareholders are able to sell Legal & General shares by registering on the Investor Centre (www.investorcentre.co.uk) and enrolling for Computershare's share dealing service. Shareholders are also able to buy shares through a postal purchase facility. Shareholders will be required to complete Anti-Money Laundering (AML) checks in advance of dealing in shares and it is therefore advisable to register your account in advance if you wish to sell shares.

Once registered and AML checks have been completed, shareholders can choose to deal online or to download a dealing form and trade via a postal dealing service. Any holder of certificated shares will be required to send Computershare their original share certificate and an authorisation letter before a trade can be executed.

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.

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. The corporate sponsored nominee also offers lower rate dealing costs. Individual shareholders hold their Legal & General shares in a nominee holding registered in the name of Computershare Company Nominees Limited. To join or obtain further information, contact the Registrar. You will be sent a deposit form outlining the terms and conditions under which your shares will be held.

Communication with shareholders

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 the investor centre. 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.

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.

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; or

Promised tempting returns and told the investment is safe.

Called repeatedly

Told the offer is only available for a limited time? If so, you might have been contacted by fraudsters.

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.

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.

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. Alternatively, you can inform Computershare Investor Services, on 0370 707 1399 (Computershare are not able to investigate such incidents themselves, but they will record the details, pass them on to us, and liaise with the FCA).

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.

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 and stakeholders 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 enhance understanding of the group's performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations. 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. The APMs used by the group may not be the same as, or comparable to, those used by other companies, both in similar and different industries.

The calculation of APMs is consistent with previous periods, unless otherwise stated.

Adjusted operating profit

Definition

Adjusted operating profit is an APM that supports the internal performance management and decision making of the group's operating businesses, and accordingly underpins the remuneration outcomes of the executive directors and senior management. The group considers this measure meaningful to stakeholders as it enhances the understanding of the group's operating performance over time by separately identifying non-operating items.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. It therefore reflects longer-term economic assumptions for the group's insurance businesses and shareholder funds, including the traded portfolio in LGC. For direct investments, operating profit reflects the expected long-term economic return for those assets which are developed with the intention of sale, or the IFRS profit before tax for the early stage and mature businesses.

Variances between actual and long-term expected investment return on traded and real assets (including direct investments) are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (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. Adjusted operating profit also excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate on insurance contract liabilities. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are also excluded from adjusted operating profit.

In certain disclosures, the group may use the term 'operating profit' as a substitute for adjusted operating profit, but in all circumstances it carries the same definition and meaning.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary adjusted 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 for the year of £2,291m (31 December 2021: £2,050m) and average equity attributable to the owners of the parent of £11,079m (31 December 2021: £9,994m), based on an opening balance of £10,486m and a closing balance of £11,673m (2021: based on an opening balance of £9,502m and a closing balance of £10,486m).

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 38 – Reconciliation of assets under management to the Consolidated Balance Sheet.

Net release from operations

Definition

Release from operations plus new business surplus/(strain). Net release from operations is also referred to as cash generation 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. Net release from operations is a component of adjusted operating profit (after tax) and excludes predominantly the impact of experience variances and changes in valuation assumptions.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary adjusted 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.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2 – Supplementary adjusted operating profit information – section (i).

Glossary

* These items represent an alternative performance measure (APM)

Adjusted operating profit*
Refer to the alternative performance measures section.

Adjusted profit before tax attributable to equity holders*
Refer to the alternative performance measures section.

Alternative performance measures (APMs)
An 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.

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.

Assured Payment Policy (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.

CAGR
Compound annual growth rate.

Cash generation
Cash generation is an alternative term for net release from operations.

CCF – Common Contractual Fund
An Irish regulated asset pooling fund structure. It enables institutional investors to pool assets into a single fund vehicle with the aim of achieving cost savings, enhanced returns and operational efficiency through economies of scale. A CCF is an unincorporated body established under a deed where investors are "co-owners" of underlying assets which are held pro rata with their investment. The CCF is authorised and regulated by the Central Bank of Ireland.

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 in the US and Bermuda 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 as well as 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.

Early stage business
A recently created company in the early stage of its life cycle (typically up to 18 to 24 months since establishment), which has not broken even yet. This usually means the entity is not fully operational yet, and the management team is still being developed.

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.

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.

Glossary
continued

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.

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).

Fair value through profit or loss (FVTPL)
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.

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.

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.

Insurance new business
New business arising from new policies written on retail protection products and new deals and incremental business on group protection products.

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.

LGIM
Legal & General Investment Management.

LGRI
Legal & General Retirement Institutional.

LGRI new business
Single premiums arising from pension risk transfers and the notional size of longevity insurance transactions, based on the present value of the fixed leg cash flows discounted at the SONIA 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 55 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.

Longevity
Measure of how long policyholders will live, which affects the risk profile of pension risk transfer, annuity and protection businesses.

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.

Mature business
A company which has been operative for more than three to five years. It generates regular revenue streams but the growth rate in its earnings is expected to remain broadly flat in the future. At this point in its life cycle, a complete and experienced management team is in place.

Morbidity rate
Rate of illness, influenced by age, gender and health, used in pricing and calculating liabilities for policyholders of life products, which contain morbidity risk.

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.

Net zero carbon
Achieving an overall balance between anthropogenic carbon emissions produced and carbon emissions removed from the atmosphere.

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 and protection, net of tax. This metric provides an understanding of the impact of new contracts on the IFRS profit for the year.

OEIC – Open Ended Investment Company
A type of investment fund domiciled in the United Kingdom that is structured to invest in stocks and other securities, authorised and regulated by the Financial Conduct Authority (FCA).

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.

Paris Agreement
The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change effective 4 November 2016. The Agreement aims to limit the increase in average global temperatures to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

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.

Persistency
Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and opening AUM.

For insurance, persistency is the rate at which policies are retained over time and therefore continue to contribute premium income and assets under management.

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.

Proprietary assets
Total investments to which shareholders are directly exposed, minus derivative assets, loans, and cash and cash equivalents.

QIAIF – Qualifying Investor Alternative Investment Fund
An alternative investment fund regulated in Ireland targeted at sophisticated and institutional investors, with minimum subscription and eligibility requirements. Due to not being subject to many investment or borrowing restrictions, QIAIFs present a high level of flexibility in their investment strategy.

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 IFRS surplus generated in the period from the difference between IFRS prudent assumptions and our best estimate of future experience for in-force LGRI, Retail Retirement and UK Insurance businesses, the post-tax operating profit on other UK businesses, including the medium term expected investment return on LGC invested assets, and dividends remitted from US insurance.

Retail Retirement new business
Single premiums arising from annuity sales and the volume of lifetime and retirement interest-only mortgage lending.

Retirement Interest-Only (RIO) mortgage
A 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.

SICAV – Société d'Investissement à Capital Variable
A publicly traded open-end investment fund structure offered in Europe and regulated under European law.

SIF – Specialised Investment Fund
An investment vehicle regulated in Luxembourg targeted to well-informed investors, providing a great degree of flexibility in organization, investment policy and types of underlying assets in which it can invest.

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
These are insurance regulations designed to harmonise EU insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk. Solvency II became effective from 1 January 2016. The group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK, and measures and monitors its capital resources on this basis.

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.

The Solvency II coverage ratio incorporates the impacts of a recalculation of the Transitional Measures for Technical Provisions in the Own Funds.

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 Operational Surplus Generation
The expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions. It includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

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.

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.

Forward-looking statements

This Annual Report and Accounts may contain 'forward-looking statements' with respect to the financial condition, performance and position, strategy, results of operations and businesses of the company and the group that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place undue reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the group. Further details of risks, uncertainties and other factors relevant to the business can be found on pages 56 to 58. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the group for the current year or future years will necessarily match or exceed the historical or published earnings of the group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Caution about climate information

This Annual Report and Accounts contains climate and ESG disclosures which use a large number of judgments, assumptions and estimates. These judgments, assumptions and estimates are likely to change over time, in particular given the uncertainty around the evolution and impact of climate change. In addition, the group's climate risk analysis and net zero strategy remain under development and the data underlying the analysis and strategy remain subject to evolution. As a result, certain climate and ESG disclosures made in this report are likely to be amended, updated, recalculated or restated in future reports. This statement should be read together with the Cautionary statement contained in the group's latest climate report.

The information, statements and opinions contained in this Annual Report and Accounts do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

Designed by Superunion

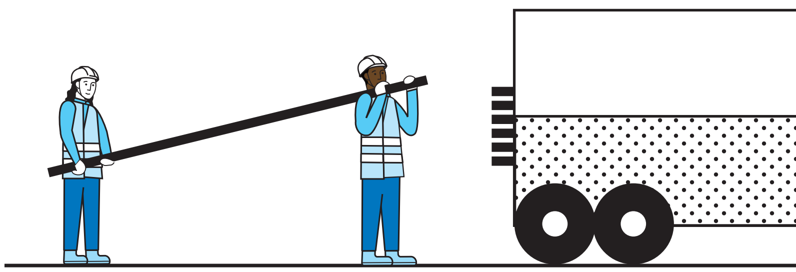
This report is printed on Revive 100 Offset. Revive 100 paper is made from 100% FSC® (Forest Stewardship Council®) recycled certified fibre sourced from de-inked post-consumer waste.

This report is 100% recyclable.

The printer and manufacturing mill are credited with the ISO 14001 Environmental Management Systems standard and are both FSC® certified. The paper is ECF (Elemental Chlorine Free) and the mill also holds the EMAS, the EU Eco-label for environmental management.

Printed in the UK by Pureprint using vegetable inks throughout.

RECYCLED
Paper made from recycled material
FSC® C022913
FSC
www.fsc.org



Registered office:
One Coleman Street,
London EC2R 5AA

T 020 3124 2000
F 020 3124 2500
legalandgeneralgroup.com

Legal & General Group Plc is a holding company, subsidiary undertakings of which are authorised and regulated by the Financial Conduct Authority and/or Prudential Regulation Authority, as appropriate.